Vodacom Group Limited
Annual Report

for the year ended 31 March 2009

vodacom

Contents

Highlights

Our performance

"The last 14 months have been seminal for the Vodacom Group. We concluded our BBBEE transaction and acquired the leading pan-African carrier services and connectivity provider, Gateway. We said farewell to one of our founding shareholders, Telkom, and became a subsidiary of the other, Vodafone, making us part of the world's leading mobile communications group, and we listed on the JSE Limited.

In the 12 months to 31 March 2009, notwithstanding the detailed preparation and intense focus required by these defining events and the pervasive impacts of an unprecedented economic downturn, Vodacom demonstrated its quality and resilience. The Group delivered a solid set of results and we made steady progress in our strategy to be a leading provider of total communications in sub-Saharan Africa."

- Pieter Uys, CEO, Vodacom Group

Group highlights

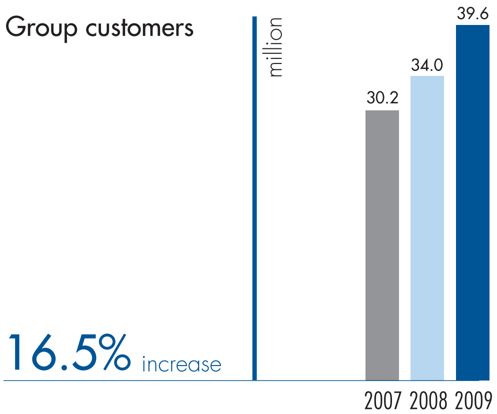
- 16.5% growth in group customers to 39.6 million
- 10.5% growth in group EBITDA to R18.2 billion
- 28.8% growth in group data revenue to R6.4 billion
- BBBEE transaction completed in South Africa in October 2008
- Acquired Gateway on 30 December 2008
- Listed on the JSE Limited on 18 May 2009
- R500 million spend by Vodacom Foundation in its first ten years

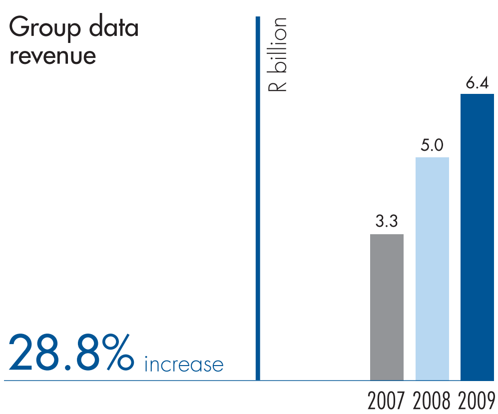
Financial information summary

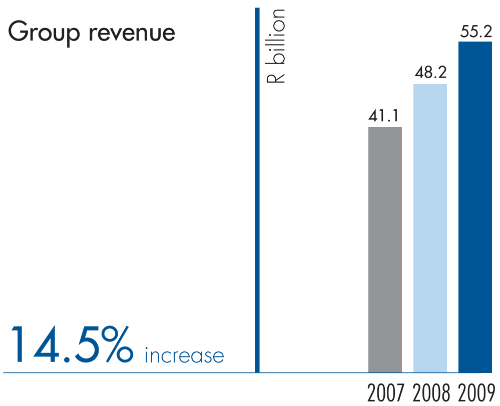
	Year ended 31 March			% change	
Rm	2009	2008	2007	08/09	07/08
Revenue	55 187	48 178	41 146	14.5	17.1
EBITDA[1]	18 196	16 463	14 227	10.5	15.7
Operating profit	12 005	12 491	10 860	(3.9)	15.0
Adjusted operating profit[2]	13 387	12 491	10 860	7.2	15.0
Net profit	6 192	7 958	6 560	(22.2)	21.3
Operating free cash flow	9 140	9 803	8 009	(6.8)	22.4
Capital expenditure	6 906	5 916	6 748	16.7	(12.3)
Net debt	17 537	8 663	6 027	102.4	43.7
Total assets	47 359	34 175	28 470	38.6	20.0
Headline earnings per share (cents)	417	528	426	(21.0)	23.9

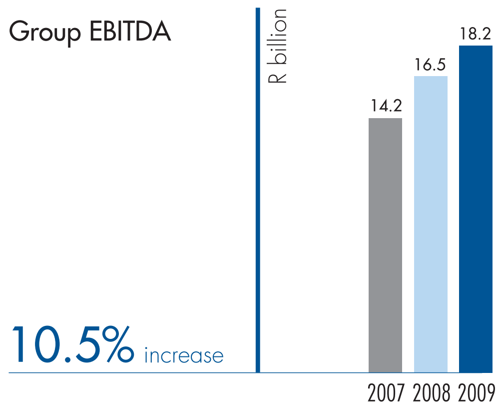
[1] Earnings before interest, taxation, depreciation, amortisation, profit/loss on disposal of investments and on disposal of property, plant and equipment, investment properties and intangible assets and the BBBEE charge

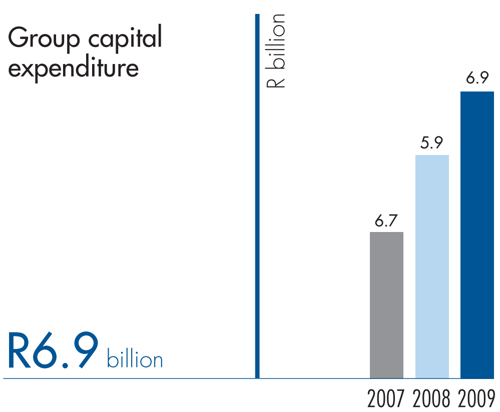
[2] Adjusted operating profit excludes the BBBEE charge of R1 382 million

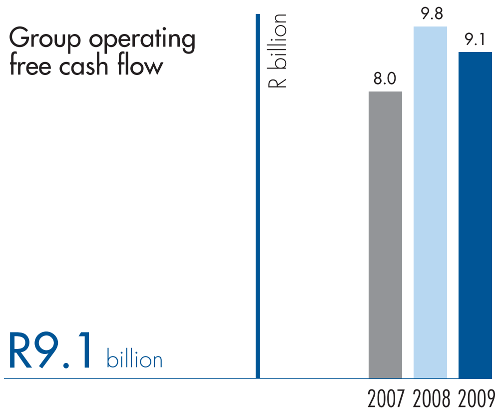

Group customers
million
30.2
34.0
39.6
16.5% increase
2007 2008 2009


Group data revenue
R billion
3.3
5.0
6.4
28.8% increase
2007 2008 2009


Group revenue
R billion
41.1
48.2
55.2
14.5% increase
2007 2008 2009


Group EBITDA
R billion
14.2
16.5
18.2
10.5% increase
2007 2008 2009


Group capital expenditure
R billion
6.7
5.9
6.9
R6.9 billion
2007 2008 2009


Group operating free cash flow
R billion
8.0
9.8
9.1
R9.1 billion
2007 2008 2009

Group at a glance

Vodacom is a leading African communications group providing mobile communications and related services to 39.6 million customers as at 31 March 2009.

Our mobile network covers a total population of approximately 182 million people in five countries: South Africa, Tanzania, the DRC, Lesotho and Mozambique. Vodacom's presence in Africa was strengthened by the acquisition of Gateway, a leading provider of communications services to multi-national companies and telecommunications network operators.

The Vodacom Group provides a wide range of communications products and services, including voice, messaging, broadband and data connectivity, and converged services. We launched Vodacom Business in 2008 to offer converged business network and related IT services to the enterprise market.

Vodacom employs some 7 255 people and is headquartered in Midrand, South Africa.

Business segments

South Africa

Vodacom SA is the largest mobile network operator in South Africa with an estimated 53% market share as at 31 March 2009. Vodacom SA had 27.6 million customers as at 31 March 2009, or 69.7% of the Group's customer base. Vodacom SA contributed 86.0% to group revenue and 94.7% to group operating profit for the year ended 31 March 2009.

International

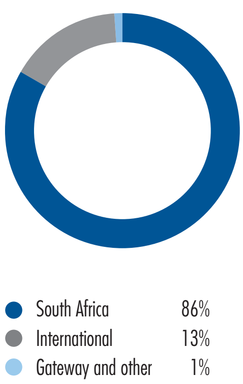
Vodacom owns mobile network operations in Tanzania, the DRC, Mozambique and Lesotho, with a combined 12.0 million customers. The international operations cover a total population of approximately 134 million, which have a blended mobile penetration rate of less than 25%. The international operations contributed 30.3% to group customers as at 31 March 2009.

Gateway

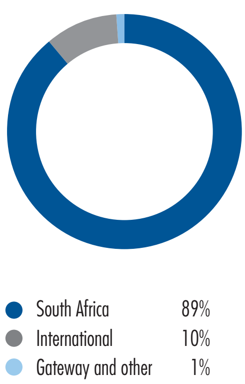
Gateway is Africa's largest provider of satellite and terrestrial network infrastructure and interconnection services for African and international telecommunications companies. Gateway also provides an extensive range of high quality, end-to-end connectivity solutions to multinational corporations operating across Africa. Gateway services customers in 40 countries.

Segment contribution

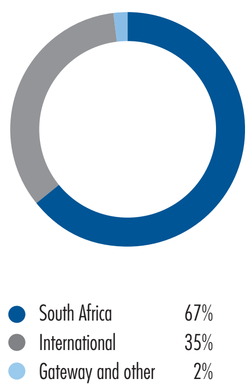
Group revenue



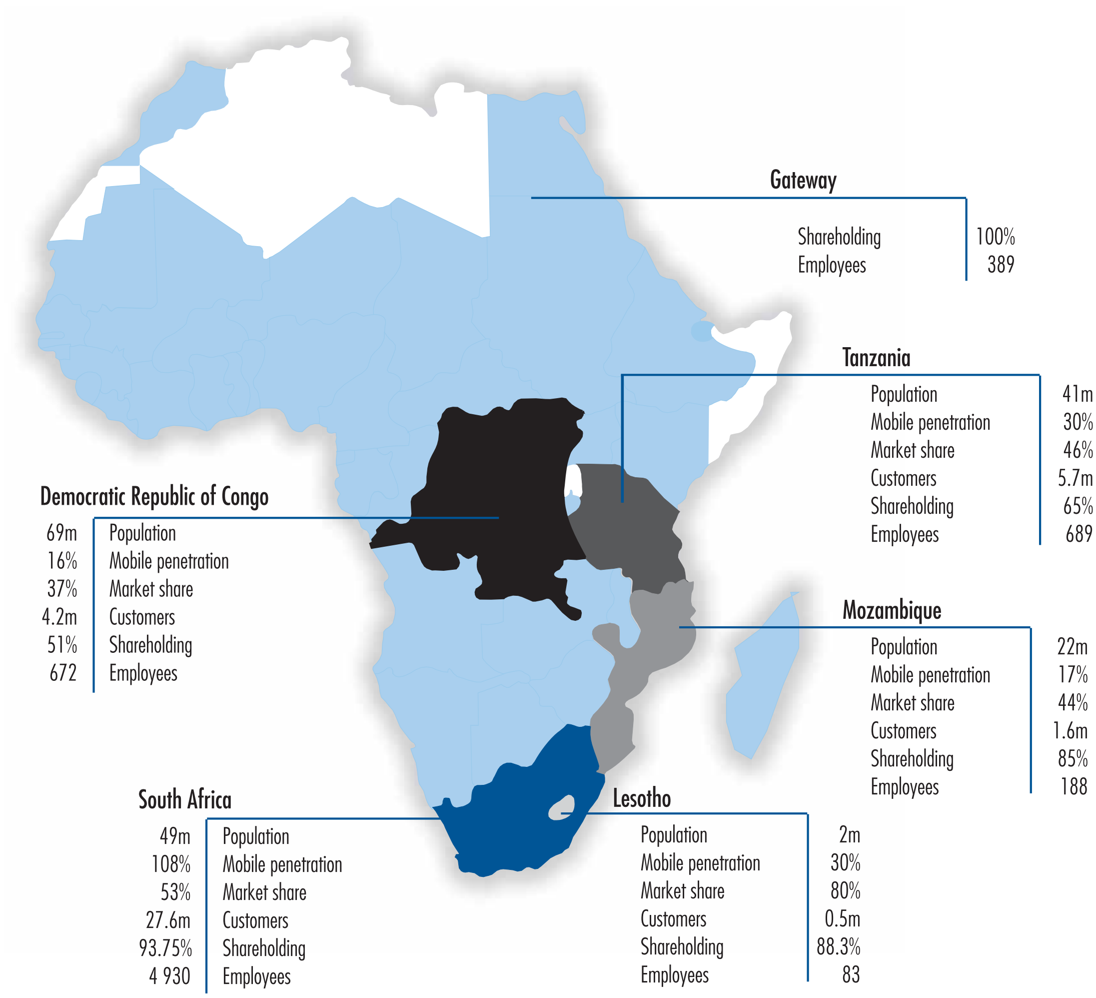
Group EBITDA



Group capital expenditure



Our African footprint



Vodacom's footprint in sub-Saharan Africa is strengthened by Gateway's pan-African network and on-the-ground presence in 14 African countries.

Vodacom SA is South Africa's largest mobile communications network operator by number of customers and revenue. Vodacom also has leading market positions in Tanzania, the DRC and Lesotho and is nearing the market share of the state-owned and largest operator in Mozambique.

Group structure

65% Vodafone | 14% Government of South Africa | 21% Public

Vodacom Group[1]

Vodacom SA

93.75% [2]

- Vodacom Service Provider

  100%

- Vodacom Ventures

  100%

Vodacom Tanzania

65% [3]

Vodacom DRC

51% [3]

Vodacom Mozambique

85% [3]

Vodacom Lesotho

88.3% [3]

Gateway

100%

1 Listed on the JSE Limited

2 6.25% of Vodacom SA was aquired by BBBEE parties in the Vodacom BBBEE transaction

3 The remaining issued shares in these companies are held by local partners in the respective companies

The Vodafone advantage

Vodafone has a significant global presence, with equity interests in over 30 countries and over 40 partner networks worldwide. Vodafone is organised in three geographic regions – Europe, Africa and Central Europe; Asia Pacific and Middle East; and Verizon Wireless in the US.

The benefits of being a subsidiary of Vodafone are central to Vodacom's value proposition and growth strategy, and include:

- Shared communications expertise and experience;
- Access to world-class research and product innovation;
- Procurement savings through global economies of scale;
- Benchmarking operations against global standards of excellence; and
- Powerful brand association.

Vodacom will be Vodafone's exclusive investment vehicle in sub-Saharan Africa.

Competitive position

Vodafone has three key attributes which strongly differentiate it from its competitors: its scale in technology, which allows network and IT savings through consolidation and centralisation of core activities; its strong presence in the enterprise market, among large corporates as well as small and medium sized businesses; and its brand, recently rated in the top ten leading global brands.

Our history

Vodacom's history shows a track record of innovation – in the early adoption of new technologies and in being first to market to offer new services to our customers.

2009	Acquisition of 51% of StorTech Sale of Telkom's 15% interest to Vodafone Unbundling of Telkom's Vodacom shares Listing on the JSE Limited
2008	Sale of 6.25% in Vodacom SA to BBBEE shareholders Vodacom Business launched Acquisition of Gateway
2007	Acquisition of an interest in WBS ("iBurst")
2006	Vodacom Ventures formed First to launch HSDPA in South Africa
2005	Launch of *Vodafone live!* in South Africa
2004	First to launch 3G in South Africa
2003	Vodacom launches GSM network in Mozambique
2002	First to launch GPRS and MMS in South Africa Vodacom launches GSM network in the DRC
2001	Launch of Vodacom's youth product 4U in South Africa
2000	Vodacom launches GSM network in Tanzania
1996	Sale of 5% stake in Vodacom Group to BEE shareholders Launch of world's first prepaid service on an IN platform Vodacom launches GSM network in Lesotho
1994	Vodacom launches GSM network in South Africa
1993	Vodacom Group incorporated in South Africa

Our values

Vodacom will be one of Africa's most admired companies.

VODACOM is a winning company	where everyone is imbued with a spirit to win, to be passionate in whatever we do, to be the best, to never give up, to work harder than anybody else, to know that our best is better than anybody else's best.
VODACOM is a respected company	where honesty, trust, good faith, and professionalism are the cornerstones of how we do business.
VODACOM is a caring company	that cares about what it does and how it does it, which is always fair, and that respects every single person. Sincerely caring about everything we do every minute of every day, is our way of life.
VODACOM believes that it can enhance people's lives	and empower them by making it possible for all people in Africa to have access to mobile telecommunications. We have the will and the means to do so, and will strive to do so in a sensible manner. We will democratise telecommunications.
VODACOM will seek out the impossible to do	in mobile communications, which have been made possible by the most innovative technology in the world. Technology will continue to develop and make possible things we cannot even dream of today. We will remain the most competent and innovative of all in this Information and Communications Technology ("ICT"), to not only dream the dreams but to make every dream come true.

Our strategy

Vodacom aims to be a leading total communications provider in sub-Saharan Africa.

To realise this aim, we are focused on maintaining our leading market positions in our existing markets and expanding profitably into new communication products, services and geographies.

Grow core mobile business

- Grow our customer base through continued investment in our networks and distribution capability
- Increase mobile usage by launching affordable and innovative products
- Enhance customer care to maximise customer retention
- Target efficiencies to ensure economies of scale are realised

Achievements

- Record gross connections of 13 million and churn reduced by 2.2 percentage points to 40.1% in SA
- 30.7% growth in mobile customers outside of SA to 12.0 million
- Top telecommunications brand in SA for the fifth year
- Lower denomination vouchers and dynamically priced prepaid product introduced in SA
- Short- and long-term efficiency programmes put in place

Leadership in broadband

- Build infrastructure to support broadband growth
- Increase international capacity through investment in satellite and undersea cables
- Improve access by introducing lower-cost handsets and bundled laptop packages
- Improve affordability of data usage

Achievements

- Grew 3G network to more than 2 880 sites
- Eight of the11 metropolitan fibre rings completed in SA
- 720 000 mobile broadband customers in SA
- 2.8 million 3G-enabled handsets, presenting a significant opportunity for further broadband penetration
- Vodacom's Mobile Internet services successfully launched in SA

Vodacom's strategic direction is underpinned by ongoing investments in key areas: maintaining brand leadership; enhancing customer care and deepening customer loyalty; developing our distribution platforms and supply chain management capability; continually improving the coverage, quality and efficiency of our network infrastructure; and inspiring, developing and supporting the sustainable wellbeing of our employees and communities.

Develop new converged ICT solutions

- Expand into converged services closely connected to our core mobile business
- Retain customers through valued-added total communication services
- Build market leadership position with competitively priced, high quality offerings
- Leverage converged capabilities to other African countries through Gateway

Achievements

- 5 million unique internet users, 962 000 active email accounts and 2.6 million unique *Vodafone live!* users in SA
- Vodacom Mobile Media pioneers mobile advertising and posts strong growth
- *The Grid*, a unique location-based social networking platform developed by our Social Media division, attracts some 320 000 users
- Vodacom Business gains traction, attracting top talent and developing a portfolio of 28 products

Expand in sub-Saharan Africa

- Evaluate further licence and acquisition opportunities in sub-Saharan Africa
- Accelerate international expansion into key regional markets through Gateway
- Strengthen our total communications offerings into Africa
- Realise synergies across Vodacom, Gateway's sub-Saharan footprint and Vodafone

Achievements

- Increased investment in submarine cable projects, satellite capacity and pan-African network infrastructure
- Gateway increases customer reach and network footprint with new offices opened in Kenya and Uganda
- Expanded satellite capacity with over 20 additional transponders added in the last 12 months
- Gateway launches Africa IPJetDirect, for mobile internet connectivity, and AfricaConnect, for connectivity in retail and finance sectors in rural areas

Outlook

As customers continue to contain their spending in the face of ongoing economic weakness, Vodacom will seek to offer greater value. To further mitigate the pressure on top-line growth and preserve margins, driving efficiencies across the business will continue to be a priority. Gateway and the relationship with Vodafone will be key to unlocking further synergies. The Group will weather the economic storm by staying efficient and competitive.

We will continue to invest in positioning the Group for growth in the sub-Saharan African communications markets, which remain among the fastest growing in the world. Vodacom Group's capital expenditure is expected to be R8.0 billion for the year ending 31 March 2010. The Group's strong cash flow and balance sheet is expected to provide the flexibility to invest prudently in strategic growth opportunities and to return cash to shareholders on a sustainable basis.

South Africa

- Some indications of relief for consumers but businesses will continue to come under pressure with further expected increases in unemployment
- Customer registration legislation expected to be implemented in August 2009, which is likely to lower churn but also to moderate gross connections growth
- With around 250 new licenses awarded, competitive pressure is expected to increase
- Expect continued good activity in SA market with focused promotional activities to drive increased usage
- Efforts to drive penetration of data services will continue
- Focused cost containment initiatives are expected to preserve margins
- R5.0 billion capital expenditure allocated to South Africa for the year ending March 2010

Vodacom's investment case

- We are the market leader in four of five countries of operation, we are the largest broadband provider in South Africa, and through Gateway, we are the largest pan-African carrier services provider.
- We have a unique platform for growth, with significant opportunity for further mobile penetration, the network infrastructure to support broadband growth and the resources in place to deliver total communications.
- We have a track record of being first to market with innovative offerings, and have demonstrated strong revenue growth and cash flow, underpinned by disciplined cost control and capital allocation.
- Our management team is proven, and has the support of Vodafone and a strong and well-balanced Board.
- Our robust business model should enable us to continue delivering an attractive balance between growth and returns to our shareholders.

