Vodacom Group Annual Report 2005

Driving the future of communication

Vodacom Group Annual Report 2005

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enabling wireless data access . . . ***page 5***

changing the face of communication . . . ***page 37***

annual financial statements . . . ***page 89***

www.vodacom.co.za

Operating highlights

Total customers up 38.0% to 15.5 million

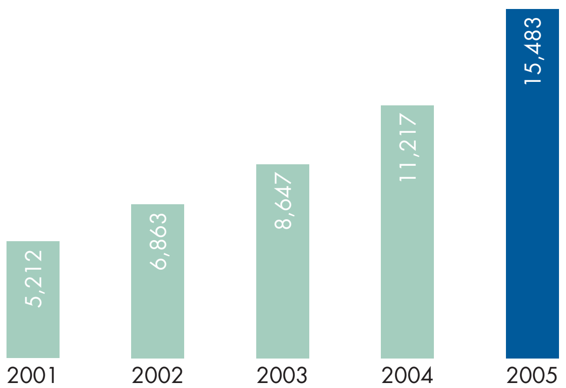
- Customers up 32.0% in South Africa to 12.8 million
- Customers up 54.0% in DRC to 1.0 million
- Customers up 75.6% in Tanzania to 1.2 million

South African market share of 56%

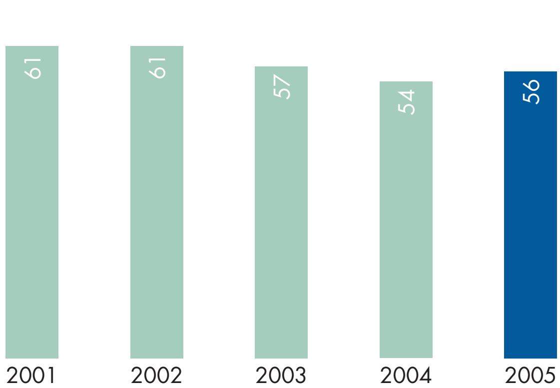
Vodafone strategic alliance announced in November 2004

First 3G network in South Africa launched in December 2004

Total customers
'000



South African market share
%



Financial highlights

Revenue up 19.5% to R27.3 billion

Profit from operations up 23.9% to R6.5 billion

EBITDA up 23.6% to R9.6 billion

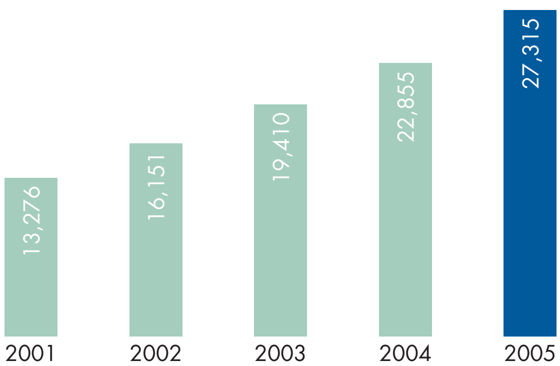
EBITDA margin up 1.1% points to 35.1%

Net profit up 27.2% to R3.9 billion

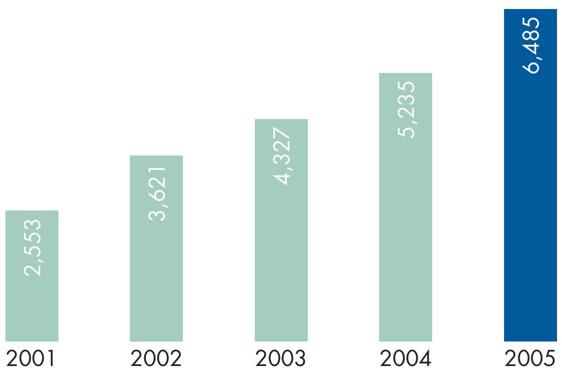
Cash generated from operations up 31.8% to R10.0 billion

Dividends up 61.9% to R3.4 billion

Total revenue
Rand millions

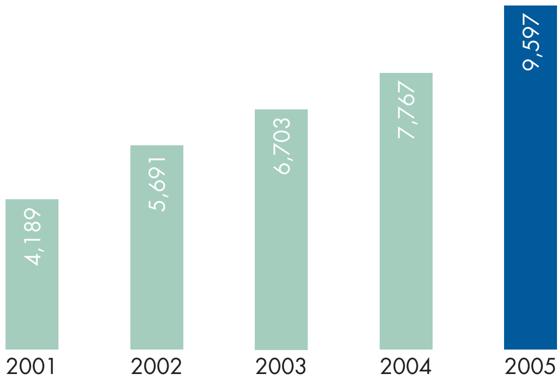


Profit from operations
Rand millions

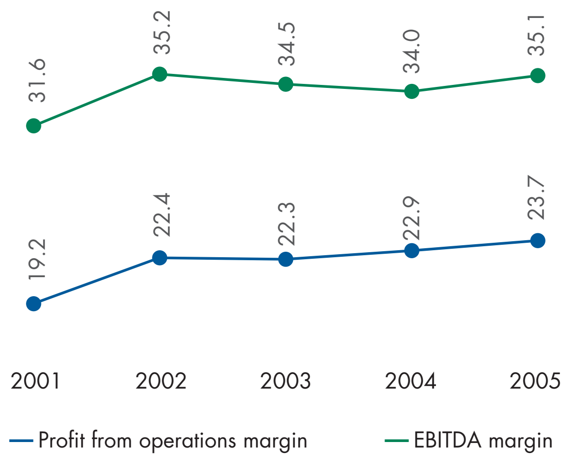


Note that revenue and operating costs in 2004 and 2003 have been restated by R623 million and R369 million, respectively, in respect of direct sales of handsets for new contract connections and upgrades not eliminated on consolidation. 2001 and 2002 have not been restated.

EBITDA
Rand millions

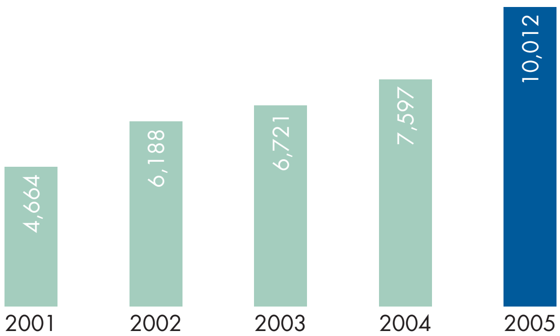


Profit from operations and EBITDA margins
%

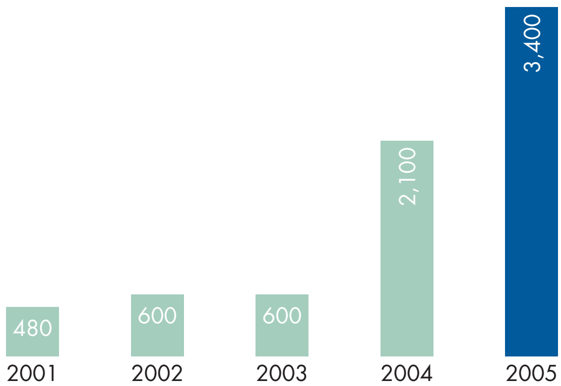


Note that revenue and operating costs in 2004 and 2003 have been restated by R623 million and R369 million, respectively, in respect of direct sales of handsets for new contract connections and upgrades not eliminated on consolidation. 2001 and 2002 have not been restated. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.

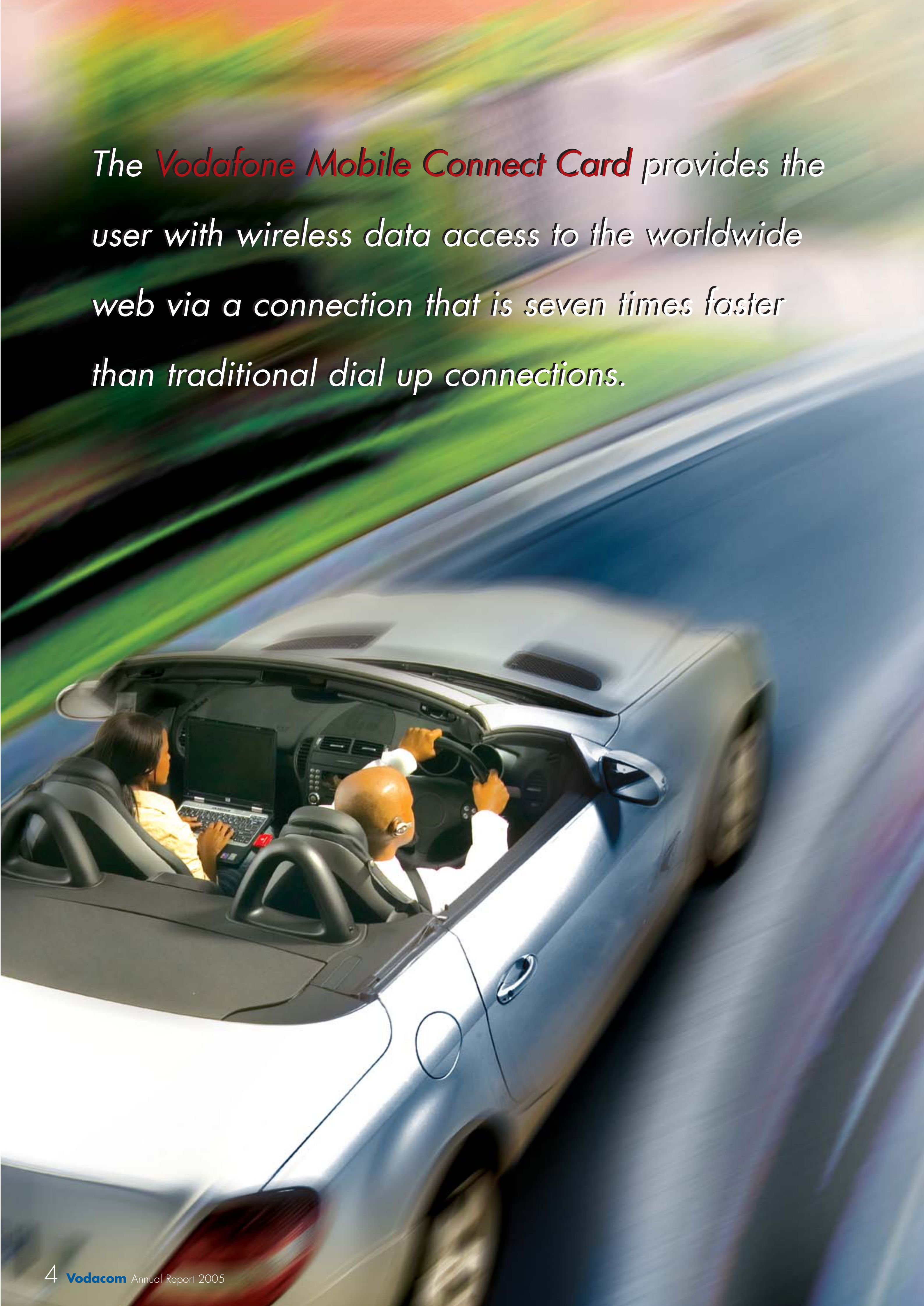
Cash generated from operations
Rand millions



Dividends
Rand millions



The Vodafone Mobile Connect Card provides the user with wireless data access to the worldwide web via a connection that is seven times faster than traditional dial up connections.



CHAIRMAN'S REVIEW

"Vodacom's success is underpinned by strong business principles with respect to its partners and employees, as well as a desire to invest in improving the quality of life of local communities."

Wendy Luhabe
Chairman
Vodacom Group (Proprietary) Limited

Introduction

It gives me great pleasure to present Vodacom's annual report for the financial year to March 31, 2005. Vodacom has once again exceeded expectations in respect of growth in revenue, operating profits and cash flows, demonstrating the robust growth of the cellular industry in South Africa as well as Vodacom's leadership position.

Connect superfast with the new 3G data card

During the year under review, Vodacom was again rated by consumers as South Africa's best performing telecommunications company according to a survey conducted by the SA Satisfaction Index on behalf of the Department of Trade and Industry.

Vodacom's success is underpinned by strong business principles with respect to its partners and employees, as well as a desire to invest in improving the quality of life of local communities. Vodacom's ambition is to consistently exceed customer service expectations. The quality of our service is supported by outstanding management teams, technological advancements and investment in market research, brand development and exceptional marketing. Vodacom continues to be passionate in everything it does.

Vodacom's history is one of exceptional growth and returns to its shareholders. With our dedication to customers, strong brand and technological advancement, Vodacom is well placed to continue this success and growth.

Growth and Performance

Vodacom's growth has been an inspiration. Revenue increased by 19.5% to R27.3 billion, while profit from operations was up by 23.9% to R6.5 billion. EBITDA grew by 23.6% to R9.6 billion with an EBITDA margin of 35.1%, an increase of 1.1 percentage points on the prior year. Cash generated from operations in the year totalled R10.0 billion, an increase of 31.8% on the previous year.

Vodacom now has more than 15.5 million customers, a 38.0% increase on the previous year. Vodacom continues to set new records on its gross connections for the year under review, with 7.8 million customers connected to the Vodacom networks, the highest number of gross connections in the history of the Group.

Industry Developments

During the year, several pronouncements were made by the Minister of Communications, Ivy Matsepe-Casaburri, which came into effect as of February 1, 2005. On that date, a variety of prohibitions and limitations were lifted, enabling cellular network operators to self-provide transmission links or obtain these from anyone else. Value-added network services operators (VANS) and private telecommunications network services operators (PTNS) are now able to share and sell spare capacity, with VANS now permitted to carry voice over internet protocol (VOIP). Furthermore, there has also been liberalisation in respect of public payphone licences.

The deregulation has been regarded by many as a significant regulatory event for the industry, allowing greater competition in services and suppliers which is expected to lead to lower costs to the consumer and hence lower cost of doing business in South Africa. Vodacom supports a more competitive environment with a greater degree of liberalisation, but one where the rules are negotiated, clearly defined and understood by all participants, thereby creating greater levels of certainty that protects the investment that Vodacom has injected into the South African economy.

Vodacom is currently investigating a variety of commercial opportunities that have been presented by this liberalisation, including the self-provisioning of facilities and VOIP and is addressing ways to manage the challenges posed in respect of VOIP and public payphones.

A draft copy of the Convergence Bill was published in February 2005. Vodacom recognises that convergence is a logical result of developing technologies and consumer demand and that an enabling regulatory environment to allow this is essential. Vodacom is therefore supportive of a revision of the current information, communication and technology (ICT) policy. However, Vodacom's key concerns rest on the protection of existing licensees and their vested rights and obligations, as well as additional fees and obligations being imposed on existing licensees. We expect, therefore, that dialogue with industry stakeholders will achieve the objectives of the Convergence Bill without undermining existing commitments.

Vodacom is currently engaged in providing comments to the Ministry in this regard and hopes to find an amicable solution to these challenges.

Opportunities for Growth

Vodacom is a dynamic company with a pioneering spirit and is dedicated to growth and increasing value for its shareholders. Value is created through new investment opportunities with a view to achieving sustainable returns, enhancement and advancement of products, services and technologies such as 3G, as well as investment in the competence of our employees and the leadership of our management.

In order to achieve continued growth, Vodacom continues to focus on expansion on the African continent and is consistently evaluating new investment opportunities. However, this expansion continues to be managed cautiously to comply with good corporate governance. Vodacom is well positioned to continue expansion into the African continent which is essential for the maintenance of satisfactory levels of growth.

In December 2004, Vodacom was the first network operator to introduce 3G to its customers in South Africa. As part of this launch, Vodacom launched the Vodafone Mobile Connect 3G/GPRS datacard, which provides fast, secure access to corporate networks from laptop computers. More recently, Vodacom announced the launch of consumer services through "Vodafone live!". In March this year, Vodacom officially launched BlackBerry®, a GPRS-based service in South Africa. We believe that this technological evolution offers Vodacom significant growth opportunities and that it is well positioned to maximise value from these investments.

Governance and Compliance

During the year, Vodacom increased its focus on the implementation of Group-wide best practices in corporate governance. Vodacom's belief is that as its African business

“Vodacom continues to play a leading role in democratising telephony on the African continent.”

expands and, in keeping with the objectives of the New Partnership for Africa’s Development (NEPAD), it is essential that we introduce and practice good corporate governance in all our African operations. To this end, Vodacom has created a new function of Chief Governance Officer to assist in building this capacity throughout the organisation.

Compliance with good corporate governance is at the forefront of Vodacom’s performance considerations. We therefore continue to adopt the recommendations of the King Committee Report on Corporate Governance 2002.

Charter Developments

Vodacom continues to be an active champion and member of the Black Economic Empowerment (BEE) Charter for the ICT sector.

The ICT Charter was submitted to the Minister of Communications on May 12, 2005 whereafter it will be tabled to Cabinet for adoption and release for public comment. Vodacom has contributed meaningfully to this release.

The steering committee reached consensus on every issue, including equity ownership targets; the details of a balanced scorecard and the creation of a charter council to guide the industry’s transformation. Vodacom endorses the principles of the balanced scorecard approach.

The ICT BEE Charter is expected to be implemented in the second half of 2005 and Vodacom will strive to comply to the extent that it participates in, and endorses, the process.

Black Economic Empowerment

In South Africa, Vodacom continues to demonstrate commitment to BEE and regards the process as essential to broaden participation in South Africa’s economic opportunities and potential.

As at March 31, 2005, 37% of Vodacom’s managers were historically disadvantaged and, at an operational level 73% of its staff members were historically disadvantaged. Vodacom is committed to being an employer of choice, with 2.0% of its total salary budget being invested in training and development.

Over the years we have increased focus on succession development programmes and the retention of employees who perform critical functions.

Vodacom's preferential procurement programme continues to strive for commercial equity with regards to suppliers from designated historically disadvantaged individuals and companies (HDI). HDI procurement reached R2.4 billion, representing 75.3% of commercial spend in 2005, an increase of 87.9% over last year.

Vodacom shareholders intend to actively engage in finding appropriate solutions for the company's BEE equity targets once the ICT Charter has been finalised.

Corporate Social Responsibility

Vodacom regards corporate social responsibility (CSR) as a crucial construction in a society that is burdened by huge disparities and seeks to ensure a balance between the impact it has on all stakeholders. CSR is therefore ingrained in the "Vodacom Way" and its commitment starts from the top.

Vodacom operates in a challenging environment and needs to be sensitive in its dealings with all stakeholders, including business partners, local communities and employees. Vodacom's CSR initiatives prioritise sustainability and therefore encompass corporate social investment, economic empowerment, employment equity, staff development, occupational safety and health and addressing HIV/Aids in the workplace.

In respect of corporate social investment, some R34.8 million (2004: R30.6 million) was invested by the Vodacom Foundation to support the communities in which Vodacom operates with programmes covering education, health and welfare, as well as safety and security being the main focus of Vodacom's activities.

Impact on African Economies

In a landmark study by Vodafone Group Plc, who owns 35% of Vodacom, on the impact of cellular phones on the African continent, it was found that cellular telephony has had a pronounced impact on improving the economic and financial prospects of the continent through bridging the digital divide. Improvements include: increases in per capita Gross Domestic Product (GDP) (for every 10% increase in penetration, an estimated 0.6% growth in GDP is achieved), employment, direct foreign investment and economic development. The study has also shown that Africa has witnessed faster growth in the cellphone industry than any other region in the world over the past five years. The cellphone industry therefore underpins the key to unlocking Africa's untapped economic potential.

In South Africa, it is not unusual to see hand-painted adverts offering the services of painters or repairmen accompanied only by a cellphone number. For the past ten years, Vodacom has made it possible to offer a point of contact where they can be reached which effectively creates self-employment. It was reported that more than 85% of black-owned small businesses in South Africa rely solely on cellphones for telecommunications and 62% of these believe their profits have increased as a result of cellphones. In countries where infrastructure – such as roads, fixed line communication, postal services, etc – is ineffective, cellular communications has made a substantial contribution to development and growth as well as improvement in the quality of life for many South Africans.

Vodacom continues to play a leading role in democratising telephony on the African continent. We are extremely privileged to be able to play a leading role in the economic upliftment of the countries in which we operate.

Board of Directors

It gives me pleasure to welcome Dr Marius Mostert and Tshepo Mahloele, as representatives of Telkom, as well as Robbie Barr and Gavin Darby, as representatives of Vodafone, to the Board. All appointments bring an invaluable wealth of experience and we look forward to their contribution.

Our appreciation is extended to Shawn McKenzie and Chian Khai Tan, as representatives of Telkom, as well as

> "Vodacom regards corporate social responsibility as a crucial construction in a society that is burdened by huge disparities, and seeks to ensure a balance between the impact it has on all stakeholders."

Pietro Guindani and António Carrapatoso, as representatives of Vodafone who resigned from the Board during the year.

Conclusion

Vodacom experienced a year of exceptional performance for which I must acknowledge Alan Knott-Craig and his management team who define new performance standards each financial year.

I express my sincere gratitude to Vodacom's 4,993 employees, who collectively have embraced the "Vodacom Way" and contribute without reservation to our success. It is through their skills, hard work and resilience that Vodacom maintains a leadership position. I also extend my appreciation to Vodacom's loyal customers and business partners for their ongoing support.

Naturally, without my colleagues on the Board, through their wisdom and counsel, our team effort would be incomplete.

As the industry defines its future and grows its footprint in the new era of cellular telecommunications, I am confident Vodacom is well positioned for continued success in the years ahead. Our success, however, is linked to the success of individuals, entrepreneurs, businesses and countries who have come to expect us to perform beyond their expectations.

Wendy Luhabe

Chairman

Vodacom Group (Proprietary) Limited

Back from left: Tshepo Mahloele, Dillie Malherbe, Gavin Darby, Robbie Barr, Dr Marius Mostert
Front from left: Wendy Luhabe, Sizwe Nxasana
Insert: Philip Williams (not available when photograph was taken)

BOARD OF DIRECTORS
as at March 31, 2005

Non-executive directors

Wendy Luhabe (48) (Chairman)
Ms Luhabe is a representative of Telkom and has worked as an entrepreneur since 1992 in various fields encompassing human resources management and development, women investment institutes and asset management. Previously, 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. In the past five years, she has served as a director of Cycad Financial Holdings Limited, the Southern Africa Fund Incorporated (New York) and Tiger Brands 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 has received various awards including Global Leader for Tomorrow.

Sizwe Nxasana (47)
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 member of the Income Tax Special Court and a director of Business Against Crime – South Africa (an association incorporated in terms of section 21 of the Companies Act), Zenex 1995 Trust and Zenex Foundation, Telkom Directory Services (Proprietary) Limited, FirstRand Bank and Holdings Limited and 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 (honours) degree from the University of South Africa, and is a Chartered Accountant (South Africa).

Dr Marius Mostert (45)
Dr Mostert is a representative of Telkom. He qualified as a Chartered Accountant (South Africa), working for three years at the then auditing company Aitken & Carter (now part of KPMG). In 1985 he joined the Industrial Development Corporation (IDC) where he worked for 14 years. In 1997, he was appointed to the Executive Management of the IDC, first as General Manager, responsible for corporate finance and client care, and later as Executive Vice President: Professional Services. In October 2001, he joined PSG Investment Bank (PSGIB) as Financial Director. He held this position until the acquisition of PSGIB by ABSA Bank. Mr Mostert serves on the Board, Audit, Risk and Investment Management, and Deal Committees of Decillion.

Tshepo Mahloele (37)
Mr Mahloele is a representative of Telkom. He holds Bachelor of Procuration and LLB degrees. Mr Mahloele has vast experience in corporate and project finance. He has been the Head of Corporate Finance at the Public Investment Corporation and the Isibaya Fund since 2003. His previous experience includes portfolio management at the Development Bank of South Africa. He has gained international exposure having worked for the Commonwealth Development Corporation, a UK funding agency, where he was involved in the capital funding for infrastructure projects. He was also employed by the listed company Solution at Work (a joint venture with MGX). Mr Mahloele is a non-executive director of Bakwena Platinum Corridor Concession.

Robbie Barr (46) (British)
Mr Barr is a representative of Vodafone. He is Vodafone Group Plc's Group Financial Controller and the Chief Financial Officer of Vodafone's Global Business Development unit. He joined Vodafone in 1993 and has held a number of senior finance roles in the Vodafone Group during this period. Mr Barr is currently a director of a number of Vodafone's subsidiary companies, as well as the French mobile telecommunications operator Société Française du Radiotéléphone S.A.

Gavin Darby (49) (British)
Mr Darby is a representative of Vodafone and was appointed Chief Executive, Americas Region in Vodafone on April 1, 2004. He recently took on the responsibility of Africa and China. He holds a Bachelor of Sciences (honours) in Management Sciences from the University of Manchester. Before joining Vodafone, he joined Coca-Cola GB in 1985 as Marketing Director. In 1988, he was appointed General Manager, Coca-Cola GB. From 1991 to 1998, Mr Darby held the positions of Benelux Region Manager and North West Europe Division President at Coca-Cola with responsibility for seven countries. In 1998, he became Division President of the 23 countries in Central Europe for two years, before being appointed Senior Vice President. He left Coca-Cola in February 2001 to take up the position of Chief Operating Officer of Vodafone UK. In September 2002, he became Chief Executive Officer, Vodafone UK.

Philip Williams (54) (British)
Mr Williams is a representative of Vodafone and Group Human Resources Director of Vodafone Group plc. Mr Williams was appointed Group Human Resources Director in 1989 and is a director of several of the Vodafone Group of Companies. He is also 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.

Josua (Dillie) Malherbe (49)
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).

Alternate directors

Chris Volschenk (36),
representative of Telkom, for Sizwe Nxasana.

Dr Thomas Nowak (41) (German),
representative of Vodafone, for Philip Williams.

Sir Julian Horn-Smith (56) (British),
representative of Vodafone, for Gavin Darby.

Jan Durand (38),
representative of VenFin, for Josua Malherbe.

Jeroen Visser (42) (Dutch),
representative of Vodafone, for Robbie Barr.

BOARD OF DIRECTORS

as at March 31, 2005

From left: Shameel Aziz Joosub, Alan Knott-Craig, Pieter Uys, Leon Crouse

Executive directors

Alan Knott-Craig (53)
(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 that, Mr Knott-Craig was Senior General Manager of Mobile Communications at Telkom, until the inception of Vodacom. He is also a director of several Vodacom Group companies. 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 Honour" for his contribution to bringing mobile telephones to Africa's masses. He serves as a Commissioner on the Presidential National Commission on Information Society and Development for ICTs.

Shameel Aziz Joosub (34)

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 (honours) 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).

Leon Crouse (52)
(CFO)

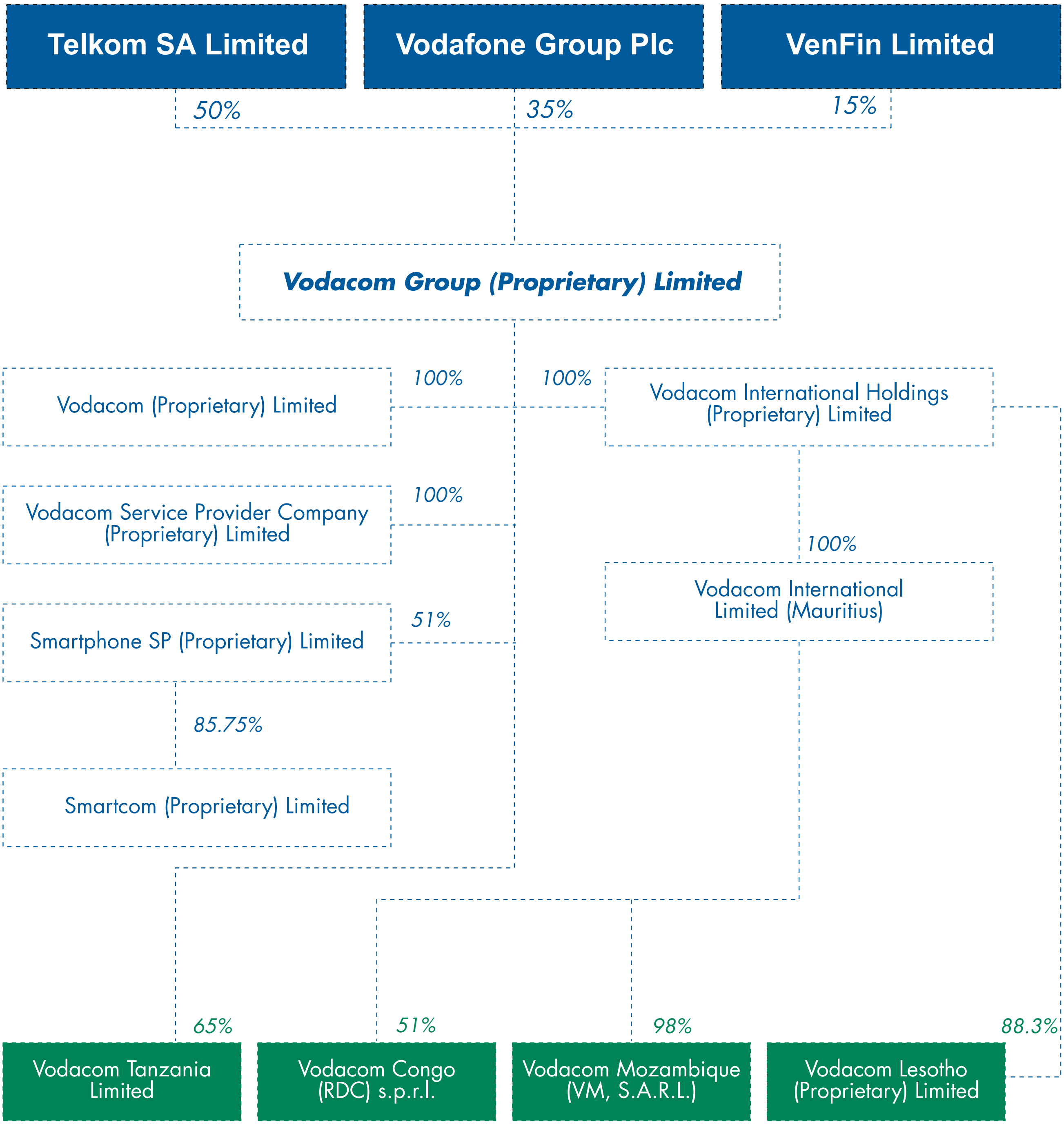
Mr Crouse has served as Group Finance Director and Chief Financial Officer since October 1996. Prior to that, Mr Crouse had served as Vodacom's General Manager of Finance since Vodacom's inception in 1993. Mr Crouse is also a director of several Vodacom Group companies. Mr Crouse holds a Bachelor of Commerce degree and a Certificate in the Theory of Accounting from the University of Port Elizabeth and is a Chartered Accountant (South Africa).

Pieter Uys (42)
(COO)

Mr Uys is the Managing Director of Vodacom (Proprietary) Limited and the 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.

OWNERSHIP AND CORPORATE STRUCTURE

as at March 31, 2005

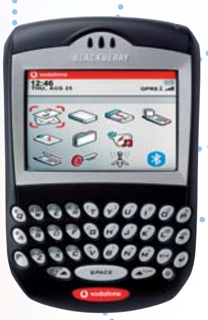


BlackBerry® is your link to a world beyond borders. In the office, or out, your e-mail finds you – the push technology ensures all e-mails are pushed to the BlackBerry® hand-held device via the Vodacom GPRS network. Now customers have the functionality of a cellphone with superior e-mail and SMS capabilities, which means they can leave the city without leaving the office.

CHIEF EXECUTIVE OFFICER'S REVIEW

"From its inception in 1993 and the commencement of its commercial operations on June 1, 1994, Vodacom has become a formidable cellular communications company and a real African success story."

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



Data and e-mail on demand with BlackBerry®

The Year Under Review

Introduction

I am pleased to present the Vodacom Group Annual Report for 2005 in what has, once again, been an outstanding year in the history of Vodacom. Our strong financial performance is underpinned by excellent growth in customers, improved market share, substantial growth in revenues and profits, strong free cash flows and a continued improvement in productivity.

From its inception in 1993 and the commencement of its commercial operations on June 1, 1994, Vodacom has become a formidable cellular communications company and a real African success story. From its South African origins, the Group has grown organically and through selective acquisitions and, today, has operations in five countries in sub-Saharan Africa, with 4,993 employees serving 15.5 million customers. Vodacom has operations in the Democratic Republic of the Congo (DRC), Tanzania, Lesotho and, more recently, Mozambique. Whilst entry into each of these markets was tough, these operations are starting to make a meaningful contribution to Vodacom's growth.

Vodacom's expansion outside South Africa contributed 8.3% (2004: 6.6%) to revenue and with 2.6 million customers (2004: 1.5 million), these operations constitute 17.1% of the total customer base (2004: 13.3%). All of Vodacom's other African operations, with the exception of Vodacom Mozambique, are now profitable at the profit from operations level. Mozambique remains a tough challenge, but we are confident that in the medium to long-term, it will also contribute to the overall growth of Vodacom.

Vodacom, with its strong balance sheet, successful brand and strong distribution channels, remains in an excellent position to take advantage of growth opportunities in the cellular industry. The recently formed alliance with Vodafone Group Plc is expected to provide further impetus to revenue growth from innovative products, which will also support the Group's growth strategy for new technologies such as third generation GSM technology (3G), where the focus remains on growing data revenues.

Performance

The Group delivered a strong financial performance for the year ended March 31, 2005. Growth has been driven by excellent performances from all the Group's operations, with the exception of Mozambique which remains in its start-up phase.

Revenue continued its strong growth year on year, reaching R27.3 billion (2004: R22.9 billion), a 19.5% increase over 2004.

This increase was driven by customer growth and an improved market share. Vodacom has experienced declining average revenue per user (ARPU), with a decrease in monthly ARPU in South Africa to R163 (2004: R177) as a result of lower spending customers being connected and a change in the customer mix. Nevertheless, the continued improvement in productivity has mitigated reducing ARPUs through the maintenance of ARPU margins.

Vodacom currently has 15.5 million customers (2004: 11.2 million), an increase of 38.0% for the year. We remain the market leader in all the countries in which we operate, with the exception of Mozambique.

As a result of sound cost management, Vodacom has ensured that its revenue growth has been translated into increased profits from operations, which increased 23.9% to R6.5 billion (2004: R5.2 billion), exceeding the revenue growth of 19.5%. Vodacom's EBITDA increased substantially by 23.6% to R9.6 billion (2004: R7.8 billion) and the EBITDA margin increased to 35.1% (2004: 34.0%). Despite a R268 million asset impairment charge in respect of Vodacom Mozambique, net profit after taxation increased by a strong 27.2% to R3.9 billion (2004: R3.1 billion).

Operations

South Africa

Vodacom South Africa has had an exceptional year in terms of growth in customers, revenue, profit from operations and EBITDA, all underpinned by a strategy of improving market share through aggressive growth and retention initiatives. Trading conditions were favourable, with a growing customer market and low inflation and interest rates in South Africa leading to customers having higher disposable income. This, in part, also contributed to the higher than expected customer growth. Vodacom also saw good performances from data services with data in South Africa contributing R1.2 billion (2004: R0.9 billion) or 5.0% (2004: 4.4%) of total revenue.

The robust growth in the South African market was again demonstrated by the high demand for cellular telephony. Vodacom South Africa, the flagship of the Vodacom Group, saw the operations exceeding expectation in respect of customer growth. As a result, Vodacom South Africa had a record 6.2 million gross connections (2004: 5.0 million), fuelling customer growth of 32.0% to a base of 12.8 million (2004: 9.7 million). Vodacom consequently saw an increase in its market share to 56% (2004: 54%) at the end of the year. The estimated penetration of the South African population is 48.5% and further growth can be expected given the robustness of the market and the strong economy.

Vodacom was issued a 3G licence during the year and a 3G network was launched in December 2004. This is an important step in the technical evolution of Vodacom. 3G is a new technology which requires a new overlay radio network to be built. Freed from the debilitating high 3G licence prices of Europe, we have been able to commence the aggressive roll-out of a 3G network at competitive prices, which will require a significant investment over the next three years. Product support from Vodafone, good timing and a lead over our competitors is expected to give Vodacom a marked competitive edge in the years ahead which will help in sustaining growth.

Tanzania

Despite a fiercely competitive environment, Vodacom Tanzania's performance continues to improve, with outstanding growth in customers, revenue, profits from operations and EBITDA and an increase in EBITDA margin to 36.0% from 31.0% last year.

The customer base increased substantially to 1.2 million (2004: 0.7 million) at March 31, 2005, a growth of 75.6%. This exceptional growth translated into an increase in estimated market share to 59% (2004: 57%), further extending Vodacom's market leadership. Vodacom Tanzania is well positioned to contribute to Vodacom's future growth and profitability.

Democratic Republic of the Congo

Vodacom Congo's performance continues to improve, with substantial growth in customers, revenue, profit from operations and EBITDA over last year. The DRC is the country in Vodacom's portfolio with the highest degree of political instability and, therefore, the highest degree of risk. Nevertheless, despite its very competitive market, Vodacom Congo has excelled in the past year and has posted an improved performance over the previous year. Changes to the shareholder agreement have impacted negatively on the current year's performance, although the overall impact on the Group has been positive.

Vodacom Congo reported a strong 54.0% growth in its customer base to 1.0 million (2004: 0.7 million) at March 31, 2005, which contributed to a stable estimated market share of 47% (2004: 47%). Profit from operations was R50 million compared to R20 million in the previous year.

Lesotho

Vodacom Lesotho has substantially improved upon the previous year's performance. Operating in a competitive environment, the company retained its market share of 80% and reported a customer base of 147,000 (2004: 80,000), representing a 83.8% growth. Profit from operations increased year on year by R24 million to R25 million.

Mozambique

Vodacom Mozambique has just experienced its first full year of operations. Performance has been hampered by ARPUs below those forecasted. Vodacom Mozambique is challenged in raising usage and, consequently, ARPUs on its network.

Given a strong established competitor in Mozambique, Vodacom Mozambique has rolled out a competitive network from a coverage and quality point of view. We believe that extensive coverage and the quality of coverage are essential for laying the groundwork of a successful cellular network to drive good long-term growth prospects. However, substantial amounts of capital expenditures relating to this roll-out had to be impaired in terms of IAS 36 Impairment of Assets, due to the loss being increased as a result of the low ARPUs.

Vodacom Mozambique, despite strong competition on tariffs, reported a customer base of 265,000 (2004: 58,000), a growth of 356.9%, substantially increasing the estimated market share to 33% (2004: 11%).

It is expected that it will take a number of years before Vodacom Mozambique contributes positively to the Vodacom Group's operating profit, with effective distribution being the key challenge.

Regulatory

In South Africa, Vodacom is preparing for a range of new regulatory legislation such as the BEE ICT Charter, number portability, the Convergence Bill, and the Monitoring and Interception Act, amongst others. These regulatory developments will lead to changes in the operating environment and have an uncertain impact on business. It is therefore critical that Vodacom remains innovative, pragmatic, vigilant, pro-active, and quick in its decision-making process so as to protect both the investment of its shareholders and its market share. In Vodacom's other African operations, the regulatory and fiscal environment has been subjected to changes and challenges and it faces the test of continued management of these.

We support the industry initiative to formalise a BEE Charter for the ICT sector. The Group is well positioned to comply with the ICT Charter and it is committed to the transformation objectives of the charter.

Vodacom will continue to work with the regulators to ensure that future legislation and regulations are in the best interests of the industry and that telephony penetration is maximised, whilst investor confidence remains high in an environment attractive to continued investment.

Dividends

Importantly for Vodacom's shareholders, the dividend for the year was R3.4 billion (2004: R2.1 billion), a 61.9% improvement on 2004. Vodacom aims to retain sufficient funds to pursue expansion opportunities while optimising the return to shareholders.

Strategic Acquisitions

There have been no acquisitions or investments in respect of African-based cellular networks. However, Vodacom continued acquisitions in South Africa of businesses that are of strategic importance, including the process of gaining control of its service provider channel.

On April 16, 2004 Smartphone SP (Proprietary) Limited, a subsidiary of Vodacom Group, acquired 85.75% of Smartcom (Proprietary) Limited for a purchase consideration of R77.2 million, giving Vodacom an effective interest of 43.7% in Smartcom. Vodacom believes that effective control of the customer base will facilitate enhanced communication with customers and improve margins. On February 1, 2005 Vodacom acquired its customer base from Tiscali South Africa for a purchase consideration of R40.1 million. Vodacom South Africa now directly controls 78.3% of its contract customers and 98.4% of its prepaid customers.

Vodafone Alliance and 3G

As another South African first, Vodacom introduced 3G in December last year. Vodacom simultaneously entered into an alliance with Vodafone Group Plc, the world's largest cellular operator. In terms of this alliance, Vodacom is now able to market Vodafone branded products and services, such as Vodafone Mobile Connect Cards, Vodafone live! and BlackBerry®. The alliance also sees other benefits for Vodacom, including access to research and development in respect of 3G and access to Vodafone's marketing and buying powers in respect of 3G technologies. Vodacom is currently taking advantage of this alliance to deliver exceptional 3G-based services and to drive increases in its market share.

The introduction of 3G has enabled Vodacom customers to browse the internet, connect to company networks, send and receive e-mails, and conduct video calls on a high-speed platform and it has also made it possible for customers to make video calls at the same rate as voice calls, giving the message: *"If you can afford a voice call, you can afford 3G"*.

Vodafone live! brings infotainment to life with exclusive global and local content, picture and video messaging, music and video downloads, games and ringtones, accessed through integrated 3G camera phones.

We will strive to grow data revenues through mobilising useful office tools and software applications such as 3G, Vodafone Mobile Connect Cards and BlackBerry®, at prices acceptable to our customers.

The key to satisfying Vodacom's customers is to provide superior voice and data services according to differing needs, irrespective of the technology utilised. The Vodacom Group is in a good position to continue taking advantage of the convergence of voice and data services.

African Expansion

Current operations

Vodacom is well established in Africa, and has the scale and efficiencies needed to continue growing organically and through selective acquisitions. One of Vodacom's focuses is raising the performance of its existing businesses.

Vodacom looks to its strong and established operation in South Africa, and aims to further ingrain itself into its other African operations. These markets are expected to have many years of organic growth still ahead of them.

Nigeria

Vodacom remains interested in this market and, should an opportunity present itself which is mutually beneficial, we will aggressively enter the Nigerian market.

Future prospects

For expansion into new African markets, Vodacom works within the constraints of its shareholder agreement, as well as within the boundaries of investment criteria that meet strict legal, financial, corporate governance and due diligence requirements that are designed to deliver sufficient returns. While several expansion opportunities have been evaluated, none have been pursued. However, the Group will continue to cautiously explore opportunities as they arise.

Governance

Vodacom has increased its focus and awareness in respect of good corporate practices and governance, and strives to conduct all its affairs in accordance with generally accepted corporate governance practices. As a result of this increased focus, Vodacom has invested in a new dedicated Corporate Governance Division headed by a Chief Governance Officer.

Human Resources

The Group today employs a total of 4,993 employees, of which 3,954 are based in South Africa and 1,039 in the other African operations. As the business grows, it is critical for Vodacom to develop, recruit and retain the people that will lead it into the future. The Group continues to increase its pool of potential leaders through succession development initiatives, so as to ensure a competitive advantage. Vodacom is committed to ensuring that its employees have the right skills and knowledge to service customers' needs.

Our future success will be driven by strong and diverse management teams across all our operations.

Vodacom South Africa Restructuring

A decision was made during the year to restructure the operations of Vodacom (Proprietary) Limited and Vodacom Service Provider Company (Proprietary) Limited (VSPC). In terms of the restructuring, VSPC became a subsidiary of Vodacom (Proprietary) Limited as from April 1, 2005.

The aim of the restructuring is to unlock operational efficiencies, remove the duplication of non-core functions, allow improved decision-making through better communication and enhance synergies. The resultant structure aims to achieve improved financial efficiency, enhanced customer focus and streamlined delivery improvement for competing in a challenging environment.

The restructuring does not impact Vodacom's licence or licence commitments and does not involve plans to reduce the workforce, or any such process, with all current employees being accommodated in the new structure.

Vodacom's Vision

Vodacom's vision is to be one of Africa's most admired companies. Vodacom's commitment to this industry is driven by our passion for, and dedication to, our stakeholders, customers, employees, and financial performance. In particular, we believe that we have a critical role to play in bridging the digital divide and indeed believe that we have already contributed in a significant manner to bridging this divide. Mobile penetration in South Africa today stands at 48.5%, a significant improvement over less than 1% in 1993.

We believe we can continue to achieve growth in revenues, profits and cash flows, while maintaining our leading market position in South Africa. Growing our existing other African operations and establishing new operations in other African countries remains a key focus area, whilst the continuous improvement in our ability to "delight" customers will be a cornerstone of our strategy to maintain our strong market position.

Remaining focused on our core business, whilst displaying intuitive innovation and courage in leading the way in introducing new technologies, will ensure a continued growth scenario for Vodacom.

Conclusion

The Vodacom Group's success is inextricably linked to the capability and passion of our employees and business partners. Their desire to succeed in everything they do, and to be seen as winners, represents an unstoppable energy and force. It is to them that I must firstly record our appreciation and recognise the contribution that they have made to our success.

Ultimately, our customers will determine whether we remain successful or not. And to our customers, I commit to ensure that Vodacom goes out of its way to meet their expectations, that we are approachable and flexible and that we apply all our energies to provide quality products that meet their needs.

We have had another remarkable year and we believe we can continue to deliver on the expectation of good performance.

We also believe that we can and must continue to contribute in an accelerated fashion to the transformation of South Africa, for therein lies our only security for a sound and prosperous future.

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

Vodacom has been ranked as the "Most admired telecommunications provider in South Africa" and was ranked third in the "Top 10 Brand relationship scores", which underpins our extraordinary year of customer growth reaching a total of 15.5 million in 2005!

CHIEF FINANCIAL OFFICER'S REVIEW

"The Vodacom Group has performed well in an evolving and competitive African market. With its strong brand and robust balance sheet, the Group is well positioned to capitalise on investment and growth opportunities."

Leon Crouse
Chief Financial Officer
Vodacom Group (Proprietary) Limited

"If you can afford a voice call, you can afford 3G"

The Year Under Review

The Vodacom Group achieved remarkable results in an ever more competitive and demanding environment. Vodacom's revenue increased by 19.5% to R27.3 billion (2004: R22.9 billion) and the profit from operations increased by 23.9% to R6.5 billion (2004: R5.2 billion). Excluding the effects of Vodacom Mozambique, the profit from operations would have been R6.9 billion (2004: R5.3 billion), a 30.4% increase on the prior year. EBITDA increased by 23.6% to R9.6 billion (2004: R7.8 billion) and, despite the impairment of assets in respect of Mozambique, net profit after taxation increased by 27.2% to R3.9 billion (2004: R3.1 billion). South Africa constitutes the majority of Vodacom's revenue at 91.7% (2004: 93.4%), although the other African operations continue to improve their contribution, increasing to 8.3% (2004: 6.6%) of revenue. The growth in the South African operations has been outstanding, fuelled by the favourable economic conditions and strong consumer spending.

Two significant events need to be taken into account when analysing Vodacom's results for the year ended March 31, 2005. Firstly, with effect from April 1, 2004, Vodacom Congo met the definition of a subsidiary, as certain clauses granting the outside shareholders' participating rights had been removed from the shareholders agreement. Consequently, it has now been fully consolidated in the Group annual financial statements. Prior to this date, the Group proportionally consolidated 51% of the results of Vodacom Congo. Any comparison of consolidated numbers with prior periods will therefore be distorted. To facilitate a better comparison of numbers with prior periods, adjusted amounts have been presented in the segmented analyses below, which reflect 100% of Vodacom Congo for the prior periods. Secondly, IAS 36 – Impairment of Assets (IAS 36), has resulted in an impairment charge to the assets of Vodacom Mozambique of R268 million. This has been reflected separately in the income statement for the current year.

The performance of the South African operations has been impacted by a number of factors which, taken together, resulted in improved margins. Factors positively impacting margins were the inclusion of Smartphone SP (Proprietary) Limited and Smartcom (Proprietary) Limited for a full year, as well as increased operational efficiencies achieved from economies of scale.

It should be noted that in South Africa, the equipment sales revenue in 2004 and 2003 was restated by R623 million and R369 million, respectively, to eliminate revenue from direct handset sales to customers for new contract connections and upgrades, as required by IFRS. The amounts have been reallocated to other direct network operating costs in those years, and therefore have a nil effect on profit from operations and EBITDA, but have increased the margins in the comparative years.

Two factors have had a negative impact on margins. Firstly, the higher volume of gross contract connections year on year has led to higher customer acquisition costs and further margin pressure. Secondly, the continuing trend of fixed-mobile substitution has seen Vodacom's net interconnect revenue decline further because of increased interconnect costs. Interconnect costs increased as a result of the cost of terminating calls on other mobile networks being much higher than the cost of terminating calls on Telkom's fixed-line network. Despite these factors, the Vodacom Group achieved strong results in an ever more competitive environment.

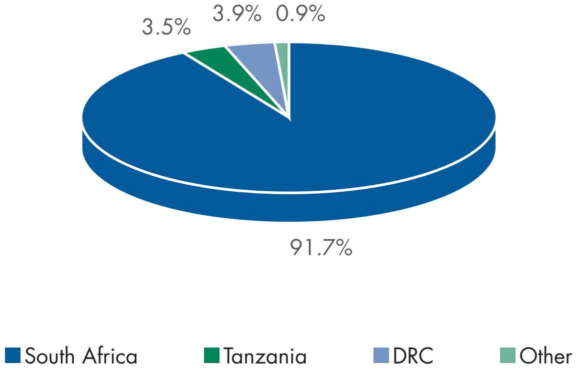
Key financial indicators

Year ended March 31,	2001	2002	2003	2004	2005
Profit from operations margin[1]	19.2%	22.4%	22.3%	22.9%	**23.7%**
EBITDA margin[1]	31.6%	35.2%	34.5%	34.0%	**35.1%**
Net profit margin[1]	9.9%	14.7%	11.6%	13.4%	**14.2%**
Net debt/EBITDA	63.1%	66.7%	36.5%	6.0%	**4.4%**
Net debt/equity	75.4%	69.4%	35.8%	6.1%	**5.4%**
Net debt/net tangible assets	99.0%	81.1%	38.4%	6.9%	**6.1%**
Capital expenditure as % of revenue[1]	24.0%	25.3%	17.5%	12.6%	**12.8%**

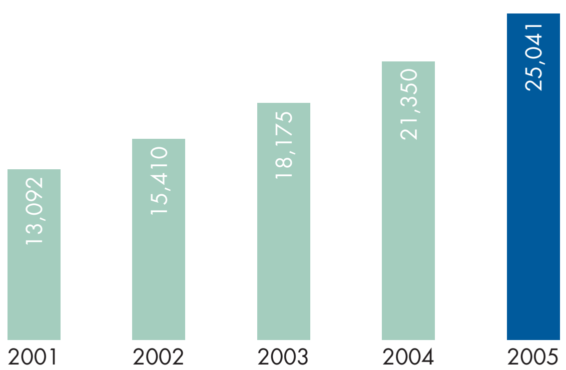
1 Note that revenue and operating costs in 2004 and 2003 have been restated by R623 million and R369 million, respectively, in respect of direct sales of handsets for new contract connections and upgrades not eliminated on consolidation. 2001 and 2002 have not been restated. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.

Revenue

Revenue composition
%

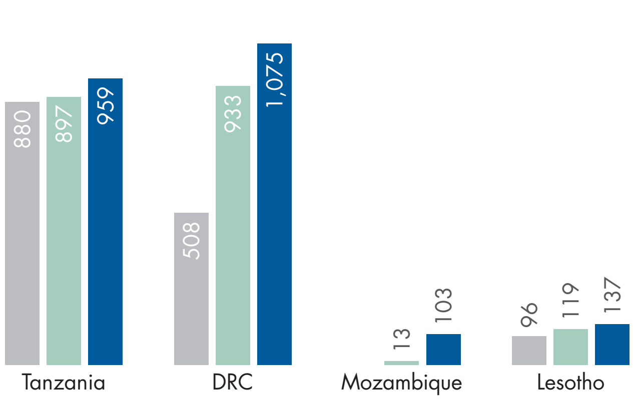


Vodacom South Africa revenue[1]
Rand millions



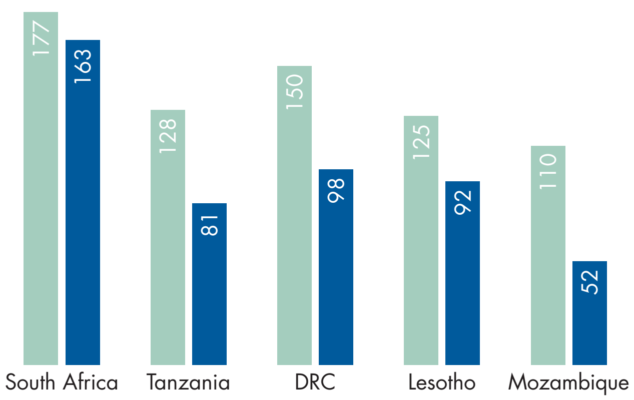
Revenue growth – other African countries

Rand millions



ARPU per country

Rand per customer per month



Revenue – geographical split

	Rand millions			% change	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa[1]	18,175	21,350	**25,041**	*17.5*	*17.3*
Tanzania	880	897	**959**	*1.9*	*6.9*
DRC[2]	259	476	**1,075**	*83.8*	*125.8*
Lesotho	96	119	**137**	*24.0*	*15.1*
Mozambique	–	13	**103**	–	*692.3*
Revenue	**19,410**	**22,855**	**27,315**	***17.7***	***19.5***
DRC (100%)[2]	508	933	**1,075**	*83.7*	*15.2*
Adjusted revenue	**19,659**	**23,312**	**27,315**	***18.6***	***17.2***

1 *Note that revenue in 2004 and 2003 has been restated by R623 million and R369 million, respectively, in respect of direct sales of handsets for new contract connections and upgrades not eliminated on consolidation. 2001 and 2002 have not been restated.*

2 *During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo, was fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights had been removed from the shareholders' agreement. The adjusted revenue has been adjusted to reflect 100% of Vodacom Congo's revenue for the prior periods for comparison purposes.*

Revenue increased 19.5% to R27.3 billion (2004: R22.9 billion). The increase in revenues was primarily driven by strong customer growth in all of Vodacom's operations coupled with lower overall churn, the inclusion of 100% of Vodacom Congo's results as well as the inclusion of Smartphone and Smartcom for the first full year. However, the contribution of Vodacom's other African operations has been negatively impacted by the strong South African Rand.

South Africa

South Africa is by far the biggest contributor to Vodacom's revenue growth, accounting for 82.8% or R3.7 billion of the growth in revenue. Revenue from Vodacom's South African operations increased by 17.3% to R25.0 billion (2004: R21.4 billion), driven by the robust growth in customers in South Africa of 32.0% to 12.8 million customers (2004: 9.7 million). Revenue growth was marginally diluted by declining ARPU, in particular in respect of the connection of prepaid customers who are lower spending customers.

The number of contract customers increased by 31.8% to 1.9 million (2004: 1.4 million) and the number of prepaid customers increased by 32.1% to 10.9 million (2004: 8.3 million as at March 31, 2005). Revenue growth from contract customers was inhibited by a reduction in the average usage per customer to 226 monthly minutes (2004: 263), offset by standard tariff increases and increased value-added services usage. South African contract ARPU decreased marginally by 1.6% to R624 per month (2004: R634) for the year ended March 31, 2005.

Revenue growth from prepaid customers was negatively impacted by a reduction in the average usage per customer to 52 monthly minutes (2004: 56), as a result of increased penetration into the lower spending prepaid customer market. Prepaid ARPU consequently decreased by 13.3% to R78 (2004: R90) per month. Total blended ARPU decreased by 7.9% to R163 per month (2004: R177).

Other African countries

Vodacom's revenue from its other African operations increased 51.1% to R2.3 billion (2004: R1.5 billion) for the year ended March 31, 2005, contributing 8.3% (2004: 6.6%) to total revenue. The increase in revenue was driven by very strong customer growth, which mitigated the effect of a declining ARPU and lower Rand-based revenues in these countries due to the strengthening of the South African Rand against the US Dollar and Tanzanian Shilling, although it weakened against the Mozambican Metical.

Tanzania

Vodacom Tanzania's revenue increased by 6.9% to R1.0 billion (2004: R0.9 billion), driven primarily by the increase in the customer base. The customer base at March 31, 2005 of 1.2 million (2004: 0.7 million) represents a substantial increase of 75.6% on the prior year, primarily achieved through increases in the prepaid customer base. The customer growth has been driven by sustained sales marketing campaigns focused on customer acquisition and additional coverage. ARPU levels have decreased by 36.7% to R81 (2004: R128), as a result of two tariff reductions, which were necessitated by a competitive environment. In addition, regulatory intervention and substantially reducing interconnect revenue also contributed to the lower ARPU. Vodacom Tanzania's billing currency is the Tanzanian Shilling, which was effective from April 1, 2004. Prior to this date, the billing currency was the US Dollar.

In Tanzanian Shilling terms, Vodacom Tanzania's revenue grew by 25.3% to TSH167.7 billion (2004: TSH133.5 billion) and Tanzanian Shilling ARPUs decreased by 28.8% to TSH14,130 (2004: TSH19,850) per month.

Democratic Republic of the Congo (DRC)

Vodacom Congo's revenue increased by 15.2% to R1.1 billion (2004: R0.9 billion), driven by a 54.0% increase in customers to 1.0 million (2004: 0.7 million). However, due to the inclusion of 100% of Vodacom Congo's results, effective April 1, 2004, the Group's portion of the revenue included in the results increased 125.8% from R476 million in 2004 to R1.1 billion in 2005. There has been pressure on ARPU which has declined 34.7% to R98 (2004: R150), principally due to the connection of lower spending prepaid customers, coupled with the 32.9% devaluation of the local currency against the US Dollar, which resulted in lower disposable US Dollar incomes for customers. In US Dollar terms, Vodacom Congo's revenue grew by 32.3% to US$172 million (2004: US$130 million) and US Dollar-based ARPUs decreased by 23.8% to $16 (2004: $21) per month.

Lesotho

Vodacom Lesotho's revenue increased by 15.1% to R137 million (2004: R119 million) and its customer base increased by 83.8% to 147,000 customers (2004: 80,000). ARPU decreased by 26.4% to R92 (2004: R125). Vodacom Lesotho's billing currency is the Maloti, which is linked to the Rand on a 1:1 basis.

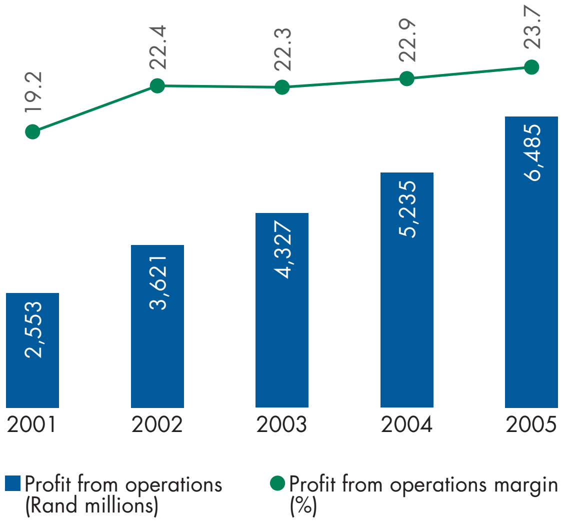
Mozambique

Vodacom Mozambique's revenue increased substantially to R103 million (2004: R13 million), in the company's first full year of commercial operation. Its customer base increased 356.9% to 265,000 (2004: 58,000) customers. With Vodacom Mozambique being the second entrant to the Mozambique market, it is connecting lower spending customers and, as a result, ARPU has decreased 52.7% to R52 (2004: R110) due to decreased customer usage. Vodacom Mozambique's billing currency is the Metical. In Metical terms, Vodacom Mozambique's revenue was MZM353.6 billion for the year ended March 31, 2005 (2004: MZM49.5 billion) and Metical-based ARPU was MZM177,954 per month (2004: MZM425,511).

Profit from Operations

Profit from operations increased by 23.9% to R6.5 billion for the year ended March 31, 2005 (2004: R5.2 billion), fuelled by buoyant consumer spending and a low inflationary environment in South Africa and cost containment in all operations. Operating expenses increased by 18.2% which was lower than revenue growth of 19.5%. This resulted in Vodacom's profit from operations margin increasing to 23.7% (2004: 22.9%). The profit from operations was negatively impacted by losses in Mozambique of R454 million, including a R268 million impairment charge to Vodacom Mozambique's assets, acquisition costs associated with a prepaid tariff reduction of approximately 10%, the high levels of contract customer connections in South Africa, costs associated

Profit from operations and profit from operations margin[1]



Profit from operations – geographical split

	Rand millions			% change	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa excluding Holding companies[1]	4,295	5,282	**6,625**	*23.0*	*25.4*
Tanzania	178	135	**183**	*(24.2)*	*35.6*
DRC[2]	(117)	10	**50**	*108.5*	*400.0*
Lesotho	4	1	**25**	*(75.0)*	–
Mozambique	–	(88)	**(454)**	–	*(415.9)*
Holding companies	(33)	(105)	**56**	*218.2*	*153.3*
Profit from Operations	**4,327**	**5,235**	**6,485**	***21.0***	***23.9***
DRC (100%)[2]	(229)	20	**50**	*108.6*	*155.0*
Adjusted Profit from Operations	**4,215**	**5,245**	**6,485**	***24.4***	***23.6***

1 *Note that revenue and operating costs in 2004 and 2003 have been restated by R623 million and R369 million, respectively, in respect of direct sales of handsets for new contract connections and upgrades not eliminated on consolidation. 2001 and 2002 have not been restated.*

2 *During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo was fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights had been removed from the shareholders' agreement. The adjusted profit from operations has been adjusted to reflect 100% of Vodacom Congo's profit/(loss) from operations for the prior periods for comparison purposes.*

with the implementation of 3G and Vodafone live!. Excluding Vodacom Mozambique's losses yields an operating profit margin of 25.5% (2004: 23.3%), a substantial increase on the margin of the prior period.

South Africa

Vodacom South Africa's profit from operations increased by 25.4% to R6.6 billion for the year (2004: R5.3 billion) and profit from operations margin increased to 26.5% for 2005 (2004: 24.7%) despite more competitive operating conditions and increased interconnect costs due to the negative impact of the change in traffic mix. However, these pressures were offset by the consolidation of a part of Vodacom's distribution channel, including Smartcom and Smartphone.

Operating expenses in South Africa grew by 14.6% versus the revenue growth of 25.4%, resulting in the increased South African margin.

Other African countries

Tanzania

Vodacom Tanzania's profit from operations improved substantially by 35.6% to R183 million for the year (2004: R135 million) and operating profit margin increased to 19.1% (2004: 15.1%), despite pressures from tariff reductions in response to the competitive market environment. The improvement in profit from operations was aided by sound cost management.

DRC

Vodacom Congo experienced excellent growth with profit from operations increasing 155.0% to R50 million for the year (2004: R20 million) and operating profit margin increasing to 4.7% (2004: 2.1%). The profit from operations has been negatively affected by higher direct expenditure on the implementation of a new dealer incentive and discount scheme. The effect of this was mitigated by increased revenue.

Lesotho

Vodacom Lesotho's profit from operations increased substantially to R25 million for the year (2004: R1 million) and operating profit margin increased to 18.2%, despite increased interconnect expenditure on more calls to South Africa.

Mozambique

Vodacom Mozambique's loss from operations worsened to R454 million for the year (2004: R88 million loss), primarily due to an impairment charge of R268 million and as a result of low spending customers leading to lower than expected revenue, offset by savings in respect of operational and administrative expenses. Management expects Vodacom Mozambique's performance to improve going forward.

The impairment of capital assets of R268 million was done in compliance with IAS 36, which requires Vodacom to recognise an impairment loss to the extent that the carrying values of Vodacom Mozambique assets exceed their recoverable amounts, which is defined as the higher of the net present value of expected future cash flows and the fair value less cost of disposal. Vodacom Mozambique has consequently impaired the assets to their estimated fair value less cost of disposal, which was R268 million less than the book values at March 31, 2005. The standard requires expected future pre-tax cash flows to be discounted at a rate commensurate with the riskiness of the assets producing the cash flows. Because of the high perceived risk of assets in Mozambique, this discount rate is relatively high. The high discount rate used, and the substantial capital outlay required at the beginning of the project, resulted in the calculated net present value of expected future cash flows being lower than the expected fair value less cost of disposal.

Holding companies

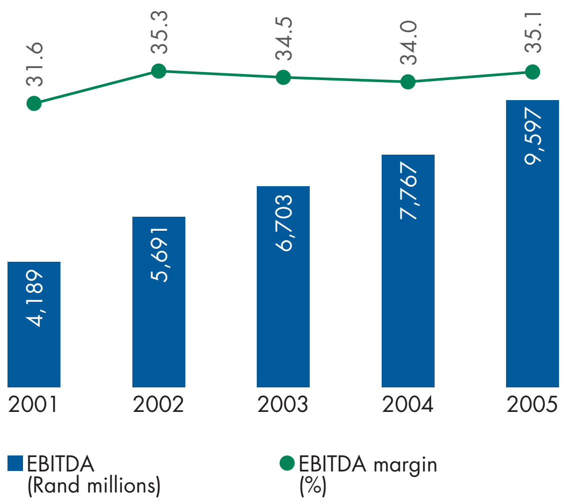
The holding companies have become profitable, with a profit from operations of R56 million (2004: R105 million loss), mainly as a result of management and directors fees received from Vodacom Congo, and revenue and costs relating to Nigeria which have not been repeated in the current year.

EBITDA

EBITDA increased by 23.6% to R9.6 billion (2003: R7.8 billion) for the year ended March 31, 2005, with Vodacom's other African operations contributing 5.6% (2004: 4.3%) to EBITDA. Vodacom's EBITDA margin increased to 35.1% (2004: 34.0%).

The satisfactory improvement in the EBITDA margin is the result of lower prepaid discounts on airtime, the consolidation of Smartcom and Smartcall, savings in distribution expenses and operational improvement of all productivity ratios. A healthy increase in on-net traffic also contributed favourably to profit margins. The margin improvement was further helped by increased EBITDA margins in all of Vodacom's other African operations. Vodacom Mozambique, in its first full year of commercial operation, showed a decline in EBITDA to a negative EBITDA of R111 million (2004: R71 million negative EBITDA) due to low ARPUs and a competitive environment. Excluding the impact of sales of low margin cellular phone and equipment sales, Vodacom Group's EBITDA margin was 40.2% (2004: 38.0%).

EBITDA and EBITDA margin[1]



EBITDA – geographical split

	Rand millions			% change	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa excluding Holding companies[1]	6,423	7,536	**9,002**	*17.3*	*19.5*
Tanzania	333	278	**345**	*(16.5)*	*24.1*
DRC[2]	(49)	97	**252**	*298.0*	*159.8*
Lesotho	26	27	**48**	*3.8*	*77.8*
Mozambique	–	(71)	**(111)**	*–*	*(56.3)*
Holding companies	(30)	(100)	**61**	*233.3*	*161.0*
EBITDA	**6,703**	**7,767**	**9,597**	***15.9***	***23.6***
DRC (100%)[2]	(96)	190	**252**	*297.9*	*32.6*
Adjusted EBITDA	**6,656**	**7,860**	**9,597**	***18.1***	***22.1***

1 *Note that revenue and operating costs in 2004 and 2003 have been restated by R623 million and R369 million, respectively, in respect of direct sales of handsets for new contract connections and upgrades not eliminated on consolidation. 2001 and 2002 have not been restated.*

2 *During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo was fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights had been removed from the shareholders' agreement. The adjusted EBITDA has been adjusted to reflect 100% of Vodacom Congo's EBITDA for the prior periods for comparison purposes.*

Revenue

Revenue composition

	Rand millions			% of total			% change	
Year ended March 31,	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	***04/03***	***05/04***
Airtime, connection and access	10,647	12,738	**16,191**	54.8	55.7	**59.4**	*19.6*	*27.1*
Data revenue	654	1,039	**1,340**	3.4	4.5	**4.9**	*58.9*	*29.0*
Interconnection	5,309	5,785	**5,924**	27.4	25.3	**21.7**	*9.0*	*2.4*
Equipment sales[1]	1,895	2,275	**2,687**	9.8	10.0	**9.8**	*20.1*	*18.1*
International airtime	539	659	**887**	2.8	2.9	**3.2**	*22.3*	*34.6*
Other sales and services	366	359	**286**	1.9	1.6	**1.0**	*(1.9)*	*(20.3)*
Revenue	**19,410**	**22,855**	**27,315**	**100.0**	**100.0**	**100.0**	***17.7***	***19.5***

1 *Note that revenue in 2004 and 2003 has been restated by R623 million and R369 million, respectively, in respect of direct sales of handsets for new contract connections and upgrades not eliminated on consolidation. 2001 and 2002 have not been restated.*

Airtime, connection and access

Vodacom's airtime, connection and access revenue increased 27.1% to R16.2 billion (2004: R12.7 billion) during the year ended March 31, 2005, primarily due to the increase in the number of customers, as well as the 100% consolidation of Vodacom Congo from April 1, 2004, offset by declining ARPUs in all operations.

Total customers increased 38.0% to 15.5 million (2004: 11.2 million), primarily due to strong prepaid customer growth in operations. In South Africa, gross contract connections of 610,000 (2004: 377,000) exceeded the prior year connections by 61.8%. South African APRU decreased 7.9% to R163 (2004: R177) due to the strong increase in prepaid customers and lower usage by the new connections.

Data revenue – geographical split

	Rand millions			% of total			% change	
Year ended March 31,	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa	581	943	**1,246**	88.8	90.8	**93.0**	*62.3*	*32.1*
Tanzania	71	91	**74**	10.9	8.8	**5.5**	*28.2*	*(18.7)*
DRC	–	–	**9**	–	–	**0.7**	–	–
Lesotho	2	5	**9**	0.3	0.4	**0.7**	*150.0*	*80.0*
Mozambique	–	–	**2**	–	–	**0.1**	–	–
Data Revenue	**654**	**1,039**	**1,340**	**100.0**	**100.0**	**100.0**	***58.9***	***29.1***

Data revenue

Vodacom's data revenue increased 29.1% to R1.3 billion (2004: R1.0 billion), mainly due to growth in SMS traffic, as well as increased usage and popularity of other data products.

The contribution to data revenue from other African operations declined from 9.2% to 7.0%. New data revenues from Vodacom Congo and an increase in Vodacom Lesotho data revenues were offset by a decrease of 18.7% in Vodacom Tanzania data revenues, which was adversely affected by aggressive pricing by competitors. Vodacom Tanzania has subsequently matched the competitors' lower tariffs, which has resulted in increased usage, with data revenue stabilising at a lower level.

Vodacom transmitted 2.4 billion SMSs (2004: 2.0 billion) over its South African network during the year ended March 31, 2005, up 25.2% from 2004. The number of active MMS users on the network as at March 31, 2005 was 328,974 (2004: 61,374), sending an average of 811,270 messages (2004: 165,951) per month. The number of active GPRS users on the network was 579,581 (2004: 100,128). In respect of 3G services, the number of active 3G users on the network as at March 31, 2005 was 10,853 and the number of active Mobile Connect Card users on the network as at March 31, 2005 was 5,105.

Interconnection

Vodacom's interconnection revenue increased by only 2.4% during the year to R5.9 billion (2004: R5.8 billion), primarily due to little growth in fixed to mobile traffic.

In South Africa, the growth in interconnection revenue was negatively affected by a 0.5% decline in the traffic originating from Telkom and terminating on Vodacom's network caused by the changing call patterns of cellphone users and increasing number of cellular users through fixed-mobile substitution.

Equipment sales

Vodacom's revenue from equipment sales increased by 18.1% to R2.7 billion (2004: R2.3 billion) during the year. Equipment sales were restated in 2004 and 2003 by R623 million and R369 million, respectively, as noted earlier in this report. In South Africa, handset sales increased 14% to 2.4 million units (2004: 2.0 million). The growth in equipment unit sales was primarily due to growth of Vodacom's customer base and the continued uptake of new handsets in South Africa fuelled by Vodacom's successful strategic drive to increase access in the robust South African market. Sales were further driven by cheaper Rand-prices of new handsets, coupled with the added functionality of the new phones, based on new technologies such as camera phones and colour screens.

International airtime

International airtime revenues are predominantly from 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. International airtime increased 34.6% to R887 million (2004: R659 million) for the year ended March 31, 2005, primarily as a result of healthy increases in international airtime from Vodacom Congo and Vodacom South Africa, as well as an increase in roaming partners. 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 2005.

Other sales and services

Revenue from other sales and services includes revenue from non-core operations, such as income from Vodacom's cell captive insurance scheme. Revenue decreased by 20.3% to R286 million (2004: R359 million), primarily as a result of the reallocation of value-added services revenue, which was previously included under other sales and services, to airtime connection and access. The decrease was offset marginally by other sales and services revenue received in Smartcom (Proprietary) Limited.

Operating Expenses

Operating expenses included the effect of the first full year of consolidating Smartcall (Proprietary) Limited, Smartcom (Proprietary) Limited and Vodacom Mozambique, as well as including 100% of Vodacom Congo, compared to 51% in the prior year.

Depreciation, amortisation and impairment

Vodacom's depreciation, amortisation and impairment increased by 22.9% to R3.1 billion in the year ended March 31, 2005 (2004: R2.5 billion). The biggest contributing factor to this increase was the impairment of Vodacom Mozambique's assets which amounted to R268 million and which has been reflected as a separate line item in the income statement in terms of IAS 36. The increase in the depreciation and amortisation would have been 12.3% if the Mozambique impairment had been excluded.

Although Vodacom's biggest capital investments have already been made in South Africa, the aggressive roll-out of infrastructure, in particular with the introduction of 3G and the amortisation of intangible assets in Smartcall, has caused an increase in South African depreciation and amortisation. The continued strengthening of the Rand against most other currencies again resulted in depreciation on foreign-denominated capital expenditure in Vodacom's other African operations being translated at a lower exchange rate than in the past, which resulted in only a marginal increase in depreciation and amortisation in Vodacom's other African operations despite increased capital expenditure. A comparison of the exchange rates applicable to Vodacom is presented under the section "Financial instruments and risk management".

Payments to other network operators

Vodacom's payments to other network operators increased by 22.1% to R3.7 billion in 2005 (2004: R3.0 billion) as a result of an increased amount of outgoing traffic terminating on other cellular networks, rather than on fixed-line networks. As the cost of terminating calls on other cellular networks is materially higher than calls terminating on fixed-line networks and as mobile substitution increases with the growing number of total mobile users in South Africa, interconnection charges are expected to continue increasing, putting pressure on margins.

Operating expenses composition

	Rand millions			% change	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***05/04***
Depreciation, impairment and amortisation	2,376	2,532	**3,112**	*6.6*	*22.9*
Payments to other network operators	2,217	2,990	**3,652**	*34.9*	*22.1*
Other direct network operating costs[1, 2]	8,274	9,440	**10,962**	*14.1*	*16.1*
Staff expenses	1,019	1,332	**1,653**	*30.7*	*24.1*
Marketing and advertising	653	702	**767**	*7.5*	*9.3*
General administration expenses	612	682	**748**	*11.4*	*9.7*
Other operating income	(68)	(58)	**(64)**	*(14.7)*	*10.3*
Operating expenses	**15,083**	**17,620**	**20,830**	***16.8***	***18.2***

1 *Direct network operating costs excluding payments to other operators.*

2 *Note that operating costs in 2004 and 2003 have been restated by R623 million and R369 million, respectively, in respect of direct sales of handsets for new contract connections and upgrades not eliminated on consolidation. 2001 and 2002 have not been restated.*

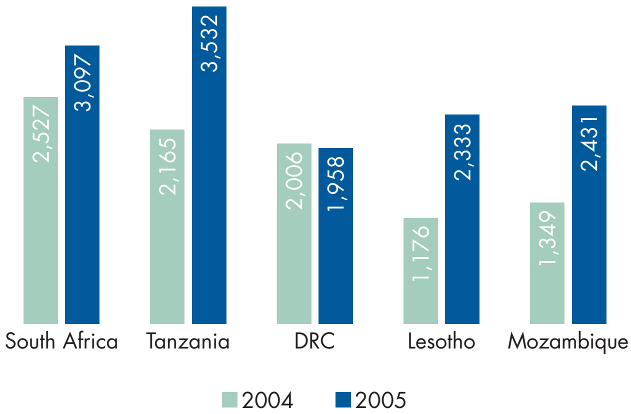
Other direct network operating costs

Other direct network expenses increased 16.1% to R11.0 billion (2004: R9.4 billion) in the year ended March 31, 2005. The low growth in direct network operating expenses was achieved due to good cost controls as well as the positive impact of the strong Rand on the translation of foreign currency denominated expenses.

Other direct network operating costs include the cost to connect customers onto the network which are incurred to support growth in the customer base, as well as other direct network expenses, such as cost of goods sold, commissions, customer retention expenses, regulatory and licence fees, distribution expenses and site and maintenance costs.

Customers per employee per country

Number



Staff expenses

Staff expenses increased by 24.1% in the year ended March 31, 2005 to R1.7 billion (2004: R1.3 billion) primarily as a result of an increase in headcount of 8.3% in 2005 to support the growth in operations, as well as an average Group-wide salary increase of approximately 8.0%. Staff expenses also increased further due to a higher deferred bonus incentive accrual brought about by Vodacom's increased profits.

The first full year of consolidation of 49% of Vodacom Congo, Mozambique, Smartcall and Smartcom also contributed to the staff expenses increase.

Total headcount in Vodacom's South African operations increased by 2.8% to 3,954 employees (2004: 3,848). Total headcount in our other African operations increased by a significant 36.5% to 1,039 employees (2004: 761) to meet the demands of the rapid expansion of these operations. Employee productivity has improved in all of Vodacom's operations except in Vodacom Congo, as measured by customers per employee, improving by 22.7% to 2,986 customers per employee (2004: 2,434), which includes 4,993 Group employees and 191 outsourced customer care employees in South Africa. Excluding the outsourced employees, the Group customers per employee is 3,101.

Marketing and advertising

Marketing and advertising expenses increased by 9.3% in 2005 to R767 million, (2004: R702 million) driven mainly by an amplified marketing drive in South Africa, in particular in connection with the Vodafone alliance and the launch of 3G, BlackBerry® and Vodafone live!, coupled with the marketing expenses related to establishing Vodacom Mozambique.

General administration expenses

General administration expenses increased by 9.7% to R748 million (2004: R682 million), where the increase was mitigated by the effect of a strong Rand and improvements in productivity. General administration expenses comprise a number of expenses, including: accommodation, information technology costs, office administration, consultant expenses, social economic investment and insurance.

Other operating income

Other operating income increased 10.3% to R64 million (2004: R58 million). Other operating income comprises income that Vodacom does not view as part of its core activities, such as: risk management services, consultant cost recoveries, franchise fees, and the recovery of costs relating to Nigeria and is therefore shown separately.

Capital Expenditure

The total cumulative capital expenditure of the Group as at March 31, 2005 increased by 18.2% to R24.4 billion (2004: R20.7 billion). The Group invested R3.5 billion (2004: R2.9 billion) in property, plant and equipment, of which R2.9 billion (2004: R2.4 billion) was for cellular network infrastructure and related information technology and billing systems.

It is Vodacom's policy to hedge all foreign denominated commitments of South Africa; however, Vodacom does not qualify for hedge accounting in terms of IAS 39 and, therefore, all capital expenditure in South Africa is recorded at the exchange rate ruling at the date of acceptance of the equipment. Capital expenditure of Vodacom's other African operations is translated at the average exchange rate of the Rand against the operation's reporting currency for the period, while closing capital expenditure is translated at the closing exchange rate of the Rand against the reporting currency. For this reason, Vodacom's capital expenditure in any given year cannot be properly evaluated without taking the exchange rate movements against the Rand into account, which are shown under the section "Financial instruments and risk management".

Vodacom (Proprietary) Limited, the subsidiary that owns the South African cellular operator licence, had a capital expenditure per customer of R1,471 (2004: R1,720) as at March 31, 2005, which is, once again, at its lowest level ever. Despite the African expansion, capital expenditure additions as a percentage of revenue was only 12.8% in 2005 (2004: 12.6%).

Capital expenditure additions – geographical split

	Rand millions			% of total			*% change*	
Year ended March 31,	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa excluding Holding Companies	2,482	1,654	**2,777**	73.0	57.3	**79.5**	*(33.4)*	*67.9*
Tanzania	323	351	**234**	9.5	12.1	**6.7**	*8.7*	*(33.3)*
DRC[1]	516	395	**335**	15.2	13.7	**9.6**	*(23.4)*	*(15.2)*
Lesotho	72	7	**10**	2.1	0.3	**0.3**	*(90.3)*	*42.9*
Mozambique	–	478	**115**	–	16.5	**3.3**	–	*(75.9)*
Holding Companies	6	6	**23**	0.2	0.2	**0.6**	–	*283.3*
Capital Expenditure for the Year	**3,399**	**2,891**	**3,494**	**100.0**	**100.0**	**100.0**	***(14.9)***	***20.9***
DRC (100%)[1]	1,012	775	335	26.0	23.7	**9.6**	*(23.4)*	*(56.8)*
Adjusted Capital Expenditure	**3,895**	**3,271**	**3,494**	**100.0**	**100.0**	**100.0**	***(16.0)***	***6.8***

Cumulative capital expenditure – geographical split

	2004		2005	
Year ended March 31,	**R billion**	**Foreign**	**R billion**	**Foreign**
South Africa	18.2	18.2	**20.3**	**20.3**
Tanzania (Foreign: TSH billion)	1.1	201.0	**1.4**	**240.1**
DRC (Foreign: US$ million)[1]	0.7	114	**1.8**	**281**
Lesotho (Foreign: Maloti million)	0.2	201	**0.2**	**211**
Mozambique (Foreign: MZM billion)	0.5	1,785.6	**0.7**	**2,173.7**
Cumulative Capital Expenditure	**20.7**	**–**	**24.4**	**–**
DRC (100%) (Foreign: US$ million)[1]	1.4	227	**1.8**	**281**
Adjusted Cumulative Capital Expenditure	**21.4**	**–**	**24.4**	**–**

1 *During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo was fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights had been removed from the shareholders' agreement. The adjusted capital expenditure has been adjusted to reflect 100% of Vodacom Congo's capital expenditure for the prior periods for comparison purposes.*

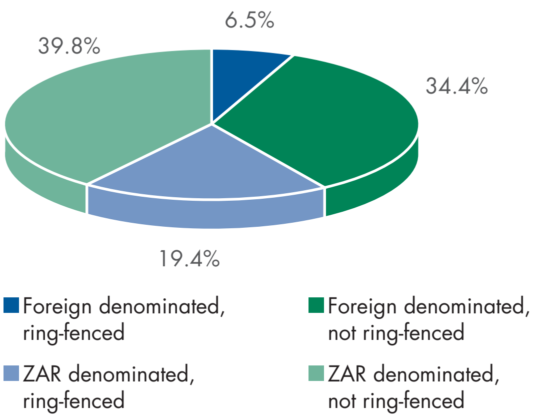
Financial Structure and Funding

Vodacom's consolidated net debt position has decreased to R426 million as at March 31, 2005 (2004: R463 million), despite the inclusion of 100% of Vodacom Congo's debt, compared to 51% in the prior year. The Group's net debt to EBITDA ratio was 4.4% as at March 31, 2005 (2004: 6.0%). Vodacom's net debt to equity ratio improved to 5.4% at March 31, 2005, (2004: 6.1%). However, the final dividend of R1.8 billion, which was paid on April 1, 2005, should be taken into account when evaluating the net debt to equity ratio. In addition, in terms of covenant calculations, intangible assets are excluded from the calculation. If the shareholders for dividends are included in, and intangible assets are excluded from, the calculation, the net debt to equity ratio at March 31, 2005 increases to 31.7% (2004: 29.5%).

A medium term loan of R1,129 million (US$180.0 million) was obtained for Vodacom Congo during the year, which is collateralised by guarantees provided by the Group. This loan replaced Vodacom Group's share of extended credit facilities relating to Vodacom Congo of R312.2 million (US$16.3 million) and R310.1 million (€ 38.8 million), which was repaid during the year. For further details, refer to Note 18 of the annual financial statements.

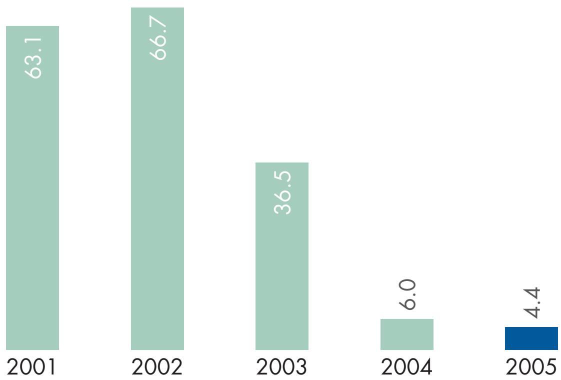
Gross debt composition including bank overdrafts

% (R4,416 million)



Net debt/EBITDA

%



Summary of net debt and maturity profile

			Repayment of 2005 debt					
Year ended March 31,	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Finance leases								
South Africa	886	**858**	51	79	114	194	98	322
Funding loans								
Vodacom Tanzania shareholder and project finance loans	426	**369**	92	113	80	–	84	–
Vodacom Congo medium term loan[1]	–	**1,129**	–	1,129	–	–	–	–
Vodacom Congo extended and revolving credit facilities[1]	626	**6**	6	–	–	–	–	–
Vodacom Congo preference share liability[1]	119	**232**	232	–	–	–	–	–
Vodacom Lesotho minority shareholders' loan	4	**4**	4	–	–	–	–	–
Other	–	**1**	1	–	–	–	–	–
Debt excluding bank overdrafts	**2,061**	**2,599**	**386**	**1,321**	**194**	**194**	**182**	**322**
Less: Net bank and cash balances	(1,598)	**(2,173)**						
Net debt	**463**	**426**						
Vodacom Congo (100%)	1,435	**1,378**						
Adjusted net debt	**1,167**	**426**						

1 *During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo was fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights had been removed from the shareholders' agreement. The adjusted net debt has been adjusted to reflect 100% of Vodacom Congo's net debt for the prior periods for comparison purposes.*

Funding Sources

Vodacom's ongoing objective is to fund all its other African operations by means of project finance, structured such that there is no recourse to its South African operations. Strong South African cash flows would therefore principally be utilised to pay dividends and make new growth-enhancing investments. We utilise own funds and Group supported funding structures, subject to South African Reserve Bank approval, to fund offshore investments in the initial stages of the investment, until the project is able to support project funding.

While we have project funding in place for our Tanzania investment, at this stage, Vodacom Congo and Vodacom Mozambique are still substantially dependent on funding from South Africa. These operations are funded by a mix of market priced direct loans, as well as security to facilitate their own credit lines. Vodacom Lesotho repaid its shareholder loans during the year.

In South Africa, debt consists of finance lease liabilities of R858 million (2004: R886 million) and net positive bank balances of R2.0 billion (2004: R1.4 billion) held principally on money market at variable rates. Vodacom has funded all of its major properties by way of finance leases.

Financial Instruments and Risk Management

Subject to central bank regulations in the various countries and the local market condition restrictions, Vodacom actively manages foreign currency risk, interest rate risk, credit risk and liquidity risk on an ongoing basis. Management believes that Vodacom's procedures are adequate for the organisation. The Group's risk management procedures are described fully in Note 39 of the Group's annual financial statements.

Foreign exchange rates

	Rand exchange rate			*% change*	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***05/04***
US Dollar					
Average	9.81	7.17	**6.24**	*26.9*	*13.0*
Closing	7.97	6.32	**6.27**	*20.7*	*0.8*
Tanzanian Shilling					
Average	129.00	163.31	**175.01**	*26.6*	*7.2*
Closing	129.11	174.19	**176.68**	*34.9*	*1.4*
Mozambique Metical					
Average	–	3,734.52	**3,418.17**	–	*(8.5)*
Closing	–	3,745.36	**3,122.82**	–	*(16.6)*

Taxation

The taxation expense increased 51.5% to R2.6 billion (2004: 1.7 billion) for the year ended March 31, 2005, mainly due to a significant increase in Secondary Taxation on Companies (STC) paid on higher dividends, as well as higher South African normal tax. Vodacom's effective tax rate increased to 40.2% (2004: 36.1%), with STC increasing Vodacom's effective tax rate by 6.6% (2004: 5.5%). Furthermore, no deferred tax asset was raised in respect of Vodacom Mozambique's losses, resulting in a higher effective tax rate.

Shareholder Distributions

Dividends for the 2005 financial year totalled R3.4 billion (2004: 2.1 billion), an increase of 61.9%. This is one of the largest dividends paid by a South African company to date. In 2004, shareholder distributions included R47 million of shareholder interest, which is not repeated in 2005, as shareholder loans have been repaid.

Cash Flow

The Group had a positive free cash flow before shareholder distributions and financing activities of R3.9 billion (2004: R3.0 billion), an increase of 27.6%, mainly due to the greater cash generation from operations. Free cash flow growth was negatively impacted by an increase in taxation paid of 87.5% to R2.7 billion (2004: R1.5 billion) on increased profits and STC on increased dividends, an increase in cash utilised in investing activities of 12.5% to R3.4 billion (2004: R3.0 billion). These factors were partially offset by an increase in cash generated from operations of 31.8% to R10.0 billion (2004: R7.6 billion).

Conclusion

The Vodacom Group has performed well in an evolving and competitive African market. The performance of the South African market continues to be robust and management believes that growth can still be extracted from it. The strong cash generation ability of Vodacom's South African operations ensured that its consolidated balance sheet remained sturdy, even after paying out substantial dividends to its shareholders and funding the investments in Mozambique and the DRC. Vodacom continues to be confident of its success in all of its operations despite a challenging competitive and regulatory environment. In South Africa, Vodacom intends to position itself strategically to minimise any negative impact from the pending deregulation of the South African market and to seize any opportunities that may emerge. With its strong brand and robust balance sheet, the Group is well positioned to capitalise on investment and growth opportunities.

Leon Crouse
Chief Financial Officer
Vodacom Group (Proprietary) Limited

Through the Vodafone partnership, Vodacom has become part of a strategic global alliance that will change the face of communication and put South Africa at the forefront of development and the world's mobile community.

CHIEF OPERATIONS OFFICER'S REVIEW

Pieter Uys
Chief Operations Officer
Vodacom Group (Proprietary) Limited

The Vodacom/Vodafone alliance is of strategic importance

Year Under Review

The past financial year has proven to be very successful for Vodacom. Our customer base has shown growth of 38.0% to 15.5 million (2004: 11.2 million), of which 17.1% or 2.6 million (2004: 13.3% or 1.5 million) is in our other African operations, a 77.3% improvement on 2004.

These results have been achieved in challenging competitive, regulatory and fiscal environments.

South Africa

Vodacom's South African customer base growth exceeded expectations, increasing by 32.0% to 12.8 million customers (2004: 9.7 million). The growth in customers was fuelled by a record number of gross connections in a robust economy, coupled with lower churn. Vodacom South Africa improved its market share to 56% (2004: 54%).

Vodacom South Africa's ARPU during the year decreased 7.9% to R163 per month (2004: R177) due to the continued penetration into the lower revenue yielding prepaid market and the diluting effect this has on ARPU.

The signing of an alliance with Vodacom's 35% shareholder Vodafone during the year was of strategic importance, as well as the associated launch of third generation (3G), or UMTS, cellular services, and the launch of Vodafone live!.

Vodacom's alliance with the world's largest cellular operator will give Vodacom access to Vodafone's global research and development, buying power, products, services and content, and benchmarking under a co-branding arrangement.

Vodacom obtained a 3G licence during the year and launched the first commercial 3G network in South Africa in December 2004. This is an important step in the technical evolution of our business and the greater telecommunications market. Vodacom is excited and proud of its first mover commitment to 3G and expects, given the competitive pricing, low entry costs and excellent timing, that 3G will create a competitive advantage in the new liberalised sector. R400 million has been spent in rolling out the initial 487 3G sites in the major metropolitan areas. In the forthcoming year, there are plans to spend an additional R835 million on 3G capital expenditure, which is planned to include the roll-out of a further 1,000 3G sites.

Vodacom South Africa remains the cornerstone of Vodacom's success and is well positioned to take advantage of the further growth opportunities expected in this market.

Other African Operations

Vodacom managed to improve its market position in all its other African operations during the year under review. All these operations, with the exception of Mozambique, were profitable at the operating profit level for the year.

Tanzania

Vodacom Tanzania has overcome the challenges it faced and continues to contribute to Vodacom's growth and profitability. Under the leadership of Managing Director, José Dos Santos, Vodacom Tanzania has improved its performance in respect of profit from operations and EBITDA, through redesigning aspects of its distribution channel, complimented by sound cost management.

Vodacom Tanzania achieved a substantial 75.6% increase in customers to 1.2 million (2004: 0.7 million), primarily through increases in the prepaid customer base, offset slightly by higher churn. Per-second billing continues to prove highly successful.

Despite increased competition from all market participants, Vodacom Tanzania has achieved exceptional growth and has increased its estimated market share to 59% (2004: 57%).

ARPU levels have decreased by 36.7% to R81 (2004: R128) as a result of both increased penetration and two tariff reductions during the period. Vodacom anticipates that continued tariff pressure is possible in the future.

The Democratic Republic of the Congo (DRC)

Vodacom Congo has performed above expectation over the past year, with solid growth in customers, profit from operations and EBITDA under the leadership of Managing Director, Dietlof Maré. Vodacom Congo's focus on being competitive in coverage and quality has been successful to date. Notwithstanding the uncertainties surrounding the elections, planned for later this year, management is optimistic of the future success of the operations.

Vodacom Congo achieved a 54.0% increase in customers to 1.0 million customers (2004: 670,000) as a result of substantial gross connections and lower churn rate.

Vodacom Congo continues to be the market leader with an estimated market share of 47% at March 31, 2005 (2004: 47%). A key success factor in achieving the market share is Vodacom Congo's effective distribution channels.

There has been increased pressure on ARPU, with a decline of 34.7% to R98, as lower spending prepaid customers are connected coupled with the devaluation of the local currency against the US Dollar. As tariffs are denominated in US Dollars, the devaluation has impacted spending patterns, as it has resulted in lower disposable incomes in US Dollar terms for current and new customers.