International

- Trading conditions are expected to remain difficult, particularly in the DRC
- Customer registration will continue to be a feature of the regulatory environment in all markets
- Competition likely to place pressure on tariffs in all international markets
- Low penetration rates should continue to offer long-term opportunities for customer growth
- Substantial efforts in place to realise efficiencies across the Group and improve operating profit margins
- R3.0 billion capital expenditure allocated to international operations for the year ending March 2010 with careful allocation based on demand

Gateway

- Global economic downturn will continue to hamper carrier voice traffic growth
- Continued growth is expected in mobile connectivity and data communications
- Strong competition in the business services market, especially in West Africa, along with competition on price in mobile voice as operators rapidly expand their networks
- New submarine cable capacity and terrestrial cables expected to positively impact the business
- Continued efforts to drive efficiencies, including identifying and leveraging synergies with the Vodacom Group, in particular with Vodacom Business

Five-year review

Year ended 31 March		Notes	2009	2008
Summarised income statement				
Revenue	Rm		55 187	48 178
Operating profit	Rm	1	12 005	12 491
Net finance costs	Rm	2	(1 749)	(424)
Profit before taxation	Rm		10 237	12 067
Income tax expense	Rm	3	(4 045)	(4 109)
Minority interest	Rm		103	146
Attributable profit after tax	Rm		6 089	7 811
EBITDA	Rm	4	18 196	16 463
Summarised balance sheet				
Non-current assets	Rm		35 224	24 468
Current assets	Rm		12 135	9 707
Total assets	Rm		47 359	34 175
Total equity	Rm		15 098	11 805
Non-current liabilities	Rm		10 430	4 788
Current libilities	Rm		21 831	17 582
Net debt	Rm	5	17 537	8 663
Capital expenditure	Rm		6 906	5 916
Summarised cashflow statement				
Cash generated from operations	Rm		16 351	16 334
Net finance costs paid	Rm		(1 841)	(746)
Taxation paid	Rm		(4 123)	(4 722)
Dividends paid	Rm		(6 204)	(5 741)
Net cashflows from operating activities	Rm	6	4 183	5 125
Net cashflows from/(utilised) investing activities	Rm	7	(12 750)	(7 502)
Net cashflows from/(utilised) financing activities	Rm		8 873	3 234
Net increase/(decrease) in cash and cash equivalents	Rm		307	857
Cash and cash equivalents (bank borrowings) at the end of the year	Rm		1 084	837
Performance per ordinary share		8		
Basic earnings per share	cents		409	525
Headline earnings per share	cents	9	417	528
Diluted headline earnings per share	cents		417	528
Net asset value per share	cents		1 015	793
Dividends per share	cents		349	399
Profitability and returns				
EBITDA margin	%	4	33.0	34.2
Operating profit margin	%	1	21.8	25.9
Effective taxation rate	%	3	39.5	34.1
Net profit margin	%		11.2	16.5
Return on shareholders' equity	%	10	47.9	75.0
Return on capital employed	%	11	70.7	85.5
Liquidity and debt leverage				
Interest cover	times	12	8.0	18.7
Net debt to EBITDA	times	13	1.0	0.5
Current ratio	times	14	0.6	0.6
Quick ratio	times	15	0.5	0.5
Operating information				
South Africa				
Customers	thousands		27 625	24 821
EBITDA margin	%		34.2	34.5
Capital expenditure as a % of revenue	%		9.7	9.9
Employees			4 930	4 504
International				
Customers	thousands		11 989	9 173
EBITDA margin	%		26.2	28.7
Capital expenditure as a % of revenue	%		34.4	28.2
Employees			1 636	1 540

2007	2006	2005	Compound growth %
41 146	34 043	27 315	19.2
10 860	8 866	6 478	16.7
(463)	(639)	23	
10 396	8 227	6 502	12.0
(3 836)	(3 084)	(2 613)	11.5
218	117	31	35.0
6 342	5 026	3 857	12.1
14 227	11 809	9 590	17.4
20 844	16 079	13 888	26.2
7 626	8 689	8 706	8.7
28 470	24 768	22 595	20.3
9 647	8 672	7 888	17.6
3 812	2 237	3 233	34.0
15 011	13 859	11 474	17.4
6 027	3 859	2 451	63.6
6 748	5 138	3 494	18.6
13 866	11 090	10 012	13.0
(324)	(108)	(12)	
(3 303)	(2 980)	(2 744)	10.7
(5 381)	(3 501)	(3 105)	18.9
4 858	4 501	4 150	0.2
(6 584)	(4 791)	(3 374)	39.4
(200)	(108)	(195)	
(1 926)	(397)	581	(14.7)
(108)	1 760	2 173	(16.0)
426	338	259	12.1
426	331	277	10.8
426	331	277	10.8
648	583	530	17.6
363	302	229	11.1
34.6	34.7	35.1	
26.4	26.0	23.7	
36.9	37.5	40.2	
15.9	15.1	14.2	
71.2	62.2	50.5	
77.6	65.7	52.8	
29.2	34.0	29.3	
0.4	0.3	0.3	
0.5	0.6	0.8	
0.5	0.6	0.7	
23 004	19 162	12 838	21.1
34.8	35.6	35.9	
13.5	14.1	11.1	
4 388	4 148	3 954	5.7
7 146	4 358	2 645	45.9
29.9	26.1	23.5	
38.0	24.8	30.5	
1 347	1 154	1 039	12.0

Notes

1. Operating profit and the operating profit margin in 2009 were impacted by the BBBEE charge of R1 382 million
2. Net finance costs in 2009 increased substantially during the year due to increased borrowings to restructure the balance sheet more efficiently
3. The income tax expense in 2009 was 1.6% lower, however the effective tax rate increased to 39.5% largely due to the disallowable BBBEE charge and non-deductible interest charges
4. EBITDA and the EBITDA margin in 2009 were impacted by the BBBEE transaction expenses of R95 million, costs relating to the establishment of Vodacom Business and the weaker performance of the DRC operation. EBITDA is earnings before interest, depreciation, amortisation, profit/loss on disposal of investments and property plant and equipment, investment properties and intangible assets and the BBBEE charge
5. Net debt rose substantially in 2009 due to the refinancing of existing debt, higher capital expenditure and the acquisition of Gateway
6. Net cash flows from operating activities were impacted by the once-off negative movements in working capital of R1 831 million, higher finance costs and higher dividends paid
7. Net cash flows from investing activities in 2009 were impacted by the acquisition of Gateway
8. Proforma calculations based on 1 487 954 000 shares in issue at 18 May 2009
9. Headline ernings per share declined as a result of the BBBEE charge and the increased finance costs incurred as a result of the balance sheet restructure
10. Return on shareholders' equity is calculated by dividing net profit (excluding minority interests) by average shareholders' equity
11. Return on capital employed is calculated by dividing net profit after tax (excluding minority interests) by average net assets less average goodwill
12. Interest cover ratio is equal to earnings before interest and tax for the year divided by interest expenses for the year
13. Net debt/EBITDA is calculated by dividing the net debt by EBITDA. Net debt includes all interest bearing and non-interest bearing debt less the cash and cash equivalents plus the dividend and related STC
14. The current ratio is calculated by dividing current assets by current liabilities
15. The quick ratio is calculated by dividing the current assets less inventory by current liabilities

vodacom

GROW CORE MOBILE BUSINESS

We serve nearly 40 million customers in five countries with a total population of more than 180 million. The low penetration of mobile communications in sub-Saharan Africa, home to three quarters of the continent's population, holds much promise for future growth.


Group
customers
million
30.2
34.0
39.6
2007
2008
2009

Chairman's statement

This is a time for review and renewal. As a publicly listed entity, and a subsidiary of a leading multinational group, Vodacom's corporate culture of being a high-profile and visible company sets a strong foundation for its commitment to the highest standards of integrity, accountability and governance.

Peter Moyo

Chairman

New beginnings

There is no doubt in my mind that this is an exciting time to be of service to Vodacom; this being a time of review and renewal, of defining events and new beginnings, and of concentrated focus on equipping the business in every measure for a new world of vast opportunity and unprecedented risk. But chief among the reasons for my sense of excitement in accepting the position of Chairman was Vodacom's energetic and highly capable management team, led by Pieter Uys. This team is tasked with taking Vodacom into the future as a total communications provider with its sights set on leadership in sub-Saharan Africa, a broadened strategic vision that is providing new growth impetus for the Group. The clarity of Pieter's vision and his infectious passion for Vodacom and its philosophy and prospects, I have found to be both refreshing and reflected in the dynamism of the management team as a whole.

The quality of Vodacom's leadership bench extends to a strong and balanced Board, structured to meet the JSE Limited listing requirements and the recommendations of King II, with the necessary depth of expertise and sufficient independent oversight to ensure both strategic guidance and accountability to all stakeholders. We are well aware of the responsibility that is ours as Vodacom enters its future as a listed company, particularly in a highly regulated industry. I bid welcome to our new non-executive directors Phuti Malabie, Tom Boardman, Thoko Mokgosi-Mwantembe, Morten Lundal, James Maclaurin, Michael Joseph and Ronald Schellekens, and look forward to extending the strong start we have made.

Vodacom's shareholder profile changed significantly in the year and it is appropriate at this juncture to acknowledge Vodacom's founding shareholders for their part in shaping the Group's development. In a series of conditional transactions, Telkom agreed to sell 15% of its shares in Vodacom to Vodafone Holdings (SA) (Proprietary) Limited, raising its stake to 65%. Telkom's remaining 35% stake was unbundled to its shareholders, which resulted in Vodacom listing on the JSE Limited on 18 May 2009. Together with the shareholders gained through Vodacom South Africa's R7.5 billion broad-based black economic empowerment (BBBEE) transaction in October 2008, this has given Vodacom some 200 000 new shareholders, a broad and diverse base that befits Vodacom's ethos.

Vodacom's relationship with Vodafone over the last 16 years has been fruitful. The ongoing support and benefits of being a subsidiary of a leading multinational operator and top-ten global brand are central features of the Group's value proposition and growth strategy. The multiple benefits of this new status range from world-class research and product development to procurement strength and powerful brand association. Vodafone also brings a span of relevant experience to the Vodacom Board which will assist management to steer the Group with the right combination of entrepreneurial flair and ample circumspection in rapidly developing and highly competitive markets, circumscribed by complex regulatory environments.

Vodacom has excellent credentials in a sector whose rapid advance offers revolutionary possibilities for the citizens of Africa. These credentials are underpinned by the Group's leading market positions and unique platform for growth, which was strengthened by the acquisition of pan-African carrier and connectivity leader Gateway late last year. Furthermore, Vodacom's track record bears out its consistent investment in technology leadership and high calibre people, brought together by a performance-driven culture that rewards innovation and excellence.

Vodacom's focus on the customer has kept it at the forefront of innovation, particularly in finding more affordable ways to connect people and offering value-added new services. The company's vision of democratising access to voice and data services in sub-Saharan Africa is premised on the understanding that affordability is a key driver of penetration and usage. From providing access to low-cost handsets, competitively priced airtime or broadband connectivity, or the latest value-added products and converged services, Vodacom understands that it competes on value.

In a cost-constrained economic environment, customers not only expect added value for their communications spending but also look to ICT to help them operate more efficiently. Vodacom's track record of innovation and early adoption of new technologies, and the urgency it has demonstrated in implementing these, stands it in good stead to stay abreast of advancing global standards and in a position to realise the efficiencies associated with subsequent generations of technology.

A resilient performance

It is pleasing to record that in the face of significantly heightened economic risk, the Group has displayed resilience. A solid financial performance was achieved in the year ending 31 March 2009, even as the global economic downturn deepened its bite in the Group's operating markets. Higher inflation, driven largely by fuel and food prices, rising cost of debt and currency weakness were features of the operating conditions in South Africa, as was the impact of the commodity price slump on the resources sector. In the DRC, this affected the country's mining-reliant economy severely.

Vodacom's unwavering focus on customers has seen it grow its customer base by 5.6 million to nearly 40 million customers and to increase the penetration of data services, which lifted revenue 14.5% to R55 187 million. Headline earnings per share were however 21.0% lower at 417 cents per share, largely due to the BBBEE share-based charge of R1 382 million and a substantial increase in finance charges arising from the restructuring of the balance sheet to ensure greater efficiency. Notable for me in this set of results is that the Group's cash flows remain healthy at some R9 140 million operating free cash flow after capital expenditure of R6 906 million. Going forward, this will allow the Group to invest as necessary in defending its leadership positions and in pursuit of its growth strategy, while also delivering competitive returns to shareholders.

Dividends declared for the year ended 31 March 2009 totalled R5 200 million with the final dividend of R2 200 million paid on 8 April 2009.

As a private company, Vodacom has historically paid a dividend equal to approximately all of its free cash flow on a semi-annual basis. As a publicly listed entity and for the financial year ending 31 March 2010, Vodacom anticipates a dividend payout ratio of around 40% of headline earnings. The first dividend is expected to be the interim dividend for the 2010 financial year.

Focusing on stakeholder relations and sustainability

In South Africa, we pay our respects to the late Minister of Communications, Dr. Ivy Matsepe-Casaburri, and look forward to building a relationship with the new Minister, Mr. Siphiwe Nyanda, founded on the constructive interaction that has characterised the relationship with the Ministry so far. It bears stating here that Vodacom's drive to democratise access to world-class communications coincides with the objectives of government and the regulatory authority to broaden access to affordable communications and bring down the cost of doing business in South Africa. We are committed to work constructively with the Department of Communications and ICASA to realise our common aim.

During the period under review, Vodacom South Africa's existing licence was converted into individual electronic communications service ("ECS") and electronic communications network service ("ECNS") licences as part of the managed liberalisation process enabled by the Electronic Communications Act of 2006 ("ECA"). This remains a complex and evolving regulatory environment which is mirrored largely in similar changes in the regulatory regimes in all the countries in which the Group operates.

In a world in the throes of structural change and the realignment of the values of business and society, and in the face of unprecedented environmental challenges, the risk of not responding decisively to the pressing challenges of sustainable development loom large. Vodacom's commitment to being a caring and active corporate citizen is especially important in this light. The initiatives that demonstrate this commitment are sketched in the sustainability overview starting on page 76, and detailed in the Group's separately published Sustainability Report. They cover a wide range including best practice human resources management, making progress across all pillars of the BBBEE scorecard, and the important work done in focused socioeconomic development by the respective Vodacom Foundations in all the Group's countries of operation. We celebrate the Vodacom Foundation's tenth year with over R500 million spent in community social investment during the ten-year period. The Group also continues to tackle environmental risk through initiatives that include driving efficiency and reducing consumption of utilities, to recycling projects and responsible management of waste.

I have said that this is a time for review and renewal. As a publicly listed entity and a subsidiary of a leading multinational group, Vodacom's corporate culture of being a high-profile and visible company sets a strong foundation for its commitment to the highest standards of integrity, accountability and governance. Part of the process of renewal is to ensure that the internal controls and culture of discipline necessary to manage risk, control costs and maximise operating efficiency are strengthened and entrenched. Improvements are also being made in the Group's engagement with its stakeholders and initiatives are underway to formalise the necessary policies and processes. This is involving in-depth consultation with key stakeholder groups from which we expect to gain valuable insights to inform the way forward, and ensure we are able to consistently meet the expectations of all our stakeholders.

Prospects

It is a common refrain, but the difficulty in forecasting and providing definitive guidance due to the prevailing economic uncertainty must be noted. As customers continue to contain their spending, Vodacom will seek to offer them greater value. To further mitigate the pressure on top-line growth and preserve margins, driving efficiencies across the business will continue to be a priority. We expect trading conditions to remain challenging in the Group's international operations, with economic weakness persisting and aggressive competition. The Group will weather the storm by staying efficient and competitive.

Appreciation and closing

In closing I wish to acknowledge Alan Knott-Craig, who kept Vodacom at the forefront of the development of the mobile communications industry in South Africa. The management team now at the helm is largely unchanged, ensuring consistency even as the business is renewed for the future.

I would like to thank the outgoing directors and particularly outgoing Chairman, Oyama Mabandla, for their valuable contributions to Vodacom's success. I also congratulate every Vodacom employee on what has been achieved thus far, and I am confident that with their continued focus and dedication the Group is well positioned to weather the economic storm and to grow profitably in existing and new markets. I recognise and appreciate the contribution of Vodacom's many suppliers and partners in all sectors of business and society, and look forward to their continued support in the years ahead.

I feel privileged to be joining the Vodacom Group at a decisive and exciting time in the company's development. We can be sure of tough times ahead, but it is at times such as these that innovation and excellence at every level of business is most required, and tends to come to the fore. So while I am certain that Vodacom's mettle will be tested further in the prevailing economic environment, I believe that we will not be found wanting.

Sponsorships inspiring sports stars

Vodacom is encouraging the sporting public to get involved in corporate citizenship by supporting South Africa's rugby, golf and soccer stars in raising funds for disadvantaged groups across the country. The campaigns link the company's sports sponsorships to several community involvement initiatives that we support.

It began with the 2008 *Tries for Smiles* campaign, in which Vodacom donated between R10 000 to R25 000 for every try scored during the Vodacom Super 14 Tournament to the Smile Foundation. This organisation facilitates reconstructive surgery for children with facial anomalies such as cleft lip and cleft palate, and various other forms of facial paralysis, abnormality or injury. Vodacom recently partnered with Netcare, who also performs cleft lip and palate operations, and the Walter Sisulu Paediatric Cardiac Centre for Africa, which provides cardiac operations to children, to extend the reach of the *Tries for Smiles* initiative.

In the *Birdies for Kiddies* campaign, Vodacom donates R500 for each birdie scored by golfers in the Vodacom Origins of Golf Tournament. Funds are donated to five organisations supported by the Vodacom Foundation that nurture and care for children in need: Project NOAH (Nurturing Orphans of AIDS for Humanity), Ndlovu Medical Trust, the ACFS Community Education and Feeding Scheme, New Beginningz, and Women and Men Against Child Abuse (WMACA).

Goals for Miracles provides a platform for the Vodacom sponsored soccer clubs to raise funds for cataract operations, performed countrywide through the South African National Council for the Blind (SANCB), the Pretoria Eye Institute's Sight 4 U Cataract Project and the Netcare Vodacom Sight For You Programme. For every goal scored in regulation time by the clubs in this year's Vodacom Challenge and the PSL Premier League competitions, Vodacom donates R50 000 to the organisations.

Wesley, Jeandre and Gaiden with Vodacom Bulls player, Wynand Olivier

Winning in more ways than one

- Raised R2 million during 2008, enabling 92 children to recieve world class reconstructive facial surgery through *Tries for Smiles*
- R800 000 has been donated to various organisations raised through *Birdies for Kiddies*
- Over 4 000 elderly people have received free cataract operations through *Goals for Miracles*

Board of directors

Independent non-executive directors

1. Mthandazo Peter Moyo (46)

Chairman of the Board

Peter holds a Bachelor of Accounting Science from UNISA, a Higher Diploma in Tax Law from Wits University and is a Chartered Accountant of South Africa. Peter is a director and shareholder of Amabubesi Group, a diversified investment group that was co- founded by Peter and his partners, Sango Ntsaluba and Thabiso Tlelai in 2002. Peter has been working full time for Amabubesi since January 2008 after he left Alexander Forbes. The only listed group company that he is a director of is Pinnacle Technology Holdings. Peter is also a non-executive director and member of the audit committee at Transnet Limited. He serves as Chairman of the audit committee of the Auditor General's Office. Peter also serves on the advisory council of the Stellenbosch Business School. He has just accepted an appointment to the board of Liberty Holdings, effective February 2009. Before joining Amabubesi he was Group CEO of Alexander Forbes, which he had joined in November 2005. During the time he led the Group, his responsibilities extended to other countries in Africa and Europe. Prior to joining Forbes Peter was Deputy Managing Director of Old Mutual South Africa, a position he held for over five years where he was responsible for all the company's businesses that served the corporate market like Old Mutual Asset Managers, Old Mutual Properties, Employee Benefits, Group Schemes, Healthcare, Symmetry Multi Manger and Old Mutual Specialised Finance. Prior to being Deputy MD at Old Mutual, he was CEO of the Employee Benefits Division, having joined the company in 1997. Before joining Old Mutual he was a partner at Ernst & Young in Johannesburg. Outside his full time employment, Peter also served on the board of Telkom from 2001 to 2004. He chaired the audit committee and was involved at Telkom at the time of its preparation for its listing on the JSE Limited and New York Stock Exchange.
He was appointed to Chairman of the Vodacom Board in May 2009.

2. Thomas Andrew Boardman (Tom) (59)

Chairman of the Audit Committee

Tom holds a Bachelor of Commerce degree and C.T.A. from the University of the Witwatersrand and is also a Chartered Accountant of South Africa. He is the Chief Executive of Nedbank Group Limited and Nedbank Limited. He was previously the Chief Executive of BOE Limited. He was the founding shareholder and managing director of the retail household goods chain, Boardmans. Prior to this he was a director of Blaikie Johnston Limited, managing director of Sam Newman Limited and worked for the Anglo American Corporation for three years. He served his articles at Deloitte & Touche. He is a non-executive director of Mutual & Federal Insurance and The Banking Association of South Africa and serves as a trustee on a number of charitable organisations. He was appointed to the Vodacom Board in February 2009.

3. Phuti Malabie (38)

Phuti holds a Bachelor of Arts degree in Economics from Rutgers University and an MBA from De Montfort University. Phuti is the managing director of Shanduka Energy. Prior to joining the Shanduka Group, Phuti headed the Project Finance South Africa unit at the Development Bank of Southern Africa and prior to that she spent six years with Fieldstone, an international firm specialising in the financing of infrastructure assets. Phuti was awarded the "Top in Project Finance, 2003" award by the Association of Black Securities & Investment Professionals. In 2007 she was nominated Global Young Leader by the World Economic Forum. She was listed as one of the "Top 50 women in the world to watch in 2008" by the Wall Street Journal. She was appointed to the Vodacom Board in February 2009.

4. Thoko Martha Mokgosi-Mwantembe (47)

Thoko holds a Bachelor of Science from the University of Swaziland and a Master of Science in Medical Chemistry from Loughborough University of Technology (UK), completed a Senior Executive Programme at Harvard and a Managing Corporate Resources Programme from IMD (Swaziland) and holds a Diploma in Teaching from Swaziland. Thoko is the CEO of Kutana Investment Group and is a director at Knorr Bremse SA (Proprietary) Limited, Absa Group Limited, Paracon Holdings Limited. Thoko has held a number of senior executive positions at Telkom, was marketing director at Lucent Technologies, a divisional managing director of Siemens Telecommunications, the CEO of Alcatel SA and until November 2008, CEO of Hewlett Packard South Africa. Thoko is the recipient of the BWA Businesswoman of the year award in the Corporate category in 2007. In 2005 she won the ICT achiever of the year award, top ICT business woman in Africa award and ICT personality of the year. She was appointed to the Vodacom Board in May 2009.

Board of directors

Non-executive directors (Vodafone representatives)

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1. Michael Joseph (63)

Michael holds a Bachelor of Science in Electrical Engineering from the University of Cape Town and is a member of the Institute of Electrical and Electronic Engineers and the Institute of Electronic Engineers. Michael is directly contracted by Vodafone for secondment to Safaricom as the CEO of Safaricom, a position held since Vodafone's original investment in 2000. He has extensive international experience in the implementation and operation of large mobile and fixed-line networks, including operations in Hungary, Spain, Brazil, Peru, Argentina, Korea, United States, Australia and the Middle East. Michael has been the recipient of many awards, including CEO of the year awarded by the Kenya Institute of Management and the Moran of the Order of the Burning Spear (an award given by the President of Kenya to people who have made a positive impact in Kenya). He was appointed to the Vodacom Board in May 2009.

2. Morten Lundal (44)

Morten holds a Master of Business Administration from IMD, Switzerland, and a Master of Business and Economics from the Norwegian School of Management. He rose through senior roles at Nordic mobile operator Telenor, leading their Internet division, Business Solution division and corporate strategy. He was most recently CEO of Telenor's Malaysian subsidiary DiGi Telecom. He has wide ranging geographical experience through Europe, US and Asia. Prior to Telenor, he was a management consultant with Gemini Consulting UK and AT Kearney in Norway and US. He is Vodafone's CEO of the Africa and Central Europe Region and a member of the Vodafone Executive Committee. He was appointed to the Vodacom Board in November 2008.

3. James Carl Grinwis Maclaurin (42)

James is a Chartered Accountant and member of the Institute of Chartered Accountants (Scotland). Prior to joining Vodafone, James held senior financial positions such as CFO of Celtel International BV and UbiNetics Holdings Limited, Executive Vice President Finance at Marconi Plc, COO Marconi Finance Plc, Vice President Corporate Finance and Finance Director GEC Singapore and GEC Bangladesh. James is Vodafone's CFO of the Africa and Central Europe Region. He was appointed to the Vodacom Board in November 2008.

4. Ronald Schellekens (45)

Ronald is Vodafone's Group Human Resources Director and a member of the Vodafone Executive Committee. Prior to joining Vodafone, Ronald was Executive Vice President HR for Shell's global downstream business (refining, retail, commercial, lubricants, chemicals) responsible for 81 000 employees in approximately 120 countries. Prior to working for Shell, he spent nine years working for PepsiCo in various international senior HR roles, including assignments in Switzerland, Spain, South Africa, the UK and Poland. In his last role he was responsible for the Europe, Middle East & Africa region for PepsiCo Foods International. Prior to PepsiCo he worked nine years for AT&T Network Systems in Human Resources roles in the Netherlands and Poland. He was appointed to the Vodacom Board in February 2009.

5. Richard Charles Snow (42)

Richard holds a Masters degree in Natural Sciences from Trinity College, Cambridge and is a Chartered Accountant and member of the Institute of Chartered Accountants (England & Wales). He worked in investment banking, firstly for Charterhouse Bank, then from 1996 for Merrill Lynch, latterly as a managing director of investment banking. In 2004 he moved to Goldman Sachs as a managing director in its financing group until he moved to Vodafone in 2006 where he currently holds the position of Group Investor Relations Director. He was appointed to the Vodacom Board in February 2007.

Executive committee

1. Petrus Johannes Uys (Pieter) (46)
Chief Executive Officer (Executive director)

Pieter holds Bachelor of Science and Master of Science degrees in Engineering from the University of Stellenbosch and a Master of Business Administration degree from Stellenbosch Business School. Pieter was appointed CEO of Vodacom Group with effect from 1 October 2008. Prior to his appointment as CEO, Pieter served as the chief operating officer for Vodacom Group from April 2004 until his appointment as CEO. He also served as managing director of Vodacom SA from December 2001 until March 2005. Pieter joined Vodacom Group in 1993 as a member of the initial engineering team. He was appointed to the Vodacom Board in April 2004.

2. Mohamed Shameel Aziz Joosub (38)
Managing Director Vodacom SA (Executive director)

Shameel holds a Bachelor of Accounting Science (Honours) from the University of South Africa and a Master of Business Administration degree from the University of Southern Queensland, Australia. He is also an Associated General Accountant and Commercial and Financial Accountant (South Africa). Shameel joined Vodacom in March 1994 after completing his articles and has held various positions within Vodacom. He was appointed as managing director of Vodacom SA in April 2005. He has served as the managing director of Vodacom service provider company (the service provision and commercial arm of Vodacom) from 2000 to 2005. Shameel was also managing director and founder of Vodacom Equipment Company (Proprietary) Limited, the former handset distribution company in Vodacom from 1998 to 2000. He was appointed to the Vodacom Board in September 2000.