Lesotho

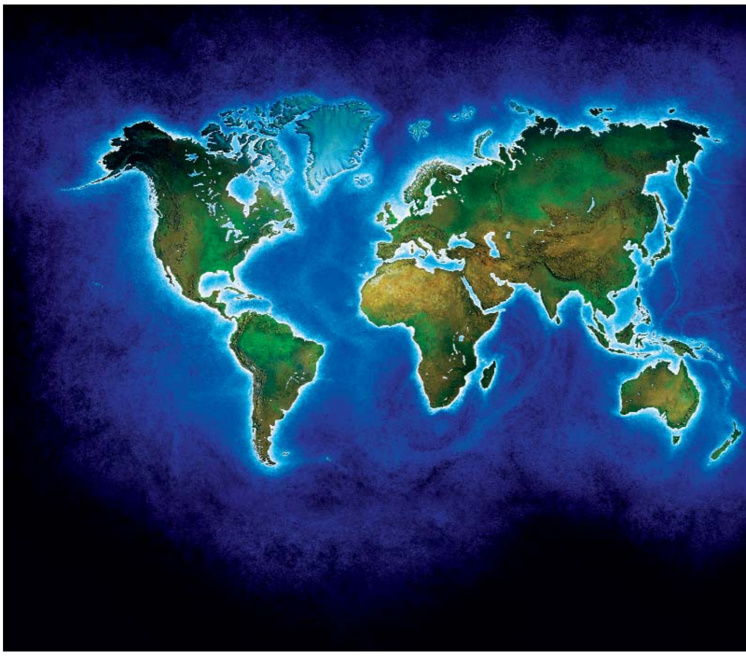
Although Vodacom Lesotho is expected to remain a small operation, under its Managing Director, Mervyn Visagie, it has improved significantly on the previous year's performance in respect of revenues, profit from operations and EBITDA. The collection of interconnection revenue from the government-owned LTC continues to be a challenge.

Vodacom Lesotho increased its customer base by 83.8% to 147,000 customers (2004: 80,000) as at March 31, 2005, constituted mainly of prepaid customers, resulting from substantial gross connections, coupled with a much improved churn rate.

Vodacom Lesotho has retained its estimated 80% share of the market by continually providing excellent coverage, brand and distribution and introducing new products and services.

ARPU decreased by 26.4% to R92 (2004: R125) and is an area of focus for improvement through the introduction of new products and services.

“Vodacom’s alliance with the world’s largest cellular operator will give Vodacom access to Vodafone’s global research and development, buying power, products, services and content and benchmarking, under a co-branding arrangement.”



Worldwide footprint through the Vodafone alliance

Mozambique

Vodacom Mozambique remains in its infancy, having just experienced its first full year of commercial operations. Performance has been disappointing due to extremely low ARPUs. ARPU decreased 52.7% to R52 (2004: R110), below what was envisaged for the operations. On the positive side, Vodacom Mozambique has rolled out a competitive network from a coverage and quality point of view.

Vodacom Mozambique increased its customer base substantially by 356.9%, albeit off a low base, to 265,000 customers (2004: 58,000) as at March 31, 2005 and increased its estimated market share to 33% (2004: 11%). Vodacom Mozambique intends to revisit its approach to the market in the year ahead.

Vodacom Mozambique’s challenge is to raise usage on its network in order to improve ARPU. Following his success in Tanzania, José Dos Santos has been identified as the new Managing Director to lead Vodacom Mozambique in the next financial year.

Conclusion

The new financial year will see new challenges in all these markets as the pace of regulatory change on the continent is increasing, together with the competitiveness of other operators. We expect that with Africa being more globally recognised as one of the last growth opportunities, these pressures will increase, but we are confident that Vodacom is well placed to meet them.

Pieter Uys
Chief Operations Officer
Vodacom Group (Proprietary) Limited

REVIEW OF OPERATIONS VODACOM SOUTH AFRICA

Shameel Aziz Joosub
Managing Director
Vodacom (Proprietary) Limited

Structure

The review of Vodacom's South African operations comprises the Vodacom (Proprietary) Limited and Vodacom Service Provider Company (Proprietary) Limited (VSPC) operations.

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.

VSPC is one of those service providers and distributes only Vodacom services. VSPC remains the flagship of our service provider channel, with 66.7% (2004: 65.3%) of the total customer base and 73.5% (2004: 70.6%) of the contract base which it manages.

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

- Global Telematics (Proprietary) Limited, trading as Orchid; and
- Smartphone SP (Proprietary) Limited, trading as Smartcall and incorporating Smartcom (Proprietary) Limited.

During the year, Vodacom has continued its strategy of acquiring the customer bases of all service providers who have been distributing Vodacom services. To this end, on April 16, 2004 Smartphone SP (Proprietary) Limited acquired 85.75% of Smartcom (Proprietary) Limited for a purchase consideration of R77.2 million, giving Vodacom an effective interest of 43.7% in Smartcom. The cellular customer base of Tiscali (Proprietary) Limited was acquired by VSPC with effect from February 1, 2005, for a purchase consideration of R40.1 million. 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; and
- Autopage Cellular (Proprietary) Limited.

"Vodacom has had a phenomenal year. We have been successful in increasing our market share by 2% points to 56%. In addition, our alliance with Vodafone has enabled us to bring products and services to the South African market that would ordinarily not be available; including innovative products such as the Vodafone Mobile Connect card, BlackBerry® and Vodafone live!."

With Vodacom you can now roam seamlessly in 153 countries around the globe

Sales and Marketing

Brand

In 2004, for the first time, South Africans endorsed Vodacom as their number one telecommunications brand in the annual Markinor Survey. Moreover, Vodacom achieved the third best brand relationship score in South Africa, after Coca-Cola and SABC, and was also voted the third most trusted company in South Africa. During a recent survey by Interbrand Sampson, Vodacom was rated the third most valuable brand in South Africa.

Vodacom's advertising consistently achieves high popularity scores, resulting from the humourous "Yebo Gogo" campaigns that have been highly successful in creating an affinity for this character amongst all South Africans.

The Vodacom brand is relentlessly driving its leadership and pioneering status, the key brand pillars and differentiators. In doing so, Vodacom will remain "Proudly South African", but act global if an opportunity arises. The Vodafone alliance provides the brand with the opportunity to add a global dimension. The brand health survey, Vodatrack, indicates that the Vodacom/ Vodafone brand alliance is yielding positive equity and establishes an international stature for the brand. The alliance has resulted in the launch of many innovative and differentiated products, including BlackBerry®, 3G technology, Vodafone Mobile Connect Card and Vodafone live!

Moving forward, Vodacom will continue to strive to capture the hearts and minds of all South Africans. This means strengthening the brand's solid values of leadership with a modern enthusiasm.

Sponsorship

Vodacom continues to invest in sports sponsorships and is seen as the biggest supporter of South African sports. The list of sponsorships includes high profile sporting teams, such as the Springboks, and events such as the Vodacom Super 12. Other sponsorships include the Vodacom Durban July, the Vodacom Blue Bulls, Bafana Bafana, Kaizer Chiefs and Orlando Pirates. The umbrella marketing campaigns around these sponsorships has increased brand popularity amongst South African supporters and have earned Vodacom two gold and a bronze Loerie award in the sponsorship category.

VODACOM SOUTH AFRICA continued

Key operational information

	Year ended March 31,					% change			
	2001	2002	2003	2004	2005	02/01	03/02	04/03	05/04
Customers ('000)[1]	**5,108**	**6,557**	**7,874**	**9,725**	**12,838**	**28.4**	**20.1**	**23.5**	**32.0**
Contract	1,037	1,090	1,181	1,420	**1,872**	5.1	8.3	20.2	31.8
Prepaid	4,046	5,439	6,664	8,282	**10,941**	34.4	22.5	24.3	32.1
Community services	25	28	29	23	**25**	12.0	3.6	(20.7)	8.7
Gross connections ('000)	**2,990**	**3,038**	**3,495**	**4,998**	**6,180**	**1.6**	**15.0**	**43.0**	**23.6**
Contract	263	199	197	377	**610**	(24.3)	(1.0)	91.4	61.8
Prepaid	2,725	2,836	3,295	4,617	**5,566**	4.1	16.2	40.1	20.6
Community services	2	3	3	4	**4**	50.0	–	33.3	–
Inactives (3 months – %)[2]	**n/a**	**13.9**	**18.2**	**17.6**	**7.9**	**–**	**4.3**	**(0.6)**	**(9.7)**
Contract	n/a	3.8	5.3	5.7	**1.5**	–	1.5	0.4	(4.2)
Prepaid	n/a	15.9	20.5	19.7	**9.0**	–	4.6	(0.8)	(10.7)
Total churn (%)[3]	**23.3**	**27.2**	**30.4**	**36.6**	**27.1**	**3.9**	**3.2**	**6.2**	**(9.5)**
Contract	18.7	14.5	11.9	10.1	**9.1**	(4.2)	(2.6)	(1.8)	(1.0)
Prepaid	24.8	30.1	34.0	41.3	**30.3**	5.3	3.9	7.3	(11.0)
Traffic (millions of minutes)[4]	**7,472**	**8,881**	**10,486**	**12,297**	**15,014**	**18.9**	**18.1**	**17.3**	**22.1**
Outgoing	4,052	4,967	6,343	7,772	**10,027**	22.6	27.7	22.5	29.0
Incoming	3,420	3,914	4,143	4,525	**4,987**	14.4	5.9	9.2	10.2
ARPU (Rand per month)[5]	**208**	**182**	**183**	**177**	**163**	**(12.5)**	**0.5**	**(3.3)**	**(7.9)**
Contract	493	560	629	634	**624**	13.6	12.3	0.8	(1.6)
Prepaid	98	93	90	90	**78**	(5.1)	(3.2)	–	(13.3)
Community service	1,453	1,719	1,861	2,155	**2,321**	18.3	8.3	15.8	7.7
Minutes of use per month (MOU)[6]	**137**	**111**	**101**	**96**	**84**	**(19.0)**	**(9.0)**	**(5.0)**	**(12.5)**
Contract	270	264	269	263	**226**	(2.2)	1.9	(2.2)	(14.1)
Prepaid	70	58	54	56	**52**	(17.1)	(6.9)	3.7	(7.1)
Community service	2,859	3,354	3,162	3,061	**3,185**	17.3	(5.7)	(3.2)	4.1
Cumulative capex	10,232	14,317	16,535	18,132	**20,358**	39.9	15.5	9.7	12.3
SA network capex per customer (Rand)	2,053	1,991	1,933	1,720	**1,515**	(3.0)	(2.9)	(11.0)	(13.5)
Number of employees[8]	**4,102**	**3,859**	**3,904**	**3,848**	**3,954**	**(5.9)**	**1.2**	**(1.4)**	**2.8**
Customers per employee[8]	1,245	1,699	2,017	2,527	**3,247**	36.5	18.7	25.3	28.5
Market share (%)[7]	61	61	57	54	**56**	–	(4.0)	(3.0)	2.0

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 *n/a – not available. A software error was identified in the calculation of inactives which has been confirmed by independent auditors. Vodacom was unable to restate prior year figures including 2002 to 2004 statistics. This does not impact any other statistics presented, as all are based on registered customers.*

3 *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. From December 1, 2003, 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.*

4 *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.*

5 *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.*

6 *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.*

7 *Market share is calculated based on Vodacom's total reported customers and the estimated total customers of MTN and Cell C.*

8 *The number of employees in 2005 excludes 191 outsourced customer care employees which yields customers per employee of 3,097, a 22.5% increase on the prior year.*

One of Vodacom's main objectives is to continue maximising the value achieved through its sports sponsorships by using these properties to promote its products and services.

Distribution channels

As at March 31, 2005, Vodacom's distribution network consisted of:

- Vodaworld – A unique one-stop mobile telecommunications mall, showcasing the latest technology in cellular hardware;
- Dealers and franchises – 1,497 company and independently owned cellular dealer and franchise outlets which include Vodashop, Vodacare, Vodacom 4U and Vodcacom Active stores;
- National chains – 5,173 retail outlets;
- Vodacom Direct – Vodacom's call centre-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 comprising of street vendors serving under-serviced areas.

Customers and Traffic

Customer growth and connections

The South African customer base has continued to grow this year, illustrating that the market is larger than previously forecast. The total number of customers has increased by 32.0% to 12.8 million (2004: 9.7 million) with the majority of the growth resulting from the prepaid market. The number of prepaid customers has increased by 32.1% to 10.9 million, while the number of contract customers has increased by 31.8% to 1.9 million. Despite the increase in contract customers, Vodacom has seen a decrease in connection incentive levels in the market. The strong growth in customers was a direct result of the remarkable number of gross connections achieved, with continued levels of handset support to service providers in respect of the contract base, coupled with decreased churn in the contract and prepaid bases.

Contract gross connections increased by 61.8% to 610,000 (2004: 377,000), while prepaid gross connections increased by 20.6% to 5.6 million (2004: 4.6 million), bringing the total number of connections for the year to 6.2 million (2004: 5.0 million). The growth in the contract connections was largely due to the increased connections in the hybrid product, Family Top-Up. The customer signs up for a 24-month airtime contract and receives a monthly amount of airtime after which he is able to recharge using prepaid vouchers. This product, allowing the customer to control his spend, has been particularly popular in the youth market.

The year under review was another year of records in South Africa with 715,000 prepaid gross connections achieved in December 2004, the highest ever monthly figure, and 22.3% more than the previous record of December 2003. Contract gross connections of 61,000 achieved in December 2004, was also the highest ever, 31.3% higher than the previously reported record of March 2004.

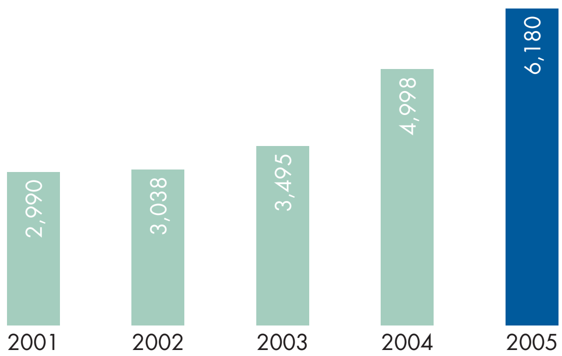
Loyalty and retention programmes continue to play an integral role in achieving the strategy of retaining market share and attracting new customers.

ARPU

The developing market through the prepaid service has continued to drive market penetration in 2005 and has made up 90.1% (2004: 92.4%) of all gross connections. During the period under review, ARPU decreased to R163 per month (2004: R177) due to the continued dilution of ARPU caused by the higher proportion of lower ARPU prepaid connections and lower usage as the lower end of the market is penetrated.

South Africa gross connections

'000



VODACOM SOUTH AFRICA continued

Contract customer ARPU has decreased by 1.6% to R624. The main contributing factor to this decrease has been the high growth in the low end hybrid, Family Top Up. The prepaid customer ARPU has decreased by 13.3% to R78 (2004: R90) per customer per month.

Community services ARPU has increased by 7.7% to R2,321 (2004: R2,155) due to tariff increases coupled with stable usage patterns. Due to the subsidisation of community service tariffs, one community services phone is equivalent to approximately 45 prepaid customers on an outgoing revenue basis and nearly 128 on an outgoing usage basis.

Churn

The cost of acquiring contract customers in a highly developed market is considerable. Vodacom has therefore implemented upgrade and retention policies over the last couple of years. Through the continued high level of handset support to service providers, Vodacom has ensured the decrease in contract churn to the lowest level in our history of 9.1% in 2005 (2004: 10.1%).

The developing prepaid market is characterised by low acquisition costs due to the flexibility required by this market to access our services. The decrease in prepaid churn experienced during the year under review to 30.3% (2004: 41.3%) is partly a result of a change in business rules.

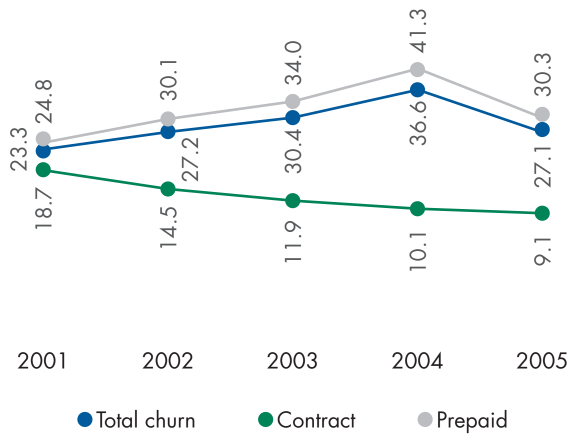
Traffic and minutes of use

Total traffic on the network, excluding the impact of national and international roaming, has shown an increase of 22.1% to 15.0 billion minutes in 2005 (2004: 12.3 billion). This growth was mainly due to the 32.0% growth in the total customer base from 9.7 million to a base of 12.8 million as at the end of March 2005. Also evident was a marked change in customer calling patterns, with total mobile to mobile traffic increasing by 31.6% while total mobile to fixed and fixed to mobile traffic decreasing by 0.9%.

Minutes of use is reflective of voice trends outside and in excess of the bundle and shows a stabilised trend for the period under review, as contract minutes show a 14.1% decrease to 226 per month for 2005 (2004: 263 per month), and prepaid minutes decreased 7.1% to 52 per month in 2005 (2004: 56 per month).

South Africa churn history

%



Market share

Vodacom has retained its leadership in the South African market with an estimated 56% (2004: 54%) market share as at March 31, 2005, despite strong competition. The improved market share is as a result of the increased competitiveness of Vodacom in acquiring contract customers, as well as the stability of prepaid sales. The cellular industry in South Africa has grown by 27.4% since March 2004, a net growth of 5.0 million, of which Vodacom has contributed 62.7%. The market penetration of the cellular industry is now an estimated 48.5% (2004: 41.2%) of the population with a total cellular market of 23.0 million customers (2004: 18.1 million). Prepaid customers continue to dominate the market and comprise 83.7% of the total cellular market (2004: 83.8%).

Customer Relationship Management

Customer relationship management remains one of our key strategic focus areas. We continually strive to improve relationships with customers by understanding their needs, their likes, dislikes and how they would like Vodacom to interact with them. Using these insights, we ensure that our staff are trained to interact with the customers in a customer-centred manner and that our business processes support our customer satisfaction principles.

Our performance in this regard is measured through customer satisfaction surveys conducted internally as well as by the Department of Trade and Industry. In both surveys, Vodacom achieved the highest customer satisfaction index. In order to ensure that we remain competitive, action plans have been put into place to address shortcomings that are identified though these surveys.

Customer care

A key focus area over this past year has been customer self-service. More than 70% of customer queries are now handled via the IVR system, allowing for added convenience to customers. More than 85% of customer queries are resolved on the first call. Skills-based call routing technology has been introduced into the call centres which allows an incoming call to be connected to the most appropriate call centre agent, depending on the nature of the customer's enquiry.

In order to increase the call handling capacity in the call centres, an outsourced call centre has been commissioned. This call centre is operated by Dimension Data and has been operating since December 17, 2004. The outsourced call centre employs some 191 employees. This has had a positive effect on customer service levels.

Walk-in customer care

The four walk-in customer care centres in Vodaworld (Midrand), Cape Town, Durban and Port Elizabeth prove highly successful in addressing customer enquiries and needs. Footfall continues to increase on a daily basis and we are assisting, on average, a total of 1,500 people a day.

Vodacare

Vodacare specialises in cellular repairs and consists of 27 branches and franchises in all the major centres providing walk-in customer support to Vodacom customers and an advanced repair centre hub for high-level repairs situated in Midrand. With an average of over 38,000 repairs per month, this dedicated customer service support centre differentiates our offering from that of our competitors.

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, the 48-hour swap programme 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 supplied. 14% of high-level repair customers opted to use the 48-hour swap programme with the remainder of the high-level repair customers selecting to use the seven-day turnaround time programme by the advanced repair centre. The balance of the low level repair customers, which comprises 80% of the business, are serviced within 24 hours by the franchise service centres.

Products and Services

Vodacom has a culture of innovation and our record of accomplishments with regard to our product offering bears testimony to this. Recent significant products launched include 3G, BlackBerry® and Vodafone live!. Vodacom offers contract, prepaid, data and value-added voice and data services.

Contract services

Vodacom offers contract customers a range of mobile service packages designed to appeal to specific customer segments. Packages range from Weekend Everyday for consumer customers and business packages, such as Business Call, for business customers.

As at March 31, 2005, 14.6% (2004: 14.6%) of Vodacom's customers were contract customers. The high spending contract customer market is of strategic importance and therefore a number of retention and upgrade strategies have been implemented to retain these customers. The decrease in churn rates for contract customers is a testimony to our continued success in achieving this goal.

The innovative Top Up product launched in 2003, designed to facilitate migrations to contract packages from existing prepaid packages, has proven highly successful and has contributed to the growth in contract customers. As at March 31, 2005, 19.8% (2004: 5.1%) of Vodacom's contract customers were Top Up customers.

Prepaid services

The majority of Vodacom's customers are prepaid customers and at March 31, 2005 prepaid comprised 85.2% (2004: 85.3%) of the customer base.

Vodacom has three prepaid products, namely: Vodago, SmartStep and 4U. Our 4U offering, primarily aimed at the youth market, continues to prove highly successful and as at

March 31, 2005, 70.7% (2004: 67.9%) of Vodacom's prepaid customers comprised 4U customers.

During the year, Vodacom introduced a new Super six 4U starter pack and changed the Vodago Super six starter pack to include free SMSs.

Recharge-related innovations include the Yebo 5 voucher, adding SMS as a recharge channel, and the addition of electronic recharge as a service to the Vodacom4me portal.

Value-added voice and data services

A comprehensive Value Added Services (VAS) portfolio complements our contract and prepaid offerings. Vodacom's current data portfolio includes various pay-as-you-use and bundled GPRS and 3G offerings available to prepaid, Top Up and contract customers.

Vodacom was the first operator to introduce a commercial 3G offer into the local market in December 2004 and has created a new niche market in data-related products and services. The take up by customers during this initial period of deployment has been encouraging. The number of active 3G users on the network as at March 31, 2005 was 10,853. The 3G launch included a number of innovative products such as the Vodafone Mobile Connect Card, and, after 4 months, we had already acquired 5,105 users.

Vodacom was also the first to launch BlackBerry® devices into the South African market, shifting the focus to data and e-mail on demand, and was one of the messaging highlights for the year.

At the same time, we introduced new data tariffs for our contract customers and dramatically reduced our data pricing from R10 to an effective 60 cents per megabyte. Whilst prepaid customers currently enjoy a competitive data tariff, during the course of 2005 we plan to make data bundles available to them.

During the year there was an increase in the usage of GPRS, with the number of GPRS users increasing to 579,581 as at March 31, 2005 (2004: 100,128).

On the messaging side, our aim was to make SMS and MMS more affordable. To this end, we introduced an SMS voucher for prepaid customers in December 2004 and changed the MMS pricing so that the cost of sending a MMS is the same as that of sending a SMS. Both these initiatives have contributed to increased usage. In addition, the volumes of preconfigured mobile phones supporting MMS registered on the network increased to 2.0 million (2004: 510,000). The number of active MMS users on the network as at March 31, 2005 was 328,974 (2004: 61,374). MMS messages volumes continued to grow from 350,260 messages in March 2004 to 1,780,657 in March 2005, with an average of 811,270 messages sent monthly.

On the VAS side, new and innovative additions include call sponsor, airtime transfer, detailed billing and the prepaid passport number securing product. Further additions and enhancements include SMS-only roaming; video telephony charged at the same rate as voice calls; video mail and the missed call keeper service.

Vodacom continued to deliver on its data strategy which is centred on a Wireless Application Service Provider (WASP) model for ease of connectivity and standardised 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. As at March 31, 2005, 136 WASPs (2004: 106) had applied for connectivity to the Vodacom network.

Premium-rated SMS content is still focused on competitions, accounting for approximately 20% of new services and information and alerts which account for roughly 18%. There has been a substantial increase in messaging services which represented 12% of new services in 2005. Consumer sensitivity to pricing appears to be stabilising, as average monthly volumes have grown to 9.8 million.

Community Services

By March 31, 2005, Vodacom had deployed more than 25,224 community services telephones (2004: 23,191) in previously underserviced areas, compared to the licence obligation of 22,000. These phones enable the residents of these areas to make phone calls at a highly subsidised price and continue to have a profound positive effect on the residents of these areas.

Handset Sales

The number of handsets sold during the year was 2.4 million units (2004: 2.1 million units), an all time high, which represented a year-on-year growth of 14.3% from 2004. Our world-class warehouse in Midrand handled an average of 1,642 orders per day, up by 37.2% from the previous year's figure of 1,197 orders per day. As a testimony to our proficiency at effective distribution, 98% of all deliveries to our distribution channel are finalised within 48 hours of receiving the order.

Camera phones have now become very affordable and are available on prepaid offerings. 1.3 mega pixel cameras have now become the standard, with two mega pixel cameras becoming available on high end phones. Bluetooth technology has now become entrenched on most mid and high end phones. The focus for the coming year will be on Vodafone live!, with specific emphasis on customised phones and content.

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, 2005, Vodacom had international roaming agreements with 301 mobile communications network operators in 153 countries (2004: 249 network operators in 132 countries) for contract telephony services, 31 GPRS roaming contracts (2004: 10) and 17 inbound prepaid roaming telephony contracts (2004: 12). Plans for 2005 will focus on the networks in the more popular destinations and to conclude 3G, GPRS, prepaid and SMS agreements with Vodafone and other networks to further enhance data offerings for roamers and visitors alike.

Network Infrastructure and Technology

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

As at March 31, 2005 Vodacom had achieved the following rates based on network derived statistics and trailing statistics, carried out through vehicle trailing:

- 99.54% call set-up success rate (2004: 99.46%);
- 99.61% call retention rate (2004: 99.38%); and
- 99.15% call success rate (2004: 98.83%).

The network continued to show improved performance as clearly reflected by the preceding trailing results. Extensive efforts were put into increasing the available MSC capacity through wide-spread upgrades to larger capacity power nodes.

This has had an extremely positive impact on network call processor loads during high peak periods, for example, Christmas and New Year.

As at March 31, 2005 Vodacom's infrastructure covered an estimated 96.4% of the population, based on the latest available census information of 2001, and 66.6% of the geographical area of South Africa. The network's core GSM infrastructure as at March 31, 2005 was comprised of:

- 31 mobile switching centres (including the VLRs and gateways);
- 242 base station controllers;
- 4,518 macro-base transceiver stations;
- 1,508 micro-base transceiver stations;
- 45,719 transceivers; and
- GPRS functionality across the network.

The network's UMTS (3G) infrastructure as at March 31, 2005 consisted of:

- Three radio network controllers; and
- 487 UMTS base transceiver stations (NodeB).

Vodacom's transmission network comprises 15,036 E1 links and 67 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 (IP MPLS) 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.

Vodacom continues to deploy GSM 1800MHz radio equipment in all regions to provide additional customer capacity as necessitated by the increase in network traffic. Vodacom has operational dual band base stations in 1,348 locations in South Africa. These sites comprise 8,137 GSM 1800MHz transceivers.

Number of base transceiver stations

	Year ended March 31,				
	2001	2002	2003	2004	2005
Macro-base transceiver stations	3,401	3,670	3,906	4,158	**4,518**
Micro-base transceiver stations	1,292	1,380	1,487	1,555	**1,508**
Total	**4,693**	**5,050**	**5,393**	**5,713**	**6,026**

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 BEE. Vodacom spent 75.3% of its eligible procurement expenditure with BEE companies during 2005 (2004: 60%) against a target of 67% for the year. Vodacom seeks to utilise at least two suppliers for all critical equipment where possible to minimise supply risk. Vodacom's main technology suppliers are Siemens for the core network and Alcatel and Motorola for the radio networks.

Regulatory Affairs

The regulatory environment has been vibrant over the past financial year with *inter alia* the Minister exercising her statutory authority to liberalise certain markets, the licensing of seven of the underserviced licensees and the publication of another Convergence Bill by the Parliamentary Portfolio Committee on Communications. The ICT BEE Charter, after a year of continued industry consultation and negotiation, is also nearing finalisation.

Ministerial determinations

The Minister published liberalisation determinations in terms of the Telecommunications Act during September 2004. The effective date of the above-mentioned determinations was February 1, 2005. From this date, Vodacom's obligation to obtain its fixed links from Telkom was lifted. The effect of the facilities provisioning determination is that Vodacom may self-provide its fixed links. Vodacom has submitted its application to the Independent Communications Authority of South Africa (ICASA) for the relevant spectrum to assess the viability of self-provisioning. The prohibition on value-added network providers (VANS) to carry voice on their facilities has also been lifted. This has resulted in Telkom decreasing international rates and has created opportunities for Vodacom to conclude agreements with VANS to terminate traffic on the Vodacom network.

Underserviced area licences (USALs)

Vodacom has succeeded in concluding regional roaming agreements with six of the seven originally licensed USAL licensees. The closing date for bids for USAL licences for the next 14 USAL areas was April 22, 2005. A total of 43 companies and consortiums submitted bids. Vodacom has had contact with 18 of them and will proceed to negotiate with the potential USALs.

Convergence Bill

The Convergence Bill was published on December 3, 2003, and was the product of industry consultation and industry drafting. Written comments by the public were submitted on February 3, 2004, whereafter no communication was entered into. On March 13, 2005, the Bill was published for comments on parliament's website, allowing three weeks for public comment. As the new version differed materially from the original version, Vodacom submitted extensive comments and has subsequently established a lobbying task team to engage government and parliament to ensure that Vodacom's requirements are met.

ICT BEE Charter

The new draft ICT BEE Charter – developed by a steering committee comprising members representing the IT, electronics, broadcasting and telecommunications industries and labour, community, SMMEs and ICASA, and facilitated by Department of Communications (DoC) – was submitted to the Minister on May 2, 2005, before being tabled to cabinet for adoption and release for public comment.

1800MHz and 3G spectrum

From a technical regulatory perspective, Vodacom is well positioned for future growth. Vodacom was awarded its permanent 1800MHz and 3G spectrum licences during the past financial year. Both the 1800MHz and 3G spectrum fees are the same as the 900MHz spectrum fees. In light of this, Vodacom has accepted the additional universal service obligations ICASA, i.e. 2.5 million simcards and 125,000 handsets to be distributed over a period of five years to under-served persons in under-serviced areas and internet connectivity to 5,140 schools over a period of eight years. The DoC and ICASA will assist in the identification of the beneficiaries, the schools and the areas. The airtime used on the simcards will be charged at standard prepaid rates and the internet usage rates at a 50% discounted rate, as provided for in the Telecommunications Act.

Number portability

The Telecommunications Act provides that number portability has to be implemented in 2005. ICASA and the cellular operators have been in consultation over the past 10 months to agree to the functional and technical specifications to ensure compliance with the Act.

Interception of Communication and Communication-related Information Act

The effective date of the Interception of Communication and Communication-related Information Act has still not been declared. The cellular operators have succeeded in persuading the Department of Justice to revise the provisions regarding customer registration, which will now be done electronically over a three-year period, instead of the original paper-based process which was proposed. After the declaration of the effective date of the Act, Vodacom will have six months to acquire the monitoring and interception facilities. The technical specifications of the facilities have also been agreed upon between Vodacom and the Department of Justice.

Conclusion

Vodacom has had a phenomenal year. We have managed to exceed most of the goals set for this year and have been successful in increasing our market share by 2% points to 56%. This increase is attributable to the high number of gross connections, as well as the significant decrease in our churn rate. The decrease in the churn rate is particularly encouraging as it is indicative of the efficiency within the business.

One of the highlights of the year has been the launch of 3G technology ahead of our competitors. In addition, our alliance with Vodafone has enabled us to bring products and services to the South African market that would ordinarily not be available, including innovative products such as the Vodafone Mobile Connect card, BlackBerry® and Vodafone live!. We will concentrate on growing our customer base with the addition of new and innovative products, services and tariffs.

Although the cellular industry is faced with a number of challenges in the year ahead, Vodacom is well positioned to maintain its position as the market leader in South Africa.

Shameel Aziz Joosub
Managing Director
Vodacom (Proprietary) Limited

REVIEW OF OPERATIONS
VODACOM TANZANIA

José Dos Santos
Managing Director
Vodacom Tanzania Limited

Overview

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

The company has performed well in a challenging year that saw retail and wholesale tariffs cut substantially as a result of competitive pressure and regulatory actions.

Infrastructure

Vodacom Tanzania continued its roll-out of network coverage in areas that offer opportunities for growth in its customer base and which deliver acceptable levels of revenue. The core network and switching capacity has been upgraded to accommodate the rapid customer growth experienced during the year and to maintain the quality of service. The availability of reliable and cost-effective transmission continues to be the main challenge for the company going forward, and with the deregulation of the telecommunications market in February 2005, it is anticipated that the company can take advantage of alternative transmission opportunities.

Vodacom Tanzania's cumulative capital expenditure as at March 31, 2005 was R1.4 billion or TSH240.1 billion (2004: R1.1 billion or TSH201.0 billion).

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.

On April 1, 2004 Vodacom Tanzania converted to Tanzanian Shilling billing from US Dollars. This action, together with tariff reductions, and the introduction of innovative product offerings, has stimulated growth, and enhanced the customer value proposition. These include Moja Moja, a five times TSH1,000 recharge voucher, Buddy Recharge, a product allowing over-the-air value transfer between customers, Please Call Me messaging and a five free SMS product.

The growth in customers has placed significant pressure on the customer call centre capacities, which has prompted the replacement of our customer administration system that will further enhance our service levels going forward.

Customers

The Vodacom Tanzania market profile is currently 99.3% (2004: 98.9%) prepaid, 0.4% (2004: 0.7%) postpaid and 0.2% (2004: 0.4%) public phones. The total customer base at

Key indicators

	Year ended March 31,			% change	
	2003	**2004**	**2005**	***04/03***	***05/04***
Customers ('000)[1]	**447**	**684**	**1,201**	***53.0***	***75.6***
Contract	5	5	**5**	–	–
Prepaid	440	676	**1,193**	*53.6*	*76.5*
Community services	2	3	**3**	*50.0*	–
Gross connections ('000)	**262**	**404**	**746**	***54.2***	***84.7***
Churn (%)	**13.3**	**30.0**	**29.6**	***16.7***	***(0.4)***
ARPU (Rand)[2]	**217**	**128**	**81**	***(41.0)***	***(36.7)***
Cumulative capex (Rand millions)	**1,058**	**1,146**	**1,359**	***8.3***	***18.6***
Number of employees	**224**	**316**	**340**	***41.1***	***7.6***
Customers per employee	**1,996**	**2,165**	**3,532**	***8.5***	***63.2***
Mobile penetration (%)[3]	**2.2**	**3.3**	**5.1**	***1.1***	***1.8***
Mobile market share (%)[3]	**53**	**57**	**59**	***4.0***	***2.0***

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 are calculated based on Vodacom estimates.*

March 31, 2005 was 1,201,000 (2004: 684,000), a substantial increase of 75.6%. This growth has primarily been achieved by an increase in the prepaid customer base of 76.5% to 1,193,000 (2004: 676,000). The prepaid gross connections of 746,000 (2004: 404,000) were offset by a total churn rate of 29.6% (2004: 30.0%) due to high levels of competition in Tanzania. The introduction of a more effective countrywide distribution channel, super dealer remuneration structures and network roll-out have supported these results.

Per-second billing has proved highly successful, and at year-end, approximately 980,000 of our customers (2004: 400,000) were utilising this service.

Competition

There are three other mobile operators licensed in Tanzania: Zantel, which operates almost exclusively in Zanzibar and Mobitel and Celtel, the mobile arm of the parastatal mainland fixed-line operator, Tanzanian Telecommunications Company Limited (TTCL). TTCL is the sole fixed-line operator licensed to provide basic telecommunications services in mainland Tanzania. Dutch-based Celtel International B.V. (formerly 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 licence, with international gateway rights for traffic originating on its own network.

The year was once again marked by significant price competition. Vodacom Tanzania moved to Tanzanian Shilling tariffs on April 1, 2004, reduced its prepaid tariffs in July 2004 by as much as 33% on per-second billing terminating on other networks and, at the same time, removed the differential off-net pricing resulting in a 20% tariff decrease. Further reductions in tariffs on both postpaid and public phones have also been made during the period. Despite increased competition, these actions have assisted customer growth and increased market share to 59% (2004: 57%). The competitors' market shares are estimated to be 26% for Celtel (2004: 25%), 11% for Mobitel (2004: 14%) and 4% for Zantel (4%).

VODACOM TANZANIA continued

Employees

Vodacom Tanzania had a total headcount of 340 employees as at March 31, 2005 (2004: 316). Excluded from the headcount were eight secondees, employed out of Vodacom International Limited.

Vodacom Tanzania continues to support the development of local Tanzanian skills and views employee relations as a key factor in ensuring a positive working environment. Staff issues are addressed via a consultative forum where staff are given a platform to address issues, where agreed actions are monitored on a monthly basis.

Effective April 1, 2005, a new Managing Director, Romeo Kumalo, takes over from José Dos Santos, who has been transferred to Vodacom Mozambique.

Regulatory

The year ending March 31, 2005 has been characterised by significant developments in the regulatory environment and this will be continued into the new financial year.

The arbitration of the historical dispute between TTCL and Vodacom in respect of outstanding interconnection fees was finalised subsequent to the end of the financial year.

In July 2004, the Tanzanian Communications and Regulatory Authority issued new interconnection rates for both mobile and fixed operators. The mobile termination rate was reduced from 17.5 US cents to 10.0 US cents from August 1, 2004 and 8.9 US cents from January 1, 2005, with further reductions published for annual reductions in the future. Vodacom submitted comments in support of its views on the introduction of cost-based interconnection. Vodacom Tanzania challenged the process by which the termination rates were introduced. A public hearing was held during September 2004 to discuss these issues, the result of which was that interconnect rates were introduced from October 1, 2004, and the further reduction was delayed by two months to March 1, 2005.

A new Telecommunications Act was introduced, effective February 23, 2005. This ended the fixed line monopoly of TTCL, and will lead to the liberalisation of the telecommunications market within the country. The Ministry of Telecommunications is currently engaging the industry in respect of a new regulatory framework, and accordingly licensing of services has yet to be finalised. Vodacom Tanzania has, in the meantime, commenced routing of international traffic via Zantel at rates which will improve margins over those offered by the TTCL.

Prospects

Despite the challenges of retail and wholesale pricing pressures, Vodacom is anticipating further growth in its existing business, customer base and profitability in the coming financial year.

The ability to manage costs in the face of falling customer ARPUs, whilst rolling-out additional coverage, will be critical to achieving improved results. Vodacom is also well positioned to take advantage of new opportunities which will result from the changing regulatory environment.

José Dos Santos
Managing Director
Vodacom Tanzania Limited

REVIEW OF OPERATIONS VODACOM CONGO

Dietlof Maré
Managing Director
Vodacom Congo (DRC) s.p.r.l.

Overview

Vodacom Congo was established on December 11, 2001 in the Democratic Republic of the Congo (DRC) and the Vodacom network was officially launched on May 1, 2002. Vodacom International Limited (Mauritius) owns a 51% interest in Vodacom Congo, with the remaining 49% owned by Congolese Wireless Network s.p.r.l.

During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004 Vodacom Congo was fully consolidated as a subsidiary after certain clauses, granting the outside shareholders participating rights, were removed from the shareholders' agreement.

Vodacom Congo is performing well under challenging circumstances. The local currency has depreciated 32.9% to the US Dollar over the last year, affecting affordability levels for the general population. ARPU was negatively affected with the lower end users spending substantially reduced. Despite aggressive competition for market share, Vodacom managed to increase profitability as well as maintain its share of the market. An aggressive coverage strategy was the main contributing factor in achieving the successes in customer growth and improved profitability for the financial year.

The DRC's first democratic elections are planned for the coming year; the outcome of which will determine political stability and economic growth. The current coverage and market share levels put Vodacom Congo in a favourable position to benefit from an economic upturn.

Infrastructure

Vodacom continued an aggressive roll-out programme and improved market penetration in the year ended March 31, 2005. Network coverage has been rolled out in all of the nine provinces of the DRC. This includes roll-out in 130 (2004: 71) towns and consists of 289 base stations (2004: 227) and four MSCs (2004: 4). Network capacity in the main centres has also been upgraded to maintain quality and service.

The company's cumulative capital expenditure to March 31, 2005, was R1.8 billion or US$281 million (2004: R1.4 billion or US$227 million).

Products and Services

Vodacom Congo offers contract, prepaid and public phone services. The contract product is aimed at the corporate market, with the focus on value-added services and 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. A postpaid product with a top up option and a corporate PABX product were also launched during the year.

VODACOM CONGO continued

Customers

Vodacom Congo's customer base consists of 97.9% prepaid customers (2004: 97.5%). The 54.0% increase in customers to 1,000,000 (2004: 670,000) was the result of 565,000 gross connections (2004: 513,000) and a churn percentage of 23.1% (2004: 20.2%). Vodacom's key success factors in the market remain the ability to source the lowest priced quality handsets; effective distribution channels; access to new areas through the successful coverage roll-out and a sound network quality.

Market Share and Competition

Vodacom Congo continues to be the market leader with an estimated market share of 47% on March 31, 2005 (2004: 47%).

Celtel, recently acquired by Kuwait's Mobile Telecommunications Company (MTC), is Vodacom's main competition. Celtel focuses its coverage on the main city centres. Celtel continues its coverage roll-out and aggressive pricing campaigns in order to attract market share. Currently, Celtel has a market share of approximately 46% (2004: 45.0%).

The balance of the market is shared with SAIT and Congo Chine accounting for 4% and 3% market share respectively.

Employees

Vodacom Congo had 527 employees at March 31, 2005 (2004: 334), including 125 contractors and temporary employees. Excluded from the headcount were nine secondees employed out of Vodacom International Limited. The process of evaluation, identification and training of local staff is a continuous focus of the company as part of the skills' transfer process.

Regulatory

The National Regulatory Agency (NRA) has been active during the year focusing on wholesale costing, interconnect rates and the establishment of a fully functional regulatory agency, recommending changes to the framework, taxation and funding of universal access.

The NRA is working with the World Bank to allow for the assistance of experts and consultants within the limit of the credits that will be allocated to the DRC to formalise terms of reference for regulatory activities.

Draft guidelines for wholesale pricing and interconnection are under discussion with the NRA and are being prepared for discussion and implementation in the coming year.

For 2005, the president of the NRA confirmed that decisions will be implemented for the substantial increase of telecommunications fees in respect of spectrum, numbering, homologation and Universal Service Fund. Consultations with the telecommunications industry are being conducted.

SuperCell (affiliated to MTN-Rwanda cell) was previously granted a licence on a regional basis by the RCD political organisation. The new political order established RCD as a recognised political power and SuperCell was granted a national licence. Although the issue remains unresolved, the NRA's position is currently that no local interconnection is allowed with SuperCell. In view of the controversy associated with SuperCell operations, the minister of PTT was forced to subject the validity of the licence to a minimum investment in the DRC of core network elements.

Prospects

Vodacom Congo is well placed to take advantage of opportunities in the market. Given the capital expenditure of Vodacom Congo and the extent of the political transition period in the DRC, it is expected to take longer than previously estimated to achieve a net profit. However, continued growth in EBITDA and profit from operations is expected.

Dietlof Maré
Managing Director
Vodacom Congo (DRC) s.p.r.l.

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

	Year ended March 31,			% change	
	2003	**2004**	**2005**	***04/03***	***05/04***
Customers ('000)[1]	**248**	**670**	**1,032**	***170.2***	***54.0***
Contract	4	8	**10**	*100.0*	*25.0*
Prepaid	237	653	**1,010**	*175.5*	*54.7*
Community services	7	9	**12**	*28.6*	*33.3*
Gross connections ('000)	**260**	**513**	**565**	***97.3***	***10.1***
Churn (%)	**24.2**	**20.2**	**23.1**	***(4.0)***	***2.9***
ARPU (Rand)[2]	**200**	**150**	**98**	***(25.0)***	***(34.7)***
Cumulative capex (Rand millions)	**944**	**1,432**	**1,759**	***51.7***	***22.8***
Number of employees	**204**	**334**	**527**	***63.7***	***57.8***
Customers per employee	**1,216**	**2,006**	**1,958**	***64.9***	***(2.4)***
Mobile penetration (%)[3]	**1.0**	**2.3**	**3.5**	***1.3***	***1.2***
Mobile market share (%)[3]	**44**	**47**	**47**	***3.0***	**–**

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 are calculated based on Vodacom estimates.*

REVIEW OF OPERATIONS
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, it is of strategic geographic importance in terms of our market share in neighbouring South Africa and therefore justifies its inclusion in the Vodacom portfolio.

Infrastructure

The network has 46 BTSs, one MSC, two BSCs, one SMSC, one intelligent network platform and one voicemail platform. Vodacom Lesotho's cumulative capital expenditure to March 31, 2005 was R211 million (2004: R201 million).

Products and Services

Vodacom Lesotho offers a variety of prepaid and postpaid products to customers. Its latest offering, the SuperTalk50 and SuperTalk100 contracts, are the first and only contracts in Lesotho that offer bundled minutes and a subsidised handset. Vodacom Lesotho also offers public phone services and a direct connect service allowing customers to access the Vodacom Lesotho network directly from their PABX. Vodacom Lesotho's distribution is maintained via seven Vodashops, six Super Dealers and three retail groups, and Vodacom products can be purchased from over 100 outlets in Lesotho. Customers are serviced through a walk-in customer care centre or via a customer care call centre.

Customers

During the year under review, Vodacom Lesotho managed to increase its customer base by 83.8% to 147,000 as at March 31, 2005 (2004: 80,000). Prepaid packages are consistently the most popular and account for 96.6% (2004: 95.0%) of the total customers.

The substantial increase in total customers is a result of 70,000 gross connections for the year (2004: 51,000), as well as a low churn rate of 17.3% (2004: 65.1%), resulting in a net growth in customers of 67,000.
The high churn in 2004 resulted from an ongoing process of cleaning up the inactive customer base. Now that the clean-up has been completed, churn levels have normalised in 2005. The lower churn rate in 2005 is also as a result of the introduction of a seven-month deletion policy in April 2004. A change in the reporting of total customer base, as opposed to net active customer base in 2004, resulted in an increase of 18,000 customers in the opening base.

Competition

Econet-Ezicell is the only direct competitor in Lesotho, although Vodacom Lesotho's coverage is far superior to their current coverage. Vodacom Lesotho has implemented two additional coverage sites in the past two months and has plans for an additional four during the 2006 financial year. Econet-Ezicell, on the other hand, has more international roaming agreements in place than Vodacom Lesotho, although this is a priority area which Vodacom Lesotho intends to rectify during the 2006 year. Vodacom Lesotho has retained its estimated 80% market share (2004: 80%).

Employees

The headcount for Vodacom Lesotho decreased to 63 employees (2004: 68) as at March 31, 2005. The number of customers per employee improved, as a result, by 98.3% from 1,176 to 2,333.

Regulatory

The regulatory environment in Lesotho continues to prove challenging. Changes in the operating environment include the licensing of a third network operator, Bethlehem Technologies, with an international gateway to provide data services, and a further amendment to the Telecom Lesotho licence allowing it to provide a product, Flexi-Save, which is basically a mobile service using the Econet-Ezicell infrastructure. The licence to Bethlehem Technologies has been challenged through court action by Telecom Lesotho.

The provision of poor quality of service by Telecom Lesotho was remedied only through the approval of the Regulator of an increased termination rate for calls to South Africa, while the interconnection rate on national operators has remained unchanged. This has increased the interconnection rate for calls to South Africa without any balancing effect on the termination rate on national calls. Negotiations with Telecom Lesotho regarding the implementation of the new interconnect rate have frustrated the regulatory approval of the tariff rebalancing for Telecom Lesotho.