3. Johan van der Watt (43)
Acting Chief Financial Officer (Executive director)

Johan is a Chartered Accountant of South Africa and is the acting CFO of the Vodacom Group. He graduated with a Bachelor of Commerce in 1988 and in 1989 he completed a Certificate in the Theory of Accounting. Johan completed his articles in September 1992 at PricewaterhouseCoopers. In September 1993 he joined Vodacom. In 2000, Johan was appointed as Financial Director of Vodacom (Proprietary) Limited and in 2005 he was appointed as Executive Director: Finance, Vodacom SA. He was appointed to the Vodacom Board in February 2009.

4. Robert William Collymore (Bob) (51)
Chief Officer Corporate Affairs

Robert has spend most of his career in the telecommunications industry, starting with British Telecommunications Plc where he held a number of marketing, purchasing and commercial roles over a 15 year period. From 1994 to 1998 he was purchasing director for Dixons Stores Group, the largest electrical retailer in the United Kingdom, from where he joined Vodafone as the purchasing director for its United Kingdom business. In 2000, he was appointed to the role of Global Handset purchasing director responsible for Vodafone's handset business across 26 countries. In 2003 he moved to Japan as consumer marketing director (Asia). He was appointed to the Vodacom Board in September 2006 from which he retired on 24 February 2009. Bob also sits on the board of Safaricom in Kenya.

5. Lungile Myrtle Ndlovu (50)
Chief Human Resources Officer

Lungile holds a Bachelor of Arts and Master of Arts degrees and a Higher Diploma in Personnel Management. Lungile has over 20 years experience in human resources management spanning a wide range of industry sectors. She is a highly sought after speaker at conferences and has contributed to a book entitled "Building Human Capital" published by Knowledge Resources. Prior to joining Vodacom in 2000 as the Chief Human Resources Officer, she worked for Primedia Limited as Group General Manager, Human Resources, Otis (Proprietary) Limited as Human Resources Manager for OTIS SADC Companies, Nedcor Bank Limited as Senior Human Resources Officer and Anglo Alpha as Group Training Officer.

6. Willem Hendrik Swart (46)
Chief Officer International Business

Willem qualified as a Chartered Accountant of South Africa. He joined Telkom in April 1993 as a member of the team which established Vodacom as a company. In November 1993 he joined Vodacom as a Financial Manager. He rose up the ranks during his career at Vodacom to the position of Finance Director of Vodacom SA which he held for four years until July 2000. He also subsequently held a position of Finance Director for Vodacom Service Provider Company and for Vodacom International. He was appointed as Managing Director of Vodacom DRC from September 2002 until March 2004. He then resigned from Vodacom and was appointed as the CEO of VMobile in Nigeria from April 2004, and held a position until July 2006. Willem took a sabbatical from the corporate world for two years and in August 2008 joined Vodacom again as advisor to the CEO and has recently been appointed as Chief Officer International Business.

Chief Executive Officer's review

During the past year Vodacom started its transformation into a total communications provider. Our acquisition of Gateway has boosted our presence in Africa, and we have shown robust organic growth in our mobile, broadband and converged ICT businesses.

Pieter Uys

Chief Executive Officer

The last 14 months have been seminal for the Vodacom Group. We concluded our BBBEE transaction and aquired the leading pan-African carrier services and connectivity provider, Gateway. We said farewell to one of our founding shareholders, Telkom, and became a subsidiary of the other, Vodafone Group, making us part of the world's leading mobile communications group, and we listed on the JSE Limited.

In the 12 months to 31 March 2009, notwithstanding the detailed preparation and intense focus required by these defining events, and the pervasive impacts of an unprecedented economic downturn, I am pleased to report that Vodacom demonstrated its quality and resilience.

The Group delivered a solid set of results and we made steady progress in our strategy to be a leading provider of total communications in sub-Saharan Africa.

Financial performance

In the latter part of the financial year, the effect of the deteriorating global macroeconomic conditions were felt in the businesses, particularly in the DRC where the dramatic impact on the economy of collapsing mineral resource prices and mine closures affected revenue and profitability. The slowdown in the South African economy has to some degree filtered through to the mobile market.

Revenue rose 14.5% to R55 187 million, largely as a result of a 16.5% increase in our customer base to 39.6 million and the 28.8% increase in data revenue to R6 441 million. Organic revenue growth for the year was 12.9%. EBITDA increased 10.5% to R18 196 million, and the group EBITDA margin decreased to 33.0% from 34.2% in the prior year mainly due to the BBBEE transaction expenses, operating costs relating to the establishment of Vodacom Business and margin pressure in the DRC. Operating profit for the year was down 3.9% to R12 005 million, affected by the BBBEE charge of R1 382 million. Excluding this charge, operating profit was up 7.2% to R13 387 million.

Headline earnings per share decreased 21.0% to 417 cents per share, compared to 528 cents per share in the prior year. Excluding the BBBEE charge of R1 382 million, adjusted headline earnings per share decreased 3.4% to 510 cents per share. The reduction in adjusted headline earnings per share is largely due to the substantial increase in finance charges resulting from the higher gearing in the business. Net debt rose to R17 537 million as at 31 March 2009, compared to R8 663 million a year before, reflecting the raising of new debt to refinance existing debt and fund both capital expenditure and the acquisition of Gateway.

Cash generated from operations remained stable at R16 351 million, as compared to R16 334 million in the prior year. Net cash flows utilised in investing activities increased from R7 502 million to R12 750 million mainly due to the acquisition of Gateway for R5.3 billion and continued capital investment. Pleasingly, the Group generated operating free cash flow after capital expenditure of R9 140 million.

Performance against strategy

Our strategy to be the leading provider of total communications in sub-Saharan Africa is based on four interlinking objectives:

- To grow our core mobile business;
- To lead in broadband and connectivity services;
- To develop ICT converged solutions; and
- To expand in sub-Saharan Africa.

Vodacom's pursuit of leadership in all our markets is inspired by our vision of democratising access to world-class communications. Our vision contemplates extending the revolutionary possibilities that ICT offers for socio-economic development in Africa and providing a better quality of life for all her people.

In the early years of Vodacom's development we dreamed of democratising access to voice telephony in South Africa, and the growth in mobile communications has surpassed even our most optimistic early expectations. Subsequently, we have made significant progress in our international operations, and today Vodacom is the market leader in four of five of the countries in which we operate. In recent years the scope of our vision has grown with the advance of data communications, broadband penetration and the internet, which is being reflected in converging licensing regimes in our markets. Vodacom's strategy now encapsulates the prospect of democratising access to data in an increasingly IP-enabled world, and we are moving strongly into the converged ICT landscape.

The rapid convergence of new information and communication technologies, liberalising telecommunications markets and intense pricing pressure are reshaping our competitive landscape rapidly and fundamentally. In our home market of South Africa, around 250 individual ECS and ECNS licenses were awarded under the ECA. To position Vodacom to defend its market leadership and take up the opportunities of this new era in communications, we have set our sights on being a leading total communications provider.

Our first point of strategic focus is to grow our core mobile business and in the period we added 5.6 million new customers, half of the total in South Africa and the other half in our international operations, which now represent just under a third of our total customer base. Vodacom now serves nearly 40 million customers in five countries with a total population of more than 180 million. The low penetration of mobile communications in sub-Saharan Africa, which is home to three quarters of the continent's population, holds much promise for future growth.

The customer growth achieved in the year under review has rewarded our focused initiatives to continuously improve our core business in South Africa and leverage our competencies into our international operations. We have been effective in attracting and retaining customers through enhanced customer care, which has improved customer satisfaction measures significantly, and targeted loyalty programmes in our various markets, which have stabilised churn. In South Africa, overall churn reduced and in our international operations it remained relatively constant. Ongoing innovation in the products and services, and value we offer our customers also spurred growth with notable examples in South Africa being the introduction of lower denomination vouchers and Yebo4Less, the dynamically priced prepaid product which enjoyed significant uptake of 4.8 million customers, 20.4% of our prepaid customer base.

We continue to concentrate on controlling costs and driving operational efficiencies, for instance by leveraging the procurement strength of Vodacom and the wider Vodafone Group to secure volume-based pricing of handsets. We have also developed our distribution network, extending our reach to customers through multiple channels and new community-based initiatives, such as YeboTradas, to reach out to customers in remote areas. A tenet of our approach to distribution has always been to incentivise loyalty in our distribution channels by providing suitable margin to our distribution partners at every level, and thereby not only extending our reach but also driving entrepreneurial activity.

In line with our second strategic objective to lead in broadband and connectivity services, we have entrenched our position as South Africa's largest broadband provider. In the year we launched more affordable products and bundled packages to drive penetration and usage of data, and continued to provide our customers with access to new generation products and high-speed broadband connectivity. By year end we had grown our broadband customer base 80.0% to 720 000 customers. Some 5 million customers use various packet data technologies on our network and we have one million active email account users. The potential to extend broadband connectivity and online services is significant, with around 3 million 3G-enabled handsets already on Vodacom's network in South Africa together with our drive to further lower the cost of internet capable handsets and netbooks through Vodafone.

We are constantly deploying new technologies that provide more capacity and higher speed more cost-effectively as they are more spectrum efficient, use less power and are less costly to maintain. In the year we increased the total number of 3G sites to 2 880, complemented by an additional 141 WiMAX sites deployed in partnership with WBS. Our programme to self-provide transmission capacity is well on track in South Africa, with eight of the planned 11 metropolitan fibre rings completed in the year. We have also moved forward in our infrastructure sharing plan, with agreement reached to begin the construction of a 5 000 km national fibre network jointly with MTN and Neotel. These self-provisioning initiatives are aimed at allowing us to better manage transmission costs and the quality of our service going forward.

Gateway's extensive pan-African network complements our network build-out, which includes access to international bandwidth via satellite and terrestrial links, and the development of a continent-wide MPLS network. We are also involved in new submarine cable projects that will provide substantial new international broadband capacity for the continent, and are developing our own in-country links to connect to international landing points. Notably, we are investing in the West Africa Cable System ("WACS"), a 3.84 terabit per second fibre optic submarine cable that will link countries in Southern Africa, West Africa and Europe with high capacity international bandwidth. The cable system will cover 14 000 km and cost US$600 million to build. WACS is expected to be ready for service in early 2011.

Our new generation network has enabled us to be decisive in taking up the opportunities of liberalising ICT markets to develop converged solutions for corporates and consumers, our third strategic objective. Hand-in-hand with driving access to data connectivity, we continue to develop value-added data services, including the provision of online content. In the consumer space, our offerings include Mobile Internet, *Vodafone live!*, mobile advertising, money transfer services and social networking.

Vodacom SA's exclusive launch of Mobile Internet in June 2008 has made accessing the internet easier and cheaper, and has stimulated the number of customers using their mobile phones as an access device. In February 2009, we launched *Vodafone Connect Via the Phone* which enables customers to use a 3G phone as a modem to access the internet from their PCs or laptops. With internet penetration at a low 9.5% in South Africa and less than 1% in most of the rest of Africa, there is substantial opportunity for growth in IP services. As new broadband capacity comes on stream nationally and internationally, internet penetration and usage is set to grow significantly and our new offerings will come into their own.

Vodacom Mobile Media has established itself as a pioneer in the mobile media space, not only in South Africa but also internationally as one of the leading operators in the development of the mobile advertising opportunity within the Vodafone Group. Improvements to the content and overall experience offered on *Vodafone live!*, which hosts a range of online services, has converted into an average of more than 2.5 million unique users a month accessing the portal, with an average of around 15% of these visits converting into online purchases of music, games, news and movies. We have begun to explore the delivery of financial services via the mobile phone and we introduced M-PESA in Tanzania, which enables customers to use their handsets to transfer money and buy airtime, goods and services. We have also ventured into the burgeoning world of social networking, with our Social Media division developing *The Grid*, a unique location-based social networking platform.

In the enterprise market, Vodacom Business had a successful first year, attracting top talent in the ICT industry and developing a full suite of products. The skills and comprehensive product portfolio we can now offer have translated into some impressive new business wins for Vodacom Business, underpinned by its construction of a best-of-breed infrastructure layer. This includes bringing fibre to customers' doorsteps, which is being planned in conjunction with the construction of the metro fibre rings. During the year we also built a state-of-the-art data centre at a total cost of R100 million, and made the small but strategic acquisition of StorTech, which is a specialist in the hosting environment and provides us with the necessary capacity and skills in this area.

Our acquisition of Gateway provides the thrust for our final strategic objective to expand in sub-Saharan Africa. The acquisition has given Vodacom a much larger international footprint and a springboard for further expansion. Gateway provides us with new market entry points and local market understanding, and offers attractive synergies.

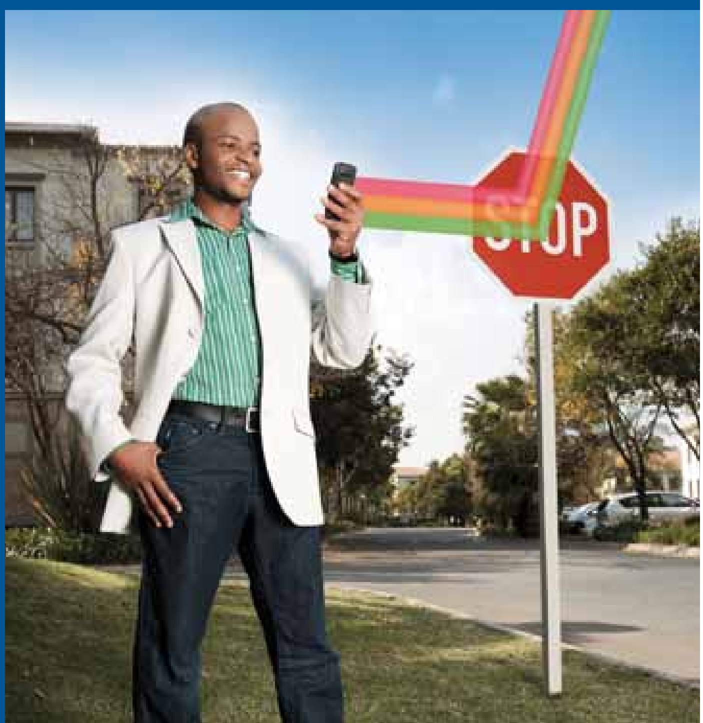
Gateway continued to extend its network in the period with the opening of two new offices in Kenya and Uganda, and launched IPJetDirect, a new offering to provide high-speed low-latency internet connectivity. We have made progress identifying synergies between Vodacom and Gateway, specifically in international voice and carrier data services. As the leading provider of managed network IT solutions to blue-chip multinational clients on the continent, Gateway is expected to provide growth impetus particularly in the enterprise market.

All our strategic endeavours are supported by our ongoing investment in the brand. We believe that developing and maintaining a strong and popular brand is a powerful driver of successfully delivering total communications services in Africa. Vodacom has managed to achieve iconic brand status in South Africa and is much-loved in our other markets, continuing to win accolades in the year. We will continue to deepen the relationship our customers have with our brand through national sponsorships, loyalty programmes and relevant advertising, while also investing substantially in the upliftment of communities.

Vodacom has proven to be a a powerful agent for change in the communities in which we operate, and this year the Vodacom Foundation, which manages our CSI efforts, celebrated its tenth anniversary. During the past decade the Vodacom Foundation has invested half a billion rand in social upliftment activities, focusing on education, health and security. The opportunities for democratising access to new communications products and services are fruitless if our communities are marginalised from sustainable progress, and our intention to be a force for good are as much a part of the Vodacom way as our investments in our core competencies as a communications provider.

Innovations such as Mobile Internet support our strategy to lead in broadband and connectivity services. It is a product that increases the affordability of data services while enhancing the experience and potential of using the internet. And by leading the market in providing the best deals on devices capable of accessing the internet, Vodacom is truly democratising data. Broadening access to these devices and reliable data networks also provides a significant opportunity to address low internet penetration rates evident across Africa.

We launched our Mobile Internet service in June 2008, a content adaption technology that resizes and optimises internet content for mobile access. The benefits to our data business is evident from the 24% increase in the WAP gateway data volumes in the quarter following its launch and over five million packet data users in December 2008. The *Vodafone live!* portal has also benefited from the internet launch, with over 2.6 million users in March 2009 alone.



Mobilising the Internet

Outlook

Vodafone's 15% increase in its shareholding in Vodacom to 65% at the time of listing has commuted our status from partner network to a subsidiary and the exclusive investment vehicle in sub-Saharan Africa of a global mobile communications leader. Vodacom already derives benefit from the economies of scale and shared expertise across the Vodafone Group, which operates networks in 30 countries and has a proportionate customer base of some 303 million. Besides exclusive access to new product launches and global research and development capability, the benefits of our relationship with Vodafone extend to benchmarking our operations against global standards of excellence. As we move forward, the benefits accruing from our relationship are set to increase.

In South Africa lower interest rates, inflation and fuel prices in the year ahead are expected to provide some relief to consumers, but the global macroeconomic conditions are expected to continue affecting the business segment possibly resulting in further increases in unemployment. As customers continue to contain their spending, we will seek to offer them greater value. To further mitigate the pressure on top-line growth and preserve our margins, we will continue driving efficiencies across the business – Gateway and our relationship with Vodafone will be key to unlocking further synergies. We expect trading conditions to remain challenging in our international operations, with economic weakness persisting in the DRC and aggressive competition in all our markets.

Our investments in optimising all aspects of our business are ongoing and we will continue to position the Group for organic growth in the sub-Saharan African communications markets, which remain among the fastest growing in the world. Vodacom's strong cash flow and balance sheet will provide the flexibility to invest prudently in strategic growth opportunities as they arise and to return significant amounts of cash to shareholders on a sustainable basis. Although the difficult conditions are set to continue, we will persist in our strategy to be a leader in total communications. We look to the future with much confidence in our ability to grow profitably, and suitable circumspection given the difficult economic environment.

Priorities for the year ahead

- Increase performance and profitability of all our operations;
- Contain costs and leverage Vodafone global cost benefits;
- Market leadership in all countries of operation;
- Deliver returns on the investment in Vodacom Business; and
- Integrate Gateway and maximise synergies.

Appreciation

On behalf of all the people of Vodacom, I extend thanks to our outgoing Board members and to Telkom for their contribution to Vodacom's success. To Alan Knott-Craig, we record our deepest respect and appreciation for his visionary leadership. We extend a warm welcome to our new chairman, Peter Moyo, and the new Board members and appreciate the wealth of experience they bring to the Group.

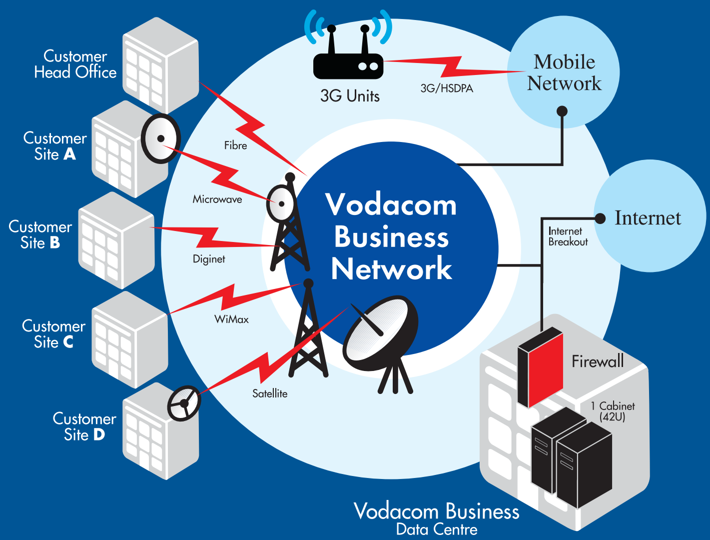
Finally, my personal thanks to all our people. It is due to their calibre and commitment that we have been able to negotiate the complexities of change, competition and adverse conditions to deliver a resilient performance for the year. I am excited by the prospect of further progress in realising our aspiration to democratise access to world-class communications and the associated opportunities for progress in sub-Saharan Africa.

"Vodacom Business has been established to compete in the South African enterprise communications market," says Wally Beelders, Vodacom's Executive Director for Vodacom Business. Primarily aimed at enterprise level, it provides comprehensive end-to-end ICT solutions. "We are unique in having no legacy infrastructure to impede service provision," Beelders adds.

End-to-end capability

As an example, Vodacom Business is providing fully converged end-to-end ICT services to an enterprise client with 40 branch offices across South Africa. This includes all fixed-line voice, mobile voice, all branch connectivity, all internet requirements, hosting their core applications at our data centres (including a collaboration suite for electronic mail, share point portal, shared documentation and other collaboration services), and connectivity to their international destinations and UK head office. By aggregating all services, Vodacom Business is able to offer a totally integrated solution at a very competitive price based on total spend with Vodacom.

Customer conceptual network diagram



Managing a customer's network

We provide an outsourced network service utilising our extensive self-provided backbone network infrastructure and extensive management platforms.

The customer's applications are located in our data centre, providing a fully managed 24/7 facility where applications are constantly monitored and secure.

Each branch office connects into Vodacom's MPLS backbone network via our self-provided last-mile infrastructure, making use of fibre for their head office and a combination of microwave, WiMax, Diginet and satellite connectivity for the branch offices, depending on their location and availability of infrastructure.

Through our Tier 1 ISP service, we provide direct connectivity to the internet, secured through our security and firewall services. Their international head office communicates with local offices via Vodacom's international MPLS network, which has major points of presence in the UK and US.

Each office PABX is connected to the VoIP switch which will carry voice calls on the network and connect calls to other networks. When an external number is called, the VoIP switch connects the call to the relevant local or international provider.

Converging ICT solutions

Chief Financial Officer's review

A number of significant events affected the financial results: the Vodacom SA BBBEE transaction, the acquisition of Gateway and the raising of new debt.

Johan van der Watt

Acting Chief Financial Officer

Highlights

- 14.5% growth in revenue to R55.2 billion
- 16.5% growth in customers to 39.6 million
- 10.5% growth in EBITDA to R18.2 billion
- Successful debt raising and refinancing to improve the efficiency of the capital structure
- Dividends declared for the year of R5.2 billion

A number of significant events affected the financial results: the Vodacom SA BBBEE transaction, the acquisition of Gateway and the raising of new debt.

- In October 2008, the Group concluded its BBBEE transaction, selling a 6.25% stake to black partners, black public and employees. There were once-off BBBEE transaction expenses (advisory fees, distribution and marketing costs) of R95 million that affected EBITDA for the year ended 31 March 2009. The BBBEE charge of R1.4 billion as a result of an equity-settled shared-based payment in terms of IFRS2, is not reflected in EBITDA but affected operating profit.
- The acquisition of Gateway was completed on 30 December 2008 and was financed through a combination of cash and existing and new debt facilities. The equity purchase price, including capitalised costs, was R5.7 billion with a fair value of net assets acquired of R281 million, resulting in goodwill arising from the transaction of R5.4 billion. The Group results include Gateway for the three months ended 31 March 2009.
- Vodacom more than doubled its net debt over the year, successfully obtaining long-term funding of R6.5 billion in October 2008, a further R3.0 billion in December 2008 and increased bank borrowings to refinance existing debt and fund both the Gateway acquisition and capital expenditure. This has achieved a more efficient capital structure, but has resulted in substantially higher finance charges. The balance sheet remains conservatively geared and well within our capacity.

During the latter part of the financial year, the effect of the deteriorating global macroeconomic conditions were felt in all the businesses, particularly in the DRC where the dramatic impact on the economy of declining mineral resource prices and the closing of many mines, affected revenue and profitability.

The slowdown in the South African economy has to some degree filtered through to the mobile market. While the prepaid market in South Africa remained relatively resilient and showed increased usage, contract customer spending declined compared to the prior year and a preference for lower value handsets affected equipment revenue.

The depreciation of the rand against the functional currencies of the international operations had a positive effect on the Group's trading results. The depreciation of the rand against the US dollar negatively impacted South African maintenance costs, handset purchases and capital expenditure, but to a lesser extent.