Key indicators

	Year ended March 31,			*% change*	
	2003	**2004**	**2005**	***04/03***	***05/04***
Customers ('000)[1]	**78**	**80**	**147**	***2.6***	***83.8***
Contract	4	3	**4**	*(25.0)*	*33.3*
Prepaid	73	76	**142**	*4.1*	*86.8*
Community services	1	1	**1**	–	–
Gross connections ('000)	**76**	**51**	**70**	***(32.9)***	***37.3***
Churn (%)	**70.6**	**65.1**	**17.3**	***(5.5)***	***(47.8)***
ARPU (Rand)[2]	**104**	**125**	**92**	***20.2***	***(26.4)***
Cumulative capex (Rand millions)	**185**	**201**	**210**	***8.6***	***4.5***
Number of employees	**74**	**68**	**63**	***(8.1)***	***(7.4)***
Customers per employee	**1,054**	**1,176**	**2,333**	***11.6***	***98.3***
Mobile penetration (%)[3]	**4.3**	**5.1**	**7.4**	***0.8***	***2.3***
Market share (%)[3]	**80**	**80**	**80**	**–**	**–**

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 are based on Vodacom estimates.*

Prospects

Vodacom Lesotho's performance has improved significantly under the new management structure. It is not expected that this high level of growth will continue in the short to medium term, but because of its geographical importance, we will continue to give adequate management attention to the operation.

Mervyn Visagie
Managing Director
Vodacom Lesotho (Proprietary) Limited

REVIEW OF OPERATIONS
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 Empresa Mocambiçana de Telecommunicações (EMOTEL).

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

Infrastructure

Vodacom Mozambique's infrastructure roll-out consisted of one MSC, four BSCs and 138 BTSs as at March 31, 2005. The network had a capacity of 350,000 customers as at that date, with an increase to a capacity of 500,000 planned for 2006.

Vodacom Mozambique's cumulative capital expenditure (excluding the licence) to March 31, 2005 was MZM2,173.7 billion (2004: MZM 1,785.6 billion), or R696 million (2004: R478 million).

Products and Services

Vodacom offers customers contract and prepaid plans and is planning to roll out public phones in the 2006 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 Interactive Voice Response System (IVR) in place to facilitate dealing with customer queries and customer care can operate in two languages, namely Portuguese and English.

Customers

During the year under review, Vodacom Mozambique managed to increase its customer base by 356.9% to 265,000 (2004: 58,000) as at March 31, 2005.

The substantial increase in total customers is a result of 225,000 gross connections for the year (2004: 58,000), as well as a low churn rate of 11.3% (2004: 0.3%). Prepaid packages account for 98.5% (2004: 98.5%) of the gross connections.

Competition and Market Share

Vodacom's only competition is Telecommunicações Móveis de Moçambique, Lda (mCel), a company owned by Telecommunicações de Moçambique (TDM), also the national fixed-line operator.

Vodacom has been able to increase its market share to 33% (2004: 11%) by offering competitive coverage through an aggressive roll-out programme, and despite extensive competition from mCel who is lowering prices and increasing discounts to distributors. This has put significant pressure on ARPU and revenues.

Employees

The headcount for Vodacom Mozambique increased to 109 employees as at March 31, 2005 (2004: 43). Excluded from headcount were 14 secondees who are employed out of Vodacom International Limited. The number of customers per employee improved as a result by 80.2% from 1,349 to 2,431. A number of expatriates were required during the initial two years of operations to assist in setting-up the business and training local employees. The majority of the contracts for the existing secondees expire between August 2005 and October 2005 when it is expected that the number of secondees will reduce.

Effective April 1, 2005, a new Managing Director, José Dos Santos, takes over from Clive Tarr, who has returned to Vodacom South Africa.

Regulatory

The biggest regulatory threat currently facing Vodacom Mozambique is TDM's attempts to lower interconnect rates. The proposal for mobile termination rates contained in TDM's Interconnection Reference Proposal released in October 2004, was US$0.09. Vodacom is negotiating with TDM regarding the technical aspects of the new interconnection proposal, but it seems unlikely that there will be agreement on termination rates, with the issue likely to be referred to the Regulator.

New legislation on a fee structure for microwave spectrum was approved in December 2004. The legislation provides for a complicated calculation formula that, according to internal calculations, would make microwave spectrum very expensive (in excess of US$300,000 per annum based on the current size of Vodacom's backbone). The latest communications with the National Regulatory Authority indicated that this amount may be deducted from the annual 3% of net operating income licence fee. Discussions with the NRA are continuing.

The draft Universal Service Fund regulations still has to be approved by the Ministry of Communications. The regulations appear to be consistent with policy and make provision for operator representatives to sit on the Board of the Fund. It would appear that the regulations will only be approved after the NRA appointed consultants, Intelecon Research & Consulting Limited from Canada, have presented their findings, which was expected by the end of April 2004. Vodacom had paid its service licence and GSM spectrum fees for 2005 on August 23, 2004, and the universal service fees on November 30, 2004. As far as infrastructure roll-out is concerned, after its first year of operations, Vodacom is well into year three in terms of its licence obligations. All requests for reports by the Instituto Naçional das Communicaçoes de Moçambique, or the National Communications Institute of Mozambique, in terms of Vodacom's licence have been complied with. Non-payment of regulatory and other fees by TDM and mCel has now been openly admitted to Vodacom by all parties. The NRA has assured Vodacom that these fees will be collected and that the matter will be taken to court if necessary.

Key indicators

	Year ended March 31,		*% change*
	2004	**2005**	***05/04***
Customers ('000)[1]	**58**	**265**	***356.9***
Contract	1	**4**	*300.0*
Prepaid	57	**261**	*357.9*
Gross connections ('000)	**58**	**225**	***287.9***
Churn (%)	**0.3**	**11.3**	***11.0***
ARPU (Rand)[2]	**110**	**52**	***(52.7)***
Cumulative capex (Rand millions)	**478**	**696**	***45.6***
Number of employees	**43**	**109**	***153.5***
Customers per employee	**1,349**	**2,431**	***80.2***
Mobile penetration (%)[3]	**2.6**	**4.2**	***1.6***
Mobile market share (%)[3]	**11**	**33**	***22***

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 are calculated based on Vodacom estimates.*

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, 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 in key areas 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.

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

REVIEW OF OPERATIONS SMARTCALL AND SMARTCOM

Mark Attieh
Managing Director of Smartphone SP (Proprietary) Limited and director of Smartcom (Proprietary) Limited

Overview

Vodacom Group (Proprietary) Limited acquired a 51% interest in Smartphone SP (Proprietary) Limited, trading as Smartcall, on March 1, 2004. Smartphone SP (Proprietary) Limited acquired an 85.75% interest in Smartcom (Proprietary) effective April 16, 2004.

The companies have performed well in a favourable South African market, with revenues significantly better in the second half of the year compared to the first half.

Smartphone SP (Proprietary) Limited trading as Smartcall

Smartcall achieved excellent results and has performed in line with expectations in a more competitive environment. The business was significantly more profitable towards the end of the financial year, as the business model followed requires investment in stock a few months before the customer connects.

Smartcall has been developing new voucher distribution solutions over the past financial year and is currently able to print large volumes of vouchers at point-of-sale. Smartcall has also developed PIN management solutions and plans to sell prepaid cellular value-added products and services to the market over the next few months.

Smartcall is known for its innovation in the prepaid market and is currently exploring novel customised concepts to enhance recharge and voucher distribution solutions. Smartcall is also aggressively developing its retail distribution channels.

Smartcom (Proprietary) Limited

Smartcom achieved results connecting more contract customers in the period under review than originally anticipated. Smartcom's distribution channels performed well with sales of both Family Top-Up and data sales packages doing exceptionally well. All distribution channels are being actively monitored and strengthened where required. Smartcom managed to maintain exceptional customer care service levels and are poised for further growth in the year ahead.

Mark Attieh
Director
Smartphone SP (Proprietary) Limited and
Smartcom (Proprietary) Limited

"Smartcall achieved excellent results and has performed in line with expectations in a more competitive environment. The business was significantly more profitable towards the end of the financial year, as the business model followed requires investment in stock a few months before the customer connects."

Family Top Up allows you to control your monthly cellphone expenses

Key indicators

	Year ended March 31,		% change
	2004	**2005**	***05/04***
Customers ('000)[1]	**2,806**	**3,667**	***30.6***
Contract (Smartcom)	44	**90**	*106.9*
Prepaid (Smartcall)	2,762	**3,577**	*29.5*

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.*

With an array of new products and services Vodacom stays ahead of the game. This year saw prepaid SMS vouchers, adding MyMeg to the vodacom4me suite, NightTalk allowing more talk time as the sun sets, receiving electronic invoices and subscription to MySport where the score board comes to you.

CHIEF GOVERNANCE OFFICER'S REVIEW

"Given the increasing importance of corporate governance globally, and mindful of the challenges presented by African operating environments, the Group decided to establish the new post of Chief Governance Officer."

Thomas Beale
Chief Governance Officer
Vodacom Group (Proprietary) Limited

Introduction

Corporate governance is a responsibility shared by all directors, chief officers, and executives in the Group. However, given the increasing importance of corporate governance globally, and mindful of the challenges presented by African operating environments, the Group decided to establish the new post of Chief Governance Officer. The role of the Chief Governance Officer is to coordinate, strengthen and improve the performance of governance structures and processes in the areas identified in the King Committee Report on Corporate Governance 2002 and reported on in the corporate governance statement which follows the chief officers' reviews. This year, the focus was on boards and directors, risk management and sustainability management and reporting. In the area of risk management, one key task was to design and implement an ethics and compliance programme that will enable Vodacom to manage the risk of corruption, money laundering and terrorist financing (CMT) in its operations and operating environments.

Boards and Directors

The Group has sponsored memberships in the South African Institute of Directors (IOD) for over fifty Vodacom directors, chief officers, executives, company secretaries and governance officers. A number of Vodacom personnel attended IOD training courses during the financial year. A Group training programme is being developed to enhance director and Board performance.

The constitution and agendas of the boards of directors of the network operating companies were reviewed to ensure the correct balance of executive and non-executive directors and to enhance the boards' strategic focus. The boards of the network operating companies met quarterly. Remuneration and audit committees were established for all non-South African network operating companies (South African issues are dealt with by the Group Remuneration and Audit Committees). The remuneration committees met four times during the year. The audit committees met at least three times during the year, with the exception of Mozambique, whose audit committee met only once. The audit committees have adopted the same charter as the Group Audit Committee.

Risk Management

General

A Group Risk Management Committee has been established, on which various chief officers, managing directors and executives serve. A list of critical and high risks for the Group was approved by the Audit Committee in November 2004. The list is being continuously reviewed and updated by the Risk Management Committee. A Risk Management Strategic Assessment was carried out by a major consulting firm. In respect of eleven risk management focus areas, Vodacom was found to be in partial adherence to generally accepted best practice, with room for improvement to be considered. These findings and recommendations will serve as a basis for improving and enhancing Vodacom's enterprise-wide risk management structures and processes.

Vodacom has procured an external Ethics and Whistle-blowing Hotline service which is to be implemented in May 2005. The facility will be launched internally, in Vodacom South Africa. It will then be extended to Vodacom companies in other countries.

CMT risk management

International best practice indicates that a corporate ethics and compliance programme is a key element of any risk management strategy aimed at the prevention and detection of corruption, money laundering and the financing of terrorism. Developments in respect of Vodacom's ethics programme are highlighted below. Here, the focus is on the CMT compliance programme.

International and country databases on CMT risk and CMT policy, law and administration have been established. Specialist legal counsel on CMT matters has been sourced from South African and foreign law firms. Consultants have been retained to provide monthly briefings on political, socio-economic and CMT risk in selected countries.

A Group CMT Code of Compliance has been approved by the Chief Executive Officer and is being implemented in all operating countries. The boards and senior management of the companies are being briefed on their responsibilities and liabilities, both individually and in small groups. Governance officers have been appointed for South Africa and Tanzania, with governance officers for the DRC, Lesotho and Mozambique to be appointed in May 2005.

Country and company CMT risk assessments are being carried out. Based on those findings, CMT policies and procedures are being put into place which will inform and guide the implementation of the Group CMT Code of Compliance in each country. The requirements set forth in these policies and procedures are derived from the domestic, foreign and international laws that are applicable to the country and company concerned. Changes to other policies and procedures, e.g. due diligences associated with procurement, are also being made. CMT "boilerplate" clauses for inclusion in supply contracts, sponsorship letters and other agreements have been formulated in consultation with Group Legal. Governance officers have been providing advice and granting or denying approvals in respect of various transactions and business relationships. Governance officers and other Vodacom staff have attended conferences and training courses on various topics, including risk management, corruption, money laundering and fraud.

As noted above, an Ethics and Whistle-blowing Hotline will be launched in May 2005. Requests for guidance on ethical or CMT issues will be routed to the governance officers so that problems can be avoided rather than reported after they have already occurred. The Governance group is working with the Risk Management and Human Resources groups to ensure that audit, investigative and disciplinary resources and procedures complement the CMT risk management effort.

Sustainability Management and Reporting

At Group level, chief officers take responsibility for championing various aspects of sustainability. This year, the Chief Governance Officer has focused on ethics and organisational integrity as reported below. The Chief Human Resources Officer manages and reports on the issues of employment equity, employee well-being and human resource development. The Chief Communications and Chief Operations Officers champion and report on Group efforts in respect of corporate social investment, occupational health and safety, environmental issues, transformation issues and stakeholder relations. Thus, much of the Group's sustainability reporting is to be found in this and the following two chief officer reports.

As noted above, one aspect of sustainability which is receiving attention from the Governance group is business ethics and organisational integrity. Taking the "Vodacom Way" value statement as a point of departure, a comprehensive programme, “The Vodacom Group has long subscribed to the notion that, for business success to be sustainable, it should be rooted on a solid platform of socially responsible behaviour.”

entitled “Ethics Along the Way”, has been initiated. The first phase, which is an ethics risk assessment, will be completed by the end of May 2005. Based on those findings, various awareness and training programmes and other interventions will follow.

The Governance group has also initiated a project to establish a consolidated gift register (both giving and receiving) for the Group and its South African companies. This register will also provide for declarations of standing interests, declarations of actual, potential or apparent conflicts of interests and declarations of relationships with government officials by all directors, chief officers and executives. This register will be linked with procurement databases to facilitate management and oversight of ethical behaviour. Obviously, these registers also form a critical part of the CMT compliance programme, as outlined above.

With an eye to achieving a more systematic and formal approach to managing sustainability by the respective boards of directors and to providing more policy and strategic direction and support from Vodacom Group, it was decided to establish a “Group Support Services Committee”. The committee will meet on a quarterly basis, after operating company board meetings, beginning in May 2005. Critical sustainability issue areas and needs will be highlighted, and chief officers will provide policy guidance and assistance.

Conclusion

Good progress has been made in furthering and enhancing existing governance structures and processes and in designing and implementing CMT risk management structures and processes.

Thomas Beale
Chief Governance Officer
Vodacom Group (Proprietary) Limited

CHIEF HUMAN RESOURCES OFFICER'S REVIEW

"Vodacom Group acknowledges and embraces the indelible importance that people play in its business success and delivering sustainable growth for all stakeholders."

Lungi Ndlovu
Chief Human Resource Officer
Vodacom Group (Proprietary) Limited

Introduction

The changing regulatory landscape of telecommunications liberalisation, the ICT Charter and the lightning speed of technological advances continue to present the organisation with numerous challenges and opportunities. Vodacom Group acknowledges and embraces the indelible importance that people play in its business success and in delivering sustainable growth for all stakeholders. Competent and committed employees are central to overall business performance.

The 2005 financial year saw the Group making substantial investments in technology by rolling out a 3G network in record time. The push for technological advances was against a backdrop of a record number of customers, and exemplary achievements in containing churn and tight headcount management.

The strategic objective of Group Human Resources (HR) is to leverage human capital competitiveness as a core driver and differentiator for business performance in this highly competitive industry. Group HR plays a pivotal role in facilitating an institutional people framework that is conducive to attracting and retaining the best talent who continue to be enthused and excited about the challenges provided at Vodacom.

Key Focus of Activities

Vodacom's human resources strategic thrust is underpinned by the objective of attracting, retaining and developing employees to meet the growth need of the organisation. Vodacom's focus over the past year was the enhancement of executive and management skills; succession development, in particular the building of an executive pipeline; continuing to address the HIV/Aids challenge through treatment and care; strengthening our Employee Wellness programme; the rolling out of learnerships and other skills development initiatives; and the revamping our reward strategy.

To unlock synergies and maximise efficiencies, the Group embarked on a major restructuring exercise in respect of Vodacom (Proprietary) Limited and Vodacom Service Provider Company (Proprietary) Limited from the new financial year. This exercise received a great deal of attention, energy and direction from HR to ensure that the human aspects of the change were

Headcount

	Year ended March 31,			% Change	
	2003	**2004**	**2005**	***04/03***	***05/04***
Number of employees including temps and contractors	**4,406**	**4,609**	**4,993**	***4.6***	***8.3***
South Africa	3,904	3,848	3,954	*(1.4)*	*2.8*
Other African countries	502	761	1,039	*51.6*	*36.5*
Number of part-time staff included	219	280	183	*27.9*	*(34.6)*
Customers per Group employee	1,963	2,434	3,101	*23.9*	*27.4*

successfully addressed. This entailed an intensive communication exercise characterised by Managing Director Roadshows, change management initiatives and extensive engagement with employees to build excitement about the change and to allay fears.

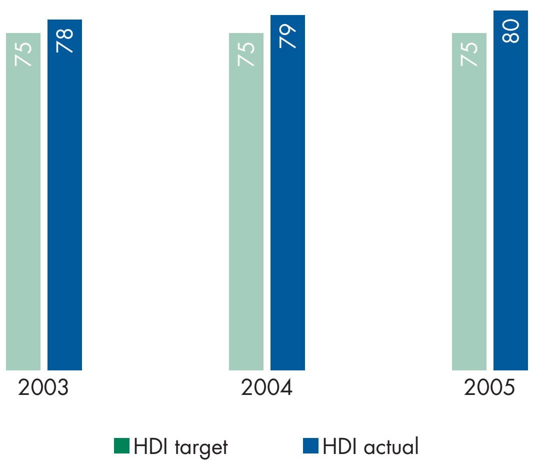
Headcount and Movements

The Group continues to place strong emphasis on headcount management to unlock operational efficiencies and contain and reduce administration overheads. Headcount increased by 8.3% to 4,993 (2004: 4,609) in the Group, which performed well in containing headcount growth despite significant increases in customers and expansion in the DRC, Tanzania and Mozambique. The South African operations experienced a headcount increase of 2.8% over the last year due to the acquisition of Smartcom (Proprietary) Limited. Included in the South African headcount are 36 employees in Vodacom International Limited, including employees seconded to Vodacom's African operations. Group-wide customers per employee, as a measure of organisational efficiency, increased to 3,101 in 2005 (2004: 2,434), which represents a 27.4% increase in employee productivity for the year. Excluded from headcount are 191 outsourced customer care employees, which yields a customer per employee of 2,987, a 22.7% increase over the prior year.

The annualised voluntary turnover for the Group was 9.6% (2004: 5.8%). However, the labour turnover is still within our target of 12% and compares favourably to the benchmark. The slight increase in turnover is attributable to terminations arising from the restructuring exercise which presented an opportunity to streamline the organisation. The average age in the Group is 33 years, 72% of employees are between the ages of 21 and 35 years, a relatively young population. This impacts manpower planning, as well as employee benefits and retention strategies.

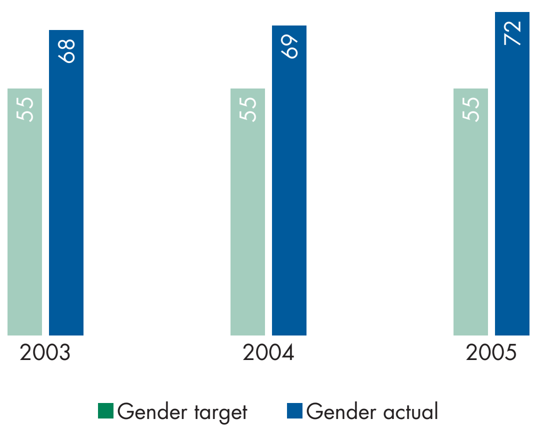
HDI actual versus target

%



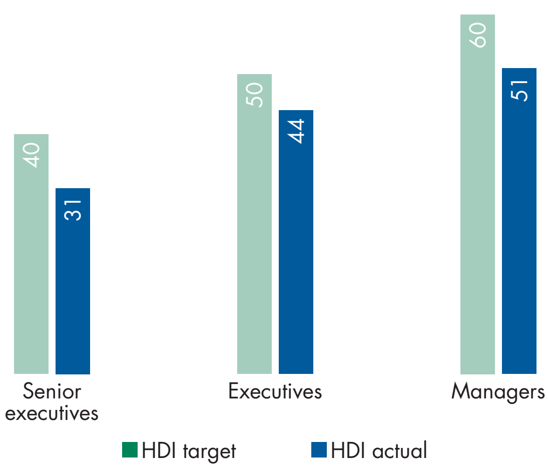
Gender actual versus target

%



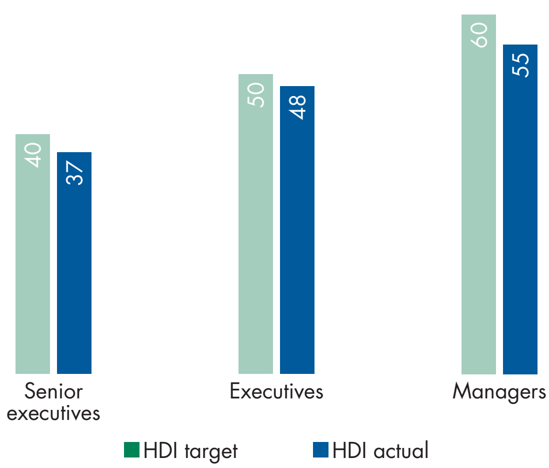
HDI at management level 2004

%

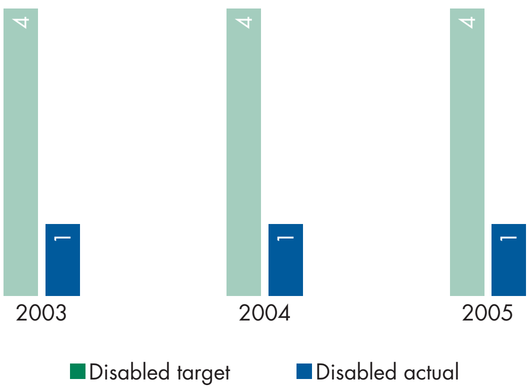


HDI at management level 2005

%



Disabled actual versus target
%



Employment Equity

The Employment Equity (EE) Act is entrenched in Vodacom's strategy. The Board and senior management are committed to driving EE as a key business strategy to provide Vodacom with a competitive edge in the market place. Vodacom also recognises the importance of diversity management and is developing mechanisms to positively reinforce the richness of South African diversity. Success in meeting this vital challenge is expected to maximise future opportunities and long-term shareholder value.

Progress in this area is closely monitored by the Board. In the past three financial years, there has been an established trend of exceeding our overall EE targets, with the exception of the disabled.

The Group prides itself on the advances it has made in its employee profile, which is highly representative of the demographic profile of South Africa. To facilitate the achievement of EE plans, during the year 88% (2004: 81%) of Vodacom's new appointments were EE. As at March 31, 2005, 67% (2004: 65%) of our workforce was from the designated groups, excluding white women.

EE and gender representivity at senior levels and disability targets continue to be a challenge, however, some headway has been made over the last year. Vodacom is confident that, with initiatives such as the Vodacom Advance Executive Programme, focus on an executive pipeline, focused resourcing at senior levels and stretch assignments, it will meet its objectives. At the end of March 31, 2005, Vodacom has made commendable headway in its target at all management positions in an environment where there in zero labour turnover at management levels, a young executive profile and headcount restraints.

Employee Rewards

The Group has a Remuneration Committee (REMCO) that is charged with the responsibility of overseeing, on behalf of the Board, the Group's Compensation Policy, as well as the compensation and benefit programmes of senior management. The REMCO seeks to provide rewards and incentives that are highly leveraged to performance and clearly linked to the Group's and individual's results. The thrust is to ensure that our compensation and benefits are at levels that enable the Group to attract and retain executive talent. The Group has introduced remuneration philosophy and practices which aim to codify our approach to compensation and benefits to solidify our position as an employer of choice.

The Group upholds internal remuneration equity, as well as external equity to remain market competitive. This is achieved through participation in niche salary surveys.

To ensure the retention of skills and the alignment of Group goals with those of individual employees, the Group has implemented short-term and long-term incentive schemes. Vodacom, as part of its annual remuneration strategy review introduced a Remuneration Progression Policy in November 2004, which is aimed at addressing internal pay inequities outside the annual remuneration process.

Human Resources Development

General

Investment in employee development and training continues to be a focus to support Vodacom's strategy in empowering its human talent, so as to enhance their knowledge base and to maximise their potential and performance. 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 the developing of managerial, leadership and functional competencies achieves this and creates a sustainable competitive advantage for Vodacom. The Group's commitment to employee development is demonstrated by the heavy investment it continues to make in employee development. During the past financial year, the Group invested R11.5 million (2004: R15.1 million) or 2.0% (2004: 3.1%) of payroll in HR development. Effective cost management and low staff turnover have resulted in a lower spend per employee, translating into an impressive 46 training hours per employee.

Skills Development Act and learnerships

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, 212 learners are trained in various learnerships that range from Contact Centre, New Venture Creation, Telecommunication Technician, Project Management, and Female First Line Managers. The Female First Line Manager Learnership, which has 18 learners selected from high potential lower level employees, is aimed at increasing our succession pool of potential female managers. The successful contact centre learners have been employed as part of our flexible staffing strategy to resource the call centres. Vodacom has received R2.5 million from the ISETT SETA and Department of Labour. The rebates are ploughed back to fund learnerships and other development programmes.

Vodacom Advanced Executive Development Programme (VAEP)

The VAEP programme, launched in 2003, achieved over an 80% pass rate and produced its first graduates in October 2004. The second intake commenced this financial year with 24 candidates selected from our management ranks. More than 50% of the participants are from previously disadvantaged backgrounds, with gender representivity at 25%. The programme is structured to provide strategic expertise in financial management, statistical analysis, project management, marketing, human resource, management accounting and business analysis that will equip participants with the knowledge and skills to meaningfully contribute to the achievement of the business strategic objectives. The programme is further enriched by the application of action learning principles through the Janus Project.

Virtual Learning Centre (VLC)

For the first time, the VLC learning platform has been used to deploy a key technology to the business. Since September 2004, 3G technical training has been rolled out on the VLC platform. E-learning has been utilised to deploy UMTS training in the Group. This has increased the speed of acquisition of knowledge and has yielded a return on investment of R688,000 versus instructor led training. The learning management system has been updated to provide us with the capacity to deliver E-learning to non-South African companies and a pilot system has been successfully concluded with Vodacom Mozambique.

Succession Development Programme (SDP)

The SDP is a three-year programme with the focus on general management development, the development of specific competencies based on a thorough candidate assessment, team development and various other business competencies. In future, the development programme will be formalised within the South African qualification structures. Candidates have the opportunity of obtaining the National Certificate in Management (NQF Level 5) after completion of the programme. This addresses the SDP candidate's need to obtain a portable, nationally recognised qualification.

The SDP programme has achieved relatively good results in building the leadership pipeline and organisational bench strength. Candidates who participated have experienced growth in matching their development needs and some had opportunities for movement into more senior positions within the company. The total pool of candidates currently stands at 187. From the total pool, 66% of the candidates are employment equity and 28% are female. Based on results, the programme is successfully providing a leadership pipeline for the Group.

Employee educational 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, 2005, the Group spent R2.5 million on the scheme (2004: R3.1 million). The scheme has been in operation for eight years and, to date, 4,010 employees having benefited from the scheme, demonstrating the premium the Group places on learning and the acquisition of skills.

Employee Wellbeing

General

The Group continues to place emphasis on employee wellness as a strategy to entrench a compelling employee value proposition that will aid our efforts in the attraction and retention of talent. In addition, employee wellness initiatives are aimed at driving employee productivity, promoting optimal health and reducing absenteeism.

We have resuscitated the Executive Lifestyle Programme which is aimed at raising awareness with each executive about their health risks, actions required to mitigate or eliminate them and assisting the organisation with information on health trends which may necessitate other interventions. The overall objective is to promote optimal executive health so that they can become effective corporate athletes and drive shareholder value. As the service is voluntary, the take-up has been slow and we are implementing measures to drive utilisation.

We have retained the services of an Occupational Health Doctor on a contract basis to create better access to medical support, ensure closer monitoring of health risks and facilitate proactive management of secondee pre- and post-assignment health assessments.

Access to counselling

Independent Counselling and Advisory Services (ICAS), continues to provide employees with counselling and emotional support. Utilisation shows a very healthy trend. ICAS, in their analysis of employee themes and trends, has identified employee risk groups with the aim of providing input to shape the HR policies.

HIV/Aids

The HIV/Aids pandemic is still a major challenge for many companies in the SADC region, including Vodacom. However, companies who have taken a proactive approach through introduction of programmes like Direct Aids Intervention (DAI) stand to benefit in the long term.

Vodacom's campaigns continue to target raising awareness levels and knowing one's HIV status through voluntary counselling and testing campaigns on and off site. The awareness campaign has risen to such high levels that a record 53% of the eligible population has undergone voluntary testing, exceeding our 2005 financial year target of 50%. The HIV prevalence based on those tested remains at 3.5%, which is still below the ASSA Actuarial projection of 5% prevalence. We are exploring partnering with Cell Life, a Vodacom Foundation project aimed at promoting treatment compliance by sending SMS reminders, to extend their coverage to our employees on the programme subject to confidentiality protocols being observed. We are encouraged by the efficacy of the treatment received by those on the programme.

Our multi-pronged approach to tackling the pandemic was recognised by The Mail and Guardian awarding us the prize of "Finalist – Corporations for the Most Innovative HIV/Aids Programme", "Investing in Life" competition.

Employee and Industrial Relations

Vodacom has reviewed its employee relations framework to ensure strategic support for the business in respect of key business issues relating to, amongst others, restructuring and acquisitions of independent service providers.

Two trade unions continue to be active within the Group, namely Communications Workers Union (CWU) and Media Workers of South Africa (MWASA), neither having a recognition agreement with the Group as their membership base is low. Trade union representivity for the Group has increased to 13.3% of all employees in South Africa (2004: 7.9%).

Operations Outside South Africa

Group HR still plays a pivotal role in providing strategic HR support to our African operations. Key to this support is to develop a succession planning strategy and transfer of skills process to facilitate the localisation of these operations with the aim of reducing dependency on expatriate management sourced from Vodacom South African operations. This effort has been achieved with some success in Vodacom Congo and formalised plans have been completed and agreed upon with Vodacom Tanzania and Vodacom Mozambique management. The main challenge lies in resourcing these operations with competent executives and senior management. Emphasis continues to be placed on both management and technical training to beef up skills. Future thrust will be on development, to build a pool of competent local employees for senior management positions.

The roll-out of employee benefits and conditions is on a phased approach to maintain a balance between being an employer of choice and containing employee costs.

Conclusion

Vodacom's enviable success has been attained through leveraging our brand, visionary leadership and committed employees. At the core of Vodacom's DNA is the "Vodacom Way" which continues to energise employees and enthuse them to higher levels of performance and excellence.

The management of people remains a strategic focus for Vodacom as this is an area of competitive advantage.

Lungi Ndlovu
Chief Human Resource Officer
Vodacom Group (Proprietary) Limited

CHIEF COMMUNICATIONS OFFICER'S REVIEW

"Vodacom aims to ensure continued sustainability, taking into consideration the needs of the economy, society and the environment."

Mthobi Tyamzashe
Chief Communications Officer
Vodacom Group (Proprietary) Limited

General

The Vodacom Group is committed to achieving sustained commercial success and growth of shareholder value. We not only focus on meeting the needs of our customers through quality products and services, but also by operating in a socially responsible manner by sharing the value generated by the Group with our stakeholders. Vodacom aims to ensure continued sustainability, taking into consideration the needs of the economy, society and the environment. This will ensure that we live by Vodacom's credo, the "Vodacom Way".

Vodacom focuses primarily on three key priorities where our impact is likely to be most apparent and our capacity to act is greatest. Our activities in these focus areas are summarised below. Further information is available on www.vodacom.net.

Corporate Social Investment

CSI commitment and strategy

The Vodacom Group has long subscribed to the notion that, for business success to be sustainable, they should be rooted on a solid platform of socially responsible behaviour. To this end, the Vodacom Foundation, a unit of the Corporate Affairs Division, was established in 1999, to drive and consolidate the Group's charitable activities. Since then, the Vodacom Foundation has contributed more than R215.0 million, cumulatively, towards numerous community upliftment programmes of a capacity building nature, primarily covering the education, health and welfare, as well as safety and security disciplines.

The company's emphasis on sustainable economic growth has rubbed off onto the Foundation which also prioritises sustainable development in its choice of beneficiary projects. As a consequence of this, the measurement of the Foundation's activities will, in future, be contained in a Sustainable Development Report that will be timed for release at the time of the Annual Report, and will give meaning to the Group's social contract with the communities in which its current and potential customers, as well as employees, live and work.

The Foundation therefore reflects the extent to which the Group has accepted government's invitation to form public-private partnerships in their drive to fight poverty and to ensure a better life for the citizens. In the August 2004 Corporate Care Check survey, the company was included in the 6th position, up from 9th, in the previous year.

The Government Relations Unit of Corporate Affairs constitutes the central point of contact with government ministries and departments and helps to identify government priorities which the company may help complement. All interactions with government are implemented within a framework prescribed by the Group's Governance Unit.

Whilst the Group's involvement in poverty alleviation is not motivated by publicity or self-praise, the need to communicate the scope of these public-private partnerships cannot be overemphasised. The shareholders who approve funds for the

Foundation and the public who evaluate companies based on their corporate citizenship, all have an interest in knowing the extent to which non-business causes benefit from the Group's commercial successes. The Corporate Communications Division of Corporate Affairs plays the role of bringing those stakeholders closer to the Group's activities via appropriate media channels.

CSI focus areas

From the list of challenges facing developing countries and South Africa in particular, the Foundation chose education, health and welfare, and safety and security as the main thrust of its activities. These areas were carefully selected to complement government's efforts in redressing some of the social challenges. Corporate and Social Market Research Publications in 2004 identified these three areas amongst the top ten critical challenges.

As a communications technology company, every endeavour is made to use technology to find solutions for the country's social challenges. Strategic partnerships with organisations that share similar objectives are 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.

South Africa initiatives

Roughly 70% of the Foundation's budget is set aside, on an annual basis, towards the primary priorities of education, health and welfare, and safety and security. The balance of 30% of the budget is used towards the secondary priorities of arts and culture, sports development and the environment.

Education

Open bursary and trainee schemes

No less than fifty tertiary bursaries in the disciplines of Electrical Engineering, Accounting and Information Technology are awarded, based on academic excellence and need, to deserving matriculants on an annual basis. A total of 534 students were awarded full-time Vodacom bursaries between 1995 and 2004. Additionally, no less than 196 students received experiential training from the company, during the period 1995 to 2004. About 233 of the graduates have been offered permanent employment within the company.

Post-graduate scholarships

The company has, since 1999, co-funded scholarships with the Nelson Mandela Metropolitan University (formerly the University of Port Elizabeth) for Masters and Doctoral studies via the Academic Development Scholarship Programme. To date, 47 Masters and 40 Doctorate scholarships have been awarded.

Other post-graduate programmes where Vodacom is involved include the Institute of Satellite and Software Applications (ISSA), University of South Africa, and the African Institute of Mathematical Sciences (AIMS).

E-learning and resource centres

Through a Digital Partnership SA initiative, Vodacom has been able to establish 18 E-learning and resource centres, two per province, throughout the country. Each E-learning and resource centre is equipped with 31 computers with internet connectivity through a networked environment. Multimedia hardware and software are also provided which are used for a variety of training and education projects for both students and members of the community. This initiative is aimed at bridging the digital divide. Vodacom has approved additional funds to enhance the status of these centres; to offer internet connectivity, and to ensure the sustainability of such centres.

Health and welfare

Vodacom recognises the negative effects of the HIV/Aids pandemic on the sustainability of the family unit in the country. To this end, projects aimed at the prevention of HIV/Aids (LoveLife), together with those which boost the immune system (feeding schemes) and those related to the proper use of anti-retroviral drugs (Cell Life), receive priority.

Feeding schemes

The role played by proper nutrition in boosting the immune system of community members has contributed to Vodacom's decision to assist some of the country's feeding schemes. The African Children's Feeding Scheme (ACFS) and Feed SA Schemes are the vehicles used by the Foundation to provide about 2,250 children with a minimum of one meal per day.

Cell Life

Through its partnership with the University of Cape Town, the Foundation has supplied handsets to selected HIV/Aids counsellors participating in the Cell Life project. The project takes the view that anti-retroviral drugs have a place in the fight against HIV/Aids and that irregular adherence to the medication regime contributes to the failure rate of these drugs. An SMS-based medication service enables HIV/Aids counsellors to keep track of the medication-related conditions of sufferers and, through an effective referral system, many cases that could have gone out of hand are improved or contained.

LoveLife

As part of the gospel that "prevention is better than cure", the Foundation has teamed up with LoveLife in the training of "groundbreakers" who advocate healthy lifestyles amongst the youth. Through this partnership more than 37 "groundbreakers" have been trained since 2002 as part of the LoveLife cadre. Vodacom has also assisted in the establishment of 10 LoveLife Chillrooms that form part of the Adolescent Friendly Clinic Initiative of LoveLife. Through LoveLife, Vodacom has also been involved in the training of 128 smaller NGOs (LoveLife franchisees) who also work in the area of HIV/Aids.

Eye care

The Foundation also joined Netcare in their "Right to Sight" campaign that has performed 190 cataract operations on individuals from disadvantaged communities in the Gauteng, Western Cape, Eastern Cape and KwaZulu-Natal provinces. Furthermore, additional funding towards research in the causes of blindness was donated to Retina SA.

Cleft lip and palate project

The Foundation funded 60 cleft lip and palate operations through another partnership involving Netcare, Park Lane Clinic and the Smile Train Initiative. These operations have enabled children in disadvantaged communities, who are born with cleft and lip deformities, to acquire normal speech.

Mobile Clinic

The Foundation also invested funds in providing a mobile healthcare clinic which serves the rural villages of Mbhashe and the Mnquma local municipalities in the Eastern Cape. This purpose-built Mercedes Sprinter, customised to operate as a fully equipped clinic, was handed over to the King of the Xhosas at his Willowvale offices.

Safety and security

Following its funding of the establishment of four Thuthuzela (Places of Comfort) care centres and the establishment of seven sexual offences courts to assist victims of domestic and sexual abuse with a decent service when reporting cases, as well as increasing the rate of conviction of perpetrators, in a partnership with the National Prosecutions Authority and the Ministry of Justice, the Foundation continued with its effort in supporting victims of rape and abuse.

Thuthuzela Care Centres

The Thuthuzela Care Centres, which have assisted more than 2,000 victims, were established in Nelspruit, Kimberley, Natalspruit and Mafikeng, whilst sexual offences courts, specialist courts for sexual abuse cases, were established at Umtata, Thohoyandou, Nelspruit, Umlazi, Vosloorus, George and Evander.

Kidz clinics

With Women and Men Against Child Abuse, the Foundation was not only able to assist with much needed funds for their Boksburg facility, but a new Kidz-clinic was also established at Alexandra Township. More than 6,000 children have been assisted through these projects.

DRC initiatives

Vodacom Congo has implemented various social responsibility programmes and has taken the challenge of assisting the government with both hands. Clear objectives have been set, which amongst others include:

- The restoration of hope, happiness and smiles to the vulnerable strata of the community;
- Providing the needy with the essentials;
- Improving living conditions; and
- Helping the needy to help themselves.

Programmes implemented include rebuilding and revamping schools and hospitals, HIV/Aids awareness programmes, orphan feeding schemes, and food distribution to underprivileged communities.

Education

Benches Project

Vodacom has played an integral part in ensuring that the provision of education takes place in a suitable environment.

CHIEF COMMUNICATIONS OFFICER'S REVIEW

continued

Thus far, Vodacom has invested substantial funds in a project aimed at providing 2,800 school benches to schools in Kinshasa and Lubumbashi.

Moto Molo Scholarship

Twelve students were granted Vodacom scholarships to study Engineering, Billing and IT, and Finance at the Lincoln University in the USA. On completion, they will be placed in permanent employment within Vodacom.

School renovation project

Vodacom was also instrumental in refurbishing three schools, namely: Kisantu Theatre in Bas-Congo area; the Academic Arts Institute in Kinshasa and the Mai-Ndombe school in Kinshasa.

Stationery distribution

Vodacom distributed 15,000 exercise books, 15,000 slates/rulers, 15,000 pens and 15,000 pencils to schools in Kinshasa and provinces.

Health

Vodacom, in collaboration with Laurent Desire Kabila, funded the construction of an HIV/Aids centre that will be used for screening, as well as an HIV/Aids information centre in the Masina area. The total cost of the project is US$50,000.

Vodacom, in partnership with the Femme Plus Foundation, contributed to the construction of the Lisalisi Health Centre, at Kingwaba in Kinshasa, for disadvantaged children.

The 60 year old historical Kinoise Clinic was a proud recipient of mattresses, sheets, pillows, towels, curtains, and TV sets. This grant was made by Vodacom to assist the clinic in its efforts in providing healthcare services to the community.

Welfare

In 2004, more than 2,000 children and 100 senior citizens received a Vodacom gift comprising sugar, soap, milk, cereals, T-shirts, oil, biscuits, candles, teddy bears and soccer balls.

Food was delivered to ten centres for homeless children on African Children's Day, June 13, 2004.

As December is Vodacom Congo's "Month of Sharing", the staff visited 41 centres – which included HIV/Aids Hospices, orphanages, nutritionist centres and old age homes to distribute food.

During 2004, Vodacom upgraded six community areas in Kinshasa and Lubumbashi by improving the sanitation and drainage of these areas. These were Cour Supreme, Mandela, Bongolo and Lubumbashi, Careefour square and 24/24 squares.

Tanzania initiatives

Vodacom Tanzania is proud to have established itself as a recognisable corporate citizen in the country. Vodacom has not only increased the number of people that are able to communicate on its network, but has also assisted the community in development initiatives, which, amongst others, include:

Education

Vodacom established a bursary scheme that has supported five students who are studying towards Electrical Engineering and Computer Science degrees at the University of Dar es Salaam. Three of these students have since finished their studies and have been placed within Vodacom.

Health

Vodacom, in conjunction with other sponsors, installed the first national toll-free help-line 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 utilised by Vodacom.

Welfare

Vodacom is supporting the work of the Freeplay Foundation (a South African, UK and USA non-profit organisation), in 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 benefited the Tanzanian community in more than 15 of the 21 regions.

Lesotho initiatives

Vodacom Lesotho plays its part in assisting the development of the communities around them. The two main initiatives that were funded by Vodacom in this reporting period were:

Education

Vodacom funded the construction of a school hall at the Masianokeng School. The hall is designed to accommodate 290 people and is used for school and community activities.

Arts and Culture

Vodacom has played a pivotal role in promoting Lesotho's rich heritage of Arts and Culture by providing a modest sponsorship for the 6th Annual Morija Arts and Culture Festival. The main objective of the sponsorship was to motivate the Basotho arts and craft makers and sellers to showcase their products. More than 15,000 patrons visited the festival over three days.

Mozambique initiatives

Vodacom Mozambique has been involved in the social upliftment of communities from the very early days of its operations. In so doing, Vodacom has been involved in the following education initiatives:

- The launch of the Samora Machel Documentation Centre. The centre was established as an archive to preserve the work and history of the first president of Mozambique.

- Vodacom, as part of the Vodacom Beach Soccer Tournament refurbished the Alto Maé Primary School as well as Xipamanine Secondary School. Together, the two schools have a total of 5,000 pupils. The refurbishments included the fixing of the roof and the provision of computers, chairs and tables.

- Vodacom also played a major role in the distribution of 1,820 solar-powered radios in the rural communities of Manhica, Catembe and Boane. The radios, which provide important information relating to topics such as health, education and disaster prevention, are assisting 16,000 people.

Occupational Safety and Health

Safety and health policy and management

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 organisations. We continue to re-evaluate all of Vodacom's policies and procedures, to align, where possible, with Vodafone's policies and procedures.

South Africa initiatives

During the past year, Vodacom South Africa unconditionally retained its OHSAS 18001 certification, as audited by Dekra. South African operations maintained a high standard of compliance to local Occupational Health and Safety legislation, with a legal compliance factor of 93% (2004: 95%).

Due to an excellent incident record over the past three years, Vodacom SA qualified for a financial rebate from the Workman's Compensation Commissioner. No major incidents were reported for the year ended March 31, 2005.

Other African operations

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.

Group Internal Audit completed gap analysis audits to identify shortcomings in systems relating to this framework in Mozambique, Tanzania and the DRC.

As part of the Group's drive to ensure good corporate governance, the Safety, Health, Environment and Quality Division is assisting all African operations with the implementation of Health, Safety and Environmental Systems.

The focus addresses Occupational Risks and Legal Compliance, in terms of local legislation. An implementation strategy has been developed and approved by the relevant managing directors. Phase one of the implementation strategy is currently in progress.

Environment

Environment policy and management systems

Vodacom's emphasis during the year was specifically on growing our database of key environmental indicators. However, we have not ignored our obligation to protect the physical environment in which we operate, and we continue our efforts in managing and limiting our operational impacts, as well as supporting environmental conservation initiatives aligned with our responsibility toward sustainable development.

South Africa initiatives

The monitoring of key environmental indicators

The scope of key environmental indicators has been expanded. The initiative falls in line with shareholder requirements and is strongly geared to providing benefits in terms of environmental performance, and cost reduction. The results of this effort have brought us to the stage of being able to implement experimental projects in the reduction of certain resources and the use of alternatives. The economic indicators analysed include the consumption of electricity, water, paper and fuel.

The monitoring of indicators in operations outside of South Africa is currently a focus and systems capable of providing us with this ability are being investigated.

Environmental data

Consumption of resources can be analysed, in respect of the average monthly consumption, as follows:

- The monthly average consumption of electricity in respect of the radio network, including Alcatel and Motorola equipment, was 8.2 million kWh, which is impacted by seasonal changes;
- The monthly average consumption of electricity in respect of facilities was 5.7 million kWh;
- The monthly average consumption of water in respect of facilities was 14,885kl;
- The monthly average consumption of paper was 10,335kg;
- The monthly average consumption of diesel in respect of facilities was 73,566l; and
- The monthly average consumption of petrol in respect of facilities was 57,917l.

Electro-magnetic radiation

To ensure alignment with shareholder aspirations, and international best practice, the management of electro-magnetic field (EMF) risk across the Group's operating companies is now achieved through an auditable entity, the Vodacom Group EMF Council.

Corporate exposure to EMF risk is multi-faceted in nature, and the membership of the EMF Council reflects the decision to manage each component via an identified risk owner. Hence, membership of the Vodacom Group EMF Council extends over the entire range of the Group's operating functions, such as Operations, Corporate Communications, Marketing, Occupational Health and Safety, Human Resources, Legal Services, Regulatory Affairs and Vodacom Service Provider Company (Proprietary) Limited.

The paradigm used to manage EMF risk within Vodacom is now being replicated throughout Vodacom's African operating companies to ensure that good corporate governance prevails and all matters relating to health, safety and the environment are managed using criteria on par with our South African operations.

The creation of an EMF Council structure in the Group mirrors the model already employed by Vodafone Group for managing its EMF risk and allows for the dynamic sharing of international best practice information via the Vodafone EMF Council structures and linkages provided by the EMF leadership substructure.

The mission of the Vodacom Group EMF Council is therefore to identify, manage and minimise any risk that may result from exposure to EMF on the part of Vodacom, its operating companies, shareholders, or the general public at large.

Black Economic Empowerment

General

Vodacom continues to be committed to broad-based black economic empowerment (BEE) and recognises its ability to facilitate the process of achieving the overall objectives. In South Africa, in particular, Vodacom is committed to practices aimed at addressing social and economic inequalities. Vodacom's commitment is demonstrated by its continued support of the HDI Procurement Empowerment Programme, as well as support for the ICT Charter.

Commercial equity

Vodacom South Africa embarked on a programme to achieve commercial equity with regards to its suppliers coming from designated "historically disadvantaged individuals or companies"

(HDI). The Vodacom HDI Procurement Empowerment Programme was established in 1999, to promote expenditure with HDI suppliers. The objective of the HDI programme is to foster HDI economic empowerment in South Africa through the selection of HDI owned enterprises and enterprises that adhere to the Vodacom HDI Programme. Commercial expenditure with HDIs for the year ended 31 March 2005 was R2.4 billion (2004: R1.3 billion), representing 75.3% (2004: 59.9%) of the total expenditure and an increase of 87.9%.

Economic Impacts

The economic impacts of the Group are detailed in a number of places in this annual report, in particular the:

- Chairman's Review;
- Chief Executive Officer's Review;
- Chief Financial Officer's Review;
- Chief Operating Officer's Review and the Operating Reviews of the respective operations;
- Value-added Statement; and
- Annual Financial Statements.

These include impacts that the Group has in respect of employees, government, suppliers, customers and providers of finance and capital. The Group seeks to maintain its economic stature and to maximise returns from its operations through:

- New business opportunities;
- Growing existing operations and enhancing their returns through synergies; and
- Improving efficiency in the business operations.

Human Rights

The Group is committed to the principles embodied in the Universal Declaration of Human Rights and the Constitution of the Republic of South Africa, as well as all other relevant local legislation in the various countries in which the Group operates. We subscribe to the four fundamental principles of human rights of its employees, namely:

- Freedom of association;
- The abolition of forced labour;
- Equality; and
- The elimination of child labour.

To this end, the Group is committed to:

- Ensuring the right of freedom of association and expression of our employees and aims to prevent any form of discrimination so as to ensure the human dignity of our employees. In so doing, we respect the civil, cultural, economic, political and social rights of our employees;
- Prohibiting the use of all forms of child and forced labour; and
- Ensuring the equality of our employees; ensuring a safe and healthy working environment and observing fair labour practices.

In the event that contractors or suppliers of the Group act in contravention of international human rights, the Group will not hesitate in terminating agreements and relationships with them.

Political Contributions

It is Vodacom's policy not to make contributions to political parties. However, as 2004 marked ten years of democracy in South Africa, as well as a major milestone in the history of the country, Vodacom decided to make a special donation to four political parties based on the following conditions:

- The funds must be used towards the advancement of a multi-party democracy in South Africa;
- The donation was a once-off payment; and
- The donation should not be seen as a departure from Vodacom's current policy.

The donation was split proportionally based on the number of seats held in parliament as at April 1, 2004, going to the African National Congress, the Democratic Alliance, Inkatha Freedom Party and the New National Party. There have been no other funds that have since been allocated to political parties.

Mthobi Tyamzashe
Chief Communications Officer
Vodacom Group (Proprietary) Limited

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 recognised 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 shareholders' 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 comprises 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 organisational, 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 exercise any influence over other Board members or receive relevant Board papers.

Chairman and Chief Executive Officer

The role of Chairman and CEO is not vested 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 advisors.

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 pages 11 to 12 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 a 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. Executive directors are considered for re-appointment annually. The Group follows a decentralised 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 is comprised entirely of non-executive directors. All the members are financially literate and no relationships exist which could possibly interfere with the committee members' 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 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 and 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 authorisation, supervision, monitoring and financial and managerial reporting.

A separate division, reporting directly to the Group Executive: Risk Management 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 pertinent risks. Risks are categorised 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 formalised, 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 unauthorised acquisition, use or disposition and that transactions are properly authorised and recorded.

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

Responsibility for internal controls

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

Control environment

The Board has established an organisational 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, where possible, are appointed as external auditors of joint venture undertakings. 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 Audit Committee via the Group Executive: Risk Management, has access to the Audit Committee, and, 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 organisation, 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, 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 receive a copy of the code and they are required to sign a declaration stating that they have received it, have read and understood it and will comply with it. The code was developed through a process of consultation throughout the Group. All new staff receive a presentation on the code as part of the induction process. The directors regularly review this code to ensure it reflects best practice in corporate governance.

Stakeholder Communication and Relationships

The Group has formalised its stakeholder philosophy and introduced structures of corporate governance to manage the interface with the various stakeholder groups.

There are responsive systems of governance and practice which the Board and management regard as appropriate. Stakeholder communication and relationships are limited, with the Group not being a public or listed company, but do include, by invitation, two formal presentations to the investor community per year, at which the interim and annual results are discussed.

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.

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.

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 victimisation. Policies and practices have also been developed to identify issues of potential conflict and to effectively resolve them in a timely fashion.

RELATIONSHIP WITH SHAREHOLDERS

The authorised (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 been commenced to liberalise the South African communications market introducing competition in a number of their business areas. As of March 31, 2005, 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, 2005, Telkom had a market capitalisation of R59.9 billion. The government of the Republic of South Africa owns 37.7% of Telkom's issued share capital. Telkom owns 50% of Vodacom Group (Proprietary) Limited.

Vodafone Group Plc

Vodafone is the largest mobile telecommunications network company in the world, with a significant presence in Continental Europe, the United Kingdom, the United States and the far east through the company's subsidiary undertakings, associated undertakings and investments, with equity interests in 26 countries and partner networks in a further 14 countries. Vodafone provides an extensive range of mobile telecommunications services, including voice and data communications.

At March 31, 2005, based on the registered customers of mobile telecommunications ventures in which it had ownership interests at that date, the Vodafone Group had approximately 154.8 million customers, excluding paging customers, calculated on a proportionate basis in accordance with the company's percentage interest in these ventures.

The Vodafone Group's mobile subsidiaries operate under the brand name "Vodafone". In the United States, the Vodafone Group's associated undertaking operates as Verizon Wireless. During the last two financial years, the Vodafone Group has also entered into arrangements with network operators in countries where the Vodafone Group does not hold an equity stake. Under the terms of these Partner Network Agreements, the Vodafone Group and its partner networks co-operate in the development and marketing of global services under dual brand logos.

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 capitalisation of approximately £91 billion at March 31, 2005, making it the third largest company in the Financial Times Stock Exchange 100 index, or FTSE 100, and the eleventh largest company in the world, based on market capitalisation 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 and financial and risk services. 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, 2005, VenFin's market capitalisation was approximately R12.3 billion. VenFin owns 15% of Vodacom Group (Proprietary) Limited through its wholly owned subsidiary, VenFin Telecommunications Investments Limited.

CONSOLIDATED VALUE-ADDED STATEMENT

March 31, 2005

	2003 Rm	2003 %	2004 Rm	2004 %	**2005 Rm**	**2005 %**
VALUE ADDED						
Value added by operating activities	7,722.2	92.2	9,098.4	93.3	**11,249.8**	**94.4**
Revenue	19,409.7		22,855.2		**27,315.3**	
Net operating expenses	(11,687.5)		(13,756.8)		**(16,065.5)**	
Value added by investing activities	649.6	7.8	656.6	6.7	**662.8**	**5.6**
Income from investments	5.1		16.6		**8.0**	
Interest income	644.5		640.0		**654.8**	
	8,371.8	100.0	9,755.0	100.0	**11,912.6**	**100.0**
VALUE DISTRIBUTED						
Distributed to employees	1,018.6	12.2	1,331.6	13.7	**1,652.9**	**13.9**
Salaries, wages, medical and other benefits	960.7		1,259.8		**1,578.0**	
Pension and retirement fund contributions	57.9		71.8		**74.9**	
Distributed to providers of finance	2,146.3	25.6	3,207.5	32.9	**4,041.7**	**33.9**
Finance costs	1,546.3		1,107.5		**641.7**	
Dividends	600.0		2,100.0		**3,400.0**	
Distributed to government	1,301.0	15.6	1,970.5	20.2	**2,525.0**	**21.2**
SA normal taxation	1,223.3		1,702.6		**2,082.6**	
Secondary taxation on companies	75.0		262.5		**429.4**	
Foreign taxation	2.7		5.4		**13.0**	
Value reinvested	2,246.3	26.8	2,286.2	23.4	**3,200.8**	**26.9**
Depreciation of property, plant and equipment	2,163.0		2,316.9		**2,611.1**	
Amortisation of intangible assets	213.2		214.8		**232.1**	
Impairment of assets	–		–		**268.4**	
Deferred taxation	(163.6)		(143.9)		**(34.7)**	
Foreign deferred taxation	33.7		(101.6)		**123.9**	
Value retained	1,659.6	19.8	959.2	9.8	**492.2**	**4.1**
Retained profit (adjusted for dividends)	1,612.1		933.0		**461.4**	
Minority interests	47.5		26.2		**30.8**	
	8,371.8	100.0	9,755.0	100.0	**11,912.6**	**100.0**

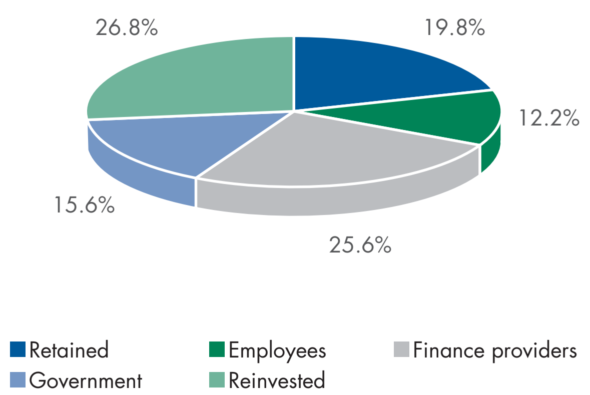
NOTES TO THE CONSOLIDATED VALUE-ADDED STATEMENT

for the three years ended March 31, 2005

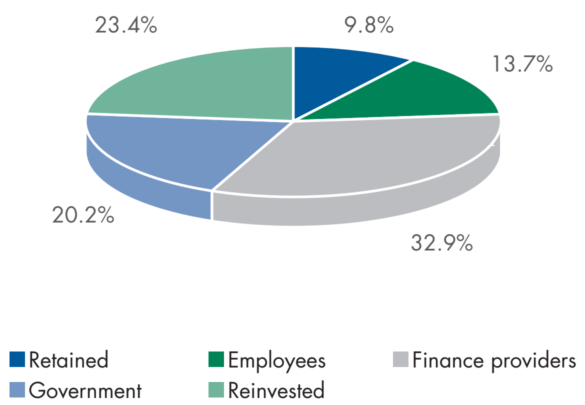
		2003 Rm	2004 Rm	**2005** **Rm**
1.	**NET OPERATING EXPENSES**			
	Direct network operating costs	10,491.4	12,430.1	**14,614.1**
	Other operating income	(68.0)	(57.6)	**(63.8)**
	Marketing expenses	652.5	702.0	**767.3**
	Administration expenses	611.6	682.3	**747.9**
		11,687.5	13,756.8	**16,065.5**

2. ANALYSIS OF VALUE DISTRIBUTED

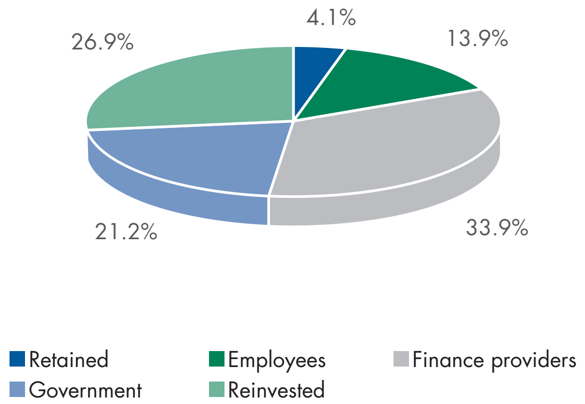
Value distributed 2003
%



Value distributed 2004
%



Value distributed 2005
%



DEFINITIONS

3G	Third generation
Aids	Acquired immune deficiency syndrome
ARPU	Average revenue per customer per month
BA	Bankers acceptance
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
CSI	Corporate social investment
CSR	Corporate social responsibility
DAI	Direct Aids Intervention
DoC	Department of Communications
DRC	Democratic Republic of Congo
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment
EE	Employment equity
EMF	Electro-magnetic field
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
ICAS	Independent counselling and advisory services
IAS	International accounting standards
ICASA	Independent Communications Authority of South Africa
ICT	Information and communications technology
IFRS	International financial reporting standards
INCM	Instituto Naçional das Communicaçoes de Moçambique
IT	Information technology
IVR	Interactive voice response
King II	King Committee Report on Corporate Governance 2002
LIBOR	London interbank offer rate
LRIC	Long run incremental cost
LTA	Lesotho Telecommunications Authority
Mauritius	Vodacom International Limited, a company incorporated in the Republic of Mauritius
MMS	Multimedia messaging service
Mobitel	MIC Tanzania Limited, a company incorporated in the United Republic of Tanzania
MSC	Mobile services switching centre
MTC	Mobile Telecommunications Company
MTN	MTN Group Limited, a company incorporated in the Republic of South Africa
NGO	Non-governmental organisation
NRA	National Regulatory Authority
NUM	National Union of Mineworkers
PABX	Private automatic branch exchange
PTNS	Private Telecommunications Network Services
REMCO	Remuneration Committee
SADC	Southern African developing countries
SMME	Small and medium sized enterprises
SMS	Short message service
TDM	Telecommunicações de Moçambique
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
TTCL	Tanzania Telecommunications Company Limited, a company incorporated in the United Republic of Tanzania
USA	United States of America
USAL	Under-serviced area licence
USSD	Unstructured supplementary service data
VAS	Value added services
VenFin	VenFin Limited, a public company incorporated in the Republic of South Africa
VLR	Visitor location register
VOIP	Voice over internet protocol
Vodacom Congo	Vodacom Congo (DRC) s.p.r.l., a company incorporated in the Democratic Republic of Congo
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

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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 was 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, 2005 presented on pages 92 to 185, 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 May 27, 2005 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, 2005, 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 accompanying consolidated balance sheets of Vodacom Group (Proprietary) Limited and subsidiaries as of March 31, 2005 and the related consolidated income statements, statements of changes in equity, recognised income and expenses and cash flows for the three years then ended, set out on pages 92 to 185. 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 audit.

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. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. 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 annual financial statements present fairly, in all material respects, the financial position of the Group as of March 31, 2005, 2004 and 2003, and the results of its operations and its cash flows for the three years then ended, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa, 1973.

As discussed in Note 23 to the consolidated annual financial statements, in 2005 the Group changed its basis for accounting for goodwill, foreign exchange translations and minority interest to conform to IFRS 3: Business Combinations, International Accounting Standard (IAS) 21: The Effects of Changes in Foreign Exchange Rates and IAS 27: Consolidated and Separate Financial Statements respectively. The Group also changed its revenue recognition policies in line with guidance issued under generally accepted accounting principles in the United States.

Note 23 to the consolidated annual financial statements further discloses certain restatements affecting the accompanying income statements for the years ended March 31, 2004 and 2003. These restatements relate to equipment sales and direct network operating costs that were previously incorrectly grossed up and deferred taxation which was restated to reflect the net amount of the non-current deferred taxation asset and liability where the Group has the right of set off. These restatements do 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 45 to the consolidated financial statements.

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)
Pretoria,
South Africa
June 1, 2005

** 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, 2005

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, 2005.

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. 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

On April 1, 2004 the Group acquired an 85.75% share of Smartcom (Proprietary) Limited an exclusive contract service provider in the South African market. The shareholding is held via Smartphone SP (Proprietary) Limited, giving the Group an effective shareholding of 43.73%. The results of Smartcom (Proprietary) Limited have been consolidated from April 1, 2004.

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 previously provided the minority shareholder with certain protective and participative rights and therefore, in terms of IAS 31: Interests in Joint Ventures, Vodacom Congo was considered to be a joint venture resulting in it being proportionally consolidated in the consolidated annual financial statements for the years ended March 31, 2004 and 2003. During the current financial year the shareholders' agreement was amended to remove some of the participative rights, resulting in Vodacom Congo now being controlled and considered to be a 51% owned subsidiary of the Group from April 1, 2004. The Group's interest in the company is consolidated from that date in accordance with IAS 27: Consolidated and Separate Financial Statements.

The Group acquired the contract customers of Tiscali (Proprietary) Limited on February 1, 2005. The Tiscali customer base is incorporated into the Group's customer base.

3. REVIEW OF ACTIVITIES AND RESULTS

Revenue for the year was R27.3 billion (2004: R22.9 billion; 2003: R19.4 billion), representing a 19.5% (2004: 17.7%; 2003: 20.2%) increase over the prior year. This is largely attributable to the 38.0% (2004: 29.7%; 2003: 26.0%) increase in the total customer base.

	2003	2004	**2005**
Customer base			
Total	8 646 877	11 217 372	**15 482 449**
Contract	1 194 526	1 437 344	**1 894 485**
Prepaid	7 414 331	9 743 493	**13 546 314**
Community services	38 020	36 535	**41 650**
Location of customer base			
South Africa	91.0%	86.7%	**82.9%**
International	9.0%	13.3%	**17.1%**
Total ARPU			
South Africa (R)	183	177	**163**
Tanzania (R)	216	128	**81**
Lesotho (R)	104	125	**92**
DRC (R)	200	150	**98**
Mozambique (R)	n/a	110	**52**

3. **REVIEW OF ACTIVITIES AND RESULTS (continued)**

Profit from operations for the year was R6.5 billion (2004: R5.2 billion; 2003: R4.3 billion), representing a 23.9% (2004: 21.0%; 2003: 19.6%) increase over the prior year. The net profit for the year under review was R3.9 billion (2004: R3.1 billion; 2003: R2.3 billion). The 27.2% increase (2004: 35.4% increase; 2003: 5.8% decrease) in net profit was mainly due to the 23.9% increase in operating profit and a net finance income to R21.1 million in 2005, compared to a R450.9 million net finance cost in 2004, set off by an increase in taxation payable from R1.7 billion in 2004 to R2.6 billion in 2005. The decrease in net finance cost was mainly attributable to the slower appreciation of the South African Rand against all major currencies compared to its significant appreciation in 2004 and strong cash flows from operations.

The Earnings excluding impairments before Interest, Taxation, Depreciation and Amortisation (EBITDA) for the year was R9.6 billion (2004: R7.8 billion; 2003: R6.7 billion), representing a 23.6% (2004: 15.9%; 2003: 19.0%) increase over the prior year. EBITDA as a percentage of revenue is currently 35.1% (2004: 34.0%; 2003: 34.5%). EBITDA as a percentage of revenue is 40.2% (2004: 38.0%; 2003: 39.0%) when mobile phone and accessory sales and profits 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. **DIVIDENDS DISTRIBUTION**

An ordinary dividend of R3,400.0 million (2004: R2,100.0 million, 2003: R600.0 million) was declared for the year:

	2003 Rm	2004 Rm	**2005** **Rm**
Declared March 10, 2005 and paid April 1, 2005	–	–	**1,800.0**
Declared September 10, 2004 and paid October 1, 2004	–	–	**1,600.0**
Declared March 11, 2004 and paid May 31, 2004	–	1,500.0	**–**
Declared September 30, 2003 and paid September 30, 2003	–	600.0	**–**
Declared March 20, 2003 and paid June 30, 2003	600.0	–	**–**

The payment of the current year final ordinary dividend was made on April 1, 2005 to all shareholders registered on March 31, 2005. Payment of the interim dividend was made on October 1, 2004 to all shareholders registered on that date. The payments of the 2004 and 2003 ordinary dividends were made on May 31, 2004 and June 30, 2003 to all shareholders registered on May 28, 2004 and June 30, 2003 respectively.

5. **CHANGE IN ACCOUNTING POLICIES**

During the 2005 financial year, the Group changed its accounting policies for the recognition of revenue, the measurement of foreign currency goodwill and the classification of minority interests. The revised revenue recognition accounting policy resulted in activation revenue and costs up to the amount of the deferred revenue, being deferred and recognised ratably over the average expected life of the customer. The excess of the costs over revenues is expensed immediately. Previously, activation revenue and costs were recognised upon activation by the customer. Foreign currency goodwill is now translated at exchange rates ruling at the balance sheet date. The Group also adopted IAS 27: Consolidated and Separate Financial Statements which changes the nature of minority interest from a liability to equity.

Details of the effect of the change in accounting policies, newly adopted standards implemented in 2005 as well as restatements and reclassifications are disclosed in Note 23 to the consolidated annual financial statements.

6. **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group invested R3.5 billion (2004: R2.9 billion; 2003: R3.4 billion) in property, plant and equipment. Of this capital expenditure R2.9 billion (2004: R2.4 billion; 2003: R2.8 billion) was for cellular network infrastructure. Capital expenditure in South Africa amounted to R2.8 billion (2004: R1.7 billion; 2003: R2.5 billion), making up approximately 80.0% of the total amount invested. The capital expenditure was funded by internal cash generation, supplier credits and bank credit.

6. PROPERTY, PLANT AND EQUIPMENT (continued)

During the financial year certain property, plant and equipment of VM, S.A.R.L. trading as Vodacom Mozambique was impaired. This impairment resulted in the recognition of an impairment expense of R268.4 million. The Group assessed the assets of VM, S.A.R.L in accordance with the requirements of IAS 36: Impairment of Assets. The recoverable amount of these assets has been determined based on the fair value of the assets less cost of disposal at March 31, 2005. The amount with which the carrying amount exceeded the recoverable amount is recognised as an impairment loss. Refer to Note 3 to the consolidated annual financial statements.

Further information on the investment in property, plant and equipment of the Group is presented in Note 8 to the consolidated annual financial statements.

Commitments at March 31, 2005 in respect of contracts for orders placed for the new financial year amount to R1.5 billion (2004: R0.7 billion; 2003: R0.7 billion). Commitments at March 31, 2005 which have been approved by the Board of Directors but not yet contracted for amount to R4.4 billion (2004: R4.5 billion; 2003: R3.3 billion).

Further information on the commitments of the Group is presented in Note 33 to the consolidated annual financial statements.

7. INVESTMENT ACTIVITIES

7.1 Vodacom South Africa

Vodacom (Proprietary) Limited, Vodacom Service Provider Company (Proprietary) Limited, Smartphone SP (Proprietary) Limited and Smartcom (Proprietary) Limited, referred to as Vodacom South Africa continued to grow, showing an increase in revenue of 17.3% (2004: 17.5%; 2003: 17.9%). EBITDA for the year was R9.0 billion (2004: 7.5 billion; 2003: R6.4 billion), an increase of 19.5%. Customers increased to 12,837,501, representing a 32.0% increase year-on-year.

7.2 Companies operating beyond South Africa's borders

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, through its subsidiary, Vodacom International Limited. Due to regulatory and legal constraints, Vodacom Tanzania Limited is held directly by Vodacom Group (Proprietary) Limited, while investments in the common monetary area are held directly by Vodacom International Holdings (Proprietary) Limited.

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

The company was incorporated on November 28, 2001 and the licence and infrastructure of an incumbent network was acquired in December 2001. The infrastructure and newly branded Vodacom services were launched during May 2002. Vodacom International Limited holds 51% of the ordinary share capital of the company. During the current financial year the shareholders' agreement was amended to remove some of the participative rights of the minority shareholders, resulting in the company now being consolidated from April 1, 2004.

The operations continued to grow with an increase in revenue of 15.2% year-on-year (2004: 83.7%; 2003: 1,750.0%). EBITDA for the year was R252.3 million (2004: R190.0 million; 2003: R96.0 million loss), an increase of 32.6%. Customers increased to 1,031,828, a 54.0% increase year-on-year.

Vodacom Tanzania Limited

The Tanzanian operations continued to grow, showing a steady increase in customers, with 1,201,300 closing customers, a 75.6% (2004: 53.0%; 2003: 95.2%) increase year-on-year. EBITDA for the year was R344.7 million (2004: R277.7 million; 2003: R333.0 million), an increase of 24.1%.

No additional shareholders' loans were advanced by the minority shareholders in 2005 and 2004 (2003: US$8.4 million). The company secured project finance to the value of US$65.0 million in 2003 via the international market to fund its operations. The draw down on the project finance is collateralised by a charge over 51% of the shares, the Tanzanian cellular licence 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 and interest to shareholders have been suspended until 2009.

On April 1, 2004 Vodacom Tanzania Limited changed its functional currency from US Dollars to Tanzanian Shillings. The change was brought about by a change in the billing currency from US Dollars to Tanzanian Shillings as a result of political, regulatory and market pressure.

7. INVESTMENT ACTIVITIES (continued)

7.2 Companies operating beyond South Africa's borders (continued)

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

The company was incorporated on August 14, 2002 and was awarded the second cellular licence on August 23, 2003. Commercial Vodacom services were launched during December 2003. 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 the future.

Customers grew to 265,187, an increase of 207,277 for the year. EBITDA is still in a loss position at R110.9 million (2004: R71.2 million).

7.3 Acquisitions of subsidiaries

Smartcom (Proprietary) Limited

Smartphone SP (Proprietary) Limited acquired an 85.75% equity stake in Smartcom (Proprietary) Limited, an exclusive contract service provider in the South African market for R77.2 million, giving the Group an effective interest of 43.73% in Smartcom (Proprietary) Limited. All suspensive conditions contained in the sale of shares agreement were met on April 16, 2004, when the Group received Competition Commission approval.

Vodacom Properties No. 2 (Proprietary) Limited

On June 10, 2004 Vodacom Group (Proprietary) Limited acquired the shares of a shelf company, Business Venture Investments No. 885 (Proprietary) Limited. On June 15, 2004 the company changed its name to Vodacom Properties No.2 (Proprietary) Limited. The company acts as principal for property lease agreements for retail distribution outlets.

8. LONG-TERM FUNDING

The Group's share of Vodacom Congo (RDC) s.p.r.l.'s credit facilities amounted to R622.3 million at March 31, 2004 (2003: R536.2 million) which was collateralised by guarantees and a cash deposit. The facility was replaced by a medium-term loan of US$180.0 million from Standard Bank London Limited and RMB International (Dublin) Limited on July 30, 2004, repayable on July 19, 2006.

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 (2004: R100; 2003: R100) and shareholder loans of R nil (2004: R nil; 2003: R920 million) are ultimately held in the percentages as outlined below.

	Share-holding 2003 %	Share-holder loan balance 2003 Rm	Share-holding 2004 %	Share-holder loan balance 2004 Rm	**Share-holding 2005 %**	**Share-holder loan balance 2005 Rm**
Telkom SA Limited	50.0%	460.0	50.0%	–	**50.0%**	**–**
Vodafone Group Plc	–	124.3	–	–	**–**	**–**
Vodafone Holdings (SA) (Proprietary) Limited	35.0%	197.7	35.0%	–	**35.0%**	**–**
VenFin Telecommunication Investments Limited	15.0%	–	15.0%	–	**15.0%**	**–**
VenFin Finance Corporation (Proprietary) Limited	–	138.0	–	–	**–**	**–**
	100.0%	920.0	100.0%	–	**100.0%**	**–**

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 20 to the consolidated annual financial statements for further details on the shareholder loans.

DIRECTORS' REPORT continued

for the year ended March 31, 2005

10. DIRECTORS AND SECRETARY

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

	In office 31/03/2004	Resignations	Appointments	In office 31/03/2005
Directors	WYN Luhabe	AFB Mthembu	PJ Uys	WYN Luhabe
	(Chairman)	(31/05/2004)	(1/04/2004)	(Chairman)
	ADC Knott-Craig	MS Aziz Joosub	GJ Darby*	ADC Knott-Craig
	(Chief Executive Officer)	(1/04/2004)	(28/06/2004)	(Chief Executive Officer)
	AFB Mthembu	A Carrapatoso †	MS Aziz Joosub	L Crouse
	(Deputy Chief Executive Officer)	(28/06/2004)	(26/11/2004)	(Chief Financial Officer)
	MS Aziz Joosub	PAM Guindani "	TD Mahloele	PJ Uys
	L Crouse	(28/06/2004)	(9/12/2004)	(Chief Operating Officer)
	(Group Finance Director)	SM McKenzie #	Dr M Mostert	MS Aziz Joosub
	A Carrapatoso †	(25/11/2004)	(9/12/2004)	J Malherbe
	PAM Guindani "	CK Tan ^	RN Barr *	SE Nxasana
	J Malherbe	(25/11/2004)	(10/03/2005)	PR Williams *
	SM McKenzie #	MJ Pitt *	MJ Pitt *	GJ Darby *
	SE Nxasana	(10/03/2005)	(28/06/2004)	TD Mahloele
	CK Tan ^			Dr M Mostert
	PR Williams *			RN Barr*
Secretary	L Crouse			L Crouse
Alternate directors	PR Bamford *	PR Bamford *	Sir JM Horn-Smith * +	JJ Durand
	JJ Durand	(28/06/2004)	(28/06/2004)	Sir JM Horn-Smith * +
	JM Horn-Smith * +	JM Horn-Smith * +	T Nowak~	CWJ Volschenk
	NT Moholi	(28/06/2004)	(10/03/2005)	T Nowak~
	MJ Pitt *	MJ Pitt *	J Visser ◊	J Visser ◊
	CWJ Volschenk	(28/06/2004)	(10/03/2005)	
		NT Moholi	MS Aziz Joosub	
		25/11/2004)	(1/04/2004)	
		MS Aziz Joosub	A Carrapatoso †	
		(26/11/2004)	(28/06/2004)	
		A Carrapatoso †	RN Barr *	
		(10/03/2005)	(28/06/2004)	
		RN Barr *		
		(10/03/2005)		

 # American *" Italian*
^ Malaysian *~ German*
** British* *◊ Dutch*
† Portuguese
+ JM Horn-Smith resigned as alternate director, but was re-appointed as an alternate director for a different director.

11. OTHER MATTERS

The Group has entered into negotiations regarding the acquisition of a controlling interest in VEE Networks Limited, trading as V-Mobile in Nigeria, which if successful, could result in significant future commitments for the Group. No further information has been disclosed as the negotiations are at a very sensitive stage.

An offer to purchase a 51% equity stake in Cointel VAS (Proprietary) Limited was made and accepted. The suspensive condition of Competition Commission approval is currently being attended to. The acquisition will not have a material impact on the Group's results.

12. COUNTRY OF INCORPORATION

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

13. REGISTERED OFFICE AND POSTAL ADDRESSES

Registered office:	Vodacom Corporate Park 082 Vodacom Boulevard Vodavalley MIDRAND	**Postal address:**	Private Bag X9904 SANDTON 2146

14. AUDITORS

Deloitte & Touche was 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, 2005

	Notes	2003 Restated Rm	2004 Restated Rm	**2005 Rm**
Revenue	1	19,409.7	22,855.2	**27,315.3**
Other operating income		68.0	57.6	**63.8**
Direct network operating cost		(10,491.4)	(12,430.1)	**(14,614.1)**
Depreciation	4	(2,163.0)	(2,316.9)	**(2,611.1)**
Staff expenses		(1,018.6)	(1,331.6)	**(1,652.9)**
Marketing and advertising expenses		(652.5)	(702.0)	**(767.3)**
General administration expenses		(611.6)	(682.3)	**(747.9)**
Amortisation of intangible assets	2	(213.2)	(214.8)	**(232.1)**
Impairment of assets	3	–	–	**(268.4)**
Profit from operations	4	4,327.4	5,235.1	**6,485.3**
Interest, dividends and other financial income	5	649.6	656.6	**662.8**
Finance costs	6	(1,546.3)	(1,107.5)	**(641.7)**
Profit before taxation		3,430.7	4,784.2	**6,506.4**
Taxation	7	(1,171.1)	(1,725.0)	**(2,614.2)**
Net profit		2,259.6	3,059.2	**3,892.2**
Attributable to:				
Equity shareholders		2,212.1	3,033.0	**3,861.4**
Minority interests		47.5	26.2	**30.8**

		2003 R	2004 R	**2005 R**
Basic and diluted earnings per share	32	221,210	303,300	**386,140**
Dividend per share	32	60,000	210,000	**340,000**

CONSOLIDATED BALANCE SHEETS

as at March 31, 2005

	Notes	2003 Restated Rm	2004 Restated Rm	**2005 Rm**
ASSETS				
Non-current assets		12,024.2	12,865.0	**13,903.7**
Property, plant and equipment	8	10,675.0	10,858.6	**12,230.7**
Investment properties	9	–	63.8	**49.7**
Intangible assets	10	535.5	1,002.7	**940.8**
Financial assets	11	373.0	258.3	**137.5**
Deferred taxation	12	154.9	277.8	**308.1**
Deferred cost		285.8	403.8	**236.9**
Current assets		4,971.7	7,286.8	**8,662.2**
Inventory	13	238.8	288.5	**479.5**
Trade and other receivables	14	2,896.0	3,450.0	**3,621.4**
Deferred cost		544.9	859.8	**428.3**
Short-term financial assets	11	85.5	318.4	**142.9**
Cash and cash equivalents	31	1,206.5	2,370.1	**3,990.1**
Total assets		16,995.9	20,151.8	**22,565.9**
EQUITY AND LIABILITIES				
Equity		6,909.8	7,664.7	**7,954.3**
Ordinary share capital	15	*	*	*****
Non-distributable reserves	16	(141.0)	(324.9)	**(298.0)**
Retained earnings		6,962.8	7,896.6	**8,123.6**
Minority interests	17	88.0	93.0	**128.7**
Non-current liabilities		2,617.6	2,234.8	**3,137.8**
Interest bearing debt	18	1,732.2	1,216.6	**2,213.5**
Deferred taxation	12	443.3	436.0	**499.2**
Deferred revenue		285.8	403.8	**240.7**
Provisions	22	156.3	178.4	**184.4**
Current liabilities		7,468.5	10,252.3	**11,473.8**
Trade and other payables	19	2,918.5	3,862.1	**4,830.8**
Deferred revenue		1,190.1	1,883.4	**1,411.4**
Taxation payable		315.2	852.0	**632.6**
Shareholder loans	20	920.0	–	**–**
Non-interest bearing debt	21	4.3	4.3	**4.3**
Short-term interest bearing debt	18	436.4	839.9	**381.6**
Short-term provisions	22	324.4	473.7	**595.0**
Dividends payable		600.0	1,500.0	**1,800.0**
Derivative financial liabilities	39	200.6	64.5	**1.0**
Bank overdraft	31	559.0	772.4	**1,817.1**
Total equity and liabilities		16,995.9	20,151.8	**22,565.9**

** Amounts less than R50,000*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the three years ended March 31, 2005

	Notes	Share capital Restated Rm	Retained earnings Restated Rm	Non-distributable reserves Restated Rm	Minority interests Restated Rm	Total Restated Rm
Balance at March 31, 2002 – previously reported		*	5,357.7	106.1	10.6	5,474.4
Changes in accounting policies, reclassifications and restatements	23	–	(4.4)	31.7	–	27.3
Balance at March 31, 2002 – restated		*	5,353.3	137.8	10.6	5,501.7
Net profit for the year		–	2,212.1	–	47.5	2,259.6
Dividends declared	32	–	(600.0)	–	–	(600.0)
Contingency reserve		–	(2.6)	2.6	–	–
Capital contribution	23	–	–	–	65.0	65.0
Net gains and losses not recognised in the income statement	16,17					
Foreign currency translation reserve		–	–	(302.4)	(35.1)	(337.5)
Foreign currency translation reserve – deferred taxation		–	–	21.0	–	21.0
Balance at March 31, 2003 – restated		*	6,962.8	(141.0)	88.0	6,909.8
Net profit for the year		–	3,033.0	–	26.2	3,059.2
Dividends declared	32	–	(2,100.0)	–	–	(2,100.0)
Contingency reserve		–	0.8	(0.8)	–	–
Net gains and losses not recognised in the income statement	16,17					
Foreign currency translation reserve		–	–	(194.0)	(21.2)	(215.2)
Foreign currency translation reserve – deferred taxation		–	–	10.9	–	10.9
Balance at March 31, 2004 – restated		*	7,896.6	(324.9)	93.0	7,664.7
Net profit for the year		–	3,861.4	–	30.8	3,892.2
Dividends declared	32	–	(3,400.0)	–	(3.8)	(3,403.8)
Contingency reserve		–	(1.0)	1.0	–	–
Acquired reserves from the minorities of Vodacom Congo (RDC) s.p.r.l.	30	–	(233.4)	82.1	–	(151.3)
Acquisition of subsidiary	29	–	–	–	10.1	10.1
Revaluation of available-for-sale investments	11	–	–	0.2	0.1	0.3
Net gains and losses not recognised in the income statement	16,17					
Foreign currency translation reserve		–	–	(56.4)	(1.5)	(57.9)
Balance at March 31, 2005		*	**8,123.6**	**(298.0)**	**128.7**	**7,954.3**

** Amounts less than R50,000*

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES

for the three years ended March 31, 2005

	2003 Rm	2004 Rm	**2005** **Rm**
Gain on revaluation of available-for-sale investment	–	–	**0.3**
Foreign currency translation reserve	(337.5)	(215.2)	**(57.9)**
Tax on items taken directly to equity	21.0	10.9	**–**
Net loss recognised directly in equity	(316.5)	(204.3)	**(57.6)**
Net profit for the period	2,259.6	3,059.2	**3,892.2**
Total recognised income and expenses for the year	1,943.1	2,854.9	**3,834.6**
Attributable to:			
Equity shareholders	1,930.7	2,849.9	**3,805.2**
Minority interests	12.4	5.0	**29.4**

CONSOLIDATED CASH FLOW STATEMENTS

for the three years ended March 31, 2005

	Notes	2003 Restated Rm	2004 Restated Rm	**2005 Rm**
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		18,980.0	22,175.5	**27,078.8**
Cash paid to suppliers and employees		(12,258.9)	(14,578.8)	**(17,066.8)**
Cash generated from operations	24	6,721.1	7,596.7	**10,012.0**
Finance costs paid	25	(721.7)	(512.3)	**(259.2)**
Interest, dividends and other financial income received	26	280.0	368.7	**246.8**
Taxation paid	27	(1,337.4)	(1,463.3)	**(2,744.4)**
Dividends paid – equity shareholders		(600.0)	(1,200.0)	**(3,100.0)**
Dividends paid – minority shareholders		–	–	**(5.2)**
Net cash flows from operating activities		4,342.0	4,789.8	**4,150.0**
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	28	(3,066.5)	(2,813.8)	**(3,253.4)**
Proceeds on disposal of property, plant and equipment		7.7	5.0	**20.1**
Acquisition of intangible assets	10	–	(121.1)	**–**
Disposal of subsidiaries	29	31.5	–	**–**
Acquisition of subsidiaries	29	–	149.6	**(289.8)**
Acquired cash from Vodacom Congo (RDC) s.p.r.l.	30	–	–	**12.9**
Advance to minority shareholders		(157.9)	–	**–**
Disposal of other investments		9.0	–	**–**
Other investing activities		(67.0)	(219.5)	**136.0**
Net cash flows utilised in investing activities		(3,243.2)	(2,999.8)	**(3,374.2)**
CASH FLOW FROM FINANCING ACTIVITIES				
Shareholder loans repaid		–	(920.0)	**–**
Interest bearing debt incurred		774.1	186.9	**1,165.3**
Interest bearing debt repaid		(426.1)	(55.6)	**(1,332.3)**
Finance lease capital repaid		(1.6)	(9.6)	**(28.1)**
Finance lease capital incurred		13.2	–	**–**
Funding received from minority shareholders		157.9	–	**–**
Net cash flows (utilised in)/from financing activities		517.5	(798.3)	**(195.1)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,616.3	991.7	**580.7**
Cash and cash equivalents at the beginning of the year		(857.6)	647.5	**1,597.7**
Effect of foreign exchange rate changes		(111.2)	(41.5)	**(5.4)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	647.5	1,597.7	**2,173.0**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

March 31, 2005

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, except for financial assets and financial liabilities (including derivative instruments) recorded at fair value. 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 (Note 23).

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, 2005.

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.

Minority interests are separately presented in the consolidated balance sheets and income statements.

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

- Acquisition 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, liabilities and contingent liabilities of the relevant subsidiaries or joint ventures, are measured based upon the Group's interest in their fair value at the date of acquisition. The interest of minority shareholders is recorded at the minority's share of the fair value of the identifiable assets, liabilities and contingent liabilities. Subsequently, any losses attributable to minority shareholders in excess of their interest, is allocated against the interest of the Group.

- 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 carrying amount of goodwill 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 unrealised profits between Group companies, are eliminated in full on consolidation.

A. Consolidation (continued)

A.3 Subsidiaries (continued)

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 unrealised 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 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 capitalised.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over the estimated useful life to the 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:

General purpose buildings	50 years
Special purpose buildings	15 years
Infrastructure	
– GSM	8 years
– Value added services equipment	8 years
Community services	
– Containers	5 years
– Cellular equipment	2 years
Information services	
– Equipment	4 years
– Computer 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

B. Property, plant and equipment (continued)

General purpose buildings 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 recognised as an expense in the period incurred. Minor plant and equipment items are also recognised as an expense in the period acquired.

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 recognised in the consolidated income statement in the period in which they occur.

Where a network infrastructure site lease contains a restoration clause, or where historical experience indicates that restoration costs will be incurred, a liability for the site restoration costs is recorded. The liability recorded is measured at the present value of the estimated future restoration costs to be incurred. The present value of the liability is capitalised to the underlying infrastructure asset to which the restorations costs relate at the inception of the restoration obligation. These amounts are amortised over the estimated useful life of the related infrastructure asset. The restoration liability is accredited to its future value over the lease period.

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.

D. Intangible assets

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

The following are the main categories of intangible assets:

D.1 Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are not amortised but tested for impairment on an annual basis.

- 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, liabilities and contingent liabilities at the date of acquisition. Goodwill on the acquisition of subsidiaries and joint ventures is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses previously recognised are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

D. Intangible assets (continued)

D.2 Intangible assets with a finite useful life

Intangible assets with a finite useful life are amortised to the consolidated income statement on a straight-line basis over their estimated useful lives, which are reviewed on an annual basis. Amortisation commences when the intangible asset is available for use. The residual values of intangible assets are assumed to be zero.

The estimated useful lives of intangible assets are currently as follows:

Mobile licences	5 – 20 years
Contract mobile customer	5 years
Prepaid mobile customers	3 years
Trademarks and brands	5 – 10 years

- Licences
  Licences, which are acquired to yield an enduring benefit, are capitalised at cost and amortised from the date of commencement of usage rights over the shorter of the economic life or the duration of the licence agreement.

- 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 amortised on a straight-line basis over their estimated useful lives.

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

D.3 Intangible assets not available for use

Intangible assets not available for use are not amortised but tested for impairment on an annual basis.

E. Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined by the first-in-first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing it to its present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventory to net realisable value and all losses of inventory are recognised as an expense in the period that 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. 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 operations

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

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

F. Foreign currencies (continued)

F.2 Foreign operations (continued)

Gains and losses on the translation of equity loans to foreign entities that are intended to be permanent are recognised in equity if the loans are denominated in one of the entities functional currencies. If the loans are denominated in a third currency, gains or losses are recognised in the consolidated income statement.

Goodwill and intangibles arising on the acquisition of a foreign operation are treated as assets of the foreign operation and translated at the foreign exchange rates ruling at balance sheet date.

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 amortisation is not deductible for taxation purposes or on the initial recognition of assets or liabilities, which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred taxation liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and joint ventures, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that it will not reverse in the foreseeable future.

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

Exchange differences arising from the translation of foreign taxation assets and liabilities of foreign entities are classified as a deferred taxation expense or income.

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.

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

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 funds are recognised 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 recognised during the period in which the employee renders the related service. The Group recognises the expected cost of bonuses only when the Group has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

H. Employee benefits (continued)

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 recognises termination benefits when it is constructively obliged to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits fall due more than 12 months after balance sheet date, they are discounted to present value. 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 wholly owned subsidiaries, including executive directors, are eligible for compensation benefits in the form of a deferred bonus incentive scheme. The benefit is recorded at the present value of the expected future cash outflows.

I. Revenue recognition

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

The Group invoices its independent service providers 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.

The recognition of revenue involves estimates and assumptions with regards to the estimation of the useful life of the customer base. This estimate is based on past experience.

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

I.1 Contract products

Contract products that may include deliverables such as a handset and 24-month service are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable, based on the fair value of each deliverable on a stand alone basis as a percentage of the aggregated fair value of the individual deliverables. Revenue allocated to the identified deliverables in each revenue arrangement and the cost applicable to these identified deliverables are recognised based on the same recognition criteria of the individual deliverable at the time the product or service is delivered.

- Revenue from the handset is recognised when the product is delivered.
- Monthly service revenue received from the customer is recognised in the period in which the service is delivered.
- Airtime revenue is recognised on the usage basis. The terms and conditions of the bundled airtime products, where applicable, allow the carry over of unused airtime. The unused airtime is deferred in full.
- Deferred revenue related to unused airtime is recognised when utilised by the customer. Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in income.

I. Revenue recognition (continued)

I.2 Prepaid products

Prepaid products that may include deliverables such as a SIM-card and airtime are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable, based on the fair value of each deliverable on a stand alone basis as a percentage of the aggregated fair value of the individual deliverables. Revenue allocated to the identified deliverables in each revenue arrangement and the cost applicable to these identified deliverables are recognised based on the same recognition criteria of the individual deliverable at the time the product or service is delivered.

- Revenue from the SIM-card, representing activation fees, is recognised over the average useful life of a prepaid customer.
- Airtime revenue is recognised on the usage basis. Unused airtime is deferred in full.
- Deferred revenue related to unused airtime is recognised when utilised by the customer. Upon termination of the customer relationship, all deferred revenue for unused airtime is recognised in revenue.

Upon purchase of an airtime voucher the customer receives the right to make outgoing voice and data calls to the value of the airtime voucher. Revenue is recognised as the customer utilises the voucher.

Deferred revenue and costs related to unactivated starter packs which do not contain any expiry date, is recognised in the period when the probability of these starter packs being activated by a customer becomes remote. In this regard the Group applies a period of 36 months before these revenues and costs are released to the income statement.

I.3 Data revenue

Revenue net of discounts, from data services is recognised when the Group has performed the related service and depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

I.4 Equipment sales

All equipment sales are recognised only when delivery and acceptance has taken place.

Equipment sales to third party service providers are recognised when delivery is accepted. No rights of return exist on sale to third party service providers.

I.5 Other revenue and income

- Interconnect and international
  Interconnect and international revenue is recognised on the usage basis.

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

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

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

  Lease payments are allocated between lease finance costs and a capital reduction of the finance lease liability. Lease finance costs are allocated to 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.

J. Leases (continued)

J.2 Group as lessee (continued)

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

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

K. Derivative instruments

The Group recognises all derivative instruments on the balance sheet at fair value, including certain derivative instruments embedded in other contracts. Changes in the fair value of derivative instruments are recorded in earnings as they arise.