Summary financial information

	Year ended 31 March			% change	
Rm	2009	2008	2007	08/09	07/08
Revenue	55 187	48 178	41 146	14.5	17.1
EBITDA[1]	18 196	16 463	14 227	10.5	15.7
Operating profit	12 005	12 491	10 860	(3.9)	15.0
Adjusted operating profit[2]	13 387	12 491	10 860	7.2	15.0
Net profit	6 192	7 958	6 560	(22.2)	21.3
Operating free cash flow	9 140	9 803	8 009	(6.8)	22.4
Capital expenditure[3]	6 906	5 916	6 748	16.7	(12.3)
Net debt	17 537	8 663	6 027	102.4	43.7
Total assets	47 359	34 175	28 470	38.6	20.0
Headline earnings per share (cents)	417	528	426	(21.0)	23.9

[1] Earnings before interest, taxation, depreciation, amortisation, profit/loss on disposal of investments and on disposal of property, plant and equipment, investment properties and intangible assets and the BBBEE charge

[2] Adjusted operating profit excludes the BBBEE charge of R1 382 million

[3] Capital expenditure additions including software and excluding licences

Group operating results

Rm	Year ended 31 March 2009	2008	2007	% change 08/09	07/08
Revenue	55 187	48 178	41 146	14.5	17.1
Other operating income	255	156	120	63.5	30.0
Direct network operating cost	(30 422)	(26 300)	(22 440)	(15.7)	(17.2)
Employee expenses	(3 619)	(2 976)	(2 373)	(21.6)	(25.4)
Marketing and advertising	(1 523)	(1 264)	(1 146)	(20.5)	(10.3)
Other operating expenses	(1 696)	(1 362)	(1 064)	(24.5)	(28.0)
Depreciation	(3 948)	(3 366)	(2 901)	(17.3)	(16.0)
Amortisation of intangible assets	(735)	(545)	(459)	(34.9)	(18.7)
Impairment of assets	(112)	(30)	(23)	-	(30.4)
Adjusted operating profit	13 387	12 491	10 860	7.2	15.0
BBBEE charge	(1 382)	-	-	-	-
Operating profit	12 005	12 491	10 860	(3.9)	15.0
Net finance charges	(1 749)	(424)	(464)	-	8.6
Loss from associates	(19)	-	-	-	-
Profit before taxation	10 237	12 067	10 396	(15.2)	16.1
Taxation	(4 045)	(4 109)	(3 836)	1.6	(7.1)
Net profit	6 192	7 958	6 560	(22.2)	21.3
EBITDA	18 196	16 463	14 227	10.5	15.7
EBITDA margin (%)	33.0	34.2	34.6	(1.2 pts)	(0.4 pts)
Operating profit margin (%)	21.8	25.9	26.4	(4.1 pts)	(0.5 pts)
Effective taxation rate (%)	39.5	34.1	36.9	5.4 pts	(2.8 pts)
Net profit margin (%)	11.2	16.5	15.9	(5.3 pts)	0.6 pts

Exchange rates

	Year ended 31 March 2009	2008	2007	% change 08/09	07/08
Rand/US dollar					
Average	8.84	7.11	7.05	(24.3)	(0.9)
Closing	9.64	8.13	7.29	(18.6)	(11.5)
Tanzanian shilling/rand					
Average	142.67	171.95	182.02	(17.0)	(5.5)
Closing	139.52	151.99	170.83	(8.2)	(11.0)
Mozambique metical/rand					
Average	2.83	3.57	3.73	(20.7)	(4.3)
Closing	2.84	2.99	3.63	(5.0)	(17.6)

Revenue

Revenue rose 14.5% to R55 187 million, largely due to a 16.5% increase in the customer base to 39.6 million, the 28.8% increase in data revenue to R6 441 million and the inclusion of R808 million from Gateway for the final quarter of the year. Revenue from the South African operations increased 10.8% to R47 483 million, contributing 86.0% (2008: 88.9%) to group revenue for the year ended 31 March 2009. Revenue from the international operations grew 29.9% to R7 003 million, contributing 12.7% (2008:11.2%) to group revenue. Organic revenue growth for the year was 12.9%.

Group revenue

	Year ended 31 March			% change	
Rm	2009	2008	2007	08/09	07/08
South Africa	47 483	42 852	37 125	10.8	15.4
International	7 003	5 393	4 140	29.9	30.3
Tanzania	2 975	2 354	1 729	26.4	36.1
DRC	2 928	2 297	1 914	27.5	20.0
Mozambique	735	434	269	69.4	61.3
Lesotho	398	309	227	28.8	36.1
Mauritius[1] and eliminations	(33)	(1)	1	-	-
Gateway	808	-	-	-	-
Corporate and eliminations	(107)	(67)	(119)	(59.7)	43.7
Total revenue	**55 187**	**48 178**	**41 146**	**14.5**	**17.1**

[1] Mauritius is a holding company responsible for certain administration relating to the international operations

Profitability

EBITDA increased 10.5% to R18 196 million, mainly as a result of strong revenue growth offset by BBBEE transaction expenses of R95 million and margin pressure in the DRC. EBITDA from the South African operations was up 9.7% to R16 222 million, contributing 89.2% (2008: 89.8%) to group EBITDA for the year.

EBITDA from the international operations increased 18.7% to R1 835 million, contributing 10.1% (2008: 9.4%) to group EBITDA. Gateway contributed R100 million to group EBITDA for the three months from the acquisition date. The group EBITDA margin decreased from 34.2% in the prior year to 33.0%.

Group EBITDA

	Year ended 31 March			% change	
Rm	2009	2008	2007	08/09	07/08
South Africa	16 222	14 790	12 904	9.7	14.6
International	1 835	1 546	1 238	18.7	24.9
Tanzania	1 049	765	591	37.1	29.4
DRC	743	745	603	(0.3)	23.5
Mozambique	(19)	(32)	(69)	40.6	53.6
Lesotho	189	139	97	36.0	43.3
Mauritius[1] and eliminations	(127)	(71)	16	(78.9)	-
Gateway	100	-	-	-	-
Corporate and eliminations	39	127	85	(69.3)	49.4
Total EBITDA	**18 196**	**16 463**	**14 227**	**10.5**	**15.7**

[1] Mauritius is a holding company responsible for certain administration relating to the international operations

Group operating profit

Rm	Year ended 31 March 2009	2008	2007	% change 08/09	07/08
South Africa	11 372	11 704	10 333	(2.8)	13.3
International	606	718	538	(15.6)	33.5
Tanzania	615	460	346	33.7	32.9
DRC	204	364	277	(44.0)	31.4
Mozambique	(253)	(157)	(177)	(61.2)	11.3
Lesotho	166	123	75	35.0	64.0
Mauritius and eliminations	(126)	(72)	17	(75.0)	-
Gateway	33	-	-	-	-
Corporate and eliminations	(6)	69	(11)	(108.7)	-
Total operating profit	12 005	12 491	10 860	(3.9)	15.0
Adjusted operating profit[1]	13 387	12 491	10 860	7.2	15.0

[1] Adjusted operating profit excludes the BBBEE charge of R1 382 million

Operating profit for the year was down 3.9% to R12 005 million primarily due to the BBBEE charge of R1 382 million. Excluding this charge, operating profit increased 7.2% to R13 387 million, lower than EBITDA growth due to an increase of 17.3% in depreciation to R3 948 million.

Finance charges

Net finance charges rose from R424 million in the prior year to R1 749 million. Finance costs for the year ended 31 March 2009 increased substantially to R1 460 million, compared to R681 million in the prior year, due to increased borrowings and the higher effective cost of borrowings. The loss on the foreign exchange forward contract revaluation of R567 million includes R408 million in foreign exchange losses incurred in respect of the Gateway acquisition. The gain on the revaluation of foreign denominated liabilities of R228 million mainly relates to the gain on the revaluation of the minority shareholder's put option in the DRC.

Group finance charges

Rm	Year ended 31 March 2009	2008	2007	% change 08/09	07/08
Finance income	108	72	75	50.0	(4.0)
Finance costs	(1 460)	(681)	(369)	(114.4)	(84.6)
(Loss)/gain on foreign exchange forward contract revaluation	(567)	346	468	-	(26.1)
Gain/(loss) on revaluation of foreign denominated liabilities	228	(162)	(642)	-	74.8
Other	(58)	1	4	-	(75.0)
Net finance charges	(1 749)	(424)	(464)	-	(8.6)

Taxation

The taxation expense for the year was 1.6% lower at R4 045 million mainly due to lower profit before taxation and a reduction in the South African corporate tax rate to 28% (2008: 29%), partly offset by the disallowable BBBEE charge and non-deductible interest charges. The effective tax rate increased from 34.1% to 39.5%.

Earnings

Headline earnings per share decreased 21.0% to 417 cents for the year, compared to 528 cents in the prior year. Excluding the BBBEE charge of R1 382 million, headline earnings per share decreased 3.4% to 510 cents per share. The reduction in headline earnings per share is largely due to the substantial increase in finance charges resulting from the higher average net debt.

Group earnings per share

	Year ended 31 March			% change	
Cents	2009	2008	2007	08/09	07/08
Basic earnings per share	409	525	426	(22.1)	23.2
Headline earnings per share	417	528	426	(21.0)	23.9
Weighted average shares in issue (thousand)[1]	1 487 954	1 487 954	1 487 954	-	-

[1] Based on number of shares in issue at listing date of 18 May 2009

Segment performance

South Africa

Rm	Year ended 31 March 2009	2008	2007	% change 08/09	07/08
Airtime and access	25 771	23 596	21 073	9.2	12.0
Data	5 973	4 670	3 113	27.9	50.0
Interconnection	8 632	7 945	7 058	8.6	12.6
Equipment sales	5 190	4 942	4 618	5.0	7.0
International airtime	1 496	1 396	966	7.2	44.5
Other	421	303	297	38.9	2.0
Revenue	**47 483**	**42 852**	**37 125**	**10.8**	**15.4**
Other operating income	250	152	107	64.5	42.1
Direct network operating cost	(26 357)	(23 653)	(20 427)	(11.4)	(15.8)
Employee expenses	(2 447)	(2 159)	(1 758)	(13.3)	(22.8)
Marketing and advertising	(1 099)	(993)	(944)	(10.7)	(5.2)
Other operating expenses	(1 620)	(1 438)	(1 147)	(12.7)	(25.4)
Depreciation	(2 843)	(2 607)	(2 262)	(9.1)	(15.3)
Amortisation of intangible assets	(607)	(450)	(361)	(34.9)	(24.7)
Impairment of assets	(6)	-	-	-	-
Adjusted operating profit[1]	**12 754**	**11 704**	**10 333**	**9.0**	**13.3**
BBBEE charge	(1 382)	-	-	-	-
Operating profit	**11 372**	**11 704**	**10 333**	**(2.8)**	**13.3**
EBITDA	16 222	14 790	12 904	9.7	14.6
EBITDA margin (%)	34.2	34.5	34.8	(0.3 pts)	(0.3 pts)
Operating profit margin (%)	23.9	27.3	27.8	(3.4 pts)	(0.5 pts)

[1] Adjusted operating profit excludes the BBBEE charge of R1 382 million

Revenue

Revenue from Vodacom SA for the year ended 31 March 2009 increased by 10.8% to R47 483 million, primarily due to the 11.3% increase in customer base to 27.6 million and growth in data revenue.

Airtime and access revenue increased 9.2% to R25 771 million, largely as a result of the growth in customers and the 8.2% increase in outgoing voice traffic minutes.

Data revenue accounted for 14.1% of South African revenue (excluding equipment sales) and rose 27.9% to R5 973 million. Revenue from messaging services (included in data revenue) increased 4.2% to R3 096 million as a result of the 8.2% growth in the number of messages sent to 5.4 billion. Revenue from data connectivity and usage services increased by 69.3% as a result of the 80.0% increase in the number of broadband customers to 720 000.

Interconnection revenue, which includes revenue from Cell C for national roaming services, increased by 8.6% to R8 632 million.

Equipment sales revenue increased 5.0% to R5 190 million largely due to an 8.2% increase in handset sales to 5.5 billion, offset by an increase in the number of lower-end handsets distributed.

Operating expenses

Direct network operating cost, which includes cost of connection and retention, interconnection and other direct network operational expenses, increased 11.4% to R26 357 million. The increase is largely due to the increased cost of connecting prepaid customers and retaining contract customers.

Employee expenses increased 13.3% to R2 447 million, largely as a result of the 9.5% increase in the closing number of employees and the annual salary increases, offset by lower performance based remuneration.

Other operating expenses rose 12.7% to R1 620 million, largely due to costs associated with the BBBEE transaction and the listing.

EBITDA

EBITDA increased 9.7% to R16 222 million with a slight decline in the EBITDA margin from 34.5% to 34.2%. Excluding the BBBEE transaction expenses of R95 million, EBITDA growth was 10.3% and margins were maintained at 34.4%.

Depreciation, amortisation of intangible assets and impairment of assets

Depreciation, amortisation of intangible assets and impairment of assets increased by 13.1% to R3 456 million, largely due to the increase in capital investment during the year.

Operating profit

Operating profit of R11 372 million includes a non-tax deductible BBBEE charge of R1 382 million. Excluding the BBBEE charge, operating profit increased 9.0% to R12 754 million. The lower growth in adjusted operating profit as compared to EBITDA is largely due to the increase in the amortisation of intangible assets.

International

Rm	Year ended 31 March 2009	2008	2007	% change 08/09	07/08
Airtime and access	4 560	3 499	2 662	30.3	31.4
Data	468	332	229	41.0	45.0
Interconnect	1 187	960	778	23.6	23.4
Equipment sales	128	120	94	6.7	27.7
International airtime	654	479	376	36.5	27.4
Other	6	3	1	100.0	-
Revenue	**7 003**	**5 393**	**4 140**	**29.9**	**30.3**
Other operating income	97	10	6	-	66.7
Direct network operating cost	(3 575)	(2 725)	(2 085)	(31.2)	(30.7)
Employee expenses	(807)	(527)	(376)	(53.1)	(40.2)
Marketing and advertising	(408)	(279)	(214)	(46.2)	(30.4)
Other operating expenses	(474)	(326)	(239)	(45.4)	(36.4)
Depreciation	(1 057)	(742)	(637)	(42.5)	(16.5)
Amortisation of intangible assets	(67)	(56)	(34)	(19.6)	(64.7)
Impairment of assets	(106)	(30)	(23)	-	(30.4)
Operating profit	**606**	**718**	**538**	**(15.6)**	**33.5**
EBITDA	1 835	1 546	1 238	18.7	24.9
EBITDA margin (%)	26.2	28.7	29.9	(2.5 pts)	(1.2 pts)
Operating profit margin (%)	8.7	13.3	13.0	(4.6 pts)	0.3 pts

Revenue

Revenue from the international operations for the year ended 31 March 2009 increased 29.9% to R7 003 million, largely driven by the 30.7% increase in the customer base to 12.0 million. Revenue was positively impacted by the appreciation of the functional currencies against the rand and negatively impacted by excise duty in Tanzania. Excluding the impact of excise duty, revenue in the international business increased 33.7%.

The growth in the customer base was primarily driven by a combination of the launch of new products and services, extensive sales and marketing campaigns and enhanced network coverage. Gross connections increased 32.9% to 7.9 million. Churn increased to 48.1% from 47.1% for the international operations due to the increased competition. Average revenue per user ("ARPU") in local currency declined in most international operations due to the growth of lower-usage customers, the impact of macroeconomic pressures on disposable income as well as competitive pressures on tariffs.

Airtime and access revenue increased 30.3% to R4 560 million, primarily due to the increase in the customer base.

Data revenue accounted for 6.8% of revenue (excluding equipment sales) and increased by 41.0% to R468 million, which was largely driven by an increase in SMS volumes as well as the appreciation of the local currencies.

Interconnect revenue increased 23.6% to R1 187 million, largely due to the growth in the customer base offset by an increase in on-net traffic across the mobile operators in the key markets and the proliferation of dual SIMs in these markets.

International airtime revenue grew 36.5% to R654 million as a result of the growth in the customer base.

Operating expenses

Direct network operating cost for the year ended 31 March 2009 increased 31.2% to R3 575 million, largely due to an increase in network operational expenses relating to the rollout of additional sites.

Employee expenses increased 53.1% to R807 million as a result of the 6.2% increase in headcount, the annual salary increases and the classification of the Tanzanian secondee expenditure under employee expenses in this year, whereas it was previously classified as other operating costs.

Marketing and advertising expenses increased 46.2% to R408 million as a result of campaigns to counter competition.

Other operating expenses increased 45.4% to R474 million, largely due to increased fuel and transmission costs.

EBITDA

EBITDA from the international operations for the year ended 31 March 2009 increased 18.7% to R1 835 million with EBITDA margins of 26.2% compared to 28.7% in the prior year. EBITDA margins were negatively impacted by the significant increase in employee expenses and to a lesser extent the increase in direct network operating and marketing expenses. EBITDA margins expanded in all the international operations except for the DRC, where the performance of the business was impacted by deteriorating economic conditions.

Depreciation, amortisation of intangible assets and impairment of assets

Depreciation for the year ended 31 March 2009 increased 42.5% to R1 057 million. The increase is attributable to the increase in capital investment during the year in Tanzania and Mozambique. Amortisation of intangible assets increased 19.6% to R67 million.

The impairment of assets charge increased to R106 million as compared to R30 million in the prior year largely due to the impairment of the Mozambique network assets.

Operating profit

Operating profit from the international operations for the year ended 31 March 2009 decreased 15.6% to R606 million due to the substantial increase in depreciation. The operating profit margin decreased from 13.3% in the prior year to 8.7%.

Gateway

Revenue, operating profit and EBITDA for Gateway for the three month period to 31 March 2009 were R808 million, R33 million and R100 million, respectively. The operating profit margin and EBITDA margin for the three-month period ended 31 March 2009 were 4.1% and 12.4%, respectively. The operating profit margin was impacted by the amortisation of the customer base value recognised on acquisition. A net loss of R36 million (before taking into account the finance charges related to funding the acquisition) was recorded for the three month period to 31 March 2009.

Cash flow

Cash generated from operations remained stable at R16 351 million, compared to R16 334 million in the prior year. Negative movements in working capital of R1 831 million offset the growth in EBITDA of R1 733 million. Working capital was affected by the once-off impact of normalising creditors payments for year end purposes, as well as the repayment of R602 million relating to a cancellation of a guarantee held for a distributor included in trade and other payables.

Net cash flows from operating activities decreased 18.4%, largely due to the higher finance charges. Net cash flows utilised in investing activities increased from R7 502 million to R12 750 million mainly due to the R5.3 billion for the acquisition of Gateway and increased capital expenditure. As a result of the debt raising activities cash flows from financing activities increased from R3 234 million in the prior year to R8 873 million.

Group operating free cash flow

	Year ended 31 March			% change	
Rm	2009	2008	2007	08/09	07/08
Cash generated from operations	16 351	16 334	13 866	0.1	17.8
Additions to property, plant and equipment and intangible assets	(7 254)	(6 541)	(5 955)	(10.9)	(9.8)
Proceeds on disposal of property, plant and equipment and intangible assets	43	10	98	-	(89.8)
Operating free cash flow	9 140	9 803	8 009	(6.8)	22.4

Capital expenditure

Vodacom's capital expenditure for the year ended 31 March 2009 was 16.7% higher at R6 906 million. South African capital expenditure at R4 627 million largely relates to continued investment to improve coverage and increase capacity for both the voice and data networks.

The increase of 58.4% in capital expenditure in the international operations to R2 406 million (or 34.4% of revenue), was mainly due to expanding coverage in Tanzania and Mozambique.

Group capital expenditure (including software, excluding licences)

	Year ended 31 March			% change	
Rm	2009	2008	2007	08/09	07/08
South Africa	4 627	4 252	4 993	8.8	(14.8)
International	2 406	1 519	1 573	58.4	(3.4)
Tanzania	1 355	713	957	90.0	(25.5)
DRC	693	658	506	5.3	30.0
Mozambique	267	111	85	140.5	30.6
Lesotho	91	36	25	152.8	44.0
Mauritius and eliminations	-	1	-	-	-
Gateway	14	-	-	-	-
Corporate and eliminations	(141)	145	182	(197.2)	(20.3)
Group capital expenditure	6 906	5 916	6 748	16.7	(12.3)
Capex/revenue (%)	12.5	12.3	16.4	0.2 pts	(4.1 pts)

Group cumulative capital investment at cost

Rm	Year ended 31 March 2009	2008	2007	% change 08/09	07/08
South Africa	35 175	30 742	27 310	14.4	12.6
International	12 568	9 081	6 526	38.4	39.2
Tanzania	5 530	3 810	2 674	45.1	42.5
DRC	5 281	3 928	2 852	34.4	37.7
Mozambique	1 447	1 123	816	28.9	37.6
Lesotho	309	220	184	40.5	19.6
Mauritius and eliminations	1	-	-	-	-
Gateway	711	-	-	-	-
Corporate and eliminations	480	503	250	(4.6)	101.2
Group capital expenditure	**48 934**	**40 326**	**34 086**	**21.3**	**18.4**

Balance sheet

Total assets grew by R13 184 million to R47 359 million as at 31 March 2009, largely as a result of the increase in intangible assets from R4 224 million to R11 794 million, with an increase in goodwill comprising the largest element at R5 533 million, attributable mainly to the acquisition of Gateway. Refer to note 34 to the Consolidated Financial Statements for further information on business combinations and other acquisitions.

Property, plant and equipment ("PPE") increased by R2 724 million to R21 844 million at 31 March 2009, predominately as a result of the R5 958 million additions, R333 million in relation to the acquisition of Gateway, R710 million for the translation of foreign PPE, partially offset by R3 948 million depreciation and R56 million due to disposals.

Trade debtors increased by 34.0% to R9 112 million as at 31 March 2009 due to revenue growth, Gateway debtors of R665 million, the early settlement in the prior period of a debtor and an increase in dealer balances.

Non-distributable reserves

The non-distributable reserves increased substantially from R9 million to R1 752 million due to the BBBEE transaction.

Net debt rose to R17 537 million as at 31 March 2009, compared to R8 663 million at 31 March 2008. Debt was raised to refinance existing debt, fund both higher capital expenditure and the acquisition of Gateway. Net debt as at 31 March 2009 includes the final dividend and related STC of R2 430 million paid to Vodacom's shareholders on 8 April 2009. 93% of the total debt is at a floating rate and R5 692 million will mature in less than a year. R2 977 million of the total debt is denominated in foreign currencies. The balance sheet remains strong with the net debt to EBITDA ratio at 1.0x at 31 March 2009.

Group net debt

	Year ended 31 March			% change	
Rm	2009	2008	2007	08/09	07/08
Cash and cash equivalents	(1 104)	(978)	(771)	(12.9)	(26.8)
Bank borrowings	2 203	2 597	879	(15.2)	195.4
Current liabilities	5 692	503	501	-	0.4
Non-current liabilities	8 316	3 032	2 054	174.3	47.6
Net debt before dividends and STC	**15 107**	**5 154**	**2 663**	**193.1**	**93.5**
Dividends and STC payable	2 430	3 509	3 364	(30.7)	4.3
Net debt (incl dividend)	**17 537**	**8 663**	**6 027**	**102.4**	**43.7**
Net debt/EBITDA (x)	1.0	0.5	0.4		

Trade payables

Trade and other payables increased by only 4.0% to R7 865 million as at 31 March 2009. The lower growth in trade payables is largely due to the once-off impact of normalising creditor payments for year-end purposes, as well as the repayment of R602 million relating to a cancellation of a guarantee held for a supplier.

Capital commitments

Group capital commitments for the year ended 31 March 2009 are R11 926 million, of which R9 712 million is approved but not contracted. South African capital commitments are R8 540 million. Capital expenditure committed in the international operations and in Gateway is R3 773 million and R628 000, respectively.

Shareholder distributions

Dividends declared for the year ended 31 March 2009 totalled R5 200 million, compared to R5 940 million for the year ended 31 March 2008. The final dividend for the year ended 31 March 2009 of R2 200 million was paid on 8 April 2009.

Vodacom Group has historically, as a private company, paid a dividend equal to approximately all of its free cash flow on a semi-annual basis. However, for the financial year ending 31 March 2010, Vodacom Group anticipates a dividend payout ratio of approximately 40% of headline earnings. The first dividend is expected to be the interim dividend for the 2010 financial year.

Vodacom Group intends to pay so much of its after tax profits as will be available after retaining such sums and repaying such debts owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for expansion and other growth opportunities.

From 2000, Vodacom's growth was driving more stock through our supply chain than it could comfortably carry. Infrastructure was fragmented across too many locations and systems, limiting the growth potential of the business.

The decision was made to build a warehouse at the Vodacom office park. This would help centralise supply chain management functions to provide better control, from when an order was placed to it reaching the customer's hands. Archie Vermeulen, executive head of supply chain management, reports that the brief "was to design and build a warehouse that was world-class and ten-year proof – it needed to deliver stock better, faster and more efficiently than any other mobile operator and, in so doing, reduce distribution costs".

Vodacom partnered with Industrial Logistics Systems, Siemens Dematic and their IT partner, Digital Applications International, all industry leaders in their fields. Planning and designing the facility and its systems took 18 months and included detailed benchmarking visits to the leading international warehousing facilities of Vodafone in the United Kingdom and D2 in Germany.

The warehouse went live in February 2002. It had originally been specified to handle 20 000 inbound and 20 000 outbound units per eight-hour shift, but the warehouse's magic proved to be in the warehouse management system that has been customised to Vodacom's needs. By making slight mechanical improvements and tweaking the system, the warehouse is now capable of moving 200 000 units in and 200 000 out in an eight-hour shift. "Our dealers and franchises now know that if an order is placed on time today, the order will be in the customer's hands tomorrow," says Vermeulen.

The warehouse garnered the prestigious Logistics Achiever Award in 2002. It is also rated as one of the top three facilities in the Vodafone Group, based on excellent performance in cost per unit, speed and shrinkage.

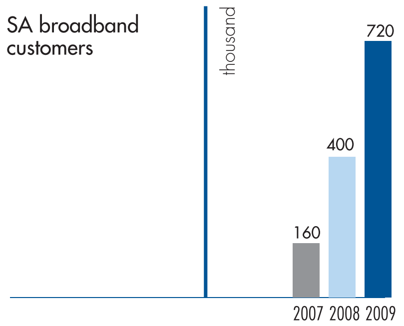
Fast facts

- It cost approximately R35 million to build this highly-automated warehousing and distribution facility.
- It has a 4 950m² floor area with 2 327 pallet locations.
- In the year ended 31 March 2009 the warehouse handled 19 million inbound and 19 million outbound units for 672 000 orders. That is an average of 167 000 units per day.
- In November 2008 the record was set for an eight-hour shift in which 398 000 units in- and outbound were processed from 5 400 orders.
- And all of this is run by a total of 52 employees.

Keeping stock rolling

LEADERSHIP IN BROADBAND

We are South Africa's largest broadband provider. With innovation and affordability as guiding principles, the potential to extend broadband connectivity and online services is vast. There are almost 3 million 3G-enabled handsets on Vodacom's network.


SA broadband customers
thousand
160
400
720
2007 2008 2009

South Africa

Vodacom SA produced a good set of results for the year ended 31 March 2009. We continued to enjoy strong customer growth, adding 2.8 million customers to grow the base 11.3% to 27.6 million.

Shameel Joosub
Managing Director Vodacom SA

Vodacom Group owns 93.75% of Vodacom SA, with the remaining 6.25% held by Vodacom's BBBEE shareholders. Vodacom SA commenced commercial service in June 1994 and is the market leader in South Africa with an estimated 53% market share.

Vodacom SA was originally granted a mobile cellular telecommunications licence in September 1993 and commenced commercial service in June 1994. In addition, Vodacom SA was awarded a 1 800 MHz licence, and a 3G spectrum licence during the 2005 financial year. In terms of the Electronic Communications Act, on 16 January 2009, ICASA issued Vodacom SA with an individual Electronic Communications Services licence ("ECS") and an individual Electronic Communications Network Service licence ("ECNS"), for a period of 15 years and 20 years, respectively.

Vodacom SA had 27.6 million mobile customers as at 31 March 2009, comprising 69.7% of the Group's customer base. Vodacom SA contributed 86.0% to group revenue and 89.2% to group EBITDA for the year ended 31 March 2009.

Highlights

- Revenue growth of 10.8% driven by 11.3% growth in customers to 27.6 million
- Data revenue up 27.9% to R6.0 billion supported by 80.0% growth in broadband customers to 720 000
- Growth in EBITDA of 9.7%, with EBITDA margin stable at 34.2%
- Record gross connections of 13.1 million and churn reduced by 2.2 percentage points to 40.1%
- ARPU up 3.9% to R133 per month, due to increased prepaid usage
- 322 3G sites added to the data network and eight of 11 metropolitan fibre rings completed
- Almost 5 million unique packet data users
- Vodacom Business gains traction, attracting top talent and developing a portfolio of 28 products
- BBBEE transaction completed in October 2008

Summary performance indicators

	Year ended 31 March			% change	
	2009	2008	2007	08/09	07/08
Customers (thousands)	27 625	24 821	23 004	11.3	7.9
Gross connections (thousands)	13 064	12 040	10 859	8.5	10.9
Number of employees	4 930	4 504	4 388	9.5	2.6
Revenue (Rm)	47 483	42 852	37 125	10.8	15.4
Adjusted operating profit[1] (Rm)	12 754	11 704	10 333	9.0	13.3
EBITDA (Rm)	16 222	14 790	12 904	9.7	14.6
Capital expenditure[2] (Rm)	4 627	4 252	4 993	8.8	(14.8)
Adjusted operating profit margin[1] (%)	26.9	27.3	27.8	(0.4 pts)	(0.5 pts)
EBITDA margin (%)	34.2	34.5	34.8	(0.3 pts)	(0.3 pts)
Capex/revenue (%)	9.7	9.9	13.4	(0.2 pts)	(3.5 pts)

[1] Adjusted operating profit excludes the BBBEE charge of R1 382 million

[2] Capital expenditure includes PPE and software

Overview

Vodacom SA produced a good set of results for the year ended 31 March 2009. We continued to enjoy strong customer growth, adding 2.8 million customers to grow the base 11.3% to 27.6 million. Record gross connections of more than 13 million were achieved and the focused retention campaigns and loyalty programmes proved effective and reduced overall churn.

Segments of the business were affected by the sharp downturn in the economy. The impact of higher interest rates, higher than budgeted inflation and the 24.2% decline in the average rand/US dollar exchange rate over the past year, as well as the hike in electricity costs in South Africa, made for difficult trading conditions. Contract customer revenue grew by only 4.2% compared to robust revenue growth of 16.5% in the prepaid customer base.

We responded decisively to the worsening conditions, introducing more affordable products and bundles allowing customers to better control their spending. We also increased our focus on containing costs. Despite higher foreign currency-denominated costs and our investment in Vodacom Business, these proactive measures enabled us to maintain healthy margins.

Vodacom remained the mobile market leader in South Africa with an estimated 53% market share as at 31 March 2009, down from 55% in the prior year. The decline can be attributed to the ongoing impact of the deletion rule change and aggressive pricing by the competition, which we countered with focused campaigns to provide greater value to customers.

We extended our lead in data and broadband services and by year end we had nearly 5 million unique mobile data (GPRS and 3G) users and 720 000 broadband customers, up 80.0% on the prior year. We also have 2.8 million 3G-enabled handsets on our network, presenting a significant opportunity for further broadband penetration.

Vodacom SA's 6.25% BBBEE transaction, together with the progress we have made in skills development and preferential procurement have resulted in an improved BBBEE rating to Level 4 according to the DTI Codes.

Vodacom was recognised as the top telecommunications brand in South Africa for the fifth successive year and the fourth most popular brand overall in South Africa in the Sunday Times Ipsos/Markinor Brand Survey.

The Electronic Communications Act was finalised in the year, with ICASA issuing licences in January 2009 to approximately 250 individual ECS and ECNS licensees. The final licence fee regulations were published in March 2009, setting the fee at 1.5% of gross profit effective 1 April 2009. The new licence fee regulation, once implemented, is expected to have a positive impact as the previous licence fee was set at 5% of net operating income. The Regulation of Interception of Communications and Provision of Communication Related Information Act ("RICA") was signed into law by the President in January 2009, with implementation expected in August 2009. RICA will require every customer to be registered within an 18-month period. We expect this to contribute to further lowering churn but it is also likely to moderate the growth in gross connections.

Financial performance

Vodacom SA lifted revenue 10.8% to R47 483 million in the year ended 31 March 2009, up from R42 852 million in the prior year. This was primarily due to the 11.3% increase in customers to 27.6 million and strong growth in data revenue of 27.9% to R5 973 million. Data revenue from connectivity and usage (excluding messaging revenue) increased by 69.3% as a result of the 80.0% increase in broadband customers. Data revenue accounted for 14.1% of South African revenue (excluding equipment sales).

EBITDA was up 9.7% to R16 222 million with a slight decline in the EBITDA margin from 34.5% to 34.2%. Excluding the BBBEE transaction expenses of R95 million, EBITDA growth was 10.3%.

Operating profit of R11 372 million included a non-tax deductible share-based BBBEE charge of R1 382 million. Excluding this charge, operating profit was up 8.4% to R12 754 million. The lower growth in adjusted operating profit as compared to EBITDA is largely due to the 34.9% increase in the amortisation of intangible assets to R607 million.

South African capital expenditure at R4 627 million representing 9.7% of revenue, was largely as a result of continued investment in the data network and transmission self provisioning, to support substantial growth in data volumes coupled with improving coverage and quality.

Operational performance

Mobile voice

In South Africa, SIM card penetration is now estimated to be at 108% of the population. Prepaid customers continue to dominate the market, comprising an estimated 85.3% of all mobile customers. The 11.3% increase in our customer base to 27.6 million comprised prepaid customer growth of 11.3% to 23.6 million and contract customer growth of 11.4% to 3.9 million. This was a direct result of the 8.5% increase in gross connections to 13.1 million driven by the success of our dynamically priced prepaid product, *Yebo4Less*, which had attracted 4.8 million customers (or 20.4% of the prepaid customer base) as at 31 March 2009, as well as the *March Madness* campaign. Net additions increased to 2.8 million from 1.8 million in the prior year.

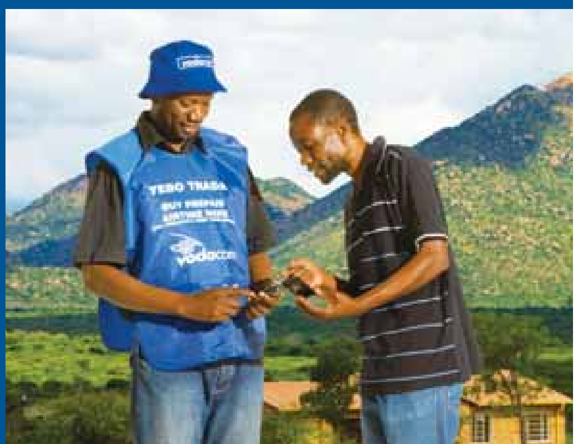
Overall churn reduced by 2.2 percentage points to 40.1%, largely as a result of targeted programmes to reduce churn in the prepaid customer base, which eased to 45.4% from 47.9% in the prior year. Focused campaigns to offer greater value to customers, marketing SIM swaps and our various loyalty programmes are proving to be highly effective and Vodacom has the lowest prepaid churn in the local market. We also contained contract churn to 9.9%, slightly up from 8.3% as a result of an increase in involuntary churn driven by the economic conditions. In tandem with our focus on reducing churn, our strong credit management capability assisted us to manage increasing levels of bad debt due to the economic pressure being felt by our customers.

Total traffic increased 7.1% to 24.4 billion minutes, mainly due to the growth in the customer base. Contract minutes of use, which excludes bundled minutes, showed a 9.3% decline to 156 minutes per customer per month, as a result of fewer contract customers spending outside of their bundles. Prepaid minutes increased 4.3% to 48 minutes per customer per month.

During the period, total ARPU increased 3.9% to R133 per month. Prepaid customer ARPU rose 9.7% to R68 per month primarily due to the introduction of *Yebo4Less* and lower denominated vouchers. Contract customer ARPU declined 2.5% to R474 per month, with the main contributors to the decrease being the rapid growth in low-end hybrid contract customers and customers not exceeding their bundles. Community services ARPU fell 22.5% to R534 per month due to intensified competition.

Inspiring entrepreneurial spirit

Effective distribution remains key to ongoing success in the mobile telecommunication industry. It ensures a steady supply and turnover of product, essential in retaining and growing market share. This is especially true in Africa, where formal distribution networks are often challenged by vast distances and numerous rural areas where communities have limited resources and dispersed distribution points.



Vodacom has risen to the challenge through our *YeboTradas* initiative, which piloted successfully in the Eastern Cape. The project proved that consumers can also participate effectively in the distribution chain, both broadening access to product and enhancing product usage. *YeboTradas* started in November 2008. It has grown to include over 4 400 traders now operating in rural areas across South Africa.

Vodacom's Executive Director: Regional Operations, Vuyani Jarana, reports that "the key to the project's success was in recognising the limitations of our formalised distribution channels and forming partnerships with wholesalers who have robust distribution networks and the knowledge and capacity to integrate formal and informal channels." We recruited thousands of young people and created teams of traders on the ground. We also effectively addressed the challenge of limited working capital among our target group; our budding traders only needed a handset and enough seed capital for start-up stock – the airtime that they buy and sell to earn a commission.

The system requires no physical stock as airtime is traded via SMS. We provide training as well as branded bibs to support our new distribution partners in establishing credibility and presence in their new businesses.

The pilot has been so successful that we are extending the YeboTradas portfolio to include sales of starter packs as well as other services. We know that the more value we can build with the *YeboTradas*, the more sustainable their businesses will become.

Messaging and data

We continued to see strong growth in our messaging and data products. During the year under review, usage of GPRS, 3G and HSPDA increased, with data volumes climbing 97.8% to 3.2 terabytes in the year, and the number of packet switched data users reaching 4.9 million at 31 March 2009. We transmitted 5.4 billion messages (MMS/SMS) over our network in the year, up 8.2%. Broadband customers grew 80.0% to 720 000 customers (including customers on 24-month contracts and those electing recurring data bundles) from 400 000 in the prior period.

Our introduction of Mobile Internet in June 2008 substantially increased the number of customers accessing the internet via their mobile phones by enhancing the customer experience and reducing the cost of accessing the internet. Vodacom had five million unique data users, 962 000 active email accounts and 2.6 million unique *Vodafone live!* users by year end, all significant contributors to data traffic.

During the year, we secured our position as the leading provider of broadband connectivity in the country, with the most extensive 3G network comprising more than 2 880 sites. We continued to launch targeted campaigns and more affordable options to drive broadband connectivity and mobile internet throughout the year. The number of active 3G/HSDPA handsets on the network as at 31 March 2009 was 2.8 million, compared to 1.3 million a year before. In February 2009, we launched *Vodafone Connect Via the Phone* which enables customers to use a 3G phone as a modem to access the internet from their PCs or laptops.

Converged ICT Services

We continued to make strong progress in our converged service offerings to consumers including online services, media and advertising, financial services and social networking.

Vodacom Mobile Media, responsible for mobile advertising, generated strong advertising revenue from display advertising on the *Vodafone live!* portal and *Please Call Me* messaging service. During the year we also launched a made-for-mobile advertising funded mobi-soap video series with all content free to Vodacom customers.

In its first year of operation, Vodacom Business reached some significant milestones in product development and sales. The business has developed a comprehensive portfolio of 28 products and acquired several contracts to provide access and managed hosting services as well as total converged communication services. Vodacom Business is currently working on a number of large tenders to supply converged solutions. Vodacom Business has invested significantly in infrastructure with a Tier 1 internet network capability, as well as a corporate-grade national MPLS VPN. Its offerings are supported by our new data centre in Midrand, the development of soft switch capability and a client services operations centre.

Vodacom has developed a location-based social network, aptly named *The Grid*. It won the New Telecommunications Service of the Year award at the 3rd Annual Comms MEA Awards in Dubai, where the judges described the service as a "perfect combination of Web 2.0 applications and mobility". The Grid is also a finalist for two awards, Social Networking and Mobile First Innovation, at the Mobile Entertainment Forum Awards in London in June 2009.

Users can build profiles, share their location and chat with friends, view pictures and videos, and provide location-based information on anything from clubs and restaurants to parks and picnics in the form of "blips" dropped onto searchable maps.

The service has grown quickly. We currently have over 500 000 registered users, sending three million messages a month. The Grid was launched by Vodacom Tazania in May 2009 and has already attracted 15 000 registered users.

Social networking on mobile

Products and services

Mobile voice

Mobile voice services are offered through contract and prepaid packages as well as community services.

Vodacom offers contract customers a range of mobile service packages including hybrid packages, which allow customers to contract for a specific level of airtime which can be topped-up with additional value by purchasing prepaid vouchers.

Vodacom offers various prepaid products such as *Vodago*, *Smartstep* and *4U*. In 2008, Vodacom SA introduced *Yebo4Less* in South Africa, a prepaid tariff plan offering discounts to the base call rate depending on available network capacity at a specific location at different times of the day.

Voice services include outgoing and incoming calls, international roaming, interconnection and incoming visitor roaming.

Mobile messaging

Vodacom offers its customers mobile messaging services such as SMS, MMS, premium rate SMS (including USSD) and MMS, SVS, bulk SMS and MMS, and WAP services.

In 2000, Vodacom SA launched the USSD-based *Please Call Me* service, which enables a customer to send a free SMS requesting a call back. Vodacom SA now transmits approximately 20 million *Please Call Me* messages per day. The call back from the recipient generates revenue for Vodacom. The *Please Call Me* messages also provide media space that can be sold to advertisers.

In October 2008, Vodacom SA launched *SVS* (short voice service), which allows users to send and receive voice messages up to 30 seconds long. Within two months more than 1.6 million customers had used this service. *SVS* provides customers with the flexibility of communicating in their preferred language and does not require sophisticated handsets or complex downloads.

Broadband data and connectivity

Vodacom offers broadband connectivity and internet access services using various technologies such as GPRS, EDGE, 3G, HSDPA, HSUPA, WiFi, WiMAX and VSAT.

In December 2004, Vodacom SA was the first operator to introduce a commercial 3G product in South Africa. The number of active 3G/HSDPA handsets on the local network as at 31 March 2009 was 2.8 million. In June 2008, Vodacom launched its Mobile Internet offering.

In April 2009, Vodacom SA launched *Broadband Standard* and *Broadband Advanced*, allowing data bundle carry over for up to a maximum of 60 days for all customers irrespective of the data bundle (Standard or Advanced) chosen. Vodacom's existing internet rates are now standard with HSDPA 3.6 as well as HSUPA (device dependent). *Broadband Advanced* offers the same in-bundle and out-of-bundle rates and includes HSDPA 7.2 with HSUPA for free.

Converged ICT services

Vodacom Business was launched in February 2008 and offers a total communications service portfolio to corporate customers. Vodacom Business services include next-generation IP voice, managed networks and infrastructure, internet access, hosting and storage.

In the consumer market, Vodacom is extending its service offerings to other converged areas, including social networking, financial services, digital publishing, gaming, video on demand, music and telemetry services.

Mobile advertising has evolved into an important mass media channel, with more mobile phones in the world than the combined number of televisions and personal computers. Vodacom Mobile Media was launched in the 2008 financial year.

Equipment sales

Vodacom sells handsets and other telecommunications equipment and accessories. We are part of the Vodafone Group's ultra low price handset initiative, and supplied handsets in South Africa at less than $20.

Network technology and infrastructure

As at 31 March 2009, Vodacom SA's GSM and 3G infrastructure covered an estimated 98% and 28% of the South African population, respectively. We have GPRS functionality across the entire network and 40% of sites have EDGE functionality. We are also engaged in renewing parts of our radio access network in certain regions. The new equipment is expected to be more cost efficient, improve network coverage, provide improved data services to customers and allow for the convenient upgrade to future technologies.

We started deploying our 3G network in December 2004 and in 2007 we implemented HSDPA, which supports down-link speeds of 3.6 Mbps and is provided to all our customers. In 2008, we launched HSUPA in South Africa, improving data speeds on uplink to 1.4 Mbps. Our network is now also fully HSDPA 7.2 Mbps capable.

In the year we accelerated our programme to self-provide transmission in critical areas of our network, which will assist us to better manage transmission costs, one of the

The Vodacom Mobile Media business is the only fully-fledged mobile advertising offering in Africa and is being used as a benchmark for the Vodafone Group. It has run campaigns for over 140 unique brands and, in any given month, will run campaigns for over 35 multinational and local brands. The business has already shown excellent year-on-year revenue growth through a string of highly innovative products.

One of our most successful products is the free *Please Call Me* (PCM) service, where a short text advert is included with each PCM sent. It currently experiences volumes of over 620 million PCM ads per month. Our *AdMe* service, also launched during 2008, has already garnered two Gold awards (for "Best Digital Media - Mobile" and "Best Technology Solutions and Innovation") and the overall "Inkosi" award at the Direct Marketing Association's 2008 Assegai Awards. Customers can access free content, exclusive offers and competitions when they subscribe to the service and agree to receive a number of targeted SMS or MMS adverts a week. Customers build personal profiles about their advert preferences, ensuring that advertisers can deliver targeted messages directly to consumers. The service currently has a subscriber base of over 400 000, which is expected to grow to over one million by the end of the year.

SoLikeLife – the first ever mobi-soap

Vodacom Mobile Media's made-for-mobile soapie, *SoLikeLife*, provided 40 episodes of free video content on *Vodafone live!* The soapie was funded entirely by advertising revenue and adverts were aired at the beginning and end of each *'mobisode'*.

It is the first time that a South African series has been produced exclusively for viewing on a cellphone. Relevant to this medium, the story is told from the point of view of two characters communicating over SMS, MMS and 3G video calls.

Emergence of mobile advertising

single biggest input cost for data services, as well as better manage the service quality.

Our construction of 11 metropolitan fibre rings, with the assistance of several suppliers, to interconnect various mobile switching centres and base station controller sites is progressing well and eight have been completed. This roll-out facilitates the provisioning of fibre access directly to Vodacom Business customers in conjunction with the construction of additional fibre acceses into corporates.

We have also built a satellite earth station in Midrand to provide international connectivity and links to certain remote sites within South Africa.

In line with our infrastructure sharing plan, which will provide cost savings in future, agreement has been reached to construct a national fibre network jointly with MTN and Neotel. The national network will include a northern and southern ring with a total distance of around 5 000 km. The first phase of the project will commence in 2009 and the total project is expected to take 30 months to complete.

We will secure substantially augmented international broadband connectivity as a major investor in the West Africa Cable System, due to come on stream in 2011.

Vodacom sets itself network quality targets for voice on both the 2G and 3G networks, as well as data performance targets on the 3G network. These targets are based on statistics measured by the network elements itself, and measurements done by a third party. The measurements performed by the third party involve drive testing, which resembles the service experience of customers.

Vodacom manages network quality very stringently through several mechanisms. Firstly, outright network failures are detected via alarms in the Network Management Centre, which action the restoration of the failed element(s) immediately. Furthermore, network quality management is facilitated by the continuous monitoring of network quality statistics and drive test results, which triggers corrective action if deterioration in network quality is detected. This ensures that good network quality is maintained.

Other measures taken to ensure good network quality and customer experience include monitoring the performance of types of handsets and taking corrective action where poor performing handsets are detected.

Supply chain management

Vodacom SA operates a world-class warehouse facility in Midrand handling on average more than 167 000 units per day, 98% of which are delivered within 48 hours to major centres. This allows Vodacom SA to provide stock to our extensive distribution network on a "just-in-time" basis.

The Group's supply chain management initiatives focus on reducing costs and minimising inventory while ensuring product availability.

We negotiate handset pricing centrally and are also able to leverage Vodafone's global procurement muscle to secure the benefit of volume-based pricing and low-cost handsets. In the year, handset sales totalled 5.5 million, up 8.3% on the prior year. In Vodacom's continued efforts to drive penetration, sales of the Vodafone ULCHs (ultra low cost handset) increased 30%, now representing 20% of all handset sales.

Customer Care

We continue to invest in continually enhancing customer care, evidenced by improved call centre service levels, first call resolution and higher customer satisfaction results. The primary service level measure of 70% of calls answered in 20 seconds improved by 9.7% year-on-year to 73.3%, with the data call centre service level up 6.3% to 73.7%. Call volumes into the Customer Care Interactive Voice Response units ("IVRs") dropped by 12% to 152 million calls for the year. Over the same period non-directory enquiries calls to agents declined by 16% to 43 million calls. These changes can be attributed to self-service initiatives, fewer repeat calls and a maturing market. Agent efficiency improved significantly with the ratio of customers per agent increasing by 43% year on year to 14 537 customers per agent.

These improvements have been achieved by focused initiatives in a number of areas including single skilling agents which has lead to fewer repeat calls, improved self service on the IVR (72% of all calls were managed via IVR), web and keyword SMS services, regular customer satisfaction reviews and ongoing process improvements.