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

Where the fair value of derivatives cannot be reliably estimated, the derivatives 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 recognised on the consolidated balance sheet. Financial instruments are initially recognised when the Group becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it.

Financial liabilities and equity instruments 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 the contractual terms.

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

L.2 Financial assets

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

- Investments
  Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Subsequent to initial recognition, these instruments are measured as set out below.

  Investments in equity instruments, excluding those in subsidiaries and joint ventures, are classified as available-for-sale investments and are stated at fair value. Gains and losses from changes in fair value of available-for-sale investments are recognised 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 recognised in equity is included in the consolidated income statement. These investments are classified as non-current unless management intends to dispose of it within twelve months of the balance sheet date.

  Investments acquired principally for the purpose of generating a profit from the short-term fluctuations in price, are classified as financial assets at fair value through profit or loss and are recorded and measured at fair value. Financial assets at fair value through profit or loss consist of financial assets held-for-trading or those designated at fair value through profit or loss at inception. Gains and losses on these investments are recorded in the consolidated income statement. These investments are classified as current assets if they are either held-for-trading or are expected to be realised within twelve months of the balance sheet date.

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

L. Financial instruments – other than derivatives (continued)

L.2 Financial assets (continued)

- Receivables
  Receivables that include interest bearing investments, investments in finance leases, trade and other receivables, and other loans are stated at original investment less principal payments, amortisations, and less accumulated impairment losses. 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 doubtful receivables is established when there is objective evidence that the Group has incurred a loss and 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 the Group incurred a loss at the balance sheet date. These incurred loss events 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 other than derivatives are interest bearing debt, trade and other payables, shareholder loans, non-interest bearing debt, dividends payable, provisions and bank borrowings and other short-term debt:

- Interest bearing debt
  Interest bearing debt, including finance lease obligations are originally recognised at fair value, net of transaction costs incurred. Interest bearing debt is subsequently stated at amortised cost, namely original debt less principal payments and amortisations. Any differences between proceeds and the redemption value are recognised in the income statement over the period of the debt using the effective interest rate method. The accounting policy for finance lease obligations is dealt with under leases set out above.

  Interest bearing debt is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

  Preference shares, which are mandatory redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

- Trade and other payables
  Trade and other payables are stated at their cost.

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

- Dividends payable
  Dividends payable are stated at amounts declared.

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

  The amount recognised, as a provision is the best estimate of the expenditure required to settle the present obligation at balance sheet date, taking into account risks and uncertainties surrounding the provision. Long-term provisions are discounted to net present value.

L. Financial instruments – other than derivatives (continued)

L.3 Financial liabilities (continued)

- 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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's principal equity instrument is ordinary share capital, which is recorded at the proceeds received, net of any direct issue costs.

L.5 De-recognition

Financial assets (or a portion thereof) are de-recognised when the Group's rights to the cash flow expire or when the Group transfers substantially all the risks and rewards related to the financial asset or when the entity loses control of the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the consolidated income statement.

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

L.6 Fair value methods and assumptions

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

The fair value of financial instruments not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risks 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 six months are assumed to approximate their fair value.

L.7 Offset

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

M. Impairment of assets

Goodwill, assets that have an indefinite useful life and intangible assets not available for use are tested annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the consolidated income statement immediately. The recoverable amount of an asset is the higher of the assets fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

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.

M. Impairment of assets (continued)

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. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the assets of the cash-generating unit, first to goodwill in respect of the cash generating unit, if any, and then to the other assets on a pro-rata basis based on their carrying amounts. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

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

After the recognition of an impairment loss, any depreciation or amortisation 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.

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 amortised cost. Due to the short-term nature of these, the amortised cost approximates its fair value.

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 expensed over the duration of the event.

Q. Incentives

Incentives paid to service providers and dealers for new activations and retention of existing customers for products delivered to the customer are expensed as incurred. Incentives paid to service providers and dealers for new activations and retention of existing customers for services delivered are expensed in the period that the related revenue is recognised.

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

R. Discontinued operations

Discontinued operations are significant, distinguishable components of an enterprise or a subsidiary acquired exclusively with a view to resell, 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 discontinued operation is disclosed and calculated from the date that the component meets the held for sale criteria. To be held for sale:

- An asset is available for immediate sale in its present condition (subject to usual and customary terms);
- The sale must be probable; and
- The transfer must qualify for recognition as a completed sale within one year from classification, with limited exceptions.

S. Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. 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.

		2003 Rm	2004 Rm	**2005 Rm**
1.	**REVENUE**			
	Airtime and access	10,646.7	12,738.0	**16,190.8**
	Data revenue	654.4	1,039.2	**1,340.5**
	Interconnect revenue	5,309.2	5,784.8	**5,923.6**
	Equipment sales *	1,894.7	2,274.6	**2,687.3**
	International airtime	539.1	659.2	**886.8**
	Other	365.6	359.4	**286.3**
		19,409.7	22,855.2	**27,315.3**

** Equipment sales were restated for the 2004 and 2003 years (Note 23).*

		2003 Rm	2004 Rm	**2005 Rm**
2.	**AMORTISATION OF INTANGIBLE ASSETS**			
	Goodwill	(98.9)	(93.6)	**–**
	Licences	(12.9)	(14.8)	**(17.1)**
	Trademarks	(4.1)	(7.3)	**(42.6)**
	Customer bases	(97.3)	(99.1)	**(172.4)**
		(213.2)	(214.8)	**(232.1)**

During the year the Group adopted IAS 21: The Effects of Changes in Foreign Exchange Rates ("IAS 21"). Goodwill arising on the acquisition of a foreign operation is now treated as an asset of the foreign operation and translated at the foreign exchange rate ruling at the balance sheet date (Note 23). The Group adopted IFRS 3: Business Combinations ("IFRS 3") on April 1, 2004. Goodwill is no longer amortised from the 2005 year, but tested for impairment on an annual basis (Note 23).

		2003 Rm	2004 Rm	**2005 Rm**
3.	**IMPAIRMENT OF ASSETS**			
	Intangible assets			
	Licences	–	–	**(97.5)**
	Property, plant and equipment	–	–	**(170.9)**
	Infrastructure	–	–	**(142.3)**
	Information services	–	–	**(23.3)**
	Motor vehicles	–	–	**(2.4)**
	Furniture	–	–	**(1.3)**
	Office equipment	–	–	**(0.3)**
	Leasehold improvements	–	–	**(0.6)**
	Other assets	–	–	**(0.7)**
	Impairment loss recognised	–	–	**(268.4)**

Due to the competitive and economic environment in which VM, S.A.R.L. operates in Mozambique, the Group assessed the assets for impairment in accordance with the requirements of IAS 36: Impairment of Assets ("IAS 36"). The recoverable amount of these assets has been determined based on the fair value of the assets less cost of disposal at March 31, 2005. The fair value of the assets was obtained from a knowledgeable, willing party on an arm's length basis, based on the assumption that the assets would be disposed of on an item by item basis. The amount with which the carrying amount exceeded the recoverable amount is recognised as an impairment loss.

	2003 Rm	2004 Rm	**2005 Rm**
4. PROFIT FROM OPERATIONS			
The profit from operations is arrived at after taking the following income/(expenditure) into account:			
Net profit/(loss) on disposal of property, plant and equipment	2.6	(6.8)	**1.8**
Loss on disposal of property, plant and equipment	(0.9)	(7.9)	**(6.7)**
Profit on disposal of property, plant and equipment	3.5	1.1	**8.5**
Depreciation of property, plant and equipment (Note 8)	(2,163.0)	(2,312.7)	**(2,606.9)**
Buildings	(16.6)	(13.4)	**(14.5)**
Infrastructure	(1,657.6)	(1,840.1)	**(2,087.2)**
Information services	(379.5)	(350.5)	**(389.5)**
Community services	(12.4)	(12.8)	**(10.8)**
Motor vehicles	(20.1)	(20.2)	**(21.8)**
Furniture	(18.0)	(17.7)	**(15.6)**
Office equipment	(16.8)	(11.3)	**(11.2)**
Leasehold improvements	(39.1)	(36.4)	**(40.0)**
Other assets	(2.9)	(10.3)	**(16.3)**
Depreciation of investment properties (Note 9)	–	(4.2)	**(4.2)**
Auditors' remuneration – audit fees	(5.4)	(5.6)	**(8.3)**
Current year audit fees	(6.0)	(5.7)	**(7.8)**
Prior year (under)/over provision of audit fees	0.4	0.3	**(0.1)**
Telkom SA Limited foreign issuer costs	(28.2)	(6.8)	**(4.6)**
Recovered from Telkom SA Limited	28.5	6.8	**4.6**
Expenses	(0.1)	(0.2)	**(0.4)**
Auditors' remuneration – other services	(7.4)	(6.8)	**(2.5)**
For other services	(11.2)	(7.4)	**(2.5)**
Capitalised	3.8	0.6	**–**
Professional fees for consultancy services	(117.8)	(117.3)	**(78.4)**
Operating lease rentals	(546.3)	(532.8)	**(613.1)**
GSM transmission and data lines	(460.8)	(465.6)	**(544.3)**
Office accommodation	(27.8)	(35.6)	**(43.4)**
Other accommodation	(54.4)	(29.6)	**(24.5)**
Office equipment	(3.3)	(2.0)	**(0.9)**
Payment to other operators	(2,217.2)	(2,990.3)	**(3,652.5)**
Licence fees – GSM	(503.7)	(550.1)	**(670.3)**

		2003 Rm	2004 Rm	**2005** **Rm**
4.	**PROFIT FROM OPERATIONS (continued)**			
	Staff expenses – pension and provident fund contributions	(57.9)	(71.8)	**(74.9)**
	Pension fund contributions	(52.5)	(65.9)	**(70.7)**
	Provident fund contributions	(5.4)	(5.9)	**(4.2)**
	Decrease/(increase) in provision for obsolete inventory (Note 13)	(36.5)	(30.9)	**17.5**
	(Increase)/decrease in provision for doubtful receivables (Note 14)	(15.5)	0.8	**(11.3)**
	Bad debts written off	(31.1)	(48.8)	**(52.2)**
	Impairment of assets (Note 3)	–	–	**(268.4)**
5.	**INTEREST, DIVIDENDS AND OTHER FINANCIAL INCOME**			
	Banks and loans	51.4	68.4	**93.6**
	Dividends received – unlisted investments	–	5.4	**–**
	Guarantee fees	14.7	26.4	**–**
	Income from investments at fair value through profit and loss	5.1	11.2	**8.0**
	Other interest income	1.4	6.2	**15.8**
	Gain on foreign exchange contract revaluation	244.7	269.6	**155.1**
	Gain on foreign liability and asset revaluation	308.1	238.0	**358.3**
	Interest rate swap interest	6.0	5.1	**11.6**
	Interest rate swap revaluation	18.2	26.3	**20.4**
		649.6	656.6	**662.8**
6.	**FINANCE COSTS**			
	Bank overdraft	(50.0)	(27.3)	**(39.1)**
	Finance leases	(123.8)	(130.1)	**(127.3)**
	Funding loans	(127.3)	(64.4)	**(32.2)**
	Interest on minority shareholder loan **	(9.7)	(7.6)	**(7.2)**
	Leasehold property	–	(5.2)	**–**
	Other finance costs	(6.8)	(13.3)	**(24.2)**
	Shareholder loans	(167.9)	(47.2)	**–**
	Interest rate swap interest	(4.0)	(1.1)	**(5.5)**
	Interest rate swap revaluation	–	(18.9)	**(11.3)**
	Loss on foreign exchange contract revaluation	(831.2)	(479.1)	**(143.4)**
	Loss on foreign liability and asset revaluation	(225.6)	(313.3)	**(251.5)**
		(1,546.3)	(1,107.5)	**(641.7)**

*** This amount of R7.2 million (2004: R7.6 million; 2003: R9.7 million) relates to notional interest on the loan from Caspian Construction Company Limited and Planetel Communications Limited, that was remeasured at amortised cost, at an effective interest rate of LIBOR plus 5%, for which no consideration has been recorded.*

	2003 Rm	2004 Rm	**2005 Rm**
7. TAXATION			
South African normal taxation	(1,223.3)	(1,702.6)	**(2,082.6)**
Current year	(1,231.5)	(1,716.4)	**(2,091.3)**
Prior year over provision	8.2	13.8	**8.7**
Deferred taxation	163.6	143.9	**34.7**
Current year	181.8	156.4	**33.0**
Prior year under provision	(18.2)	(12.5)	**(6.3)**
Taxation rate change*	–	–	**8.0**
Secondary taxation on companies – current year	(75.0)	(262.5)	**(429.4)**
Foreign taxation	(2.7)	(5.4)	**(13.0)**
Current year	(2.7)	(4.3)	**(12.9)**
Prior year under provision	–	(1.1)	**(0.1)**
Foreign deferred taxation	(33.7)	101.6	**(123.9)**
Current year	(79.9)	109.8	**(75.2)**
Prior year (under)/over provision	46.2	(8.2)	**(48.7)**
	(1,171.1)	(1,725.0)	**(2,614.2)**

	2003 Rm	2003 %	2004 Rm	2004 %	**2005 Rm**	**2005 %**
Reconciliation						
Normal taxation on profit before taxation	1,029.2	30.0	1,435.3	30.0	**1,951.9**	**30.0**
Adjusted for:						
Exempt income	(0.9)	–	(0.8)	–	**(0.1)**	**–**
Disallowed expenditure	28.6	0.8	33.9	0.8	**131.3**	**2.0**
Goodwill	27.7	0.7	27.2	0.6	**–**	**–**
Prior year under/(over) provision	(36.2)	(1.0)	(8.0)	(0.2)	**46.4**	**0.7**
Unutilised taxation loss	–	–	24.8	0.5	**40.5**	**0.6**
Utilisation of taxation loss	–	–	(75.3)	(1.6)	**(12.6)**	**(0.1)**
Foreign taxation rate differences	66.3	1.9	78.2	1.6	**(30.8)**	**(0.5)**
Taxation rate change*	–	–	–	–	**(8.0)**	**(0.1)**
Foreign taxation	–	–	–	–	**5.7**	**0.1**
Foreign exchange	–	–	–	–	**(10.7)**	**(0.2)**
Impairment of assets	–	–	–	–	**78.3**	**1.2**
Secondary taxation on companies	75.0	2.1	262.5	5.5	**429.4**	**6.6**
Secondary taxation on companies credits	–	–	–	–	**(3.8)**	**–**
Utilisation of investment deductions	(18.6)	(0.5)	(24.1)	(0.5)	**(10.2)**	**(0.2)**
Utilisation of cumulative timing and permanent differences of Vodacom Congo (RDC) s.p.r.l.	–	–	(28.7)	(0.6)	**–**	**–**
Other adjustments	–	–	–	–	**6.9**	**0.1**
	1,171.1	34.0	1,725.0	36.1	**2,614.2**	**40.2**

** Deferred taxation was calculated at 29% for all South African entities following a change in the corporate taxation rate. The revised taxation rate will be applicable to normal taxation in the 2006 financial year.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

March 31, 2005

	Cost Rm	Accumulated depreciation Rm	Net book value Rm
8. PROPERTY, PLANT AND EQUIPMENT			
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

	Cost **Rm**	**Accumulated depreciation and impairment** **Rm**	**Net book value** **Rm**
2005			
Land and buildings	**857.3**	**(58.2)**	**799.1**
Infrastructure	**20,053.1**	**(9,784.6)**	**10,268.5**
Information services	**2,640.7**	**(1,744.0)**	**896.7**
Community services	**91.9**	**(73.0)**	**18.9**
Motor vehicles	**158.1**	**(93.7)**	**64.4**
Furniture	**138.2**	**(102.2)**	**36.0**
Office equipment	**96.3**	**(78.1)**	**18.2**
Leasehold improvements	**294.6**	**(192.6)**	**102.0**
Other assets	**74.2**	**(47.3)**	**26.9**
	24,404.4	**(12,173.7)**	**12,230.7**

	Land and buildings Rm	Infra-structure Rm	Infor-mation services Rm	Com-munity services Rm	Motor vehicles Rm	Furniture Rm	Office equip-ment Rm	Leasehold improve-ments Rm	Other assets Rm	Total Rm
8. PROPERTY, PLANT AND EQUIPMENT (continued)										
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 (Note 9)	(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
Reconciliation 2005										
Opening balance	**777.5**	**9,060.1**	**760.4**	**28.4**	**51.2**	**38.2**	**22.4**	**97.2**	**23.2**	**10,858.6**
Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l.	**4.5**	**457.9**	**115.4**	**–**	**4.0**	**2.9**	**1.9**	**7.7**	**2.0**	**596.3**
Transfer from investment properties (Note 9)	**9.9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9.9**
Additions	**21.7**	**2,924.2**	**434.4**	**1.3**	**35.2**	**11.8**	**5.6**	**37.9**	**21.7**	**3,493.8**
Disposals	**–**	**(10.8)**	**(3.0)**	**–**	**(2.2)**	**(0.3)**	**(0.3)**	**(0.2)**	**(1.5)**	**(18.3)**
Foreign currency translation	**–**	**60.5**	**3.5**	**–**	**0.4**	**0.3**	**–**	**–**	**(1.5)**	**63.2**
Depreciation	**(14.5)**	**(2,087.2)**	**(389.5)**	**(10.8)**	**(21.8)**	**(15.6)**	**(11.2)**	**(40.0)**	**(16.3)**	**(2,606.9)**
Business combinations	**–**	**–**	**4.9**	**–**	**–**	**–**	**0.1**	**–**	**–**	**5.0**
Impairments	**–**	**(142.3)**	**(23.3)**	**–**	**(2.4)**	**(1.3)**	**(0.3)**	**(0.6)**	**(0.7)**	**(170.9)**
Asset category transfer	**–**	**6.1**	**(6.1)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Closing balance	**799.1**	**10,268.5**	**896.7**	**18.9**	**64.4**	**36.0**	**18.2**	**102.0**	**26.9**	**12,230.7**

Software that does not form an integral part of hardware is currently included in property, plant and equipment. The Group will reclassify this software to intangibles under the requirements of IAS 38: Intangible Assets ("IAS 38") during the 2006 financial year when the Group will adopt the revised IAS 16: Property, Plant and Equipment ("IAS 16").

		2003 Net book value Rm	2004 Net book value Rm	**2005 Net book value Rm**
8.	**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	35.0	**37.5**
	43 Kwale Road, Dar es Salaam, Tanzania	4.7	3.7	**3.7**
	Holding 359 Erand Agricultural Holdings Ext 1, RSA	1.6	1.6	**1.6**
	Stand 200 Chelmsfordville, RSA	0.5	0.6	**0.6**
	1046 Mama Yemo Avenue, Lubumbashi, Province De Katanga, Democratic Republic of Congo	1.5	0.5	**0.9**
	Kinshasa Building (Justice), 292 Justice Avenue, Gombe, Kinshasa, Democratic Republic of Congo	–	4.2	**8.6**
	MSC Building, Maseru West, Lesotho	0.7	0.7	**0.7**
	Stand 13,14 and 15, Eastwood Road, Dunkeld West, RSA	–	5.0	**14.4**
	6195 Boulevard du 30 Juin, Kinshasa, Kinshasa, Democratic Republic of Congo	–	–	**7.6**
	Remaining extent of Portion 810 of the farm Randjesfontein No. 405, Registration division J.R., Province of Gauteng, RSA	–	–	**10.7**
		41.4	51.3	**86.3**
	Leasehold land and buildings			
	Portion 827 and 828 of farm Randjesfontein No. 405, RSA	273.7	268.0	**262.4**
	Portion 769 of farm Randjesfontein No. 405, RSA	162.1	159.5	**156.8**
	Stand 34083 Bellville, City of Tygerberg, RSA	107.9	106.3	**104.7**
	Erf 5259 and 5260 Montague Gardens, RSA	96.5	94.9	**93.3**
	Holding 350 Erand Agricultural Holdings Ext. 1, RSA	58.1	–	**–**
	Stand 207 Erand Agricultural Holdings Ext. 28, RSA	88.9	87.2	**85.5**
	Erf 33153 Bellville, Cape Town, RSA	–	10.3	**10.1**
		787.2	726.2	**712.8**
	Total freehold and leasehold land and buildings	828.6	777.5	**799.1**

Debt is collateralised over leasehold land and buildings and the fair value of the lease liability is R839.9 million (2004: R845.4 million; 2003: R884.9 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.

Land and buildings in which the Group occupies more than 25% of the floor space is classified as property, plant and equipment.

		Cost Rm	Accumulated depreciation Rm	Net book value Rm
9.	**INVESTMENT PROPERTIES**			
	2004			
	Holding 350 Erand Agricultural Holdings Ext. 1, RSA (Note 9.1)	78.9	(25.0)	53.9
	Stand 13 and 14 Dunkeld West, RSA (Note 9.2)	9.9	–	9.9
		88.8	(25.0)	63.8
	2005			
	Holding 350 Erand Agricultural Holdings Ext. 1, RSA (Note 9.1)	**78.9**	**(29.2)**	**49.7**

	2003 Rm	2004 Rm	**2005 Rm**
Opening balance	–	–	**63.8**
Transfer (to)/from property, plant and equipment (Note 8)	–	58.1	**(9.9)**
Business combination	–	9.9	**–**
Depreciation	–	(4.2)	**(4.2)**
Closing balance	–	63.8	**49.7**

9.1 Holding 350 Erand Agricultural Holdings Ext. 1, RSA

The fair value of the investment property at March 31, 2005 has been arrived at on the basis of a valuation carried out on that day by JHI Real Estate Limited (2004: RMB Properties Limited) an independent valuator, 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 R58.3 million (2004: R60.1 million).

Debt is collateralised over this leasehold land and building and the fair value of the lease liability included in Note 18.1 is R116.9 million (2004: R110.0 million).

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to R4.6 million (2004: R6.6 million). Direct operating expenses incurred on the investment property in the period amounted to R7.6 million (2004: R2.1 million).

9.2 Stand 13 and 14 Dunkeld West, RSA

The Group acquired these properties for R9.9 million on March 1, 2004 through its equity investment in Smartphone SP (Proprietary) Limited.

During the current financial year the properties have been reclassified to property, plant and equipment as the majority of the premises were no longer being leased to third parties.

	Cost Rm	Accumulated amortisation Rm	Net book value Rm
10. INTANGIBLE ASSETS			
2003			
Goodwill	655.0	(424.1)	230.9
Licences	184.7	(67.7)	117.0
Trademarks	51.5	(28.9)	22.6
Customer bases	486.9	(321.9)	165.0
	1,378.1	(842.6)	535.5
2004			
Goodwill	855.7	(511.4)	344.3
Licences	262.0	(80.4)	181.6
Trademarks	209.7	(36.2)	173.5
Customer bases	724.3	(421.0)	303.3
	2,051.7	(1,049.0)	1,002.7

	Cost **Rm**	**Accumulated amortisation and impairment** **Rm**	**Net book value** **Rm**
2005			
Goodwill	**932.1**	**(518.6)**	**413.5**
Licences	**338.0**	**(211.4)**	**126.6**
Trademarks	**209.7**	**(78.8)**	**130.9**
Customer bases	**863.2**	**(593.4)**	**269.8**
	2,343.0	**(1,402.2)**	**940.8**

	Goodwill Rm	Licences Rm	Trademarks Rm	Customer bases Rm	Total Rm
10. INTANGIBLE ASSETS (continued)					
Reconciliation					
2003					
Opening balance as previously disclosed	342.9	164.4	26.7	262.3	796.3
Change in accounting policies, reclassifications and restatements (Note 23)	27.2	–	–	–	27.2
Opening balance – restated	370.1	164.4	26.7	262.3	823.5
Foreign currency translation	(40.3)	(34.5)	–	–	(74.8)
Amortisation	(98.9)	(12.9)	(4.1)	(97.3)	(213.2)
Closing balance	230.9	117.0	22.6	165.0	535.5
Reconciliation					
2004					
Opening balance	230.9	117.0	22.6	165.0	535.5
Additions	–	114.1	–	7.0	121.1
Foreign currency translation	(17.0)	(34.7)	–	–	(51.7)
Amortisation	(93.6)	(14.8)	(7.3)	(99.1)	(214.8)
Business combinations	224.0	–	158.2	230.4	612.6
Closing balance	344.3	181.6	173.5	303.3	1,002.7
Reconciliation					
2005					
Opening balance	**344.3**	**181.6**	**173.5**	**303.3**	**1,002.7**
Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l. (Note 30)	**51.3**	**50.6**	**–**	**–**	**101.9**
Foreign currency translation	**(0.8)**	**9.0**	**–**	**–**	**8.2**
Amortisation	**–**	**(17.1)**	**(42.6)**	**(172.4)**	**(232.1)**
Business combinations	**18.7**	**–**	**–**	**138.9**	**157.6**
Impairments (Note 3)	**–**	**(97.5)**	**–**	**–**	**(97.5)**
Closing balance	**413.5**	**126.6**	**130.9**	**269.8**	**940.8**

During the year the Group adopted IAS 21: The Effects of Changes in Foreign Exchange Rates ("IAS 21"). Goodwill arising on the acquisition of a foreign operation is now treated as an asset on the foreign operation and translated at the foreign exchange rate ruling at the balance sheet date (Note 23).

	2003 Short-term portion Rm	2003 Long-term portion Rm	2003 Total Rm	2004 Short-term portion Rm	2004 Long-term portion Rm	2004 Total Rm
11. FINANCIAL ASSETS						
Loans and receivables (Note 11.1)	–	185.6	185.6	229.2	94.0	323.2
Investments at fair value through profit and loss (Note 11.2)	50.9	9.5	60.4	70.8	9.3	80.1
Available-for-sale investments (Note 11.3)	–	150.3	150.3	16.5	119.1	135.6
Derivative financial assets (Note 11.4)	34.6	27.6	62.2	1.9	35.9	37.8
	85.5	373.0	458.5	318.4	258.3	576.7

		2005 Short-term portion Rm	2005 Long-term portion Rm	2005 Total Rm
11.	**FINANCIAL ASSETS (continued)**			
	Loans and receivables (Note 11.1)	**–**	**93.3**	**93.3**
	Investments at fair value through profit and loss (Note 11.2)	**101.1**	**–**	**101.1**
	Available-for-sale investments (Note 11.3)	**16.8**	**–**	**16.8**
	Derivative financial assets (Note 11.4)	**25.0**	**44.2**	**69.2**
		142.9	**137.5**	**280.4**

		2003 Rm	2004 Rm	**2005 Rm**
11.1	**Loans and receivables**			
	Planetel Communications Limited	54.2	43.0	**42.7**
	The loan with a nominal value of US$6.8 million issued during the 2003 year, bears interest at LIBOR plus 5%. Planetel Communications Limited utilised this loan to ensure sufficient shareholder loan funding by itself as a shareholder of Vodacom Tanzania Limited. The loans and capitalised interest are collateralised 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 18).			
	Caspian Construction Company Limited	64.4	51.0	**50.6**
	The loan with a nominal value of US$8.1 million issued during the 2003 year, bears interest at LIBOR plus 5%. Caspian Construction Company Limited utilised this loan to ensure sufficient shareholder loan funding by itself as a shareholder of Vodacom Tanzania Limited. The loans and capitalised interest are collateralised 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 18).			
	Balance carried forward	118.6	94.0	**93.3**

		2003 Rm	2004 Rm	**2005 Rm**
11.	**FINANCIAL ASSETS (continued)**			
11.1	**Loans and receivables (continued)**			
	Balance brought forward	118.6	94.0	**93.3**
	ABSA Bank Limited	67.0	78.3	**–**
	The Group's share of Vodacom Congo (RDC) s.p.r.l.'s deposit account amounted to €10.1 million at March 31, 2004 (2003: €7.8 million), which was charged as security for the extended credit facility of Vodacom Congo (RDC) s.p.r.l. The deposit bore interest at EURIBOR less 0.2%. The deposit was refunded when the facility was replaced by a medium-term loan from Standard Bank London and RMB International (Dublin) Limited on July 30, 2004 (Note 18).			
	Vodacom Congo (RDC) s.p.r.l.	–	150.9	**–**
	The joint venture partner's share of the loan issued by Vodacom International Limited to Vodacom Congo (RDC) s.p.r.l. amounted to US$23.9 million at March 31, 2004. The loan bore interest at LIBOR plus 6.5%. With effect from April 1, 2004 the Group's effective control over the company changed resulting in Vodacom Congo (RDC) s.p.r.l. being accounted for as a subsidiary from this date.			
		185.6	323.2	**93.3**
	Less: Short-term portion of loans and receivables			
	ABSA Bank Limited	–	(78.3)	**–**
	Vodacom Congo (RDC) s.p.r.l.	–	(150.9)	**–**
	Short-term portion of loans and receivables	–	(229.2)	–
	Long-term portion of loans and receivables	185.6	94.0	**93.3**

11.2 Investments at fair value through profit and loss

11.2.1 Investments held for trading

	Maturity period	Interest rate	Market value Rm
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
Less: Short-term portion of investments held for trading			(50.9)
Long-term portion of investments held for trading			9.5

		Maturity period	Interest rate	Market value Rm
11.	**FINANCIAL ASSETS (continued)**			
11.2	**Investments at fair value through profit and loss (continued)**			
11.2.1	**Investments held for trading (continued)**			
	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
	Less: Short-term portion of investments held for trading			(70.8)
	Long-term portion of investments held for trading			9.3
	2005			
	Details of the maturity periods and interest rates of the money market investments at year-end are as follows:	0 – 12 months	7.3% – 8.5%	101.1
	Less: Short-term portion of investments held for trading			(101.1)
	Long-term portion of investments held for trading			–

		2003 Rm	2004 Rm	**2005 Rm**
11.3	**Available-for-sale investments**			
	Listed investment – SAGE shares	–	16.5	**16.8**
	9,090,909 ordinary shares of R0.01 each			
	Unlisted preference shares in Vodacom Congo (RDC) s.p.r.l.	150.3	119.1	**–**
	18,860,100 preference shares of US$1.0 each totalling US$18.9 million (2003: US$18.9 million) at March 31, 2004. The preference shares bore interest at a rate of 4% per annum and were redeemable, but only after the first three years from date of inception and only on the basis that the shareholders were repaid simultaneously and in proportion to their shareholding. With effect from April 1, 2004 the Group's control over the company changed resulting in Vodacom Congo (RDC) s.p.r.l. being accounted for as a subsidiary from this date.			
		150.3	135.6	**16.8**
	Less: Short-term portion of available-for-sale			
	Listed investment – SAGE shares	–	(16.5)	**(16.8)**
	Short-term portion of available-for-sale	–	(16.5)	**(16.8)**
	Long-term portion of available-for-sale	150.3	119.1	**–**

	2003 Rm	2004 Rm	**2005 Rm**
11. FINANCIAL ASSETS (continued)			
11.4 Derivative financial assets			
Long-term interest rate swap asset (Note 39)	27.6	35.9	**44.2**
Short-term foreign currency derivative asset (Note 39)	34.6	1.9	**25.0**
	62.2	37.8	**69.2**

The fair value of the Group's investments is R280.4 million (2004: R576.7 million; 2003: R458.5 million).

11.5 Maturity of financial assets

	2006 Rm	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 onwards Rm	Total Rm
Loans and receivables	–	–	–	–	93.3	–	93.3
Investments at fair value through profit and loss	101.1	–	–	–	–	–	101.1
Available-for-sale investments	16.8	–	–	–	–	–	16.8
Derivative financial assets	25.0	–	–	13.4	–	30.8	69.2
	142.9	–	–	13.4	93.3	30.8	280.4

	2003 Rm	2004 Rm	**2005 Rm**
12. DEFERRED TAXATION			
Deferred taxation assets	154.9	277.8	**308.1**
Deferred taxation liabilities	(443.3)	(436.0)	**(499.2)**
	(288.4)	(158.2)	**(191.1)**
12.1 Components			
Capital allowances	(877.5)	(959.6)	**(1,086.6)**
Foreign equity revaluation reserve	1.1	12.0	**12.0**
Remeasurement of shareholder loans liability	(48.9)	(33.0)	**(21.7)**
Remeasurement of shareholder loans asset	46.3	42.1	**36.4**
Taxation losses	276.0	323.5	**278.8**
Provisions and deferred income	556.7	861.5	**634.1**
Prepayments and other allowances	(196.6)	(281.7)	**(51.3)**
Customer base	(48.7)	(88.9)	**(77.0)**
Trademark	–	(46.5)	**(33.4)**
Revaluation of property	–	(2.2)	**(2.2)**
Foreign exchange	–	22.2	**88.9**
STC Credits	–	–	**3.8**
Other	3.2	(7.6)	**27.1**
	(288.4)	(158.2)	**(191.1)**

		2003 Rm	2004 Rm	**2005 Rm**
12.	**DEFERRED TAXATION (continued)**			
12.2	**Reconciliation**			
	Balance at the beginning of the year	(428.5)	(288.4)	**(158.2)**
	Income statement (expense)/income	129.9	245.5	**(89.2)**
	Foreign equity revaluation reserve	21.0	10.9	**–**
	Capital contribution	(27.8)	–	**–**
	Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	–	**96.3**
	Business combinations			
	Acquisition of customer base	–	(69.1)	**(41.7)**
	Acquisition of trademark	–	(47.5)	**–**
	Acquisition of subsidiary	–	–	**1.7**
	Revaluation of property	–	(2.2)	**–**
	Foreign exchange differences on consolidation of foreign subsidiaries	17.0	(7.4)	**–**
	Balance at the end of the year	(288.4)	(158.2)	**(191.1)**

Provision for taxation, which could arise if undistributable retained profit of certain subsidiaries is remitted, is only made where a decision has been taken to remit such retained profits. The Group did not provide for Secondary Taxation on Dividends ("STC") on its undistributable earnings which is payable when it declares dividends to its shareholders, as the taxation will only be payable once the dividends are declared.

		2003 Rm	2004 Rm	**2005 Rm**
12.3	**Utilisation of taxation losses**			
	Opening taxation loss	1,068.4	1,119.3	**1,187.1**
	Foreign exchange movement on opening taxation loss	(304.7)	(231.6)	**(8.1)**
	Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	–	**158.0**
	Prior year adjustment	113.9	(134.5)	**72.9**
	Current year taxation loss (utilised)/created	305.6	433.9	**(215.1)**
	Subsidiaries liquidated	(63.9)	–	**–**
	Closing taxation loss	1,119.3	1,187.1	**1,194.8**
	Utilised to reduce net deferred taxation liability	(949.5)	(1,022.1)	**(839.6)**
	Deferred taxation at 40%	–	(165.6)	**(268.7)**
	Deferred taxation at 35%	(4.3)	(6.6)	**–**
	Deferred taxation at 30%	(884.6)	(849.9)	**(570.9)**
	Deferred taxation at 15%	(60.6)	–	**–**
	Taxation holiday	(169.8)	–	**–**
	Taxation losses available to reduce deferred taxation	–	165.0	**355.2**

There are unused taxation losses to the value of R355.2 million (2004: R165.0 million; 2003: R nil) available to reduce the net deferred taxation liability. The effect of this would be a R109.3 million (2004: R24.8 million; 2003: R nil) reduction in the net deferred taxation liability for the year to R81.8 million (2004: R133.4 million; 2003: R288.4 million). During 2003 uncertainty existed as to whether the accumulated losses incurred by Vodacom Congo (RDC) s.p.r.l. during their taxation holiday period will be available to reduce future taxable profits after expiry of the taxation holiday period, and therefore no deferred taxation asset was raised. During the 2004 financial year it was confirmed by the local taxation authority that the accumulated taxation losses will still be available after expiry of the taxation holiday, resulting in the accumulated taxation asset being recognised. Vodacom Congo (RDC) s.p.r.l. has recorded a deferred taxation asset for 2005 and 2004 financial years even though the company is incurring losses. The Group has performed a detailed calculation of future taxable income to support the recognition of the deferred taxation asset.

12. DEFERRED TAXATION (continued)

12.3 Utilisation of taxation losses (continued)

The growth of the Group following its geographical expansion into other African countries over the past few years has made the estimation and judgement more challenging. The resolution of taxation issues is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxation jurisdictions in which the Group operates. Issues can, and therefore, often do, take many years to resolve. Payments in respect of taxation liabilities for an accounting period results from payments on account and on the final resolution of open items. As a result there can be substantial differences between the taxation charge in the income statement and taxation payments.

		2003 Rm	2004 Rm	**2005 Rm**
13.	**INVENTORY**			
	Merchandise	229.1	260.4	**438.4**
	Other inventory	9.7	28.1	**41.1**
		238.8	288.5	**479.5**
	Inventory carried at net realisable value	165.1	202.7	**289.8**
	The net realisable value of handsets have increased due to the appreciation of the South African Rand resulting in a reversal of a portion of the inventory valuation allowance.			
13.1	**Inventory valuation allowance included above**			
	Balance at the beginning of the year	(11.8)	(48.3)	**(78.9)**
	Foreign exchange movement on opening balance	–	0.3	**–**
	Reversed from/(charged to) costs and expenses	(36.5)	(30.9)	**17.5**
	Business combinations	–	–	**(1.4)**
	Balance at the end of the year	(48.3)	(78.9)	**(62.8)**
14.	**TRADE AND OTHER RECEIVABLES**			
	Trade receivables	2,645.5	3,072.4	**3,316.5**
	Prepayments	185.4	240.6	**185.3**
	Value added taxation	11.0	58.5	**69.0**
	Interest income receivable	10.3	18.9	**35.7**
	Guarantee fees receivable	14.7	13.1	**–**
	Other	29.1	46.5	**14.9**
		2,896.0	3,450.0	**3,621.4**
14.1	**Doubtful receivable allowance included above**			
	Balance at the beginning of the year	(77.0)	(82.6)	**(75.6)**
	Foreign exchange movement on opening balance	9.9	6.2	**(0.2)**
	(Charged to)/reversed from costs and expenses	(15.5)	0.8	**(11.3)**
	Business combinations	–	–	**(6.9)**
	Balance at the end of the year	(82.6)	(75.6)	**(94.0)**

		2003 R	2004 R	**2005 R**
15.	**ORDINARY SHARE CAPITAL**			
	Authorised			
	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.

		2003 Rm	2004 Rm	**2005 Rm**
16.	**NON-DISTRIBUTABLE RESERVES**			
	Foreign currency translation reserve (Note 16.1)	(153.2)	(347.2)	**(321.5)**
	Deferred taxation on foreign currency translation reserve (Note 16.1)	1.1	12.0	**12.0**
	Contingency reserve (Note 16.2)	11.1	10.3	**11.3**
	Revaluation of available-for-sale investments (Note 16.3)	–	–	**0.2**
		(141.0)	(324.9)	**(298.0)**
	Reconciliation			
	Balance at the beginning of the year – previously reported	106.1	(132.3)	**(299.2)**
	Change in accounting policies, reclassifications and restatements (Note 23)	31.7	(8.7)	**(25.7)**
	Balance at the beginning of the year – restated	137.8	(141.0)	**(324.9)**
	Foreign currency translation reserve	(281.4)	(183.1)	**25.7**
	Acquisition of Vodacom Congo (RDC) s.p.r.l. (Note 30)	–	–	**82.1**
	Foreign currency translation	(302.4)	(194.0)	**(56.4)**
	Deferred taxation	21.0	10.9	**–**
	Other non-distributable reserves			
	Transferred from distributable reserves – contingency reserve	2.6	(0.8)	**1.0**
	Revaluation of available-for-sale investments	–	–	**0.2**
	Balance at the end of the year	(141.0)	(324.9)	**(298.0)**

16.1 Foreign currency translation reserve

The financial results of foreign operations are translated into South African Rands for incorporation into the consolidated results. Assets and liabilities are translated at the foreign exchange rates ruling at balance sheet date. Income, expenditure and cash flow items are translated at the actual foreign exchange rate or average foreign exchange rates for the period. All resulting unrealised foreign exchange differences are classified as equity.

This reserve also includes gains and losses on the translation of equity loans to foreign entities that are intended to be permanent and only if the loans are denominated in one of the entities' functional currencies (Note 23).

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

16.2 Contingency reserve

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 utilised only with the prior permission of the Registrar of Short-term Insurance.

16. **NON-DISTRIBUTABLE RESERVES (continued)**

16.3 **Revaluation of available-for-sale investments**

Gains and losses from changes in fair value of available-for-sale investments are recognised directly in equity until the financial asset is disposed of (Note 11.3).

	2003 Rm	2004 Rm	**2005 Rm**
17. MINORITY INTERESTS			
Distributable reserves	124.5	150.7	**187.8**
Non-distributable reserves	(36.5)	(57.7)	**(59.1)**
	88.0	93.0	**128.7**
Balance at the beginning of the year	10.6	88.0	**93.0**
Profit transferred from distributable reserves	47.5	26.2	**30.8**
Foreign currency translation reserve	(35.1)	(21.2)	**(1.5)**
Capital contribution	92.8	–	**–**
Deferred taxation on capital contribution	(27.8)	–	**–**
Revaluation of available-for-sale investments	–	–	**0.1**
Acquisition of subsidiary	–	–	**10.1**
Dividend	–	–	**(3.8)**
Balance at the end of the year	88.0	93.0	**128.7**

	2003 Short-term portion Rm	2003 Long-term portion Rm	2003 Total Rm	2004 Short-term portion Rm	2004 Long-term portion Rm	2004 Total Rm
18. INTEREST BEARING DEBT						
Finance leases (Note 18.1)	13.5	871.4	884.9	29.0	856.7	885.7
Funding loans (Note 18.2)	416.7	860.8	1,277.5	807.7	359.9	1,167.6
Other short-term loans (Note 18.3)	6.2	–	6.2	3.2	–	3.2
	436.4	1,732.2	2,168.6	839.9	1,216.6	2,056.5

	2005 Short-term portion Rm	**2005 Long-term portion Rm**	**2005 Total Rm**
Finance leases (Note 18.1)	**50.5**	**807.2**	**857.7**
Funding loans (Note 18.2)	**323.7**	**1,406.3**	**1,730.0**
Other short-term loans (Note 18.3)	**7.4**	**–**	**7.4**
	381.6	**2,213.5**	**2,595.1**

		2003 Rm	2004 Rm	**2005 Rm**
18.	**INTEREST BEARING DEBT (continued)**			
18.1	**Finance leases**			
	Vodacom (Proprietary) Limited	594.3	596.4	**574.9**
	The finance leases are collateralised by various land and buildings with a book value of R500.1 million (2004: R512.1 million; 2003: R513.5 million), bearing interest at fixed effective interest rates of between 12.1% and 16.9% per annum and are repayable between 3 and 8 years.			
	Vodacom Service Provider Company (Proprietary) Limited	290.6	289.3	**282.8**
	The finance lease is collateralised by land and buildings with a book value of R262.4 million (2004: R268.0 million; 2003: R273.7 million), and bearing interest at a fixed effective interest rate of 14.8% per annum. Payments are made every six months in arrears and commenced on March 1, 2002. The finance lease expires on September 1, 2011.			
		884.9	885.7	**857.7**
	Less: Short-term portion of finance leases			
	Vodacom (Proprietary) Limited	(12.2)	(22.5)	**(37.6)**
	Vodacom Service Provider Company (Proprietary) Limited	(1.3)	(6.5)	**(12.9)**
	Short-term portion of finance leases	(13.5)	(29.0)	**(50.5)**
	Long-term portion of finance leases	871.4	856.7	**807.2**

The fair value of the Group's finance lease liability is R956.8 million (2004: R955.4 million; 2003: R884.9 million).

	2006 Rm	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 onwards Rm	Total Rm
Future minimum lease payments	171.9	190.8	211.8	271.3	153.7	381.1	1,380.6
Finance costs	(121.4)	(111.9)	(98.3)	(77.1)	(55.1)	(59.1)	(522.9)
Net present value	50.5	78.9	113.5	194.2	98.6	322.0	857.7

	2003 Rm	2004 Rm	**2005 Rm**
18. INTEREST BEARING DEBT (continued)			
18.2 Funding loans			
Planetel Communications Limited	40.9	35.4	**38.5**
The shareholder loan of US$8.4 million (2004: US$8.4 million; 2003: US$8.4 million) is subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, bears no interest from April 1, 2002 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 remeasured at amortised cost at an effective interest rate of LIBOR plus 5% (Note 11) during the 2003 financial year. The gain on remeasurement was included in equity.			
Caspian Construction Company Limited	48.5	42.1	**45.7**
The shareholder loan of US$10.0 million is subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, bears no interest from April 1, 2002 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 remeasured at amortised cost at an effective interest rate of LIBOR plus 5% (Note 11) during the 2003 financial year. The gain on remeasurement was included in equity.			
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 amounted to €38.8 million (2003: €38.8 million) at March 31, 2004 which was partially collateralised by guarantees (Note 41) and a cash deposit (Note 11), and bore interest at a rate of between EURIBOR plus 1.5% and EURIBOR plus 1.75%. The facility was replaced by a medium-term loan from Standard Bank London Limited and RMB International (Dublin) Limited on July 30, 2004.			
Project finance funding to Vodacom Tanzania Limited	501.6	348.7	**285.1**
The drawn down portions of the project finance funding from external parties include the following: (a) Netherlands Development Finance Company of US$10.1. million (2004: US$11.3 million; 2003: US$11.3 million); (b) Deutsche Investitions- und Entwicklungsgesellschaft mbH of €10.4 million (2004: €11.5 million; 2003: €11.5 million); (c) Standard Corporate and Merchant Bank of US$12.0 million (2004: US$16.0 million; 2003: US$20.0 million); (d) Barclays Bank (Local Syndicate Tanzania) of TSH10,968.8 million (2004: TSH15,356.3 million; 2003: TSH19,744.0 million) and is collateralised by a charge of over 51% of the shares, the licence and Vodacom Tanzania Limited's tangible and intangible assets. The loans bear interest based upon the foreign currency denomination of the project financing between 5.9% and 13.0% per annum and will be fully repaid by March 2008.			
Balance carried forward	926.7	736.3	**369.3**

	2003 Rm	2004 Rm	**2005 Rm**
18. INTEREST BEARING DEBT (continued)			
18.2 Funding loans (continued)			
Balance brought forward	926.7	736.3	**369.3**
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 amounted to US$16.3 million (2003: US$16.3 million) at March 31, 2004. The credit facility was collateralised by guarantees (Note 41) provided by the Group, which bore interest at an effective interest rate of LIBOR plus 1.5%. The facility was replaced by a medium-term loan from Standard Bank London Limited and RMB International (Dublin) Limited on July 30, 2004.			
The Group's share of the short-term Euro revolving credit facility provided by Standard Finance (Isle of Man) Limited amounted to €11.5 million (2003: € nil) at March 31, 2004. The credit facility was collateralised by guarantees (Note 41) provided by the Group and bore interest at an effective interest rate of EURIBOR plus 1.5%. The facility was replaced by a medium-term loan from Standard Bank London Limited and RMB International (Dublin) Limited on July 30, 2004.			
The Group's share of the short-term Dollar revolving credit facility provided by Standard Finance (Isle of Man) Limited amounted to US$19.1 million (2003: US$ nil) at March 31, 2004. The credit facility was collateralised by guarantees (Note 41) provided by the Group and bore interest at an effective interest rate of LIBOR plus 1.5%. The facility was replaced by a medium-term loan from Standard Bank London Limited and RMB International (Dublin) Limited on July 30, 2004.			
Medium-term loan to Vodacom International Limited	–	–	**1,128.8**
The medium-term loan provided by Standard Bank London Limited and RMB International (Dublin) Limited that amounts to US$180.0 million at March 31, 2005 is collateralised by guarantees provided by the Group. The loan is repayable on July 19, 2006 and bears interest at an effective interest rate of LIBOR plus 0.6%.			
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	1,127.2	1,048.5	**1,498.1**

		2003 Rm	2004 Rm	**2005 Rm**
18.	**INTEREST BEARING DEBT (continued)**			
18.2	**Funding loans (continued)**			
	Balance brought forward	1,127.2	1,048.5	**1,498.1**
	Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	150.3	119.1	**231.9**
	The preference shares of US$37.1 million (2004: US$18.9 million; 2003: US$18.9 million) bear interest at a rate of 4% per annum. The 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.			
		1,277.5	1,167.6	**1,730.0**
	Less: Short-term portion of funding loans			
	Extended credit facility to Vodacom Congo (RDC) s.p.r.l.	–	(310.1)	**–**
	Project finance funding to Vodacom Tanzania Limited	(65.9)	(66.3)	**(91.8)**
	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.	(150.3)	(119.1)	**(231.9)**
	Short-term portion of funding loans	(416.7)	(807.7)	**(323.7)**
	Long-term portion of funding loans	860.8	359.9	**1,406.3**
	The fair value of the Group's funding loan liability is R1,730.0 million (2004: R1,167.6 million; 2003: R1,277.5 million).			
18.3	**Other short-term loans**			
	Vodacom Congo (RDC) s.p.r.l.	6.2	3.2	**6.3**
	The short-term facility amounts to US$1.0 million (The Group's share in 2004: US$0.5 million; 2003: US$0.8 million). The facility bears interest at 18% per annum.			
	Other	–	–	**1.1**
		6.2	3.2	**7.4**

The fair value of the Group's short-term loans is R7.4 million (2004: R3.2 million; 2003: R6.2 million).

	2006 Rm	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 onwards Rm	Total Rm
18. INTEREST BEARING DEBT (continued)							
18.4 Repayment of interest bearing debt							
Finance leases							
Vodacom (Proprietary) Limited	37.6	58.0	82.9	151.6	41.4	203.4	574.9
Vodacom Service Provider Company (Proprietary) Limited	12.9	20.9	30.6	42.6	57.2	118.6	282.8
Funding loans							
Planetel Communications Limited	–	–	–	–	38.5	–	38.5
Caspian Construction Company Limited	–	–	–	–	45.7	–	45.7
Project finance funding to Vodacom Tanzania Limited	91.8	112.8	80.5	–	–	–	285.1
Medium-term loan to Vodacom International Limited	–	1,128.8	–	–	–	–	1,128.8
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	231.9	–	–	–	–	–	231.9
Other short-term loans	7.4	–	–	–	–	–	7.4
	381.6	1,320.5	194.0	194.2	182.8	322.0	2,595.1

	2003 Rm	2004 Rm	**2005 Rm**
19. TRADE AND OTHER PAYABLES			
Trade payables	2,129.5	2,900.9	**3,466.8**
Revenue charged in advance	40.0	28.0	**67.2**
Capital expenditure creditors	707.9	774.4	**1,089.9**
Value added taxation	–	101.6	**91.6**
Interest accrual	–	14.2	**39.9**
Sundry accounts payable and accruals	41.1	43.0	**75.4**
	2,918.5	3,862.1	**4,830.8**

		2003 Rm	2004 Rm	**2005** **Rm**
20.	**SHAREHOLDER LOANS**			
	Telkom SA Limited	460.0	–	**–**
	Vodafone Group Plc	124.3	–	**–**
	Vodafone Holdings (SA) (Proprietary) Limited	197.7	–	**–**
	VenFin Finance Corporation (Proprietary) Limited	138.0	–	**–**
		920.0	–	**–**

The shareholder loans were uncollateralised and bore interest at a rate of prime plus 2%. The average annualised effective interest rate during the 2004 and 2003 financial years were 19.0% and 18.35% respectively. 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 favour 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.

		2003 Rm	2004 Rm	**2005** **Rm**
21.	**NON-INTEREST BEARING DEBT**			
	Vodacom Lesotho (Proprietary) Limited	4.3	4.3	**4.3**
	The minority shareholder's loan is uncollateralised 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.

		2003 Rm	2004 Rm	**2005** **Rm**
22.	**PROVISIONS**			
	Deferred bonus incentive provision (Note 22.1)	231.7	359.5	**423.9**
	Bonus provision (Note 22.2)	128.8	149.1	**203.1**
	Leave pay provision (Note 22.3)	52.4	53.9	**58.3**
	Warranty provision (Note 22.4)	9.5	34.3	**28.2**
	Other (Note 22.5)	58.3	55.3	**65.9**
		480.7	652.1	**779.4**

	Deferred bonus incentive provision Rm	Bonus provision Rm	Leave pay provision Rm	Warranty provision Rm	Other Rm
22. PROVISIONS (continued)					
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 utilised	(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 utilised	(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
Reconciliation					
2005					
Balance at the beginning of the year	**359.5**	**149.1**	**53.9**	**34.3**	**55.3**
Provision created	**207.1**	**240.0**	**15.7**	**11.3**	**65.5**
Provision utilised	**(142.7)**	**(186.0)**	**(11.3)**	**(17.4)**	**(54.9)**
Balance at the end of the year	**423.9**	**203.1**	**58.3**	**28.2**	**65.9**

	2003 Rm	2004 Rm	**2005 Rm**
Timing of Provisions			
Within one year	324.4	473.7	**595.0**
After one year	156.3	178.4	**184.4**
	480.7	652.1	**779.4**

22. PROVISIONS (continued)

22.1 Deferred bonus incentive provision

The deferred bonus incentive provision represents the present value of the expected future cash out flows 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 utilised when eligible employees receive the value of vested entitlements.

22.2 Bonus provision

The bonus provision consists of a performance bonus based on the achievement of the predetermined financial targets, payable to all levels of staff.

22.3 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 utilised when employees who are entitled to leave pay, leave the employment of the Group or when the accrued leave due to an employee, is utilised.

22.4 Warranty provision

The warranty provision covers manufacturing defects in the second year of warranty on handsets sold to customers. The estimate is based on claims notified and past experience.

22.5 Other

Other provisions for the Group include provisions for advertising received from suppliers of handsets and various other smaller provisions. The advertising provision represents the advertising expenditure not yet spent or claimed by the Group or external service providers.

	Balance as previously reported Rm	Revenue re-cognition Rm	Minority interests Rm	Goodwill translation Rm	Deferred revenue and cost Rm	Derivative financial assets Rm	Equipment sales Rm	Deferred taxation Rm	Balance as restated Rm
23. CHANGE IN ACCOUNTING POLICIES, RECLASSIFICATIONS AND RESTATEMENTS									
Reconciliation 2003									
Income statement									
Revenue	(19,778.7)	–	–	–	–	–	369.0	–	(19,409.7)
Direct network operating costs	10,860.4	–	–	–	–	–	(369.0)	–	10,491.4
Amortisation of intangibles	210.7	–	–	2.5	–	–	–	–	213.2
Interest, dividend and other financial income	(742.4)	–	92.8	–	–	–	–	–	(649.6)
Taxation	1,198.9	–	(27.8)	–	–	–	–	–	1,171.1
Net profit (profit after taxation)	(2,327.1)	–	65.0	2.5	–	–	–	–	(2,259.6)
Balance sheet									
Non-current assets									
Intangible assets (Opening balance)	796.3	–	–	27.2	–	–	–	–	823.5
Intangible assets	551.1	–	–	(15.6)	–	–	–	–	535.5
Financial assets	345.4	–	–	–	–	27.6	–	–	373.0
Deferred taxation	704.7	–	–	–	–	–	–	(549.8)	154.9
Deferred cost	–	285.8	–	–	–	–	–	–	285.8
Current assets									
Trade and other receivables	3,158.9	–	–	–	(235.3)	(27.6)	–	–	2,896.0
Deferred cost	–	309.6	–	–	235.3	–	–	–	544.9
Short-term financial assets	–	–	–	–	–	85.5	–	–	85.5
Short-term investments	50.9	–	–	–	–	(50.9)	–	–	–
Foreign currency derivatives	34.6	–	–	–	–	(34.6)	–	–	–
Equity									
Non-distributable reserves (Opening balance)	(106.1)	–	–	(31.7)	–	–	–	–	(137.8)
Non-distributable reserves	132.3	–	–	8.7	–	–	–	–	141.0
Retained earnings (Opening balance)	(5,357.7)	–	–	4.4	–	–	–	–	(5,353.3)
Retained earnings	(6,969.7)	–	–	6.9	–	–	–	–	(6,962.8)
Non-current liabilities									
Deferred taxation	(993.1)	–	–	–	–	–	–	549.8	(443.3)
Deferred revenue	–	(285.8)	–	–	–	–	–	–	(285.8)
Current liabilities									
Accounts payable	(3,799.0)	–	–	–	880.5	–	–	–	(2,918.5)
Deferred revenue	–	(309.6)	–	–	(880.5)	–	–	–	(1,190.1)

	Balance as previously reported Rm	Revenue re-cognition Rm	Minority interests Rm	Goodwill translation Rm	Deferred revenue and costs Rm	Derivative financial assets Rm	Equipment sales Rm	Deferred taxation Rm	Balance as restated Rm
23. CHANGE IN ACCOUNTING POLICIES, RECLASSIFICATIONS AND RESTATEMENTS (continued)									
Reconciliation 2004									
Income statement									
Revenue	(23,478.0)	–	–	–	–	–	622.8	–	(22,855.2)
Direct network operating costs	13,052.9	–	–	–	–	–	(622.8)	–	12,430.1
Amortisation of intangibles	216.0	–	–	(1.2)	–	–	–	–	214.8
Net profit (profit after taxation)	(3,058.0)	–	–	(1.2)	–	–	–	–	(3,059.2)
Balance sheet									
Non-current assets									
Intangible assets	1,034.1	–	–	(31.4)	–	–	–	–	1,002.7
Financial assets	222.4	–	–	–	–	35.9	–	–	258.3
Deferred taxation	1,015.3	–	–	–	–	–	–	(737.5)	277.8
Deferred cost	–	403.8	–	–	–	–	–	–	403.8
Current assets									
Trade and other receivables	3,926.5	–	–	–	(440.6)	(35.9)	–	–	3,450.0
Deferred cost	–	419.2	–	–	440.6	–	–	–	859.8
Short-term financial assets	–	–	–	–	–	318.4	–	–	318.4
Short-term investments	316.5	–	–	–	–	(316.5)	–	–	–
Foreign currency derivatives	1.9	–	–	–	–	(1.9)	–	–	–
Equity									
Non-distributable reserves	299.2	–	–	25.7	–	–	–	–	324.9
Retained earnings	(7,902.3)	–	–	5.7	–	–	–	–	(7,896.6)
Non-current liabilities									
Deferred taxation	(1,173.5)	–	–	–	–	–	–	737.5	(436.0)
Deferred revenue	–	(403.8)	–	–	–	–	–	–	(403.8)
Current liabilities									
Accounts payable	(5,326.3)	–	–	–	1,464.2	–	–	–	(3,862.1)
Deferred revenue	–	(419.2)	–	–	(1,464.2)	–	–	–	(1,883.4)

The Group has changed some of its accounting policies as a result of the adoption of the following new or revised standards:

- IAS 21: The Effects of Foreign Currency Exchange Rates ("IAS 21");
- IAS 27: Consolidated and Separate Financial Statements ("IAS 27");
- IFRS 3: Business combinations ("IFRS 3")

The Group also changed its accounting policies for revenue to analogise to guidance issued by another Standard-setting body, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board in the United States.

The tables reflect the changes that were made to the 2004 and 2003 years as a result of these changes in accounting policies as well as certain restatements and reclassifications on the balance sheet.

23. CHANGE IN ACCOUNTING POLICIES, RECLASSIFICATIONS AND RESTATEMENTS (continued)

Change in accounting policies

23.1 Revenue recognition

The Group changed its accounting policy in respect of activation revenue and costs in accordance with the principals contained in Emerging Issues Task Force (EITF) Issue No. 00-21, Revenue Arrangements with Multiple Deliverables ("EITF 00-21"), issued in the United States, which the Group believes is relevant to the appropriate application of International Financial Reporting Standards. EITF 00-21 which is applicable to revenue arrangements with multiple deliverables, requires the allocation of the total arrangement consideration to each identifiable deliverable based on its relative fair value. Revenue allocated to each identifiable deliverable and the related cost is recognised based on the same recognition criteria for each deliverable at the time that the product or service is delivered. The revised accounting policy results in activation revenue and costs up to the amount of the deferred revenue being deferred and recognised ratably over the average expected life of the customer. The excess of the costs over revenues is expensed immediately. Previously, activation revenue and costs were recognised upon activation by the customer.

The Group restated its balance sheet disclosure for the years ended March 31, 2004 and 2003 to reflect the deferral of activation revenue and costs. No changes were made to the income statement due to the immateriality of these amounts. As such, the change in accounting policy does not impact the Group's results or cash flow information for the years ended March 31, 2004 and 2003.

23.2 Minority interests

The Group has adopted IAS 27 which changes the nature of minority interest from a liability to equity. The Group has accordingly reclassified transactions with minorities into equity. The change in accounting policy does not impact the Group's cash flow information for the years ended March 31, 2004 and 2003.

23.3 Goodwill translation

The Group changed its accounting policy in respect of foreign currency goodwill based on the revised IAS 21. Goodwill originated from the purchase of a foreign entity was previously accounted for at the transaction date. This goodwill is now translated at exchange rates ruling at the balance sheet date. The impact of the 2004 and 2003 financial years are set out in the accompanying tables. The change in accounting policy does not impact the Group's cash flow information for the years ended March 31, 2004 and 2003.

23.4 Goodwill amortisation

The Group adopted IFRS 3 on April 1, 2004. In accordance with this IFRS, goodwill is no longer amortised from this date, but tested for impairment on an annual basis. Goodwill was previously amortised over its expected useful life. The change in policy does not impact the Group's results or cashflow information for the years ended March 31, 2004 and 2003.

If the Group continued to amortise goodwill at historical foreign exchange rates, it would have recorded goodwill amortisation of R139.7 million. The balance of goodwill would have been stated at R335.5 million at March 31, 2005. Earnings per share would have reduced to R372,170.

Reclassifications

23.5 Deferred revenue and cost

The Group reclassified deferred revenue and cost from "Trade and other payables" and "Trade and other receivables" to "Deferred revenue" and "Deferred cost" respectively. This reclassification has been effected on the balance sheet and does not impact the Group's results or cash flow information for the years ended March 31, 2004 and 2003.

23.6 Derivative financial assets

The Group reclassified its interest rate swap derivatives from "Trade and other receivables" to "Financial assets". The change in classification does not impact the Group's results or cash flow information for the years ended March 31, 2004 and 2003.

Restatements

23.7 Equipment sales

The Group restated its equipment sales for the years ended March 31, 2004 and 2003 for the incorrect gross up of revenue and direct network operating costs related to internal channel upgrades and inter system profits. The Group previously incorrectly recorded revenue and direct network operating costs when handsets were provided to customers on upgrades and when handsets were transferred between different management systems. The restatement does not impact the Group's results and cash flow information for the years ended March 31, 2004 and 2003.

23.8 Deferred taxation

The Group restated deferred taxation to reflect the net amount of the non-current deferred taxation asset and the non-current deferred taxation liability where the Group has right of set off in the relevant section of the balance sheet. The Group previously reflected the gross deferred taxation asset and the gross deferred taxation liability. The restatement does not impact the Group's results or cash flow information for the years ended March 31, 2004 and 2003.

		2003 Rm	2004 Rm	**2005** **Rm**
24.	**CASH GENERATED FROM OPERATIONS**			
	Profit from operations	4,327.4	5,235.1	**6,485.3**
	Adjusted for:			
	Depreciation of property, plant and equipment	2,163.0	2,312.7	**2,606.9**
	Depreciation of investment properties	–	4.2	**4.2**
	Net (profit)/loss on disposal of property, plant and equipment	(2.6)	6.8	**(1.8)**
	Bad debts written off	31.1	48.8	**52.2**
	Impairment of assets	–	–	**268.4**
	Amortisation of intangible assets	213.2	214.8	**232.1**
	Cash flow from operations before working capital changes	6,732.1	7,822.4	**9,647.3**
	Increase in trade and other receivables	(837.3)	(932.2)	**(323.4)**
	(Increase)/decrease in inventory	52.0	(32.2)	**(161.1)**
	Increase in trade and other payables and provisions	774.3	738.7	**849.2**
	Cash generated from operations	6,721.1	7,596.7	**10,012.0**
25.	**FINANCE COSTS PAID**			
	Bank overdraft	(50.0)	(27.3)	**(39.1)**
	Finance leases	(123.8)	(130.1)	**(127.3)**
	Funding loans	(127.3)	(64.4)	**(32.2)**
	Interest on minority shareholder loan	(9.7)	(7.6)	**(7.2)**
	Leasehold property	–	(5.2)	**–**
	Other finance costs	(6.8)	(13.3)	**(24.2)**
	Interest on shareholder loans	(167.9)	(47.2)	**–**
	Interest accrual at the beginning of the year	(5.7)	–	**(14.2)**
	Interest accrual at the end of the year	–	14.2	**39.9**
		(491.2)	(280.9)	**(204.3)**
	Interest rate swap interest	(4.0)	(1.1)	**(5.5)**
	Interest rate swap revaluation	–	(18.9)	**(11.3)**
	Loss on foreign exchange contract revaluation	(831.2)	(479.1)	**(143.4)**
	Loss on foreign liability and asset revaluation	(225.6)	(313.3)	**(251.5)**
	Unrealised losses on foreign exchange contract revaluation	808.8	393.2	**126.8**
	Unrealised losses on foreign liability and asset revaluation	11.8	155.9	**211.5**
	Unrealised losses on interest rate swap	–	18.9	**11.3**
	Other non-cash flow items	9.7	13.0	**7.2**
		(721.7)	(512.3)	**(259.2)**

		2003 Rm	2004 Rm	**2005 Rm**
26.	**INTEREST, DIVIDENDS AND OTHER FINANCIAL INCOME RECEIVED**			
	Banks and loans	51.4	68.4	**93.6**
	Dividends received	–	5.4	**–**
	Guarantee fees	14.7	26.4	**–**
	Investment income – investment at fair value through profit and loss	5.1	11.2	**8.0**
	Other interest income	1.4	6.2	**15.8**
	Interest accrual at the beginning of the year	–	10.3	**18.9**
	Interest accrual at the end of the year	(10.3)	(18.9)	**(35.7)**
	Guarantee fees accrual at the beginning of the year	–	14.7	**13.1**
	Guarantee fees accrual at the end of the year	(14.7)	(13.1)	**–**
	Elimination on consolidation of Vodacom Congo (RDC) s.p.r.l.	–	–	**(13.1)**
		47.6	110.6	**100.6**
	Gain on foreign exchange contract revaluation	244.7	269.6	**155.1**
	Gain on foreign liability and asset revaluation	308.1	238.0	**358.3**
	Interest rate swap interest	6.0	5.1	**11.6**
	Interest rate swap revaluation	18.2	26.3	**20.4**
	Unrealised gain on foreign exchange contract revaluation	(213.4)	(210.3)	**(120.5)**
	Unrealised gain on foreign liability and asset revaluation	(113.0)	(38.9)	**(258.2)**
	Unrealised gain on interest rate swap revaluation	(18.2)	(26.3)	**(20.5)**
	Other non-cash flow items	–	(5.4)	**–**
		280.0	368.7	**246.8**
27.	**TAXATION PAID**			
	Taxation per the income statement	(1,171.1)	(1,725.0)	**(2,614.2)**
	Taxation payable at the beginning of the year	(351.6)	(315.2)	**(852.0)**
	Taxation payable at the end of the year	315.2	852.0	**632.6**
	Deferred taxation at the beginning of the year	(428.5)	(288.4)	**(158.2)**
	Deferred taxation at the end of the year	288.4	158.2	**191.1**
	Business combination – deferred taxation	–	(118.8)	**(40.0)**
	Business combination – taxation payable	–	(29.6)	**–**
	Movement due to foreign equity revaluation reserve	21.0	10.9	**–**
	Exchange difference on consolidation of foreign subsidiary	17.0	(7.4)	**–**
	Capital contribution – deferred taxation	(27.8)	–	**–**
	Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	–	**96.3**
		(1,337.4)	(1,463.3)	**(2,744.4)**
28.	**ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**			
	Additions to property, plant and equipment (Note 8)	(3,399.3)	(2,890.7)	**(3,493.8)**
	Less:			
	Vodacom (Proprietary) Limited finance leases	81.1	10.4	**–**
	Vodacom Properties No.1 (Proprietary) Limited finance leases	1.6	–	**–**
	Increase in capital expenditure related creditors	250.1	66.5	**240.4**
		(3,066.5)	(2,813.8)	**(3,253.4)**

	2003 Rm	2004 Rm	**2005 Rm**
29. DISPOSAL/(ACQUISITION) OF SUBSIDIARIES			
Disposals of Subsidiaries			
Vodacom Sport & Entertainment (Proprietary) Limited	22.5	–	**–**
Film Fun (Holdings) (Proprietary) Limited	9.0	–	**–**
Cash inflows from disposals	31.5	–	**–**
These subsidiaries were disposed of in 2002. The deferred consideration was only received in the 2003 financial year.			
Acquisition of Subsidiaries			
Smartphone SP (Proprietary) Limited and subsidiaries (Note 29.1)	–	149.6	**(233.8)**
Smartcom (Proprietary) Limited (Note 29.2)	–	–	**(15.9)**
Customer base of Tiscali (Proprietary) Limited (Note 29.3)	–	–	**(40.1)**
Vodacom Properties No. 1 (Proprietary) Limited (Note 29.4)	–	–	**–**
Cash (outflow)/inflow from acquisitions	–	149.6	**(289.8)**

29.1 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 determined by the Group and are as follows:

	2003 Rm	2004 Rm	**2005 Rm**
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	**–**
Trade and other receivables	–	115.8	**–**
Cash and cash equivalents	–	149.6	**–**
Deferred taxation liability (including taxation effect on intangibles)	–	(119.0)	**–**
Trade and other payables	–	(558.8)	**–**
Taxation payable	–	(29.6)	**–**
Non-current loan	–	(0.3)	**–**
Provision	–	(0.2)	**–**
Goodwill	–	(224.0)	**–**
Purchase price (including capitalised 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 together with capitalised costs of R2.6 million totalling R233.8 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 realise, an adjustment will be made to the purchase price.

	2003 Rm	2004 Rm	**2005 Rm**
29. DISPOSAL/(ACQUISITION) OF SUBSIDIARIES (continued)			
29.2 Smartcom (Proprietary) Limited			
On April 16, 2004, the Group acquired an 85.75% interest in the equity of Smartcom (Proprietary) Limited through its 51% owned subsidiary, Smartphone SP (Proprietary) Limited. The fair value of the assets and liabilities acquired were determined by the Group and are as follows:			
Fair value of net assets acquired	–	–	**(70.5)**
Property, plant and equipment	–	–	**5.0**
Contract customer base	–	–	**95.6**
Deferred taxation asset	–	–	**1.7**
Inventory	–	–	**3.9**
Trade and other receivables	–	–	**55.4**
Cash and cash equivalents	–	–	**61.5**
Deferred taxation liability (including tax effect on intangibles)	–	–	**(28.7)**
Trade and other payables	–	–	**(113.6)**
Dividends payable	–	–	**(10.0)**
Provision	–	–	**(0.3)**
Minority interest	–	–	**10.1**
Goodwill	–	–	**(8.9)**
Purchase price (including capitalised costs)	–	–	**(69.3)**
Cash and cash equivalents	–	–	**61.5**
Cash consideration	–	–	**(7.8)**
Less: Capitalised costs paid in previous financial year	–	–	**0.5**
Plus: Smartphone SP (Proprietary) Limited's share of the dividend paid by Smartcom (Proprietary) Limited	–	–	**(8.6)**
	–	–	**(15.9)**
The carrying value of the assets and liabilities at acquisition was as follows:			**3.2**
Non-current assets	–	–	**6.7**
Current assets	–	–	**120.4**
Current liabilities	–	–	**(123.9)**

The purchase price of R77.9 million (including capitalised costs excluding dividend from Smartcom (Proprietary) Limited) was paid during April 2004. The company declared a dividend to its shareholders from pre-acquisition reserves on August 18, 2004. The dividend was paid on August 31, 2004.

The goodwill related to the acquisition represents future synergies and the ability to directly control the Group's customers.

Revenue amounting to R173.3 million and net profit of R26.6 million is included in the current year results.

	2003 Rm	2004 Rm	**2005 Rm**
29. DISPOSAL/(ACQUISITION) OF SUBSIDIARIES (continued)			
29.3 Customer base of Tiscali (Proprietary) Limited			
Effective February 1, 2005 the Group acquired the cellular business of Tiscali (Proprietary) Limited. The fair value of the assets and liabilities acquired were preliminary determined as follows:			
Fair value of net assets acquired	–	–	**(30.3)**
Contract customer base	–	–	**43.3**
Deferred taxation liability	–	–	**(13.0)**
Goodwill	–	–	**(9.8)**
Purchase price	–	–	**(40.1)**

The customer base was not previously recorded in the accounting records of Tiscali (Proprietary) Limited as it was an internally generated intangible asset. The goodwill related to the acquisition represents future synergies and the ability to directly control the Group's customers. It is impracticable to disclose the revenue and profit of the business that is included in the current years results as the customer base was integrated into Vodacom Service Provider Company (Proprietary) Limited. The profit and revenue related to these customers were not separately recorded. For the same reason stated above it would not be practicable to determine the impact on revenue and profits of the Group for a full year.

	2003 Rm	2004 Rm	**2005 Rm**
29.4 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	–	–	**–**

30. ACQUIRED RESERVES FROM THE MINORITIES OF VODACOM CONGO (RDC) s.p.r.l.

Vodacom Congo (RDC) s.p.r.l. ("Vodacom Congo") was previously accounted for as a joint venture (Note 35). During the current financial year the shareholders' agreement was amended to remove some of the participative rights of the minorities, resulting in Vodacom Congo now being controlled and considered to be a 51% owned subsidiary of the Group from April 1, 2004. The Group's interest in the company is consolidated from this date in accordance with IAS 27: Consolidated and Separate Financial Statements.

The 49% portion of the assets, liabilities and losses attributable to the joint venture partner as at March 31, 2004 that has not been consolidated at that date, were as follows:

	As at March 31, 2004 Rm
Net loss for the year after taxation	(13.7)
Total liabilities (including preference shares)	(1,133.2)
Total assets	981.9
The following assets and liabilities were consolidated on April 1, 2004 to account for Vodacom Congo (RDC) s.p.r.l. as a subsidiary:	
Total assets	981.9
Property, plant and equipment	596.3
Intangible assets	101.9
Deferred taxation asset	96.3
Inventory	26.1
Trade and other receivables	64.9
Short-term investments and loans	75.2
Cash and cash equivalents	21.2
Total liabilities	(1,133.2)
Trade and other payables	(138.7)
Short-term interest bearing debt	(985.8)
Provision	(0.4)
Bank overdraft	(8.3)
Non-distributable reserve	(82.1)
Distributable reserves	(233.4)

No portion was allocated to the minorities as a result of the negative net equity position of the company. The negative net equity was recorded directly in reserves on April 1, 2004.

	2003 Rm	2004 Rm	**2005 Rm**
31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Bank and cash balances	1,206.5	2,370.1	**2,990.1**
Short-term bank deposits	–	–	**1,000.0**
Bank overdraft	(559.0)	(772.4)	**(1,817.1)**
	647.5	1,597.7	**2,173.0**

The short-term bank deposits bear interest at an effective interest rate of 7.4% and mature on April 1, 2005.

	2003 R	2004 R	**2005 R**
32. EARNINGS AND DIVIDEND PER SHARE			
32.1 Basic and diluted earnings per share			
The calculation of basic earnings per ordinary share before adjustments for changes in accounting policies, reclassifications and restatements (Note 23) was based on earnings of R3,031.8 million (2003: R2,214.6 million) at March 31, 2004 and 10,000 issued ordinary shares (2003: 10,000) shares at March 31, 2004.	221,460	303,180	
Earnings per share was adjusted as follows:			
Amortisation of intangibles	(250)	120	
Interest, dividend and other financial income	(9,280)	–	
Deferred taxation	2,780	–	
Minority interest	6,500	–	
Earnings per share restated	221,210	303,300	
The calculation of basic earnings per ordinary share is based on earnings of R3,861.4 million (2004: R3,033.0 million; 2003: R2,212.1 million) and 10,000 issued ordinary shares (2004: 10,000; 2003: 10,000).	221,210	303,300	**386,140**
Due to no dilution factors being present, basic earnings per share equals diluted earnings per share.			
32.2 Dividend per share			
The calculation of the dividend per ordinary share is based on a declared ordinary dividend of R3,400.0 million (2004: R2,100.0 million; 2003: R600 million) and 10,000 issued ordinary shares (2004: 10,000; 2003: 10,000). The dividends were declared as follows:			
Declared March 10, 2005 to shareholders registered on March 31, 2005 and paid on April 1, 2005 (Final)	–	–	**180,000**
Declared September 10, 2004 to all shareholders registered on that date and paid on October 1, 2004 (Interim)	–	–	**160,000**
Declared March 11, 2004 to shareholders registered on May 28, 2004 and paid 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	–	**–**
	60,000	210,000	**340,000**

		2003 Rm	2004 Rm	**2005** **Rm**
33.	**CAPITAL COMMITMENTS**			
	Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:			
	Vodacom (Proprietary) Limited	517.8	448.4	**1,272.2**
	Vodacom Congo (RDC) s.p.r.l.	62.0	42.5	**62.2**
	Vodacom Tanzania Limited	70.4	169.8	**37.1**
	Vodacom Service Provider Company (Proprietary) Limited	10.6	39.7	**18.0**
	Vodacom Group (Proprietary) Limited	0.3	0.2	**0.3**
	Vodacom Lesotho (Proprietary) Limited	0.6	–	**–**
	VM, S.A.R.L.	–	–	**78.0**
		661.7	700.6	**1,467.8**
	Capital expenditure commitments approved by the Board of Directors but not yet contracted for at the balance sheet date are as follows:			
	Vodacom (Proprietary) Limited	2,572.5	3,875.7	**3,268.0**
	Vodacom Tanzania Limited	418.3	118.8	**332.1**
	Vodacom Congo (RDC) s.p.r.l.	189.8	102.7	**283.8**
	Vodacom Service Provider Company (Proprietary) Limited	125.4	71.1	**138.8**
	Vodacom International Holdings (Proprietary) Limited	5.3	–	**–**
	Vodacom Lesotho (Proprietary) Limited	14.2	12.2	**16.2**
	Vodacom Group (Proprietary) Limited	5.0	9.2	**5.5**
	Vodacom International Limited	0.8	–	**–**
	VM, S.A.R.L.	–	277.8	**281.4**
	Smartphone SP (Proprietary) Limited	–	0.1	**3.7**
	Other	–	–	**83.3**
		3,331.3	4,467.6	**4,412.8**
	The capital expenditure of the Group will be financed through internal cash generation, extended supplier credit and bank credit.			
34.	**OTHER COMMITMENTS**			
	Operating leases (Note 34.1)	3,046.5	3,180.0	**5,841.7**
	Sport and marketing contracts (Note 34.2)	457.0	727.4	**624.9**
	Site rentals (Note 34.3)	648.6	713.5	**811.6**
		4,152.1	4,620.9	**7,278.2**

		Within one year Rm	Between two and five years Rm	After five years Rm	Total Rm
34.	**OTHER COMMITMENTS (continued)**				
34.1	**Operating leases**				
	Transmission and data lines GSM	685.9	3,454.9	1,017.7	5,158.5
	Accommodation	92.0	462.4	127.4	681.8
	Other operating leases	0.2	0.9	0.3	1.4
		778.1	3,918.2	1,145.4	5,841.7
34.2	**Sport and marketing contracts**	291.8	333.1	–	624.9
34.3	**Site rentals**	110.6	536.3	164.7	811.6

34.4 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 finalised, 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.

34.5 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 R1.2 billion.

34.6 Cellular licence fees

Network operators in the Group pay monthly licence fees based on their net operational income as defined in the licence 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.

34.7 Global Alliance fees

The Group will pay annual fees from February 18, 2005 for services provided. The fee is calculated as a percentage of revenue.

34.8 Retention incentives

The Group has committed a maximum of R373.1 million in respect of customers already beyond their normal 24 month contract period, but who have not yet upgraded to new contracts, and therefore have not utilised the incentives available for such upgrades. The Group has not provided for this liability, as no legal obligation exists, since the customers have not yet entered into new contracts.

34.9 Other

An offer to purchase a 51% equity stake in Cointel VAS (Proprietary) Limited for R112.2 million was made and accepted. The suspensive conditions of Competition Commission approval, is currently being attended to.

		2003 Rm	2004 Rm	**2005 Rm**
35.	**CONTINGENT LIABILITIES**			
	Vodacom Satellite Services (Proprietary) Limited	7.8	–	**–**
	The functionality of the Gateway assets is under dispute and Vodacom Satellite Services (Proprietary) Limited and Vodafone Satellite Services Limited do not recognise the liability of US$0.9 million to Globalstar LP. This amount has been written back to income in the 2003 year as the success of this claim is deemed to be remote. 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 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 counsel was of the opinion that the Group's prospects of defending the matter has a very good chance of success.			
	Various other legal matters	5.5	9.2	**4.9**
		83.4	9.2	**4.9**

35.1 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 previously provided the minority shareholder with certain protective and participative rights and therefore, in terms of IAS 31: Interest in Joint Ventures, Vodacom Congo was considered to be a joint venture resulting in it being proportionally consolidated in the consolidated annual financial statements for the years ended March 31, 2004 and 2003.

The Group, in terms of the previous shareholders' agreement was, however, ultimately responsible for the funding of the operations of Vodacom Congo. The shareholders' agreement also gave the Group the right to appoint management and the majority of the Board of the company. The Group also had a management agreement to manage the company on a day-to-day basis.

During the current financial year the shareholders' agreement was amended to remove some of the participative rights, resulting in Vodacom Congo now being controlled and considered to be a 51% owned subsidiary of the Group from April 1, 2004. The Group's interest in the company is consolidated from this date in accordance with IAS 27: Consolidated and Separate Financial Statements (Note 30).

	2003 Rm	2004 Rm	**2005 Rm**
35. CONTINGENT LIABILITIES (continued)			
35.1 Vodacom Congo (RDC) s.p.r.l. (continued)			
The 49% portion attributable to the joint venture partner of the liabilities and losses as at March 31, 2004 and 2003 was as follows:			
Net loss for the year after taxation	(200.0)	(13.7)	**–**
Total liabilities (including preference shares)	(816.2)	(1,133.2)	**–**
Total assets	640.5	981.9	**–**

All guarantees issued are disclosed in Note 41.

35.2 Negative working capital ratio

For financial years ended 2005, 2004 and 2003 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.

35.3 Other

The Group is regularly subject to an evaluation, by the taxation authorities, of its direct and indirect taxation filings and in connection with such reviews, disputes can arise with the taxation authorities over the interpretation or application of certain taxation rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable for the Group. Additionally the resolution of the disputes could result in an obligation for the Group.

During each of the years presented, provisions have been made or adjusted for anticipated obligations related to these taxation matters under review. The provisions made include estimates of anticipated interest and penalties where appropriate. Where no reliable assessment could be made, no provisions have been raised.

The Group is in discussions with relevant taxation authorities on specific matters regarding the application and interpretation of taxation legislation affecting the Group and the industry in which it operates. No reliable assessment can be made at this time of any exposure, if any, that the Group may incur.

36. 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 R70.7 million (2004: R65.9 million; 2003: R52.5 million). Current contributions to the provident fund amounted to R4.2 million (2004: R5.9 million; 2003: R5.4 million). South African funds are governed by the Pension Funds Act of 1956.

37. EVENTS SUBSEQUENT TO YEAR-END

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 annual financial statements, which significantly affected the financial position of the Group and results of its operations.

	2003 Rm	2004 Rm	**2005 Rm**
38. RELATED PARTY TRANSACTIONS			
38.1 Balances with related parties			
Included in accounts receivable			
Telkom SA Limited – Interconnect	497.3	491.1	**487.9**
Telkom SA Limited – Other	9.3	8.4	**11.7**
Vodafone Group Plc	3.8	8.0	**22.7**
Included in accounts payable			
Telkom SA Limited – Interconnect	(67.8)	(78.9)	**(74.0)**
Telkom SA Limited – Other	(2.0)	(4.1)	**(9.6)**
Vodafone Group Plc	(2.7)	(2.6)	**(20.3)**
Shareholder loans (Note 20)			
Telkom SA Limited	(460.0)	–	**–**
Vodafone Group Plc	(124.3)	–	**–**
Vodafone Holdings (SA) (Proprietary) Limited	(197.7)	–	**–**
VenFin Finance Corporation (Proprietary) Limited	(138.0)	–	**–**
Dividends payable			
Telkom SA Limited	(300.0)	(750.0)	**(900.0)**
Vodafone Holdings (SA) (Proprietary) Limited	(210.0)	(525.0)	**(630.0)**
VenFin Telecommunication Investments Limited	(90.0)	(225.0)	**(270.0)**

These outstanding balances are unsecured and will be settled in cash in the ordinary course of business. No guarantees have been provided.

	2003 Rm	2004 Rm	**2005 Rm**
38.2 Transactions with related parties			
Telkom SA Limited (Entity with joint control over the Group)	1,802.2	304.0	**(82.0)**
Audit fees recovered	28.5	6.8	**4.6**
Cellular usage	32.8	31.1	**33.1**
Installation of transmission lines	(36.9)	(28.1)	**(49.9)**
Interconnect expense	(348.5)	(417.2)	**(465.3)**
Interconnect income	2,945.2	2,732.8	**2,728.2**
Interest paid – commercial	(0.5)	(0.1)	**–**
IPO Co-operation fee	50.0	–	**–**
Lease of transmission lines	(445.4)	(438.0)	**(511.9)**
Site costs	(17.7)	(18.3)	**(19.9)**
Telephone landline usage	(21.4)	(30.2)	**(33.6)**
Telephone software maintenance	–	(2.3)	**–**
VSAT rental	–	(0.9)	**–**
Site costs	–	–	**7.6**
Telkom prepaid vouchers	–	–	**(74.9)**
Interest payments on shareholder loan	(83.9)	(21.6)	**–**
Shareholder loan repayment	–	(460.0)	**–**
Dividend payable	(300.0)	(750.0)	**(900.0)**
Dividend paid	–	(300.0)	**(800.0)**

	2003 Rm	2004 Rm	**2005 Rm**
38. RELATED PARTY TRANSACTIONS (continued)			
38.2 Transactions with related parties (continued)			
Vodafone Group Plc	(30.5)	(127.7)	**(14.9)**
Roaming income	38.2	54.9	**65.5**
Roaming expense	(46.0)	(50.9)	**(63.4)**
Global Alliance agreement	–	–	**(17.0)**
Interest payments on shareholder loan	(22.7)	(7.4)	**–**
Shareholder loan repayment	–	(124.3)	**–**
Vodafone Holdings (SA) (Proprietary) Limited (Entity with joint control over the Group)	(243.3)	(944.5)	**(1,190.0)**
Interest payments on shareholder loan	(33.3)	(11.8)	**–**
Shareholder loan repayment	–	(197.7)	**–**
Dividend payable	(210.0)	(525.0)	**(630.0)**
Dividend paid	–	(210.0)	**(560.0)**
VenFin Finance Corporation (Proprietary) Limited	(53.8)	(156.2)	**(5.1)**
Interest payments	(29.3)	(11.0)	**(4.3)**
Facility fees	(0.5)	(0.7)	**(0.8)**
Interest payments on shareholder loan	(24.0)	(6.5)	**–**
Shareholder loan repayment	–	(138.0)	**–**
Descarte Investments No. 8 (Proprietary) Limited (Entity with joint control over the Group)	(4.0)	–	**–**
Interest payments on shareholder loan	(4.0)	–	**–**
Dividend payable	–	–	**–**
VenFin Telecommunication Investments Limited (Entity with joint control over the Group)	(90.0)	(315.0)	**(510.0)**
Dividend payable	(90.0)	(225.0)	**(270.0)**
Dividend paid	–	(90.0)	**(240.0)**
38.3 Key management personnel compensation (excluding directors' emoluments)			
Key management personnel remuneration	6.7	13.5	**29.7**
Salaries	3.3	4.4	**9.9**
Fringe benefits	0.3	0.3	**0.8**
Bonuses	3.1	8.8	**16.7**
Other	–	–	**2.3**
Included in key management personnel's remuneration	0.6	0.9	**1.4**
Pension fund employer contributions	0.2	0.3	**0.7**
Provident fund employer contributions	0.3	0.4	**0.3**
Medical aid employer contributions	0.1	0.2	**0.4**

	2003 Rm	2004 Rm	**2005 Rm**
38. RELATED PARTY TRANSACTIONS (continued)			
38.4 Directors' emoluments			
Directors' remuneration	(21.2)	(27.3)	**(52.8)**
Executive directors – fees as directors: salaries	(13.4)	(8.7)	**(21.4)**
Executive directors – fees as directors: fringe benefits	(0.4)	(0.7)	**(0.8)**
Executive directors – fees as directors: bonuses	(6.8)	(17.2)	**(30.0)**
Non-executive directors – fees as directors	(0.6)	(0.7)	**(0.6)**
Included in directors' remuneration	(1.5)	(2.1)	**(2.2)**
Pension fund employer contributions	(0.5)	(0.7)	**(0.8)**
Provident fund employer contributions	(0.8)	(1.2)	**(1.2)**
Medical aid employer contributions	(0.2)	(0.2)	**(0.2)**
Directors' remuneration and emoluments paid by:	(21.2)	(27.3)	**(52.8)**
Vodacom Group (Proprietary) Limited	(16.9)	(21.4)	**(37.0)**
Subsidiaries	(4.3)	(5.9)	**(15.8)**

39. 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 receivables, trade payables, other payables 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, price 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 arms length fees in terms of transfer pricing for services to offshore subsidiaries.

The Group utilises 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.

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 minimise exposure to foreign currency risk, interest rate risk, credit risk and liquidity risk. These risks are managed within an approved treasury policy.

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

39.1 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:

	Foreign contract value Mil	Forward value Rm	Fair value adjustment Rm
Forward contracts to buy foreign currency			
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)
2005			
United States Dollar	**11.8**	**70.1**	**3.9**
Euro	**156.5**	**1,281.3**	**14.9**
Pound Sterling	**45.2**	**529.1**	**6.2**
Swiss Franc	*	**0.1**	**–**
		1,880.6	**25.0**

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

** Amount less than R50,000*

		Foreign contract value Mil	Forward value Rm	Fair value adjustment Rm
39.	**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**			
39.1	**Foreign currency management (continued)**			
	Forward contracts to sell foreign currency			
	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
	2005			
	United States Dollar	**5.5**	**33.7**	**(0.7)**
	Euro	**7.1**	**57.7**	**(0.3)**
	Pound Sterling	**0.2**	**2.6**	**–**
			94.0	**(1.0)**

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

The Group has various monetary assets and liabilities in currencies other than the Group's functional currency. The following table represents the net currency exposure of the Group according to the different functional currencies of each entity within the Group.

	SA Rand Rm	Euro Rm	Pound Sterling Rm	United States Dollar Rm	Congolese Franc Rm	Swiss Franc Rm	Australian Dollar Rm	Tanzanian Shillings Rm
2003								
Net foreign currency monetary assets/(liabilities)								
Functional currency of company operation								
SA Rand	–	(256.5)	(0.3)	(1.8)	–	(1.0)	(0.3)	–
United States Dollar	(37.5)	(1,157.6)	–	–	(12.0)	–	–	(24.5)
	(37.5)	(1,414.1)	(0.3)	(1.8)	(12.0)	(1.0)	(0.3)	(24.5)

	SA Rand Rm	Euro Rm	Pound Sterling Rm	United States Dollar Rm	Congolese Franc Rm	Swiss Franc Rm	Australian Dollar Rm	Tanzanian Shillings Rm
39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)								
39.1 Foreign currency management (continued)								
2004								
Net foreign currency monetary assets/(liabilities)								
Functional currency of company operation								
SA Rand	–	(145.1)	(0.1)	(30.0)	–	(0.7)	(0.4)	–
United States Dollar	(7.0)	(682.3)	–	–	14.5	–	–	9.8
Mozambican Meticals	(12.5)	–	–	(11.2)	–	–	–	–
	(19.5)	(827.4)	(0.1)	(41.2)	14.5	(0.7)	(0.4)	9.8
2005								
Net foreign currency monetary assets/(liabilities)								
Functional currency of company operation								
SA Rand	**–**	**(157.0)**	**(0.4)**	**(5.3)**	**–**	**(0.7)**	**–**	**–**
United States Dollar	**–**	**(5.0)**	**–**	**–**	**23.8**	**–**	**–**	**–**
Tanzanian Shilling	**(9.6)**	**(65.0)**	**–**	**45.1**	**–**	**(0.1)**	**–**	**–**
Mozambican Meticals	**(12.6)**	**(1.5)**	**–**	**(58.7)**	**–**	**–**	**–**	**–**
	(22.2)	**(228.5)**	**(0.4)**	**(18.9)**	**23.8**	**(0.8)**	**–**	**–**

	2003 Rm	2004 Rm	**2005 Rm**
39.2 Interest rate risk management			
The Group's interest rate profile consisting of fixed and floating rate borrowings which exposes the Group to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:			
Interest rates			
Financial liabilities			
Loans and bank overdrafts at fixed rates of interest	1,366.4	1,205.1	**1,283.7**
Bank overdrafts linked to money market rates	0.7	0.4	**0.2**
Bank overdrafts linked to South African prime rates	520.7	742.2	**1,752.0**
Bank overdrafts linked to Lesotho prime rates	24.9	21.2	**15.5**
Loans linked to LIBOR	379.6	371.8	**1,276.5**
Loans linked to EURIBOR	435.3	488.2	**84.3**
	2,727.6	2,828.9	**4,412.2**
Financial assets			
Investments and bank deposits at fixed rates of interest	245.0	180.7	**1,177.1**
Investments and bank deposits linked to money market rates	338.0	1,473.8	**2,017.5**
Bank deposits linked to South African prime rates	686.8	703.6	**829.1**
Bank deposits linked to Lesotho prime rates	2.6	6.3	**6.4**
Interest rate swaps linked to BA rate	27.6	35.9	**44.2**
Loans and bank deposits linked to LIBOR	263.4	449.8	**154.4**
Deposits linked to EURIBOR	67.0	78.3	**–**
	1,630.4	2,928.4	**4,228.7**

	2006 Rm	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 onwards Rm	Total Rm
39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)							
39.2 Interest rate risk management							
Maturity of financial instruments exposed to interest rate risk							
Financial liabilities							
Linked to fixed rates	394.0	136.3	138.6	194.2	98.6	322.0	1,283.7
Linked to money market rates	0.2	–	–	–	–	–	0.2
Linked to South African prime rates	1,752.0	–	–	–	–	–	1,752.0
Linked to Lesotho prime rates	15.5	–	–	–	–	–	15.5
Loans linked to LIBOR	15.9	1,152.6	23.8	–	84.2	–	1,276.5
Linked to EURIBOR	21.1	31.6	31.6	–	–	–	84.3
	2,198.7	1,320.5	194.0	194.2	182.8	322.0	4,412.2
Financial assets							
Linked to fixed rates	1,177.1	–	–	–	–	–	1,177.1
Linked to money market rates	2,017.5	–	–	–	–	–	2,017.5
Linked to South African prime rates	829.1	–	–	–	–	–	829.1
Linked to Lesotho prime rates	6.4	–	–	–	–	–	6.4
Interest rate swaps linked to BA rate	–	–	–	13.4	–	30.8	44.2
Loans linked to LIBOR	61.1	–	–	–	93.3	–	154.4
	4,091.2	–	–	13.4	93.3	30.8	4,228.7

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, 2005 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%.