A total of 50 143 staff in the distribution channel were trained during the year, substantially up from 22 743 in the prior year. E-learning received the greatest response and 24 242 e-learning completions were achieved compared to 3 248 completions in the previous training year.

Our well-established customer loyalty programmes are designed to underpin Vodacom's reputation as a caring company and to reduce churn. These include the *Onyx and Platinum* programmes for contract customers, and our *Talking Points* programme for prepaid customers, which gives points per recharge that can be redeemed for airtime and special offers. In the year, 3.5 million redemptions were recorded. Our Yebo Millionaires game show attracts well over 2 million SMS entries per week, with more than 680 000 customers having won prizes and three instant millionaires created in the last year. At the heart of the programme is a strong community investment element, and more than 50 schools across the country have been provided with computer centres with funds generated from the initiative.

Distribution

Vodacom's distribution channels consist of its franchise operation, direct operation, national chains, wholesalers and a network of independent dealers. In addition, a relatively new channel of on-billers has been introduced.

During the year Vodacom SA further increased our points of sale, primarily as a result of the Yebotradas initiative, with over 4 400 traders in rural communities nationwide. This initiative empowers community-based traders to sell recharge vouchers to customers in remote communities using a specific application to enable a handset to become the point of sale.

When service levels were sitting below acceptable standards in Customer Care, Vodacom knew it had to act swiftly. The 1 000 day project was launched in 2005 to address critical problem areas within the division. Seven focused strategic initiatives were implemented in the first year, nine in the second and four in the third. To consolidate improvements over the project, seven projects were implemented in the past year that focused on call demand management, problem management, cost efficiency, agent efficiency, customer experience management, reporting and resource management. It took 1 000 days to improve Customer Care; by 2007, service levels had reached 70% of calls answered in 20 seconds. Over the past year this has climbed to 73%.

According to Leigh-Ann Redelinghuys, Vodacom's Executive Director of Customer Service: "Customer service is based on the individual needs of every customer. As a result, we always keep on innovating to ensure a great customer experience. Customer Care is busy introducing a service segmentation model based on type of use and value to ensure more focused care while containing costs. We are also in the process of consolidating all Customer Service Support Call Centres to ensure a consistent customer service experience across all touch points."

The essence of Customer Care is people. With a young staff complement (most Customer Care agents are under 23), authentic leadership and consistent employee engagement is crucial to our success. Inspired leadership, staff acknowledgement and an operational structure that balances the ratio of agents to team leaders, supervisors and managers all contribute to a vibrant environment that instils a customer-centric culture and keeps staff engaged.

Customer Service sits at the heart of the company, as a conduit between customers and each business unit. As a result, the full scope of business activity impacts on Customer Care directly, from the launching of new products to fault management. Customer Care serves the interests of customers by feeding customer intelligence back into the business for continuous service delivery improvement. "Continually measuring customers' service experience and ensuring we delight all customers put us in the privileged position of being the customer advocates within Vodacom." Redelinghuys concluded.

Fast facts

- Vodacom's primary Customer Service Call Centres receive an average of 12 million calls per month through the interactive voice response (IVR) system. 72% of all calls are managed and self-serviced through the IVR monthly.
- An average of 3.5 million calls are answered by agents every month.
- Customer Service has approximately 2 500 dedicated flexi and permanent agents managing various customer contact points.

Custodians of customer centricity

Franchised outlets include *Vodashops* and *Vodacom 4U* stores and our cellular mall, *Vodaworld*. The national franchise stores are Vodacom's most successful contract channel and are frequently used to pilot new initiatives and products, such as the successful launch of the *Apple iPhone* in 2008. We further increased our dealer and franchise network by another 168 stores to 1 148.

Vodacom Direct, our online channel and direct fulfillment call centre, continues to employ its multi-brand strategy and off-the-page advertising to attract customers to its contract offerings.

The National Chains division, which encompasses the majority of South Africa's leading retailers, has grown from 14 300 to over 16 200. Vodacom continues to seek out new and exciting retail distribution channels to expand its reach throughout the country. Wholesalers continue to dominate the prepaid market.

The Dealer channel consists of two main areas, Independent Dealers and Specialist Dealers. The Independent Dealer channel consists of smaller independent stores across the country. Significant growth potential exists to increase distribution through Independent Dealers in a number of provinces and we are currently identifying suitable outlets in small towns in these regions. New dealers, who specialise in computer sales, are also being appointed across the country to drive sales of our data products. Specialist Dealers (on-billers) own the billing relationship with end-users. They focus mainly on selling our data products and recharge vouchers. We have seen a steady increase in sales of our 3G products via two of our major Specialist Dealers.

For our business customers in South Africa, Vodacom Business operates an extensive direct sales division which concentrates on the sale of contracts, data products, value-added services and, more recently, the full portfolio of ICT converged services.

Brand

Our marketing efforts in the year were focused on promotions to offer greater value to customers such as the "20% free" *March Madness* campaign, as well as providing extensive marketing support for data and converged offerings. In the last quarter of the financial year we launched our *Player 23* campaign to coincide with the Vodacom Super 14, providing a platform for the brand to speak directly to rugby fans, effectively leveraging our sponsorship of the sport.

Vodacom's advertising has once again been recognised for excellence – in its creativity and effectiveness. At the Annual AdReview Awards, Vodacom's "Dictator" campaign was awarded Campaign of the Year. This success is a continuation of the brand leadership accolades achieved by Vodacom in the Sunday Times Ipsos/Markinor Brand Survey, as the top-rated telecommunications brand and South Africa's Most Loved Advertiser. Vodacom was also awarded four Loerie awards, including Gold, for "Dictator" in the year.

Management priorities for the year ahead

This financial year is set to be as challenging, if not more so than the past year, but we will continue to build on our achievements by staying focused, disciplined and responsive to changing market conditions. We will concentrate on the following priorities:

- Maintain revenue market share;
- Continue to reduce churn through targeted campaigns informed by customer analytics;
- Drive contract customer usage through value-added product and service offerings;
- Drive further data penetration and usage;
- Win market share in converged services, in both the consumer and enterprise market; and
- Actively seek opportunities to extract further operational efficiencies and cost savings.

vodacom

Vodacom's sport sponsorships offer a unique opportunity for us to invest in our communities and connect with our customers by sharing in their passion for sport. We are proud and long-term sponsors of rugby's Vodacom Super 14 (previously the Super 12), Vodacom Tri-Nations, Vodacom incoming tours and the Vodacom Cup, amongst others. We are also a major broadcast sponsor, bringing rugby into the homes of millions of South Africans and making the game accessible to supporters nationwide.

However, we had reached a plateau where we could extract limited additional value out of our rugby sponsorships. In response, we challenged our marketing communication partner to develop a campaign that would maintain the breadth of exposure we currently achieve while deepening the experience for the rugby supporter. Enzo Scarcella, Vodacom's Managing Executive for Marketing, said that "we wanted rugby supporters to know that Vodacom is core to the experience of the game, that it not only connects people with people, but connects people to rugby".

The result is a fully integrated marketing campaign that is interactive and personalised. It centres on Player 23, the fan who is an integral member of the team. This is personified in Jan, positioned as the greatest supporter who is always connected to the game. He is being introduced to audiences in television, radio, print and MMS adverts, as well as online.

The interactivity is driven by the campaign website, www.player23.co.za, a content-rich platform that includes details on teams, players, matches and results for the Vodacom Super 14, the Vodacom Cup and the Vodacom Tri Nations. Subscribers become part of a network of fans who can share and comment on images and videos, and have access to free content such as Jan's rugby lessons, ringtones, competitions or virtual rugby gear.

A widget has been developed which manages a fan's interaction with Player 23. It can be customised to count down to a particular match, view the latest news, upload content and keep track of friends and the virtual locker. A mobi site has also been developed to keep fans connected while on the move.

Vodacom is being positioned as core to the experience of rugby, the greatest supporter of player 23 by connecting them to the game. The campaign also uses our core service offering as the platform for fans to interact with their passion.

In the 2008 Sunday Times IpSos/Markinor Brand survey, Vodacom was voted:

- **Number 1 overall favourite brand advertised in SA ;**
- **Number 1 telecoms brand in SA ; and**
- **Number 5 coolest brand in SA.**

Stepping up brand sponsorship

South African key indicators

	Year ended 31 March			% change	
	2009	2008	2007	08/09	07/08
Customers (thousands)[1]	**27 625**	**24 821**	**23 004**	**11.3**	**7.9**
Prepaid	23 561	21 177	19 896	11.3	6.4
Contract	3 946	3 541	3 013	11.4	17.5
Community services	118	103	95	14.6	8.4
Gross connections (thousands)	**13 064**	**12 040**	**10 859**	**8.5**	**10.9**
Prepaid	12 327	11 248	10 124	9.6	11.1
Contract	705	782	666	(9.8)	17.4
Community services	32	10	69	-	(85.5)
Churn (%)[2]	**40.1**	**42.3**	**33.8**	**2.2 pts**	**(8.5 pts)**
Prepaid	45.4	47.9	37.5	2.5 pts	(10.4 pts)
Contract	9.9	8.3	9.7	(1.6 pts)	1.4 pts
Traffic (millions of minutes)[3]	**24 383**	**22 769**	**20 383**	**7.1**	**11.7**
Outgoing	16 582	15 323	13 638	8.2	12.4
Incoming	7 801	7 446	6 745	4.8	10.4
MOU per month[4]	**67**	**66**	**69**	**1.5**	**(4.3)**
Prepaid	48	46	47	4.3	(2.1)
Contract	156	172	188	(9.3)	(8.5)
Community services	686	883	1 151	(22.3)	(23.3)
ARPU (Rand per month)[5]	**133**	**128**	**128**	**3.9**	**–**
Prepaid	68	62	63	9.7	(1.6)
Contract	474	486	517	(2.5)	(6.0)
Community services	534	689	902	(22.5)	(23.6)
Messaging (millions)[6]	**5 410**	**5 002**	**4 809**	**8.2**	**4.0**
Data connectivity customers (thousands)[7]	**720**	**400**	**160**	**80.0**	**150.0**
Number of employees	**4 930**	**4 504**	**4 388**	**9.5**	**2.6**
Estimated mobile penetration (%)	**108**	**94**	**84**	**14 pts**	**10 pts**
Estimated mobile market share (%)	**53**	**55**	**58**	**(2 pts)**	**(3 pts)**

[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. Three month inactive customers were 8.9% (2008: 10.3%) of total customers, 9.9% (2008: 11.4%) of prepaid customers and 3.4% (2008:4.0%) of contract customers as at 31 March 2009

[2] Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported customer base during the period

[3] 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

[4] 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 exclude calls to free services, bundled minutes and data minutes

[5] ARPU is calculated by dividing the average monthly revenue (recurring mobile) by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales and other sales and services. With effect from 1 April 2008, ARPU calculations include revenue from national roamers and international visitors roaming on Vodacom's network. Historical ARPU numbers have been restated in line with the new methodology

[6] Messaging includes SMS, MMS and premium rate SMS/MMS

[7] A customer who has either taken a data contract or has a data bundle bolted onto his contract, hybrid contract or prepaid package

International

We have been effective in defending our market positions in all our markets despite intensifying competition and difficult trading conditions, and remain confident of doing so in the current year.

Willem Swart
Chief Officer International Business

Vodacom operates in four countries outside of South Africa: Tanzania, the DRC, Mozambique and Lesotho. The international operations cover a total population of approximately 134 million in these countries, which have a blended mobile penetration rate of less than 25%.

The international operations had 12.0 million customers and generated R7 003 million in revenue in the year ended 31 March 2009, contributing 30.3% and 12.7% to group customers and revenue, respectively. The international operations contributed 10.1% to group EBITDA for the year ended 31 March 2009.

Highlights

- Strong customer growth of 30.7% to 12.0 million customers
- Growth in revenue of 29.9% to R7.0 billion
- Data revenue growth of 41.0% to R468 million
- EBITDA growth of 18.7% to R1.8 billion
- Capital expenditure up 58.4% to R2.4 billion
- *Vodazone* and *M-PESA* launched in Tanzania
- 3G products and services launched in Lesotho
- Market leadership retained in four of five markets, and strong market share gains made in Mozambique
- Significant progress made in expanding network coverage and quality

Summary performance indicators

	Year ended 31 March			% change	
	2009	2008	2007	08/09	07/08
Customers (thousands)	11 989	9 173	7 146	30.7	28.4
Gross connections (thousands)	7 860	5 913	4 695	32.9	25.9
Number of employees	1 636	1 540	1 347	6.2	14.3
Revenue (Rm)	7 003	5 393	4 140	29.9	30.3
Operating profit (Rm)	606	718	538	(15.6)	33.5
EBITDA (Rm)	1 835	1 546	1 238	18.7	27.2
Capital expenditure[1] (Rm)	2 406	1 519	1 573	58.4	(3.4)
Operating profit margin (%)	8.7	13.3	13.0	(4.6 pts)	0.3 pts
EBITDA margin (%)	26.2	28.7	29.9	(2.5 pts)	(1.2 pts)
Capex/revenue (%)	34.4	28.2	38.0	6.2 pts	9.8 pts

[1] Capital expenditure includes PPE and software

Overview

The international operations continued to record strong customer growth, up 30.7% to 12.0 million in the year. The launch of new products and services, including BlackBerry™ in Tanzania and 3G in Lesotho, focused sales and marketing campaigns, and enhanced network coverage were the main drivers of this pleasing growth.

Gross connections were 32.9% higher and churn remained high but relatively constant, contained by various loyalty programmes such as *Tuzo Points* and *Tuzo Draw* which were launched in Tanzania. ARPU in local currency declined in most of the international operations due to the growth in lower-usage customers, shrinking disposable income due to economic conditions, and aggressive competitive pressure on tariffs in the form of discounted airtime and free on-net call promotions by competitors. Besides the pricing pressure, which is being exacerbated by worsening economic conditions, new licences are being awarded raising the competitive stakes in all our markets considerably.

EBITDA margins increased in all the international operations except for the DRC, reflecting the severe impact of the global economic slowdown in that country. The DRC's economy is heavily reliant on commodities and has been severely affected by the slump in commodity prices which has crippled the mining sector. The effects of the economic slowdown have begun to show increasingly in all our other markets except for Mozambique, which is relatively shielded as an economy reliant on donor funding.

We continued to invest significantly in expanding network coverage and quality, with more than 400 new base stations added during the year in the four countries. Tanzania and Mozambique were the main beneficiaries of this investment, followed by Lesotho where we commenced 3G services.

In Tanzania we successfully launched the money transfer service, *Vodafone M-PESA*, in partnership with Vodafone Group, with accelerating uptake. *Vodafone M-PESA* is also under consideration for Mozambique and the DRC. We continued to enhance customer care and specifically our call centre operations, in which we set the benchmark in all our international operations. We made progress in the important objective to expand our distribution network, concentrating on under-serviced areas and on managing margins to provide value to the dealers and vendors who form the backbone of our distribution model.

We have continued to elevate our focus on specific initiatives to leverage Group efficiencies, through centralised procurement across the Vodacom Group, and increasingly also across the Vodafone Group, specifically in low-cost handsets. Our plan to identify and implement synergies with Gateway is ongoing. We are also engaging with other operators on site sharing, as part of the major thrust to extract operational cost savings from infrastructure sharing.

The regulatory environments in our international countries of operation are liberalising rapidly, and are in certain respects ahead of South Africa. The main regulatory trend in all countries is subscriber registration, which is proving challenging to implement given the lack of comprehensive personal identification systems. Vodacom continues to engage constructively with the governments and regulatory authorities in all our markets towards sound and effective regulatory frameworks that support sustainable growth in the telecommunications sector.

We have been effective in defending our market positions in all our markets despite intensifying competition and difficult trading conditions, and remain confident of doing so in the current year. We continue to invest in broadening coverage and will stay competitive by leading in new technology and launching new products, as well as executing aggressive campaigns to offer greater value to customers across a basket of benefits including coverage, service quality, customer care and affordability. The strength of the brand in all our countries of operation will continue to underpin our efforts to grow our international presence.

Financial performance

Revenue from the international operations for the year ended 31 March 2009 rose 29.9% to R7 003 million, largely driven by the 30.7% growth in the customer base to 12.0 million. Revenue was positively impacted by the appreciation of the functional currencies of the international operations against the rand.

Data revenue accounted for 6.7% of the international operations' revenue in the year and increased 40.7% to R468 million, which was largely driven by an increase in SMS volumes.

EBITDA for the year increased 18.7% to R1 835 million with EBITDA margins of 26.2%, compared to 28.7% in the prior year. Although EBITDA margins expanded in all the international operations except for the DRC, they were negatively affected by a significant increase in employee expenses and to a lesser extent higher direct network operating and marketing expenses. Operating profit from the international operations was 15.6% lower at R606 million with an operating profit margin of 8.7% as compared to 13.3% in the prior year. This was largely as a result of the substantial increase in depreciation and the impairment of assets, which increased to R106 million as compared to R30 million a year earlier largely as a result the impairment of Mozambique network assets.

Capital expenditure for the international operations was 58.4% higher at R2 406 million (or 34.4% of revenue) and largely relates to the expansion of coverage in Tanzania and Mozambique to support customer growth.

Products and services

Mobile voice

Mobile voice services are offered through contract and prepaid packages as well as public payphone services. Additionally, a number of hybrid packages which provide customers with greater ability to control their spending are available. These can be topped-up with additional value through the purchase of prepaid vouchers. Voice services include outgoing and incoming calls, international roaming, incoming visitor roaming and national roaming.

In August 2008, Vodacom Tanzania launched *Vodazone* giving customers up to 50% call discounts depending on their location and the time of day.

Mobile messaging

Vodacom offers its customers mobile messaging services such as SMS, MMS, premium rate SMS (including USSD) and MMS, SVS, bulk SMS and MMS, and WAP services.

Broadband data and connectivity

Vodacom offers broadband connectivity and internet access services using various technologies such as GPRS, EDGE, 3G, HSDPA, HSUPA, WiMAX and VSAT.

In March 2007, Vodacom Tanzania launched a 3G offering in Dar es Salaam. In July 2008, data bundles for prepaid customers were introduced in Tanzania and BlackBerry™ was launched in October 2008.

Vodacom Lesotho launched extensive data product offerings during the financial year, including GPRS, 3G, WiMAX, coupled with various SMS usage promotions such as *Summa Feva* and *Vodacom Challenge*.

Converged services

In Mozambique, Vodamail (free email) and Vodakool, the news and information portal exclusive to Vodacom, are offered.

Vodacom Lesotho launched Vodacom *Small Office Home Office (SoHo)* packages, a fixed wireless home solution.

In April 2008, Vodacom Tanzania launched *Vodafone M-PESA*, a financial payment service in partnership with Vodafone Group.

Equipment sales

We are part of Vodafone Group's ultra low price handset initiative, supplying handsets into Africa at less than $20.

Access to affordable banking services for the unbanked sector has been a challenge facing countries across the developing world. Following the successful launch of M-PESA by Vodafone's Kenyan affiliate, Safaricom, Vodacom Tanzania launched the financial payment service in April 2008.

Vodafone M-PESA is a mobile money transfer product that has revolutionised access to financial services in the country, saving customers time and money in their financial dealings.

- In early May 2009 there were over 250 000 active *Vodafone M-PESA* customers in Tanzania that performed over 153 000 transactions through 835 agents.
- Since January 2009, there has been a month-on-month growth in the customer base by 25%, transaction volumes by 19% and the value of transitions by 12%. We are now registering an average of 2 500 customers a day.
- We have been signing up an average of 55 new agents every month since the launch.
- Following the success of this product in both countries, Vodacom intends launching a similar product in all its operations.

Mobile banking moving boundaries

Country reviews

Tanzania

Vodacom Tanzania's revenue for the year ended 31 March 2009 rose 26.3% to R2 975 million, primarily due to the increase in customers, the growth in data revenue and a stronger Tanzanian shilling to the rand in the year. In Tanzanian shillings, revenue was up 12.2% for the year, before excise duty. The average appreciation of the Tanzanian shilling against the rand was 17.0% over the period.

Tariff increases were implemented in Tanzania in July 2008, to absorb the increase in excise duty. However, as the year progressed revenues came under increasing pressure due to competitor activity as well as the global economic downturn. Competitors launched new tariff packages, mostly targeting increased on-net traffic. We implemented aggressive campaigns of our own, including a zone-based billing product called *Vodazone* and a promotional offer to customers of 30% additional airtime on any recharge. We also continued to investigate cost-saving initiatives to mitigate the pressure on revenues.

Our focus on network quality and expanding coverage has paid dividends, giving Vodacom Tanzania a competitive advantage. Vodacom Tanzania maintained its market leadership position.

Churn decreased to 43.1%, as compared to 45.5% for the prior year, a result of the introduction of new loyalty programmes and increased availability of SIM swap points. Total ARPU decreased 4.3% to R49 per month, as compared to R51 per month in the prior year. In local currency, ARPU declined by 20.7% due to the impact of macroeconomic pressures on disposable income as well as the competitive pressure on tariffs.

Data revenue accounted for 9.0% of Vodacom Tanzania's revenue for the year ended 31 March 2009 and experienced strong growth of 30.0% (7.8% in local currency) to R269 million. Data revenue growth was driven by an increase in 3G/HSDPA, GPRS, and WiMAX revenues and supported by continued growth in SMS, the launch of prepaid data bundles and *Vodaflava* (a premium rate SMS-based information, ring tone and logo download service). As at 31 March 2009, Vodacom Tanzania had 1.6 million data capable handsets, of which 331 000 were 3G/HSDPA enabled, and had 337 000 active data users at the same date. During the year Vodacom Tanzania launched prepaid and postpaid Blackberry™ service.

M-PESA, a financial payment service in partnership with Vodafone, was successfully launched during the year.

Vodacom Tanzania's operating profit was R615 million and EBITDA was R1 049 million for the year, up 33.6% and 37.0% respectively on the prior year with an EBITDA margin of 35.3% compared to 32.5% a year before. In Tanzanian shillings, profit from operations and EBITDA increased by 10.9% and 13.7% respectively. The margin increase was supported by cost containment measures, and lower management fees and fuel consumption.

Capital expenditure increased to R1 355 million, compared to R713 million in the prior comparative period, or 45.5% of revenue, largely due to increased rollout of base stations. Vodacom Tanzania rolled out an additional 214 base stations bringing the total to 979 at 31 March 2009. Vodacom Tanzania now has EDGE functionality across the network, as well as 3G in all the major centres countrywide.

Following representations by the industry to delay the draft legislation proposing subscriber registration, mobile operators will be required to commence subscriber registration on1 July 2009 for all new subscribers and existing prepaid subscribers.

The DRC

Vodacom DRC's revenue for the year ended 31 March 2009 rose 27.5% to R2 928 million, primarily due to a 26.8% increase in customers to 4.2 million, increase in data revenue and the strengthening of the US dollar to the rand over the period, offset by a decrease in net interconnect revenue and lower ARPUs in local currency. In US dollars, revenue increased by 2.6% in the year. Data revenue accounted for 4.1% of Vodacom DRC's revenue for the year and increased 53.2% to R121 million.

The impact of the slump in mineral resource prices and the closing or downsizing of many mines has had a devastating impact on the DRC economy. Furthermore, the decrease in mining exports caused severe shortages of US dollars, which resulted in significant depreciation of the local CDF currency. A weaker local currency impacts negatively on the affordability of mobile offers which are charged for in US dollars. The severe economic conditions have spurred increased price competition, which is expected to get worse as the full effect of the economic downturn filters through the economy and with the entry of new mobile operators into the market.

While customer growth in the DRC was hampered by the harsh economic conditions, gross connections were supported by aggressive customer acquisition campaigns and connection incentives, the launch of per second billing and lower denomination vouchers and increased network coverage. Vodacom DRC maintained its leadership position.

Churn remained high at 50.5%, compared to 48.0% in the prior year, as a result of the increasingly competitive environment. During the year total ARPU increased 5.5% to R63 per month, as compared to R60 per month for the prior year. This was primarily due to currency fluctuations offset by the connection of lower ARPU customers, an increase in inactive customers and lower usage. In US dollars, ARPU was 14.3% lower, mainly due to increasing competition and the weakening economic climate together with local currency weakness against the US dollar. Local currency depreciation severely affects the purchasing power of customers who pay in local currency for airtime which is charged in US dollars. The local currency weakened by 47.0% in the six months ended 31 March 2009.

Vodacom DRC's operating profit for the year ended 31 March 2009 was R204 million and EBITDA was R743 million, decreasing by 44.0% and 0.3% respectively on the prior year. The EBITDA margin was down to 25.4% from 32.4% in the prior year. Profitability was negatively impacted by an increase in indirect taxes, changes in interconnection rates, increases in network maintenance and site costs due to fuel and security cost increases and the market conditions. In US dollars, EBITDA and operating profit decreased by 19.7% and 54.9% respectively.

Capital expenditure rose 5.3% to R693 million, or 23.7% of revenue. During the year an additional 93 sites were rolled out, bringing the total to 518 as at 31 March 2009.

After several postponements, the commencement date for implementation of excise duty tax was set at 15 April 2009, and the full 10% excise duty tax will gradually be introduced in the following 12-month period. All mobile operators agreed to pass the excise duty tax on to customers and retail tariffs were increased by 4% on 14 April 2009. The tax rate and fees specific to the telecommunications sector have also been increased, and the FEC (Chamber of Commerce) has asked for a review of the high increases. Following a request for further extension of customer registration, the period was verbally extended by six months to the end of June 2009.

Mozambique

Vodacom Mozambique's revenue for the year ended 31 March 2009 rose 69.4% to R735 million, primarily due to the 27.5% increase in customers to 1.6 million, a 12% tariff increase from 1 October 2007, strong growth in data revenue and a stronger local currency against the Rand. In meticals, revenue increased 34.4%, with the metical average rate appreciating 20.7% to the rand in the year. Data revenue accounted for 4.8% of Vodacom Mozambique's revenue for the year, up 118.7% to R35 million.

We made strong progress as the challenger to the state-owned market leader in Mozambique, recording a 4% gain in market share in the year to an estimated 44% at 31 March 2009.

The growth in customers was a result of increased network coverage, improved products and services and an increased number of distribution partners. Growth was supported by various promotional tariffs with free on-net calls and recharge bonuses. For the year ended 31 March 2009, churn increased to 69.0%, as compared to 58.7% for the year ended 31 March 2008, as a result of strong competition in the market and a large part of the base being seasonal holiday visitors from outside Mozambique. During the year total ARPU increased by 37.6% to R43 per month, primarily due to tariff increases and an appreciation of the local currency to the rand. In metical, ARPU increased 9.2% in the year due also to market share gains among higher spending contract customers.

Vodacom Mozambique's loss from operations was R253 million and EBITDA loss was R19 million for the year ended 31 March 2009, as compared to a loss from operations of R157 million and an EBITDA loss of R32 million in the prior year. Profitability was negatively impacted by the impairment of the network assets of R106 million.

Capital expenditure increased 140.5% to R267 million, or 36.3% of revenue, largely driven by network expansion and the investment in fibre optic infrastructure in Maputo. During the year an additional 60 sites were rolled out, bringing the total to 280 as at 31 March 2009.

It is likely that a third network licence will be issued in the future and we have continued to position the business to defend its market position.

Lesotho

Vodacom Lesotho's revenue for the year ended 31 March 2009 increased by 28.8% to R398 million, primarily due to the 31.1% increase in customers to 518 000 and growth in data revenue. Data revenue accounted for 10.8% of Vodacom Lesotho's revenue for the year ended 31 March 2009, and increased by 38.7% to R43 million.

New data product offerings included GPRS, 3G, WiMAX, coupled with various SMS usage promotions such as *Summa Feva* and the *Vodacom Challenge*. In the year Vodacom Lesotho successfully launched its 3G network and enabled GPRS/EDGE to support data services nationwide.

Vodacom Lesotho has maintained its market leadership position.

Churn increased to 19.8% for the year ended 31 March 2009, as compared to 17.8% for the prior year, due to stronger competition. During the year, total ARPU decreased by 6.1% to R70 per month, primarily due to a decrease in the average monthly minutes in the prepaid customer base.

Vodacom Lesotho's profit from operations for the year was R166 million and EBITDA was R189 million, up 35.0% and 36.0% respectively, with an EBITDA margin of 47.5% compared to 45.0% in the prior year. The EBITDA margin increased due to effective cost management and the lowering of international interconnection costs.

Capital expenditure increased 152.8% to R91 million, or 22.9% of revenue, largely due to the expansion in coverage and investments in the 3G and WiMAX networks.

Management priorities for the year ahead

We expect the contribution of the international operations to group revenue to continue growing with low penetration rates presenting significant opportunity for customer growth in the medium term. As economic weakness persists in the DRC and affects our other markets more acutely, a trend that is already evident, the current year will however be difficult. Although the impact is expected to be more muted in Mozambique, any contraction in donor funding and investor confidence will hamper the significant proposed investment in the country.

Underpinned by a more centralised coordinated approach to our international operations, our priorities in the year ahead will be to:

- Defend our market leadership by adding new products and services, and driving data penetration;
- Persist with aggressive value campaigns to counter competitive pressure on tariffs;
- Continue to expand network coverage and enhance quality;
- Expand our distribution network further;
- Focus on extracting further operational efficiencies and cost savings, and driving group-wide procurement benefits;
- Continue to enhance our customer care differential and the strength of our brand;
- Focus on maximising the benefits of synergies with Gateway; and
- Continue to manage the cost and resource implications of regulatory change.

During the 2009 financial year, Vodacom Mozambique partnered in the Um Olhar de Esperança project, a programme of the Mozambican Ministry of Education and Culture that is building IT centres in educational institutions. Few schools in Mozambique have IT facilities, so the programme will help provide computer literacy training to students across the country for the first time.

Vodacom invested approximately USD447 740 to fund the building of 13 centres at secondary schools and one at a university in the provinces of Maputo, Sofala, Manica, Zambézia, Nampula, Tete, Cabo Delgado, Gaza and Inhambane. Each centre consists of 25 computers, a server, printer, modem, virtual library license and 24-month warranty for the IT equipment.

Building computer literacy

International key indicators

	Year ended 31 March			% change	
Rm	2009	2008	2007	08/09	07/08
Customers (thousands)[1]	**11 989**	**9 173**	**7 146**	**30.7**	**28.4**
Tanzania	5 667	4 207	3 247	34.7	29.6
DRC	4 170	3 289	2 632	26.8	25.0
Mozambique	1 634	1 282	988	27.5	29.8
Lesotho	518	395	279	31.1	41.6
Gross connections (thousands)	**7 860**	**5 913**	**4 695**	**32.9**	**25.9**
Tanzania	3 584	2 645	2 092	35.5	26.4
DRC	2 773	2 141	1 688	29.5	26.8
Mozambique	1 290	951	797	35.6	19.3
Lesotho	213	176	119	21.0	47.9
Churn (%)[2]	**48.1**	**47.1**	**33.8**	**(1.0 pts)**	**(13.3 pts)**
Tanzania	43.1	45.5	35.6	2.4 pts	(9.9 pts)
DRC	50.5	48.0	30.4	(2.5 pts)	(17.6 pts)
Mozambique	69.0	58.7	41.7	(10.3 pts)	(17.0 pts)
ARPU (Rand per month) [3]					
Tanzania	48.7	50.9	53.1	(4.3)	(4.1)
DRC	63.3	60.0	73.8	5.5	(18.7)
Mozambique	42.8	31.1	30.1	37.6	3.3
Lesotho	69.6	74.1	76.2	(6.1)	(2.8)
ARPU (local currency) [3]					
Tanzania (Tanzanian shilling)	6 943	8 756	9 666	(20.7)	(9.4)
DRC (US dollars)	7.2	8.4	10.5	(14.3)	(20.0)
Mozambique (metical)	121	111	112	9.0	(1.0)
Estimated mobile penetration (%)					
Tanzania	30	20	16	10 pts	4 pts
DRC	16	12	9	4 pts	3 pts
Mozambique	17	16	14	1 pts	2 pts
Lesotho	30	26	17	4 pts	9 pts
Estimated mobile market share (%)					
Tanzania	46	52	55	(6 pts)	(3 pts)
DRC	37	41	47	(4 pts)	(6 pts)
Mozambique	44	40	35	4 pts	5 pts
Lesotho	80	80	80	-	
Number of employees	**1 636**	**1 540**	**1 347**	**6.2**	**14.3**
Tanzania	689	618	527	11.5	17.3
DRC	672	691	627	(2.7)	10.2
Mozambique	188	157	129	19.7	21.7
Lesotho	83	70	60	18.6	16.7
Mauritius	4	4	4	-	-

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. Three month inactive customers were 20.3% (2008: 19.4%) for Tanzania, 33.1% (2008: 23.1%) for the DRC, and 28.5% (2008: 34.9%) for Mozambique and 13.4% (2008: 15.7%) for Lesotho as at 31 March 2009

2. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported customer base during the period

3. ARPU is calculated by dividing the average monthly revenue (recurring mobile) by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales and other sales and services. With effect from 1 April 2008, ARPU calculations include revenue from national roamers and international visitors roaming on Vodacom's network. Historical ARPU numbers have been restated in line with the new methodology

Gateway

The acquisition of Gateway provides the thrust for Vodacom's strategic objective to expand in sub-Saharan Africa. The acquisition has given Vodacom a much larger international footprint and a springboard to further expansion. Gateway provides new market entry points and local market understanding and offers attractive synergies.

Peter Gbedemah

Chief Executive Officer Gateway

Peter Gbedemah

Highlights

- Increased customer reach and network footprint with new offices opened in Kenya and Uganda
- Launched *Africa IPJetDirect*, which is set to revolutionise mobile internet on the continent
- Launched *AfricaConnect*, in response to increasing demand for connectivity in retail and finance sectors in rural areas
- Presented with the Global Telecoms Business award for Innovation for our West African Airlink and MetroLink wireless broadband solution.
- Continued to expand satellite capacity, with over 20 additional transponders added in the last 12 months
- Awarded Best Pan-African Wholesale Operator, by Capacity, and the Excellence and Innovation in Satellite Cellular Backhaul award from Intelsat, both for 2008.
- Recognised as Africa's Best Satellite Service Provider 2009, in the SatCom Star awards

Vodacom Group acquired Gateway on 30 December 2008. Gateway is Africa's largest provider of satellite and terrestrial network infrastructure and interconnection services for African and international telecommunications companies.

Gateway also provides an extensive range of high quality, end-to-end connectivity solutions to multinational corporations operating across Africa. Gateway services customers in 40 countries and employs 389 people in 14 offices throughout Africa and four European offices.

Gateway's results for the quarter ended 31 March 2009 have been included in the Vodacom Group's results for the first time. Gateway posted revenue of R808 million and EBITDA of R100 million for the three-month period.

Overview

Technology and communications tend to demonstrate relative resilience in tough economic times. While the impacts of the global economic crisis will be felt for some time to come and Africa has not been spared, Gateway has delivered good growth.

In the rapidly evolving landscape of African connectivity, we continue to broaden our reach by moving into new markets and enhancing our service offerings in our existing markets. In the year we opened new offices in Nairobi and Kampala and will be expanding our team in these markets.

Spending on African IT and telecoms services is set to grow at significantly higher rates than in G20 countries. Investments in banking and corporate ERP systems will continue to drive industry growth. We expect the need for connectivity to continue to increase due to demand for core business applications, eBusiness services, and Point-of-Sale applications, such as ATMs and POS terminals and forecourts.

Opportunities for growth exist across a number of sectors in Africa, including oil and gas, banking and finance, and retail which are all expected to show growth. Gateway is well placed to provide local, regional and international businesses with the necessary communications infrastructure to run their business more effectively and efficiently despite the challenges posed by the lack of infrastructure in Africa.

Some specific examples of sector opportunities include our work with Nigerian banks expanding into rural areas, and oil companies who require solutions to enable workers to communicate with their families far away. In the banking sector, African banks are making inroads in respect of the 230 million unbanked households in rural areas by employing advanced satellite technologies. Gateway works with 22 of Nigeria's 25 largest banks, to enable secure and reliable connectivity services in metropolitan and rural areas where banks were unable to operate previously.

African mobile network operators (MNOs) are investing in expanding their operations. Increasingly, MNOs are collaborating to share network infrastructure and reduce the cost of expanding their networks.

Gateway is becoming recognised as the carriers' carrier, providing flexible resources and cost-effective access to satellite capacity, with operators using Gateway's own points of presence (POPs) to provide inter-POP communications. Operators can supplement their own connectivity from Gateway's extensive infrastructure as they require, thereby containing the expense of network expansion.

Mobile data is an important growth driver for Gateway. The GPRS, EDGE and 3G networks that have been deployed in African countries are experiencing strong take up as MNOs pursue the opportunities of data communications and ICT convergence to build additional revenue streams.

Products and services

Carrier voice services

Gateway offers African interconnection to international operators for the completion of calls originated internationally, as well as international network connection for African operators for the completion of international calls. Carrier voice services include intra-Africa network connectivity for the completion of calls between African operators.

Carrier data services

Gateway's data services include national connectivity to allow mobile operators to connect switches and cell sites within a particular country. International leased-lines for voice, data and signaling traffic are provided. Gateway offer high speed internet connectivity to mobile operators to support the roll-out of GPRS and 3G services. Gateway designed *Africa IPJetDirect* for African MNOs who provide GPRS, EDGE or 3G services. *Africa IPJetDirect* provides high speed, low latency internet connectivity with the highest levels of quality, connectivity and efficiency. The main benefits for MNOs are higher revenue and profits, lower operating expenditure and less customer churn. *Africa IPJetDirect* is delivered by satellite and dedicated to African IP, giving Gateway the ability to deliver hundreds of Mbps of high quality IP connectivity to small antennas in a cost-effective way.

Business services

Gateway offers private satellite networks (VSAT) to major multinational corporations for their IT applications, data and voice communications. These services include managed data network services using MPLS, Frame Relay and ATM for business critical communications and access to Gateway's e-Commerce services. Corporate internet access is provided via both satellite and terrestrial transmission links. Gateway is rolling out broadband wireless networks in the 10.5GHz frequency band to provide last-mile access in urban areas as a cost-effective and reliable alternative to fibre and microwave services, and to replace our 5.8GHz wireless links. We are expanding our international MPLS network to all our African points of presence, to provide high capacity access to multinationals operating across Africa.

In the year we launched *AfricaConnect for Retail*, to provide a more affordable connectivity option which is achieved through high utilisation of low bandwidth, where always-on internet is not required. Retail outlets, shopping malls, gas stations and major eateries can use *AfricaConnect for Retail* for all their transactional applications, such as Point-of-Sale and ATMs. The service can also be used as a back-up when the primary link goes down. This is often a terrestrial link and can be difficult to repair quickly in remote locations.

Financial performance

Vodacom's annual results for the year ended 31 March 2009 include Gateway's results for the three months from the date of acquisition on 30 December 2008 to the financial year end. Revenue and EBITDA for the three month period were R808 million and R100 million, respectively. Operating profit for the period was R33 million, impacted by the amortisation of intangible assets of R46 million largely relating to the value ascribed to the customer bases acquired. The operating profit margin was 4.1% and the EBITDA margin was 12.4% for the period. Capital expenditure in the three-month period was R14 million, representing 1.7% of revenue.

Gateway's financial year end is 31 December. On a proforma unaudited and standalone basis before any consolidation adjustments for the 12 months ended 31 March 2009 Gateway's carrier services business delivered revenue growth of 14.3% to USD286.8 million. Traffic volumes continued to increase with inbound and outbound traffic minutes increasing 18.5% and 22.3%, respectively. The gross profit growth year-on-year of 2.0% to USD64.0 million was impacted by the global slowdown with lower traffic volumes than planned resulting in under-utilised satellite transponder capacity.

Business services revenue was 37.4% higher at USD55.9 million, principally as a result of the continued growth in the Nigerian market. Gross profit continued to grow strongly at 21.9%. The lower gross profit margin was largely due to the growth in the Nigerian market where margins are generally lower when compared to the rest of the region due to higher levels of competition.

Management priorities

This is an exciting time for African communications markets and Gateway is well positioned to assist our customers to take advantage of the developments. We stand to benefit from the growth expected in Africa in mobile and data communications, underpinned by our strategic focus on high-growth markets and specific sector opportunities.

The substantial new international capacity that will be provided by the submarine cable systems as they are brought into commercial service over the next few years will drive demand for bandwidth and services, but will also intensify competition. They will also spur demand for satellite services, which provide redundancy and back-up for fibre, and satellite is still the only way to satisfy the demand for bandwidth in areas where fibre is not yet available.

Our focus on realising the growth opportunities open to us will be accompanied by continued efforts to drive efficiencies, which will include identifying and leveraging synergies with Vodacom, and in particular with Vodacom Business – a process which is already well underway.

To buttress our competitive advantages, we will continue to invest in developing our network infrastructure, expanding our local presence and offering relevant, innovative and customised services to our customers, hand-in-hand with delivering high-quality pan-African connectivity, most cost effectively. We will be sure to stay responsive to the changing dynamics of our industry to ensure we maintain our leadership positions.

Management priorities for the year ahead:

- Increase our carrier customer base in new territories;
- Focus on east Africa development in preparation for the Seacom cable;
- Continued investment in an Africa-wide MPLS network;
- Realise operational synergies with the Vodacom group of companies; and
- Realise revenue synergies with Vodacom Business.

Gateway has been awarded a USD6 million, two-year term contract to provide Etisalat with satellite cellular backhaul to connect three major cities in its Nigerian network. In awarding the contract to Gateway, Etisalat considered criteria such as a track-record of high quality service, secure and reliable networks, and local, on-the-ground support available throughout the country.

Steven Evans, CEO Etisalat Nigeria, said: "Given the rapid rate of mobile adoption in Nigeria and what this represents in terms of opportunity, Nigeria is undoubtedly a key market for Etisalat. It was therefore key for us to find a partner that understands both the local market requirements as well as the complete technology landscape across Africa. As the most successful supplier of satellite cellular backhaul in Africa, Gateway Communications has expertise in both these areas. We are therefore confident that our desire to roll out our services across Nigeria in the shortest possible time will benefit from this promising business relationship."

Nigeria is now the largest telecoms market in Africa. The Nigerian regulator reports over 64 million SIMs in operation at the end of January 2009. 23 million new subscribers signed up in 2008 alone, representing 55% growth in that year. With a relatively low mobile penetration, a large population and an economy forecast to grow at around 8% this year, Nigeria is certainly one of the continent's most exciting markets.

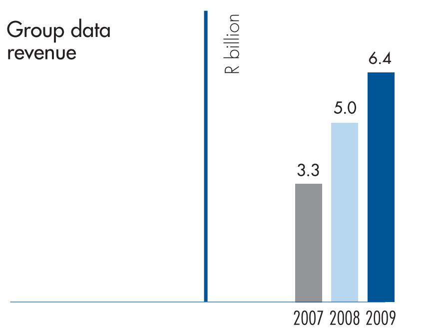
John Dindlebeck, Managing Director for Gateway Nigeria, added: "Gateway has been working in Nigeria for over 10 years now and has always considered West Africa as an important market. In that time, Gateway has gained a deep understanding of the local market and has created a tremendously strong business across the region. It is great that Etisalat have recognised the high quality of our services here in Nigeria and we look forward to supporting them, building on their success and extending their footprint in this exciting market. As the largest provider of independent satellite services in Africa, we're confident that we have the expertise on the ground as well as the world class technologies to meet Etisalat's exact requirements."

Gateway has offices in Lagos, Abuja, Port Harcourt and Kano, and provides technical support throughout Nigeria.

Unlocking opportunities on the continent

DEVELOP CONVERGED ICT SOLUTIONS

Our new generation networks are enabling us to take up the opportunities of liberalising ICT markets to develop converged solutions for businesses and consumers. Our online services are stimulating uptake and usage, and growing new revenue streams.


Group data
revenue
R billion
3.3
5.0
6.4
2007 2008 2009

Vodacom's development has been characterised by a strong pioneering approach. Looking back, there is no doubt in my mind that Vodacom has built a sustainable operation – all indications are that the company will continue to grow from strength to strength.

Bob Collymore
Chief Officer Corporate Affairs

Considering Vodacom SA's dominance within the Group, this sustainability review largely covers matters relating to Vodacom SA. For further detail substantiating assertions made in this report, see Vodacom's separate Sustainability Report, published in print as well as on the Group website, at www.vodacom.com.

Highlights

- Group executive committee formed with responsibility for sustainable development
- First independent stakeholder survey conducted
- Vodacom SA's BBBEE score for the DTI's Codes improves to a Level 4 contributor rating
- Vodacom SA concludes R7.5 billion BBBEE transaction
- More than two million affordable handsets (under R300 each) sold by the Group
- Vodacom SA launches handset recycling programme, with 12 400 handsets recycled

Vodacom's development has been characterised by a strong pioneering approach. Looking back, there is no doubt in my mind that Vodacom has built a sustainable operation – all indications are that the company will continue to grow from strength to strength. By making sound business decisions, Vodacom has also largely answered the needs of its stakeholders: mobile telecommunications have revolutionalised life for the previously underserviced; some R19 billion a year is spent on local procurement; the Group now provides employment to some 7 255 employees; and through the Vodacom Foundation more than R67 million was contributed to local South African communities in the year under review and some R500 million over the ten years of its existence, as well as a growing fund to invest in communities across the continent.

In this new era, Vodacom is taking a new form – listing on the JSE Limited takes the company public and places more rigorous demands on the way we engage with our stakeholders. On review of feedback received so far, we recognise that we can best improve our engagement with stakeholders through a positive, consultative approach. Aside from stakeholder engagement, the material sustainability issues Vodacom is currently addressing are: earning the trust of the public and our customers in the way we do business; broad-based black economic empowerment; making Vodacom the best company to work for, for the best and most highly skilled employees; further increasing access to communication for marginalised communities across Africa; addressing issues relating to climate change; and investing in social causes that are aligned both to the business and the development agendas of the countries in which we operate. While these issues reflect a synthesis of the views of management, shareholders and stakeholders, we will be formalising our approach to substantiating the Group's material sustainability issues in the year ahead.

Furthermore, we are determined that Vodacom achieves leadership across a number of key sustainability indicators over the next 18 to 24 months. This will require a strong emphasis on defining indicators and measuring progress more accurately. In this endeavour, we will be guided by the principles set out in King II with a view on King III and the guidelines of the Global Reporting Initiative ("GRI").

We have already made a start in creating a robust governance structure for sustainable development, establishing a group executive committee, chaired by the Chief Executive Officer, and including the Chief Financial Officer, Chief Officer Human Resources, Chief Officer International Business, Managing Director Vodacom SA and myself, as Chief Officer Corporate Affairs.

Vodacom looks forward to a year of strong progress in establishing a more formal approach to sustainable development, and building on our track record of success and contribution to its stakeholders.

Summary table of material sustainability issues

Issues	Stakeholders affected	Summary of status
Stakeholder engagement	Shareholders Customers Employees Government Communities Business partners Suppliers Franchisees Regulators	Vodacom conducted its first independent stakeholder survey on sustainability. We plan to improve our engagement processes further this year.
Earning the trust of its customers and the public	Customers Public Government Regulators Industry bodies	Vodacom is sensitive to heightened consumer activism and increased competition. We will earn trust through improved service, engagement and measure progress against defined indicators.
Broad-based black economic empowerment	Shareholders Employees Suppliers Small enterprises Communities	Vodacom SA improved its overall BBBEE score according to the DTI Codes from 55.2% to 68.0%.
A workplace for highly skilled people	Employees	Vodacom invested R70 million in the training of employees, or 3.7% of payroll, and employee turnover dropped from 10.3% to 9.0% year-on-year. This year we aim to attract and retain more highly skilled people, measured against defined indicators.
Broadening access to communications	Communities LSM 1-3 customers Micro- and small enterprises Vodafone	The number of group mobile customers increased by 16.5% to nearly 40 million. We continue to introduce more affordable voice and data products and packages, including low-cost handsets. This year Vodacom expects to introduce mobile banking for the unbanked market in more of its operations.
Containing our impact on the environment	Government Regulators Interest groups Vodafone	Vodacom SA's compliance with South Africa's environmental regulations dropped 12 percentage points to 78.5%, but retained its ISO 14001 systems certification. We are committed to identifying areas of high impact and improving across all indicators this year.
The Vodacom Foundation and Group CSI	Communities NGOs Government	Vodacom SA disbursed R67 million in the year under review. This year, we are adjusting our CSI focus to concentrate on leveraging Vodacom's business skills and technology to improve socioeconomic conditions in underprivileged communities.