The termination date of the agreement is January 30, 2009.

Vodacom (Proprietary) Limited – the company swapped its fixed interest rate of 20.1% NACQ for a floating rate linked to the BA rate plus margin of 2.25%.

The termination date of the agreement is December 1, 2012.

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 rate plus margin of 2.00%.

The termination date of the agreement is August 24, 2012.

	2003 Rm	2004 Rm	**2005 Rm**
Fair value of interest rate swap asset	27.6	35.9	**44.2**

The fair value of the interest rate swap asset is represented by a notional principal amount of R229.7 million (2004: R235.0 million; 2003: R238.0 million) at a weighted average floating interest rate of 10.0% NACM (2004: 12.9% NACM; 2003: 15.4% NACM).

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

39.3 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 minimises such risk by limiting the counter-parties to a group of major international banks, and does not expect to incur any losses as a result of non-performance by these counter-parties. The positions in respect of these counter-parties are closely monitored.

The carrying amounts of financial assets, 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.

39.4 Price risk management

The Group is exposed to price risk as a result of changes in market prices of financial assets at fair value through profit and loss and market tradable shares available for sale.

39.5 Liquidity risk management

The Group is exposed to liquidity risk as a result of uncertain accounts receivable 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 utilisation of undrawn borrowing facilities (Note 41). 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.

39.6 Fair value of financial instruments

At the balance sheet date, the carrying amounts of cash and short-term deposits, trade and other receivables, trade and other payables, short-term provisions, dividends payable, bank overdraft, 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.

The fair value of long-term loans and finance leases are determined by discounting contractual cash flows at market related interest rates.

39.7 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 the April 1 or the 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, 2005 (2004: R nil).

39.8 Smartphone SP (Proprietary) Limited put option

In terms of the shareholders' agreement, the minority shareholders of Smartphone SP (Proprietary) Limited have a put option against Vodacom Group (Proprietary) Limited, should the Group or the company terminate and fail to renew the Service Provider Agreement for any reason other than the expiry or cancellation of the Group's South African licence. The put option has no value at March 31, 2005 (2004: R nil) as the conditions set out in the agreement have not been met.

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

39.9 Smartcom (Proprietary) Limited put option

In terms of the agreement between Vodacom Group (Proprietary) Limited ("the Group"), Smartphone SP (Proprietary) Limited ("Smartphone") and the minority shareholders of Smartcom (Proprietary) Limited ("Smartcom"), the minority shareholders of Smartcom have a put option against the Group, should the Group reduce the standard service provider discount below certain percentages as stipulated in the put option agreement or should Smartphone decide to terminate the agency agreement between them. The minority shareholders will not be entitled to exercise the put option if the agency agreement is replaced by another agreement with terms no less favourable than the cancelled agency agreement. The put option has no value at March 31, 2005 as the conditions set out in the agreement have not been met.

39.10 Skyprops 134 (Proprietary) Limited call option

In terms of the call option agreement between Vodacom Group (Proprietary) Limited ("Vodacom Group"), FirstRand Bank Limited ("FirstRand"), Vodacom (Proprietary) Limited ("Vodacom") and Skyprops 134 (Proprietary) Limited ("company"), FirstRand grants to Vodacom Group an irrevocable call option to require FirstRand at any time for the duration of the agreement to sell the shares in and claims against the company to Vodacom Group on the implementation date. The option may be exercised on 30 days written notice by Vodacom Group before the termination date (December 1, 2012) or if Vodacom commits a breach of the lease agreement. The call option has no value at March 31, 2005 as the face values of the shares and claims equal the market value.

39.11 Congolese Wireless Network s.p.r.l. ("CWN") put option

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, 2005, 2004 and 2003.

40. GOODWILL IMPAIRMENT TEST

The Group has adopted IFRS 3: Business Combinations on April 1, 2004 ("IFRS 3"). In accordance with IFRS 3, goodwill is no longer amortised but rather tested for impairment on an annual basis at March 31.

Goodwill has been allocated for impairment testing purposes to four cash generating units of which two are in South Africa, one in the Democratic Republic of the Congo and one in Tanzania.

South Africa

The recoverable amounts of goodwill relating to Vodacom Service Provider Company (Proprietary) Limited, Smartphone SP (Proprietary) Limited and Smartcom (Proprietary) Limited have been determined on the basis of value in use calculations. These companies operate in the same economic environment for which the same key assumptions were used. Both value in use calculations use cash flow projections based on financial budgets approved by management covering a five year period and a discount rate of 14.2% in Rand terms. Both sets of cash flows beyond the five year period are extrapolated using a steady 6.0% nominal growth rate. Management believes that this growth rate does not exceed the long-term average growth rate for the market in which these two companies operate. Cash flow projections during the budget period for both companies are also based on the same expected growth in operating profit and Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA"). Management believes that any reasonable change in any of these key assumptions would not cause the aggregate carrying amount of these companies to exceed the aggregate recoverable amount of these units.

Democratic Republic of Congo

The recoverable amount of this cash generating unit was based on a value in use calculation for Vodacom Congo (RDC) s.p.r.l. The calculation uses cash flow projections based on financial budgets approved by management covering a five year period and a discount rate of 18.5% in US Dollar terms. Cash flows beyond this period have been extrapolated using a steady 3.0% nominal growth rate. Management believes that this growth rate does not exceed the long-term average growth rate for the market in which this company operates. Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

40. GOODWILL IMPAIRMENT TEST (continued)

Tanzania

The recoverable amount of this cash generating unit was based on a value in use calculation for Vodacom Tanzania Limited. The calculation uses cash flow projections based on financial budgets approved by management covering a five year period and a discount rate of 16.1% in US Dollar terms. Cash flows beyond this period have been extrapolated using a steady 3.0% nominal growth rate. Management believes that this growth rate does not exceed the long-term average growth rate for the market in which this company operates. Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

March 31, 2005	South Africa Rm	Democratic Republic of Congo Rm	Tanzania Rm
Carrying amount of goodwill	302.5	103.9	7.1
Key assumption	**Expected customer base**	**Expected customer base**	**Expected customer base**
Basis for determining value(s) assigned to key assumptions	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience, except for potential growth. Growth is based on market expectation.	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience, except for potential growth. Growth is based on market expectation.	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience, except for potential growth. Growth is based on market expectation.
Key assumption	**ARPU**	**ARPU**	**ARPU**
Basis for determining value(s) assigned to key assumptions	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience. Growth is based on expected market forces and external sources of information.	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience. Growth is based on expected market forces and external sources of information.	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience. Growth is based on expected market forces and external sources of information.

40. GOODWILL IMPAIRMENT TEST (continued)

Key assumption	**Gross margin**	**Gross margin**	**Gross margin**
Basis for determining value(s) assigned to key assumptions	Average gross margin achieved in period immediately before the budget period, increased for expected efficiency improvements. Value assigned to key assumption reflects past experience, except for efficiency improvements.	Average gross margin achieved in period immediately before the budget period, increased for expected efficiency improvements. Value assigned to key assumption reflects past experience, except for efficiency improvements.	Average gross margin achieved in period immediately before the budget period, increased for expected efficiency improvements. Value assigned to key assumption reflects past experience, except for efficiency improvements.
Key assumption	**Capital expenditure**	**Capital expenditure**	**Capital expenditure**
Basis for determining value(s) assigned to key assumptions	Total capital expenditure achieved in period immediately before the budget period, adjusted for expected network coverage roll-out. Value assigned based on managements expected network coverage roll-out.	Total capital expenditure achieved in period immediately before the budget period, adjusted for expected network coverage roll-out. Value assigned based on managements expected network coverage roll-out.	Total capital expenditure achieved in period immediately before the budget period, adjusted for expected network coverage roll-out. Value assigned based on managements expected network coverage roll-out.
Key assumption		**ZAR/USD exchange rate during the five year budget period**	**ZAR/TZS and USD/TZS exchange rates during the five year budget period**
Basis for determining value(s) assigned to key assumptions		Average market forward exchange rate over the budget period. Value assigned to key assumption is consistent with external sources of information.	Average market forward exchange rate over the budget period. Value assigned to key assumption is consistent with external sources of information.

41. UNDRAWN BORROWING FACILITIES AND GUARANTEES

41.1 Rand denominated facilities and guarantees

The Group has a Rand denominated credit facility totalling R4,401.0 million with R1,129.0 million utilised at March 31, 2005. The facilities are uncommitted and can also be utilised for loans to foreign entities and are subject to review at various dates (usually on an annual basis).

Guarantor	Details	Beneficiary	2003 Rm	2004 Rm	**2005 Rm**
Vodacom (Proprietary) Limited	All guarantees less than R2.0 million.	Various	3.1	3.0	**2.8**
Vodacom Service Provider Company (Proprietary) Limited	All guarantees less than R2.0 million.	Various	1.6	3.1	**3.0**
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, 2005.	SA Insurance Association for benefit of insurers	9.5	14.2	**17.8**
Smartcom (Proprietary) Limited	Guarantees for salary bank account and debit orders.	Various	–	–	**3.0**
			14.2	20.3	**26.6**

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

41.2 Foreign denominated facilities and guarantees

The following foreign denominated facilities are in place:

Company	**Details**	**As at March 31, 2005 Million Total facility**	**As at March 31, 2005 Million Utilised**
Vodacom Tanzania Limited	Project finance	**US$45.5**	**US$45.5**
Vodacom International Limited	Revolving term loan	**US$180.0**	**US$180.0**
Vodacom Congo (RDC) s.p.r.l.	Various	**US$3.8**	**US$2.7**
Vodacom Lesotho (Proprietary) Limited	Overdraft facilities with various banks	**M47.0**	**M14.5**

41. UNDRAWN BORROWING FACILITIES AND GUARANTEES (continued)
41.2 Foreign denominated facilities and guarantees (continued)

Guarantor/Issuer	Details	Beneficiary	Currency	2003 Rm	2004 Rm	**2005 Rm**
Nedbank Limited on behalf of Vodacom (Proprietary) Limited	Unsecured standby letters of credit *	Alcatel CIT	€40.7 million (2004: €25.2 million; 2003: €27.0 million)	233.0	194.6	**330.0**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l. **	ABSA	€nil (2004: €53.8 million; 2003: €49.8 million)	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$nil (2004: US$32.0 million; 2003: US$32.0 million)	255.0	202.1	**–**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l. **	Standard Finance (Isle of Man) Limited	€nil (2004: €22.5 million; 2003: € nil)	–	173.8	**–**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l. **	Standard Finance (Isle of Man) Limited	US$nil (2004: US$37.5 million; 2003: US$ nil)	–	236.8	**–**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom International Limited's term loan facility**#	Standard Bank London Limited and RMB International (Dublin) Limited	US$180.0 million (2004:US$ nil; 2003: US$ nil)	–	–	**1,128.8**
Vodacom International Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.	Alcatel CIT	€15.0 million (2004: €25.0 million; 2003: € nil)	–	193.1	**121.6**
				917.7	1,416.0	**1,580.4**

The following foreign denominated guarantees have been issued:

* *Amounts drawn down on the standby letters of credit amounted to R26.8 million (2004: R48.7 million; 2003: R66.8 million) and are included as liabilities in the balance sheet.*

** *Foreign denominated guarantees amounting to R1,189.6 million (2004: R622.3 million; 2003: R349.2 million) issued in support of Vodacom Congo (RDC) s.p.r.l. are included as liabilities in the balance sheet.*

The Group is in compliance with the covenants attached to the term loan facility.

	South Africa Rm	Other African countries Rm	Eliminations Rm	Total Rm
42. 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.				
2003				
Geographical segments				
Segment revenue	18,267.3	1,236.2	(93.8)	19,409.7
External	18,174.7	1,235.0	–	19,409.7
Inter-segment	92.6	1.2	(93.8)	–
Segment profit/(loss) from operations	4,340.3	(4.2)	(8.7)	4,327.4
Interest, dividends and other financial income				649.6
Finance costs				(1,546.3)
Profit before taxation				3,430.7
Included in segment profit/(loss) from operations				
Depreciation and amortisation	(2,131.2)	(236.3)	(8.7)	(2,376.2)
Property, plant and equipment	(1,938.2)	(224.8)	–	(2,163.0)
Intangible assets	(193.0)	(11.5)	(8.7)	(213.2)
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	15,566.4	2,413.9	(1,139.3)	16,841.0
Deferred taxation assets				154.9
				16,995.9
Liabilities				
Segment liabilities	(7,271.9)	(1,804.9)	349.2	(8,727.6)
Deferred taxation liabilities				(443.3)
Taxation liabilities				(315.2)
Dividends payable				(600.0)
				(10,086.1)

	South Africa Rm	Other African countries Rm	Eliminations Rm	Total Rm
42. SEGMENTAL INFORMATION (continued)				
2004				
Geographical segments				
Segment revenue	21,369.8	1,496.8	(11.4)	22,855.2
External	21,358.4	1,496.8	–	22,855.2
Inter-segment	11.4	–	(11.4)	–
Segment profit/(loss) from operations	5,306.7	(65.2)	(6.4)	5,235.1
Interest, dividends and other financial income				656.6
Finance costs				(1,107.5)
Profit before taxation				4,784.2
Included in segment profit/(loss) from operations				
Depreciation and amortisation	(2,259.2)	(266.1)	(6.4)	(2,531.7)
Property, plant and equipment	(2,058.4)	(254.3)	–	(2,312.7)
Investment property	(4.2)	–	–	(4.2)
Intangible assets	(196.6)	(11.8)	(6.4)	(214.8)
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	18,936.3	3,350.9	(2,413.2)	19,874.0
Deferred taxation assets				277.8
				20,151.8
Liabilities				
Segment liabilities	(7,946.3)	(2,427.4)	674.6	(9,699.1)
Deferred taxation liabilities				(436.0)
Taxation liabilities				(852.0)
Dividends payable				(1,500.0)
				(12,487.1)

	South Africa Rm	Other African countries Rm	Eliminations Rm	Total Rm
42. SEGMENTAL INFORMATION (continued)				
2005				
Geographical segments				
Segment revenue	25,049.4	2,270.5	(4.6)	27,315.3
External	25,044.8	2,270.5	–	27,315.3
Inter-segment	4.6	–	(4.6)	–
Segment profit/(loss) from operations	5,499.2	(175.1)	1,161.2	6,485.3
Interest, dividends and other financial income				662.8
Finance costs				(641.7)
Profit before taxation				6,506.4
Included in segment profit/(loss) from operations				
Depreciation and amortisation	(2,380.5)	(462.7)	–	(2,843.2)
Property, plant and equipment	(2,154.6)	(452.3)	–	(2,606.9)
Investment property	(4.2)	–	–	(4.2)
Intangible assets	(221.7)	(10.4)	–	(232.1)
Bad debts written off	(19.1)	(33.1)	–	(52.2)
Impairment of assets	(1,161.2)	(268.4)	1,161.2	(268.4)
Capital expenditure	(2,799.8)	(694.0)	–	(3,493.8)
Property, plant and equipment	(2,799.8)	(694.0)	–	(3,493.8)
Intangible assets	–	–	–	–
Assets				
Segment assets	20,151.8	3,851.9	(1,745.9)	22,257.8
Deferred taxation assets				308.1
				22,565.9
Liabilities				
Segment liabilities	(9,308.1)	(3,376.7)	1,005.0	(11,679.8)
Deferred taxation liabilities				(499.2)
Taxation liabilities				(632.6)
Dividends payable				(1,800.0)
				(14,611.6)

	Un-allocated Rm	Networks Rm	Service provider Rm	Other Rm	Elimi-nations Rm	Total Rm
42. SEGMENTAL INFORMATION (continued)						
2003						
Business segments						
Segment revenue	–	17,486.2	5,030.8	81.0	(3,188.3)	19,409.7
External	–	17,181.6	2,187.6	40.5	–	19,409.7
Inter-segment	–	304.6	2,843.2	40.5	(3,188.3)	–
Segment profit/(loss) from operations	42.9	4,087.4	448.9	(62.5)	(189.3)	4,327.4
Interest, dividends and other financial income						649.6
Finance costs						(1,546.3)
Profit before taxation						3,430.7
Included in segment profit/(loss) from operations						
Depreciation and amortisation	(2.8)	(2,075.0)	(107.9)	(1.2)	(189.3)	(2,376.2)
Property, plant and equipment	(2.8)	(2,056.8)	(102.4)	(1.0)	–	(2,163.0)
Intangible assets	–	(18.2)	(5.5)	(0.2)	(189.3)	(213.2)
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	14,343.9	2,137.8	924.4	(4,518.8)	16,841.0
Deferred taxation assets						154.9
						16,995.9
Liabilities						
Segment liabilities	(1,718.5)	(7,326.0)	(2,412.5)	(148.7)	2,878.1	(8,727.6)
Deferred taxation liabilities						(443.3)
Taxation liabilities						(315.2)
Dividends payable						(600.0)
						(10,086.1)

42. SEGMENTAL INFORMATION (continued)

2004

	Un-allocated Rm	Networks Rm	Service provider Rm	Other Rm	Elimi-nations Rm	Total Rm
Business segments						
Segment revenue	–	20,787.9	5,526.1	174.2	(3,633.0)	22,855.2
External	–	20,787.9	1,939.8	127.5	–	22,855.2
Inter-segment	–	–	3,586.3	46.7	(3,633.0)	–
Segment profit/(loss) from operations	26.7	4,886.0	614.1	(114.8)	(176.9)	5,235.1
Interest, dividends and other financial income						656.6
Finance costs						(1,107.5)
Profit before taxation						4,784.2
Included in segment profit/(loss) from operations						
Depreciation and amortisation	(3.3)	(2,222.9)	(114.0)	(1.4)	(190.1)	(2,531.7)
Property, plant and equipment	(3.3)	(2,200.2)	(108.0)	(1.2)	–	(2,312.7)
Investment properties	–	(4.2)	–	–	–	(4.2)
Intangible assets	–	(18.5)	(6.0)	(0.2)	(190.1)	(214.8)
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	16,753.3	3,606.5	1,651.1	(12,128.0)	19,874.0
Deferred taxation assets						277.8
						20,151.8
Liabilities						
Segment liabilities	(2,531.2)	(13,224.3)	(3,734.6)	(327.4)	10,118.4	(9,699.1)
Deferred taxation liabilities						(436.0)
Taxation liabilities						(852.0)
Dividends payable						(1,500.0)
						(12,487.1)

	Un-allocated Rm	Networks Rm	Service provider Rm	Other Rm	Elimi-nations Rm	Total Rm
42. SEGMENTAL INFORMATION (continued)						
2005						
Business segments						
Segment revenue	**–**	**24,926.3**	**6,734.4**	**135.2**	**(4,480.6)**	**27,315.3**
External	–	24,950.3	2,274.4	90.6	–	27,315.3
Inter-segment	–	(24.0)	4,460.0	44.6	(4,480.6)	–
Segment profit/(loss) from operations	**(1,123.7)**	**5,756.9**	**841.4**	**(318.8)**	**1,329.5**	**6,485.3**
Interest, dividends and other financial income						662.8
Finance costs						(641.7)
Profit before taxation						**6,506.4**
Included in segment profit/(loss) from operations						
Depreciation and amortisation	**(3.6)**	**(2,508.7)**	**(140.9)**	**(1.2)**	**(188.8)**	**(2,843.2)**
Property, plant and equipment	(3.6)	(2,487.4)	(114.7)	(1.2)	–	(2,606.9)
Investment properties	–	(4.2)	–	–	–	(4.2)
Intangible assets	–	(17.1)	(26.2)	–	(188.8)	(232.1)
Bad debts written off	**–**	**(33.1)**	**(19.1)**	**–**	**–**	**(52.2)**
Impairments of assets	**(1,161.2)**	**(268.4)**	**–**	**(355.1)**	**1,516.3**	**(268.4)**
Capital expenditure	**(22.9)**	**(3,385.0)**	**(85.5)**	**(0.4)**	**–**	**(3,493.8)**
Property, plant and equipment	(22.9)	(3,385.0)	(85.5)	(0.4)	–	(3,493.8)
Intangible assets	–	–	–	–	–	–
Assets						
Segment assets	8,624.2	17,501.4	6,854.8	2,399.1	(13,121.7)	22,257.8
Deferred taxation assets						308.1
						22,565.9
Liabilities						
Segment liabilities	(2,160.9)	(13,442.5)	(6,784.7)	(1,481.7)	12,190.0	(11,679.8)
Deferred taxation liabilities						(499.2)
Taxation liabilities						(632.6)
Dividends payable						(1,800.0)
						(14,611.6)

"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 of 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.

42. SEGMENTAL INFORMATION (continued)

"Unallocated" comprises the reporting relevant to Vodacom Group (Proprietary) Limited, the parent company in the Group, Vodacom International Limited and Vodacom International Holdings (Proprietary) Limited. These companies are primarily management services companies, that offer 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 servicing (SMS), wireless application protocol (WAP), general packet radio system (GPRS) and multimedia messaging services (MMS).

"Service providers" comprise services provided by cellular telecommunication service providers within South Africa. Cellular telecommunication service providers act as agents for the respective networks and sell airtime to customers.

"Service provider revenue" has been restated for the incorrect gross up of revenue and direct network operating cost related to the internal channel upgrades and inter system profits.

"Other" comprises other business lines of the Group which do not fall within the Group's strategic focus and do not constitute a separately reportable segment.

Accounting policies and basis of preparation

Segment information is prepared in conformity with accounting policies adopted for preparing and presenting the consolidated annual 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 amortisation 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 of 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.

Segment results and segment assets have been adjusted for the changes in accounting policies reflected in Note 23.

43. 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.

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

	Country of incorporation	Issued share capital 2003	2004	**2005**	Interest in issued ordinary share capital 2003 %	2004 %	**2005 %**
43. 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	**TZS10,000**	65	65	**65**
VM, S.A.R.L. (C)	MZ	–	US$5,005,500	**US$8,755,500**	–	98	**98**
Vodacom Congo (RDC) s.p.r.l (C)	DRC	–	–	**US$1,000,000**	–	–	**51**
Service providers							
Vodacom Service Provider Company (Proprietary) Limited (C)	RSA	R20	R20	**R20**	100	100	**100**
Smartphone SP (Proprietary) Limited (C)	RSA	–	R20,000	**R20,000**	–	51	**51**
Smartcom (Proprietary) Limited (C)	RSA	–	–	**R1,000**	–	–	**85.75**
Other							
GSM Cellular (Proprietary) Limited (C) *	RSA	R1,200	R1,200	**R1,200**	100	100	**100**
Vodacom Satellite Services (Proprietary) Limited (S)*	RSA	R100	R100	**R100**	100	100	**100**
VSP Holdings (Proprietary) Limited (MSC)	RSA	R1,020	R1,020	**R1,020**	100	100	**100**
Vodacom Venture No. 1 (Proprietary) Limited (MSC)	RSA	R158,999	R158,999	**R810**	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	**R100**	100	100	**100**
Vodacom Properties No.2 (Proprietary) Limited (PROP) *	RSA	–	–	**R1,000**	–	–	**100**
Stand 13 Eastwood Road Dunkeld West (Proprietary) Limited (PROP)	RSA	–	R100	**R100**	–	100	**100**
Ithuba Smartcall (Proprietary) Limited (OTH) *	RSA	–	R100	**R100**	–	52	**52**
Vodacom Tanzania Limited (Zanzibar) (OTH) *	TZN	TZS10,000	TZS10,000	**TZS10,000**	99	99	**99**
Joycell Shops (Proprietary) Limited (OTH) *	RSA	R100	R100	**R100**	100	100	**100**

** Dormant as at March 31, 2005*

44. INTEREST IN JOINT VENTURES

The Group's joint ventures during the 2004 and 2003 financial years consisted of Vodacom Congo (RDC) s.p.r.l.
The Group acquired its interest in Vodacom Congo (RDC) s.p.r.l. on December 11, 2001. During the current financial year the shareholders' agreement was renegotiated resulting in Vodacom Congo (RDC) s.p.r.l. considered to be a 51% owned subsidiary (Note 30).

	2003 Vodacom Congo (RDC) s.p.r.l.	2004 Vodacom Congo (RDC) s.p.r.l.	**2005 Vodacom Congo (RDC) s.p.r.l.**
Interest held	51%	51%	**–**
	Rm	Rm	**Rm**
The Group's proportionate share of assets and liabilities:			
Property, plant and equipment	433.6	620.6	**–**
Intangible assets*	142.3	106.0	**–**
Deferred taxation asset	–	100.2	**–**
Current assets	90.7	195.2	**–**
	666.6	1,022.0	**–**
Long-term liabilities	(284.1)	–	**–**
Preference shares	(306.8)	(243.1)	**–**
Current liabilities	(258.6)	(936.3)	**–**
Net liabilities	(182.9)	(157.4)	**–**
The Group's proportionate share of revenue and expenditure:			
Revenue	258.8	475.9	**–**
Loss before taxation after reclassification of preference share dividends*	(208.2)	(128.1)	**–**
Taxation	–	113.8	
Net loss*	(208.2)	(14.3)	**–**
The Group's proportionate share of cash flows:			
Net cash flows from/(utilised in) operating activities	(172.9)	13.0	**–**
Net cash flows utilised in investing activities	(445.9)	(359.4)	**–**
Net cash flows from financing activities	552.4	365.4	**–**
Net cash flow	(66.4)	19.0	**–**
The Group's proportionate share of contingent liabilities and capital commitments:			
Contingent liabilities (Note 35)	–	–	**–**
Capital commitments	260.1	145.2	**–**

* *Goodwill and goodwill amortisation was restated to closing rate and average rate in accordance with the Group's change in accounting policy as a result of the adoption of IAS 21: The Effects of Foreign Exchange Rates ("IAS 21"). Intangible assets have accordingly been restated.*

45. US GAAP INFORMATION

The consolidated annual 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	2003 Restated Rm	2004 Restated Rm	**2005 Rm**
Net profit as reported in accordance with IFRS – restated		2,212.1	3,033.0	**3,861.4**
Adjustments increasing/(decreasing) net profit:				
Deferred bonus incentive scheme	(a)	(30.7)	8.6	**15.5**
Goodwill – non-amortisation	(b)	99.0	93.5	**–**
Goodwill – translation differences on amortisation	(c)	–	–	**–**
Business combinations	(m)	–	4.8	**(4.8)**
Derivative financial instruments – reclassification of transition adjustments	(e)	7.8	7.8	**7.8**
Income taxation – rate differences	(f)	(196.6)	(144.4)	**(99.9)**
Normal income taxation effect of US GAAP adjustments	(g)	6.9	(6.3)	**(5.9)**
Foreign exchange translation on net investment in foreign operations	(k)	–	–	**1.0**
Net profit in accordance with US GAAP after cumulative effect of change in accounting policy		2,098.5	2,997.0	**3,775.1**
Shareholders' equity as reported in accordance with IFRS – restated		6,909.8	7,664.7	**7,954.3**
Adjustments increasing/(decreasing) shareholders' equity:				
Deferred bonus incentive scheme	(a)	27.2	35.8	**51.3**
Goodwill – amortisation of taxation rate difference	(f)	(17.7)	(17.7)	**(17.7)**
Goodwill – non-amortisation	(b)	101.0	194.5	**194.6**
Goodwill – accumulated translation differences	(c)	(0.1)	(7.0)	**(10.3)**
Minority interest	(j)	(88.0)	(93.0)	**(128.7)**
Business combinations	(m)	–	4.8	**–**
Income taxation – rate differences	(f)	(837.8)	(981.5)	**(1,080.8)**
Normal income taxation effect of US GAAP adjustments	(g)	(8.2)	(12.2)	**(15.5)**
Shareholders' equity in accordance with US GAAP		6,086.2	6,788.4	**6,947.2**

	2003 Restated Rm	2004 Restated Rm	**2005 Rm**
45. US GAAP INFORMATION (continued)			
Movements in shareholders' equity in accordance with US GAAP			
Balance at the beginning of the period	4,874.0	6,086.2	**6,788.4**
Net profit for the year	2,098.5	2,997.0	**3,775.1**
Dividends declared	(600.0)	(2,100.0)	**(3,400.0)**
Foreign currency translation reserve adjustment	(281.5)	(190.0)	**(60.2)**
Acquired reserves from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	–	**(151.3)**
Gain on derivatives – reclassified to earnings, net of taxation	(4.8)	(4.8)	**(4.8)**
Balance at the end of the period	6,086.2	6,788.4	**6,947.2**

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

(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 recognised 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-amortisation

The Group adopted IFRS 3: Business Combinations ("IFRS 3") from April 1, 2004, under which acquired goodwill is no longer amortised, but tested for impairment at least annually (or more frequently if impairment indicators arise). Accordingly, goodwill arising from the Group's investments is not subject to amortisation as from April 1, 2004.

Under US GAAP, SFAS 142: Goodwill and Other Intangible Assets ("SFAS 142") is consistent with IAS 38: Intangible Assets ("IAS 38") and IFRS 3 which was adopted by the Group from April 1, 2004. From this date goodwill is no longer amortised.

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

Under IFRS and US GAAP, goodwill arising on the acquisition of a foreign entity is treated as an asset of the entity and translated at the foreign exchange rate ruling at the balance sheet date.

The resulting foreign exchange transaction gain or loss is recorded in equity. The difference in the carrying values of goodwill under IFRS and US GAAP which are summarised below, results in a difference in the accumulated translation amount recorded in equity.

	2003 Rm	2004 Rm	**2005 Rm**
A reconciliation of goodwill reported under IFRS at the balance sheet date to the amounts determined under US GAAP is as follows:			
Included in total goodwill reported under IFRS – restated	230.9	344.3	**413.5**
Goodwill not amortised under US GAAP	101.1	194.5	**205.0**
Business combination (Note 45 m)	–	136.0	**136.0**
Additional goodwill – income taxation rate change (Note 45 f)	20.1	35.8	**71.5**
Translation difference on amortisation	–	–	**–**
Translation difference on goodwill balance	(0.1)	(7.0)	**(10.3)**
Goodwill in joint venture (Note 45 i)	(79.0)	(61.2)	**–**
As adjusted under US GAAP	273.0	642.4	**815.7**

45. US GAAP INFORMATION (continued)

(d) Income taxes – additional temporary differences

Under IFRS, no deferred taxation liability was recognised 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 taxation bases of the assets.

Under US GAAP, a deferred taxation liability (and corresponding increase in assets acquired) is recognised for all temporary differences between the assigned values and the taxation bases of intangible assets acquired. The recording of such deferred taxation liability has no net impact on net income or shareholders' equity as determined under US GAAP as the decrease in income taxation expense is offset by a corresponding increase in amortisation (Note 45 g).

(e) Derivative financial instruments

The Group adopted IAS 39: Financial Instruments – Recognition and Measurement ("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 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 recognised 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 recognised 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, 2005 R7.8 million (2004: R7.8 million; 2003: R7.8 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 recognised as a cumulative effect adjustment in earnings. Changes in fair value of derivatives acquired after April 1, 2001 are recorded in the income statement.

(f) Income taxation – rate differences

Under IFRS, current and deferred taxation assets and liabilities are measured using taxation rates enacted unless announcements of taxation rates by the government have the substantive effect of actual enactment. The Group's deferred taxation assets and liabilities at March 31, 2005 are recorded at the substantially enacted taxation rate of 29%.

The taxation rate in South Africa varies depending on whether income is distributed. 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 taxation be provided for at the undistributed rate of 29%.

For the purpose of US GAAP, the Group believes that under SFAS 109: Accounting for Income Taxes ("SFAS 109"), measurement of current and deferred taxation liabilities and assets is based on provisions of the enacted taxation law; the effects of future changes in taxation laws or rates are not anticipated. Therefore, the enacted rate of 30% should be used for all taxation amounts (prior to the calculation of STC). Temporary differences should be tax effected using the taxation 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 taxation 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 recognised in a business combination under US GAAP.

45. US GAAP INFORMATION (continued)

(g) Deferred taxation

The taxation effects of the US GAAP adjustments have been calculated based on the enacted taxation rate of 37.78% (2004: 37.78%; 2003: 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:

	2003 Rm	2004 Rm	**2005 Rm**
Net deferred taxation liabilities:			
As reported under IFRS	288.4	158.2	**191.1**
Additional temporary differences (Note 45 d)	53.7	46.0	**38.9**
Business combination (Note 45 m)	–	(58.3)	**(62.4)**
Income taxation – rate difference (Note 45 f)	875.6	1,035.0	**1,170.0**
Taxation effect of US GAAP adjustments	8.2	12.2	**15.5**
Deferred taxation in joint venture (Note 45 i)	–	100.2	**–**
As adjusted under US GAAP	1,225.9	1,293.3	**1 353.1**

Under IFRS, deferred taxation assets on deductible temporary differences are only recognised 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 recognised on all temporary differences. A valuation allowance is recognised 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 R109.3 million (2004: R24.8 million; 2003: R nil) have no effect on the net shareholders' equity for the current year.

(h) Capitalised interest

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

Under US GAAP, interest cost incurred during the construction period (i.e. period of time necessary to bring a constructed fixed asset to the condition and location necessary for its intended use) is capitalised. The capitalised interest is recorded as part of the asset to which it relates and is amortised over the asset's estimated useful life. Capitalised interest was nil for the years ended March 31, 2005, 2004 and 2003 as the effect of capitalising 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.

45. US GAAP INFORMATION (continued)

(i) Joint ventures (continued)

In 2004 and 2003, the Group also proportionately consolidated Vodacom Congo (RDC) s.p.r.l. The summarised financial statement information for Vodacom Congo (RDC) s.p.r.l. relating to the Group's pro rata interest is set out in Note 44. 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.

	2003 Rm	2004 Rm	**2005 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	**–**
Initial investment in preference shares reported under IFRS	306.8	243.1	**–**
Group's share in accumulated losses of the joint venture net of dividends received	(213.6)	(216.6)	**–**
Foreign currency translation reserve under IFRS	47.3	85.5	**–**
Foreign currency translation reserve under IFRS US GAAP	(1.6)	(3.2)	**–**
Goodwill not amortised under US GAAP	7.5	11.2	**–**
Investment in associate under US GAAP	151.5	125.1	**–**

During the current financial year the shareholders' agreement was amended resulting in Vodacom Congo (RDC) s.p.r.l. being accounted for as a 51% owned subsidiary (Note 30). Accordingly Vodacom Congo (RDC) s.p.r.l. is consolidated under both IFRS and US GAAP.

(j) Minority interest

The Group adopted IAS 27: Consolidated and Separate Financial Statements ("IAS 27"), from April 1, 2004. In accordance with the guidance, the Group has reclassified its minority interest in the balance sheet from a liability into equity. The Group applied this reclassification retroactively.

Under US GAAP, minority interest is recorded outside of equity. Therefore, the minority interest under US GAAP is reclassified at the end of each fiscal year in the shareholders' equity reconciliation.

In 2003, all the shareholders of Vodacom Tanzania Limited changed the terms of their shareholders' loans, which for the Group were effectively long-term investments, to a non-interest bearing loan due to Vodacom Tanzania Limited securing external debt. The change in the interest rate applicable to the loan changed the fair value of the loan on that date that the loan became interest free. The loan was remeasured to amortised cost and the difference between the nominal amount of the loan and the fair value on remeasurement date was recorded as a gain in earnings. Under both IFRS and US GAAP, upon consolidation the Group's portion of the loan to Vodacom Tanzania Limited was eliminated. Under the revised IFRS accounting in terms of IAS 27, the remaining portion related to the remeasurement of the loan advanced by the minority shareholders of Vodacom Tanzania Limited was recorded as a capital contribution by the minority interest in equity. Under US GAAP, the Group recorded the gain on remeasurement of the minority interest of the loan in "minority interest" and recognised in earnings.

45. US GAAP INFORMATION (continued)

(k) Foreign exchange translation on net investment in foreign operations

Upon the adoption of IAS 21: The Effects of Changes in Foreign Exchange Rates, the Group has reclassified the foreign exchange gains or losses of the monetary item that forms part of the net investment in foreign operations which is denominated in a currency other than the functional currency of either the parent company or the foreign operation through earnings and not as a separate component of equity.

For US GAAP, in accordance with SFAS 52: Foreign Currency Translation, foreign exchange gains or losses related to a monetary item that forms part of the net investment in foreign operations are recognised upon consolidation as a component of equity in other comprehensive income.

	2003 Rm	2004 Rm	**2005 Rm**
(l) Comprehensive income			
Comprehensive income under US GAAP and accumulated other comprehensive income balances under US GAAP are summarised as follows:			
Net income under US GAAP	2,098.5	2,997.0	**3,775.1**
Other comprehensive (loss)/income:			
Foreign currency translation adjustment	(281.5)	(190.0)	**(59.5)**
Gain on derivatives – reclassified to earnings	(4.8)	(4.8)	**(4.8)**
Other comprehensive (loss)/income	(286.3)	(194.8)	**(64.3)**
Comprehensive income	1,812.2	2,802.2	**3,710.8**
Accumulated other comprehensive income balances:			
Cumulative foreign currency translation adjustments	(156.8)	(346.8)	**(406.3)**
Cumulative effect adjustment of adoption of SFAS 133	27.6	22.8	**20.4**

(m) Business combinations

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 recognised 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 recognised 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.

Under IFRS and US GAAP, losses are generally only allocated to the minority interest up to the amount of the minority's equity in the subsidiary entity. In 2004, the minority interest allocation was a net profit under US GAAP, and a net loss under IFRS (due to the additional amortisation expense). Therefore, there was no minority interest allocation under IFRS, and thus there was a GAAP difference effecting net income. In 2005, the minority interest allocation under both IFRS and US GAAP was a net profit. Therefore, in accordance with IAS 27, the IFRS allocation to minority interest was net of the loss not allocated to the minority in 2004. No difference in shareholders' equity exists at the end of 2005.

45. US GAAP INFORMATION (continued)

(n) Guarantees

Under IFRS, fees received by the Group from issuing guarantees are recognised in income as earned. A liability in respect of the guarantee is not recognised until such time as the contingent liability is thought likely to realise.

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 2005. This interpretation clarifies that a guarantor is required to recognise, at the inception of a guarantee entered into after December 15, 2003, 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 recognised 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. for US GAAP purposes. On the adoption of FIN 45, all guarantees issued during fiscal year 2005 related to Vodacom Congo (RDC) s.p.r.l. was initially recorded at fair value at the balance sheet and subsequently amortised into income statements as the premiums are earned.

(o) Recent accounting pronouncements

In December 2004, the FASB issued SFAS 123 (revised 2004): Share-Based Payments ("SFAS 123R"). This statement eliminates the option to apply the intrinsic value measurement provisions of APB 25: "Accounting for Stock Issued to Employees" to stock compensation awards issued to employees. Rather, SFAS 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognised over the period during which an employee is required to provide services in exchange for the award the requisite service period (usually the vesting period). SFAS 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. For public entities that do not file as small business issuers, standard is effective for the first annual reporting period that begins after June 15, 2005. The Group is currently evaluating the impact of SFAS 123R on its results of operations, financial position and cash flows.

On November 24, 2004, the FASB issued SFAS 151: Inventory Costs, an amendment of ARB No. 43, Chapter 4 ("SFAS 151"). The amendments made by SFAS 151 clarify that "abnormal" amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognised as current-period charges and require the allocation of fixed production overheads to inventory, based on the normal capacity of the production facilities. SFAS 151 is the result of a broader effort by the FASB to improve the comparability of cross-border financial reporting by working with the International Accounting Standards Board ("IASB") towards development of a single set of high-quality accounting standards. The FASB and the IASB noted that ARB 43, Chapter 4 and IAS 2, Inventories, are both based on the principle that the primary basis of accounting for inventory is cost. Both of these accounting standards also require that "abnormal" amounts of idle freight, handling costs, and wasted materials be recognised as period costs; however, the boards noted that differences in the wording of the two standards could have led to the inconsistent application of those similar requirements. The FASB concluded that clarifying the existing requirements in ARB 43 by adopting language similar to that used in IAS 2 is consistent with its goals of improving financial reporting in the United States and promoting convergence of accounting standards internationally. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. The Group is currently evaluating the impact of SFAS 151 on its results of operations, financial position and cash flows.

In December 2004, the FASB issued SFAS 153: Exchanges of Non-monetary Assets – an amendment of APB Opinion No. 29 ("SFAS 153"), which amends APB 29: Accounting for Non-monetary Transactions to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. SFAS 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Group is currently evaluating the impact of SFAS 153 on its results of operations, financial position and cash flows.

46. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements adopted at March 31, 2005

The Group adopted the following revised and new International Financial Reporting Standards prior to their effective dates in the current financial year:

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 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 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 2	Share-based Payment
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The Group adopted the following revised and new International Financial Reporting Standards in accordance with their effective dates during the current financial year:

IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IFRS 3	Business Combinations

Accounting pronouncements not adopted at March 31, 2005

During December 2003, the International Accounting Standards Board ("IASB") issued the Improvements Project to current International Accounting Standards ("The Improvements Project"). The Group has not adopted the following standards included in the Improvements Project:

IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 40	Investment Property

The revised IAS 16: Property, Plant and Equipment ("IAS 16") clarifies that an entity should consider an item of property, plant and equipment as a combination of various units of measure with separate useful lives or consumption patterns. These separate lives are used to calculate depreciation, test for derecognition and for the treatment of expenditure to replace or renew the component of that item of property, plant and equipment. It further confirms that the cost of an item of property, plant and equipment should include not only the initial estimate of the costs relating to dismantlement, removal or restoration of the property, plant and equipment at the time of installing the item, but also during the period of use for purposes other than producing inventory. The residual value and useful life of an asset must be reviewed annually. Residual values should not include future inflation. There is no cessation of depreciation when assets are idle.

The Group will adopt IAS 16 during the 2006 financial year and is currently evaluating the effects of the standard.

The revised IAS 17: Leases ("IAS 17") requires a lease of land and buildings to be split into two elements – a lease of the land and a separate lease of the buildings. All initial direct costs incurred by a lessor in negotiating a finance lease have to be included in the initial measurement of the finance lease receivables. Initial direct cost incurred by lessors in negotiating an operating lease are added to the income carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income. This standard provides special transitional provisions.

The Group will adopt IAS 17 during the 2006 financial year and is currently evaluating the effects of the standard.

46. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (continued)

Accounting pronouncements not adopted at March 31, 2005 (continued)

The revised IAS 40: Investment Property ("IAS 40") has included new requirements for property interests. A property interest that is held by a lessee under an operating lease that meets the definition of investment property may be treated as investment property if the operating lease is accounted for as if it were a finance lease in accordance with IAS 17, and the lessee uses the fair value model in terms of IAS 40.

The Group will adopt IAS 40 during the 2006 financial year and is currently evaluating the effects of the standard.

In December 2004 the IASB revised certain aspects of IAS 19: Employee Benefits ("IAS 19"). The revisions to the standard are effective for annual periods commencing on or after January 1, 2006. The revisions to the standard have made available an additional option for the recognition of actuarial gains and losses on post-employment defined benefit plans. Actuarial gains and losses on post-employment defined benefit plans may be recognised in full in retained income within the statement of recognised income and expense when they arise.

The Group will adopt IAS 19 during the 2006 financial year and is currently evaluating the effects of the standard.

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.

The Group will adopt IFRS 4 during the 2006 financial year and is currently evaluating the effects of the standard.

In December 2004 the IASB issued IFRS 6: Exploration for and Evaluation of Mineral Resources ("IFRS 6"). The standard is effective for annual periods commencing on or after January 1, 2006. The standard prescribes financial reporting for exploration and evaluation of mineral resources, but permits an entity to develop its own accounting policy for such transactions. The standard includes additional impairment indicators specific to exploration and evaluation of mineral resources activities and prescribes an impairment test in accordance with IAS 36: Impairment of Assets, where an indicator that the asset may be impaired, exists.

The Group will adopt IFRS 6 during the 2006 financial year and does not believe that the adoption of the standard will have any effect.

In May 2004, the IASB published IFRIC 1: Changes in the Existing Decommissioning, Restoration and Similar Liabilities ("IFRIC 1"). The interpretation is effective for annual periods beginning on or after September 1, 2004. IFRIC 1 contains guidance on accounting for the changes in decommissioning, restoration and similar liabilities that have previously been recognised both as part of the cost of an item of property, plant and equipment and as a provision (liability). The interpretation addresses subsequent changes to the amount of the liability that may arise from (a) a revision in the timing or amount of the estimated decommissioning or restoration costs or from (b) a change in the current market-based discount rate.

The Group will adopt IFRIC 1 during the 2006 financial year and is currently evaluating the effects of the interpretation.

In December 2004 the IASB issued IFRIC 2: Members' Shares in Co-operative Entities and Similar Instruments ("IFRIC 2"). The interpretation is effective for annual periods commencing on or after January 1, 2005. The interpretation applies the principles for the classification of financial instruments as financial liabilities or equity established in IAS 32: Financial Instruments: Disclosure and Presentation to co-operative and similar entities.

The Group will adopt IFRIC 2 during the 2006 financial year and is currently evaluating the effects of the interpretation.

In December 2004 the IASB issued IFRIC 3: Emission Rights ("IFRIC 3"). The interpretation is effective for annual periods commencing on or after March 1, 2005. This interpretation deals with the accounting treatment of "cap and trade" emission right schemes that are operational. The interpretation specifies that the emission allowance should be recorded as an intangible asset at fair value. The obligation to deliver the allowances should be recorded as a liability, based on the actual emissions of the entity.

46. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (continued)

Accounting pronouncements not adopted at March 31, 2005 (continued)

The Group will adopt IFRIC 3 during the 2006 financial year and does not believe that the adoption of the interpretation will have any effect.

In December 2004 the IASB issued IFRIC 4: Determining Whether an Arrangement Contains a Lease ("IFRIC 4"). The interpretation is effective for annual periods beginning on or after January 1, 2006. This interpretation prescribes that where the entity enters into an arrangement that depends on the use of a specific asset and conveys the right to control this specific asset, this arrangement should be treated as a lease under IAS 17. The arrangements that are in substance leases, should be assessed against the criteria included in IAS 17 to determine if the arrangements should be accounted for as finance leases or operating leases. The transitional provisions require the Group to assess all existing arrangements at the beginning of the comparative period of the first period in which the interpretation is adopted. The assessment should be performed based on the information available at the adoption date.

The Group will adopt IFRIC 4 during the 2006 financial year and is currently evaluating the effects of the interpretation.

In December 2004 the IASB issued IFRIC 5: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ("IFRIC 5"). The interpretation is effective for annual periods beginning on or after January 1, 2006. The scope of this interpretation is restricted to Funds with separately administered assets where the contributor's right to access is restricted. It requires the Group to assess the nature of the relationship with the Fund and account for it in accordance with IAS 27: Consolidated and Separate Financial Statements if the Group controls the Fund.

If the Fund is not controlled by the Group, the Group's obligation in respect of decommissioning activities is recognised as a liability separate from the interest in the Fund. Where the Group has a right to possible reimbursement, this right should be recorded as a contingent asset in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

The Group will adopt IFRIC 5 during the 2006 financial year and is currently evaluating the effects of the interpretation.

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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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