Making Yebo millionaires

Three millionaires in three months! And that is only the first quarter of 2009 for *Yebo Millionaires*, a loyalty programme exclusively for Vodacom customers. The winners – a farm worker from the Northern Cape, a fruit picker from the Western Cape and a miner from Mpumalanga – are just three of more than 1.6 million Vodacom customers who have won prizes on *Yebo Millionaires*. Prizes include cash, cellphones and recharge vouchers. And a lucky Vodacom customer drives away in a brand new car on the last Tuesday of every month in the Yebo Millionaires lucky draw.

Cheryl Mulder, Managing Executive for customer relationship management, explains "It was originally conceived to reward customers for their loyalty and to give them the feeling that they can win simply by being a Vodacom customer. The programme was also intended to help educate a large proportion of the prepaid market that was not familiar with using SMS." It is a world-first, a loyalty programme that is part educator, part marketing drive and part social investment.

Four computer centres (consisting of 10 computers, a server, printer and software) are donated to four under-resourced public schools on the first Tuesday of the month. To date, 120 schools have benefited from this initiative, including schools in some of the most remote parts of South Africa. All are now able to offer computer literacy classes for the first time.

Yebo Millionaires reaches Phallang

Phallang Intermediate School in Botshabelo in the Free State caters for 727 learners from Grade R to nine. Their new computer centre was formally handed over in May 2008.

Mrs Motsau, the School Management and Governance Developer, feels the computer centre will help to empower learners with indispensable computer literacy skills: "It will prepare them for a fast growing technological world, especially when they get to tertiary institutions where they will need these skills most. They will then be able to compete in the fast-changing technological world we are living in."

Mr Thabo Mosuhli, Phallang's Principal explained that learners at the school generally come from poor backgrounds, with many of them being raised by their grandparents. Most of these child minders rely on state-provided grants to help raise their children and often struggle to afford the bare essentials such as food and school fees. The computers will be used for school activities, but with the focus on their use for life orientation periods.

Stakeholder engagement

Vodacom's engagement with stakeholders on sustainability issues has largely been dictated by the strategic direction of the business, and issues that have received high-level attention are those that are close to the business operations. The company's achievements are testimony to generally successful relationships with its stakeholders. The Chief Officer Corporate Affairs assumed direct responsibility for external relations from February 2009, which will provide added impetus in formalising and improving our engagement with stakeholders.

Examples of specific engagement with important stakeholder groups are:

- **Employee engagement –** Employee interests are formally represented by 33 local consultative committees which meet on a monthly basis.
- **Customers –** Through our Customer Lifecycle Management programme, Vodacom interacts with customers to provide information, assess needs and measure satisfaction with our service. We also conduct customer focus groups, surveys, as well as monthly in-house and independent customer surveys. Vodacom's call centres receive approximately four million calls a month, of which 73% are answered within 20 seconds. 81% of all calls are resolved in the first interaction. Approximately 25 000 emails are received per month, of which 80% are responded to within 11 hours.
- **Governments and regulators** – All the Group's operating companies have dedicated resources responsible for interaction with governments at national, local and regional level. Vodacom is proactive in engaging with regulators.
- **Business partners** – Vodacom SA engages with franchisees through eight regional franchise associations, as well as a national association. Vodacom SA's Business Partner Conference, an annual event held over two-and-a-half days, is hosted for all business partners – key suppliers, dealers, franchisees and national chains. Our aim at this event is to review the past year's performance and to discuss the coming year's plans.
- **Communities** – Vodacom makes use of a number of channels to identify communities receiving inadequate network coverage. In South Africa, regions proactively conduct roadshows to municipalities sharing the company's roll-out plans, but also to assess specific needs with ward counsellors, particularly relating to municipal Integrated Development Plans (IDPs). Vodacom SA also supports ICASA's Customer Care roadshows in rural areas around the country, and builds base stations in support of government initiatives. More generally, requests by individual customers are received via Vodacom call centres and are resolved accordingly.

Independent perception surveys

In response to feedback on our last sustainability report, we contracted an external consultancy to conduct a series of high-level interviews with a range of stakeholders around Vodacom's most important sustainability issues and their perception of our response to these issues.

Global Pulse, the Reputation Institute's research study of corporate reputation conducted with some 60 000 consumers in 27 countries, ranked Vodacom top among the 19 South African companies surveyed, indicating a strong reputation among the South African public.

In line with Vodafone's acquisition of a majority share in Vodacom, a stakeholder engagement opinion survey has been conducted by UK-based Nunwood Consulting. The report has yet to be completed but is expected to provide valuable insight into our performance in strategic areas that pertain to stakeholders such as municipal authorities, key scientific institutes, the Department of Health, Bureau of Standards and regulatory bodies.

We will build on these inputs over the current year to deepen our understanding of the most important business and sustainability issues impacting on the company and our stakeholders, adjusting our approach and policies where necessary and defining performance indicators to measure our progress going forward.

Earning the trust of customers and the public

In the normal course of business we engage with important stakeholders in the marketplace including our customers, business partners, regulatory bodies (ICASA and the Competition Commission) and industry bodies such as the Wireless Application Service Providers Association ("WASPA"). Nurturing these relationships, not only through the quality of our products and services, but also the integrity with which we conduct our business in the marketplace, will win us the loyalty to sustain Vodacom's growth in the long-run. Feedback from our stakeholders suggests that while Vodacom enjoys a strong reputation among the South African public, there is scope to further improve our relationships with our business partners.

Driving innovation within Vodacom

Launched in February 2009, the Vodacom Experience Centre (VEC) builds on Vodacom's proud history of innovation and leadership in technology. It was established to integrate research and development activities for converged ICT products and services, with specific attention to their application in Africa. The Centre is situated in Techno Park, probably the most focused business engineering centre in South Africa.

The centre is a meeting point where collaboration across disciplines is encouraged and the technological developments that drive our business are showcased. Diverse business teams can experience and interact with future products, keeping our people at the leading edge of research and development trends. They can get a feel for how these products work and how they impact on their area of operation and on our customer base.

The centre is also driving closer collaboration between our vendors, research institutions and internal business units. This secures our earlier involvement in the development phase, providing an opportunity to influence and customise products and services to the specific needs of our customers. Our longer-term involvement facilitates earlier planning, quicker commercialisation of products and a coordinated approach that keeps all business units at the forefront of innovation at Vodacom.

Going beyond simulation

The VEC boasts a self-contained test network facility. It is not a duplication of existing test network facilities, but rather a controlled environment where new technologies can be showcased and proper research tests can be conducted.

As new technologies are not released to the market in isolation, the VEC test network addresses the inter-operability of these new technologies with typical installations in today's communication and home environments. To this end, we have implemented an array of fixed-line and wireless systems, built on an IP/MPLS fibre backbone. Connected to this backbone are multiple access technologies including ADSL, GPON, Ethernet and BPL as wire line access, with Wi-Fi and WiMAX for wireless access. We also provide a full UMTS network including a RNC and NodeB in the RAN and SGSN and GGSN in the core network. This will enable the testing of enhanced features in the wireless and mobile media delivery domain.

Competition

The Group's competitive environment is also changing, with market liberalisation a feature in all our operating markets.

Market liberalisation

This year, around 250 individual electronic communications service ("ECS") and electronic communications network service ("ECNS") licences were awarded under the ECA. While Vodacom SA welcomes this development, we are concerned about the pressure on the limited spectrum available and are engaging with ICASA to determine how this scarce resource should be allocated and most effectively utilised.

RICA

The government's intention to implement RICA which requires operators to register customers prior to giving them access to their networks, as well as similar legislation in our other African markets, has major implications for the telecoms industry. Vodacom has been an active participant in the industry-wide RICA process and in most cases has led the initiatives around the registration process. We await confirmation from government on when the Act will be implemented.

Clear and transparent pricing

ICASA handset subsidy regulations

South Africa was one of the first countries to offer a handset plus airtime package, enabling many customers access to handsets by entering into 24-month contracts. Vodacom understands and supports ICASA's intention to require providers to show clearly what each element costs, as well as the costs of opting out of these contracts.

Consumer Protection Bill

The key provisions of the Consumer Protection Bill ("CPB") include the right to choose, the right to disclosure of information, fair and responsible marketing, honest dealing and fair agreements, fair value, and accountability of suppliers. The CPB specifically prohibits bundling, or tying of products and services, and provides for a cooling-off period, as well as cancellation by the consumer on 20 days notice, with the penalty for long-term agreements pegged at 10%.

Protecting vulnerable users

While mobile phones have brought revolutionary benefits to society, adult or inappropriate content can be accessed through various channels such as SMS, MMS, USSD and the internet. The introduction of Location Based Services ("LBS") has added to the risk of abuse, particularly by Wireless Application Service Providers ("WASPs").

Since 2004, WASPA has played a critical role in governing this industry through the enforcement of the WASPA Code of Conduct. This year, WASPA has instituted stricter measures to ensure fair business practice. These include the implementation of tighter rules, effective monitoring and control, and stricter sanctions against WASPs who breach the Code of Conduct. WASPA provides monthly reports which include the results of media monitoring, and surveys are conducted to gain customer insight into the services provided by WASPs.

Vodacom subscribes to Vodafone standards in our approach to adult content on our portals, with limited content equating to a PG13 rating for films. Various initiatives help to ensure responsible delivery of this content, including access control, warning screens, an 'opt-out' mechanism and parent's guide to protecting children from harmful content. All WASPs utilising Vodacom's network to provide content services must comply with all applicable laws (including the Films and Publications Act, 1996), the WASPA Code of Conduct and WASPA Advertising Guidelines. Vodacom's Regulatory division participates in all initiatives pertaining to policy and legislative developments relating to the protection of children against inappropriate content.

Privacy of customer information

Customer information can potentially be compromised in a number of areas, from the handling of billing information at data centres to the various services being offered over a network through business partners, in particular WASPs.

Vodacom Group has various policies, procedures and processes in place to ensure that information is not unlawfully disclosed. Vodacom employees cannot intercept calls, SMSs or any other type of messages sent from one person to another. This information can only be intercepted if properly authorised in terms of the provisions of the RICA.

Due to the potential infringement of customer privacy associated with the use of LBS, Vodacom SA has instituted strict guidelines for its provision to WASPs. Providers are audited prior to the approval of the deployment of LBS and users have to consent to being tracked. Technology is used to enforce compliance and various sanctions, including the suspension or termination of service, may be imposed against a WASP in breach of Vodacom's business rules. These measures have restricted the violation of privacy rules on the Vodacom network. Vodacom SA measures the extent of violations of these rules and aims for zero incidents.

Vodacom SA (and the mobile communications sector in general) supports WASPA in its efforts to ensure consumer protection in the sector, both in terms of providing financial resources and by enforcing the industry Code of Conduct. Vodacom SA is also a signatory to the Code of Conduct for Cellular Operators which commits us to adhere to certain standards, ensuring protection of consumers against harmful behaviour by WASPs using the company's network.

Radio frequency emissions and health

Mobile phones, together with the base stations that comprise a network, emit electromagnetic fields ("EMF") or radio frequency ("RF") fields. The World Health Organisation ("WHO") database shows that there are more than 1 900 published scientific articles on the biological and health effects of RF fields, and more than 630 studies on RF specifically used by mobile phone networks. These show that there is no evidence to convince experts that exposure below the international guidelines set by ICNIRP carries any health risks for adults or children. However, integral to the evaluation, gaps in scientific knowledge have been identified that need to be addressed before the WHO will conclude its international EMF risk assessment programme.

Until the WHO concludes its international risk assessment, we will continue to align the Group's EMF policy with the WHO's best practice recommendations. As a responsible business, we are committed to stay abreast of all relevant developments in scientific research and communicate significant findings to the public.

Vodacom makes use of sophisticated testing equipment and extensive procedures to ensure compliance.

- Base station exposure – Vodacom ensures that levels of exposure are below the established international safety limits. The WHO states: "Guidelines have been developed by the International Commission on Non-Ionizing Radiation Protection (ICNIRP, 1998) to ensure protection against the scientifically established health effects associated with RF fields. The public exposure levels associated with base station technology are typically orders of magnitude below the ICNIRP recommendation and handset devices are designed to operate well within those limits likewise stated by the WHO as safe."
- Handset exposure – RF exposure to a user of a mobile phone located a short distance from the handset (as when used with a hands-free appliance) is far lower than when a user places the handset against the head. RF exposure to people nearby is very low. New services, like text messaging, picture messaging, internet and email, also reduce the exposure to RF, because the handset is held further away from the body when using these services. The WHO suggests other measures to reduce exposure such as keeping calls short and keeping the mobile phone away from the head and body when not in use.

Vodacom provides customers with important information on EMF exposure on the Group website (www.vodacom.co.za). Guidelines on exposure and Specific Absorption Rate (SAR) values on a variety of cell phones are provided on the site. Additionally, the values of base station field measurements recorded from across the Vodacom network are made available (http://emf.vodacom.co.za/).

Broad-based black economic empowerment

Vodacom SA is independently verified for the year ended 31 March 2009 as a Level 4 contributor according to the DTI's BBBEE Codes of Good Practice ("DTI Codes"), with a score of 69.13. However, these numbers do not reflect the company's long history of commitment to transformation in South Africa. In June 1994, from the commencement of commercial service, Vodacom began investing in the government's Joint Economic Development Programme, making the required R1 billion investment well ahead of the ten-year schedule. Vodacom SA recognises that BBBEE is an integral part of any commercial strategy and not an adjunct to it. Therefore, BBBEE is viewed holistically and as an intrinsic part of our competitive positioning.

Vodacom BBBEE scorecard

	Weighting %	Year ended 31 March 2009	2008	2007
Direct empowerment	30	13.91	14.67	9.76
- Equity ownership	20	6.97	6.57	1.90
- Management control	10	6.94	8.10	7.86
Human resource development	30	21.53	20.97	17.47
- Employment equity	15	9.53	8.97	8.31
- Skills development	15	12.00	12.00	9.16
Indirect empowerment	35	28.69	27.38	23.01
- Preferential procurement	20	13.69	12.38	8.01
- Enterprise development	15	15.00	15.00	15.00
Residual	5	5.00	5.00	5.00
- Socioeconomic development	5	5.00	5.00	5.00
Overall BBBEE score	100	69.13	68.03	55.24

Equity ownership

In October 2008, Vodacom SA successfully concluded a R7.5 billion BBBEE transaction in terms of which Royal Bafokeng Holdings (Proprietary) Limited and Thebe Investment Corporation (Proprietary) Limited, through their subsidiaries, the black public (as defined in the DTI Codes), business partners and employees acquired an aggregate of 6.25% of Vodacom SA. Of this total shareholding, 3.44% accrues to YeboYethu Limited, a BBBEE company established for this purpose, with 45% of YeboYethu Limited held by Vodacom employees via the Employee Share Ownership Scheme, and the remaining 55% held by black South African citizens. Vodacom SA now scores 6.97 out of 20 for the equity ownership pillar of the BBBEE scorecard compared with the initial verification score of 1.9.

Management control

Black representation among executive directors rose from 63% in 2007 to 73% in 2008. Unfortunately, there is no representation by black women among executive directors on the Vodacom SA board.

Employment equity

Vodacom is continuously introducing innovative initiatives to attract candidates from designated groups who have engineering, information technology and telecommunications skills. Illustrating this commitment, a total of 69% of new appointments in 2009 were black candidates, bringing overall black representation in the workforce to 70%. Representation of the various race groups in senior, middle and junior management is 24% African, 23% Coloured, 14% Indian and 39% White. Work still remains to be done to meet race and gender representation targets at certain management levels in the organisation specifically at Executive Head of divisions and Mangaing Executive levels.

The proportion of disabled employees has risen from 0.5% in 2007 to 1.2% in 2009, and Vodacom will endeavour to reach 2%. Retention of black employees, and in particular black female employees, remains a challenge. The current attrition rate of the black designated group is 37% of all leavers, down from 38% last year. Vodacom SA now scores 9.53 out of 15 for the employment equity element of the BBBEE scorecard compared with the previous year's score of 8.97.

Skills development

For the financial year 2009, Vodacom has invested over R90 million in the training of employees, of which R68 million was spent on the training of the Black Designated Group and R38 million on black females. This represents an investment of 3.0% of the total leviable amount over and above the 1% the company contributes to the National Skills Levy Fund. Of the total employee compliment of 4 743 which forms the baseline, 273 learnerships and/or category B, C and D learning programmes for black employees were identified for the period under review.

Vodacom SA retained its score of 12 out of 15 for the skills development pillar of the BBBEE scorecard.

Preferential procurement

Procurement from BBBEE-accredited suppliers amounted to R6.6 billion out of a total procurement spend of R14.5 billion. Within this spend range Vodacom directed R748 million to Qualifying and Exempt Micro Enterprises (QSEs), R450 million to 51% black-owned businesses and R52 million to 30% black women-owned businesses. Compared to previous years, Vodacom increased its spend value of over R600 million for QSE's, R200 million for 51% black owned. Vodacom's internal target for preferential procurement is increasing annually, driving spend towards smaller entities. To achieve its goals, the procurement unit has appointed a dedicated liaison to assist large suppliers to register, or improve their status to at least a Level Four, where necessary through contractual obligations. Vodacom offers skills training to QSEs and emerging micro enterprises to enable them to gain more of our business.

Vodacom SA now scores 13.69 out of 20 for the preferential procurement pillar of the BBBEE Scorecard compared with last year's score of 12.38%.

Enterprise development

Vodacom SA meets the requirements of a Level 1 contributor to BBBEE in the enterprise development pillar (scoring 15 out of 15), through discounts offered to its Community Services Operators. Through their business association with Vodacom, our business partners in the distribution chain are developed as described below:

- Community services – From the original 22 000 subsidised public cellular telephones deployed in under-serviced and rural areas as part of the company's license obligation, this has now grown to more than one million phones in community retail outlets. The emergence of super traders responsible for a number of operators is fuelling the increase in this business avenue.
- Retail franchisees – All new franchisees have to be at least 50% black owned, and existing shop owners wanting to acquire a new shop are required to take on a black partner holding a minimum ownership stake of 30%. These stores receive support in a variety of forms, including training, rental support, shop fitting and advertising. The number of Vodashop stores with a minimum of 25% black ownership increased by 36% this year, from 84 to 114.
- Wireless application service providers ("WASPS") – While this growth area presents exciting opportunities for BBBEE entrepreneurs, uptake has been very slow. In the year under review, four out of a total of 168 WASPs on the Vodacom SA network were black owned. Revenue from WASP services have grown 10% during the reporting period. Start-up WASP businesses also receive assistance from Vodacom SA in the form of free or subsidised rental, training and other services that help them gain a competitive edge in the marketplace.

Socioeconomic development

The DTI Codes recognise that companies have a role to play in the transformation of communities and individuals beyond their core business activities. Of Vodacom SA's R98 million spend on socioeconomic development, over R30 million is allocated from the CSI budget of the Vodacom Foundation. The remaining allocation is made up of a contribution that Vodacom makes annually to the Universal Services Agency, a portfolio organisation of the Department of Communications, tasked with the rollout of ICT infrastructure in the country. Vodacom SA continues to score 100% for the socioeconomic development pillar of the BBBEE scorecard.

A workplace for highly skilled employees

Vodacom draws on the expertise, talent and commitment of over 5 000 permanent South African employees and nearly 2 000 employees in our international operations to deliver customer service excellence and value to all our stakeholders. Vodacom's success depends largely on the ability of our employees to be productive, innovative and forward-thinking. Our people are our most important sustainable competitive advantage key differentiator to business excellence.

The general shortage of skilled technicians in the ICT industry is one of the most critical long-term sustainability risks facing the company. Vodacom attracts and retains talent through: leadership, business and skills training; remuneration and rewards; and compensation and benefits. In addition, an employee referral process has been established to assist in identifying potential candidates for development and promotion. Vodacom also provides wellness programmes and employee volunteer programmes as a retention incentive. In combination, these initiatives serve to provide a talent pipeline to meet the Group's current and future human capital requirements.

Lungile Ndlovu

Chief Human Resources Officer

Training

In the 2009 financial year, Vodacom SA invested R70 million in direct costs training employees, or 3.8% of payroll. Guided by the Skills Development Act, and in partnership with ISETT SETA, Vodacom SA contributed to the enhancement of skills for the ICT industry by hosting a total of 463 learners and interns in the business. The Group also invests substantially in the development of technical and other required skills in our international operations. For most countries the average training hours exceed the industry median while the remainder compare to Global best practice.

Initiative	Participants
• Yebo Bursary Programme	716 bursaries
• Young Achievers Programme ("YAP")	80 current participants (110 completed)
• Virtual Learning Centre ("VLC")	15 712 courses accessed and completed
• Conversations in leadership	70% of executives attended
• Vodacom Advanced Executive Programme	25 current participants (74 completed)
• Graduate Programme for Females in Technology ("GPFT")	70 current participants

Rewards, remuneration, compensation and benefits

The Vodacom remuneration committee seeks to provide rewards and incentives that are highly leveraged to performance and clearly linked to group results and individual performance. All five components of the reward strategy, including the guaranteed pay portion, variable pay, performance management, learning and personal growth, and the work environment are at all times aligned to the strategic direction and value drivers of the Group. The Group's employee value proposition is maintained by participating in a range of niche salary surveys. Compensation and benefits are benchmarked against industry standards and guided by the relevant labour legislation.

Employee wellness

Vodacom understands that employees with a positive, committed and passionate attitude towards the company are more motivated to achieve business success, and this in turn can greatly increase their own levels of satisfaction engagement at employment at the workplace.

During the year under review, 19% of Vodacom SA employees made use of the advice, counselling and psychological support offered by our Employee Assistance Programme ("EAP"), compared with 22.3% in the prior year.

Vodacom SA promotes employee wellbeing through talent management, leadership development and wellness management, as well as the Yebo Heroes campaign, an outreach opportunity for employees to focus on underdeveloped communities, and the Yebo Wellness Champion campaign, whereby dedicated groups of employees act as peer educators assisting Vodacom employees to manage their health and wellness. Other initiatives include the Wellness Programme and the Yebo Health Challenge, which enjoyed 60% employee participation in the year under review. Vodacom also provides occupational and primary healthcare to all group employees.

Health and safety

The telecommunications industry offers a relatively healthy and safe work environment, and no work related fatalities or major health and safety incidents occurred during the year under review. Vodacom benchmarks its compliance in relation to the Occupational Health and Safety Act 85 of 1993 and the OHSAS18001 standard. An average score of 88.9% was obtained during the 2008 external Health and Safety Legal Compliance audit, and the company has unconditionally retained its OHSAS18001 certification during the re-certification audit in October 2008.

Following a detailed comparison with Vodafone, Vodacom will be aligning our OHS policies and procedures to ensure consistency of management and reporting.

HIV/Aids

We embarked on a sustained campaign focussing on raising awareness about HIV/Aids, encouraging our employees to know their status through voluntary counselling and testing ("VCT") initiatives, and providing comprehensive treatment and health monitoring services. All permanent Vodacom SA employees can make use of the free Direct Aids Intervention ("DAI") programme, which includes VCT, HIV support and treatment, doctor's visits and anti-retroviral therapy.

50% of Vodacom SA employees participated in VCT during 2008. Actual results indicate a prevalence rate of 2.3%, well below national levels, and below the estimated baseline of 5%.

Comprehensive wellbeing services

Vodacom is committed to enhancing the wellbeing of our workforce and providing platforms that encourage excellence. We provide ongoing investment in comprehensive wellness services and infrastructure that includes medical, psychological and lifestyle support, best-in-class training and development programmes, and an effective recognition and reward programme.

Our Blu Centre on the Vodacom campus in Midrand provides a focus point for our wellbeing services. Comprehensive health monitoring and management (including blood pressure, cholesterol, weight and blood sugar testing) is provided, including support programmes for chronic health conditions such as diabetes and HIV/Aids. We also promote active lifestyles through initiatives such as the Yebo Health Challenge. The integrated employee wellness programme ensures all employees receive the information, training and support to live healthy, engaged and productive lives.

Our Blu Centre provides employees with:

- A General Practitioner
- A Dentist and Oral Hygienist
- A Physiotherapist, Chiropractor and Homeopath
- A Dietician
- An Optometrist
- Anti-stress massage therapy
- Exercise and personal trainer
- Beauty and nail care
- A Hair Salon
- A Blood Donor centre
- Confidential counselling
- Direct Aids Interventions
- Occupational Health services
- Discovery Wellness Screening

Creating opportunities for women in technology

We recognise the importance of providing technology graduates, particularly women, with focussed training and practical experience in the ICT sector. Launched in 2006, the Graduate Programme for Females in Technology ("GPFT") offers recent graduates on-the-job training that fast-tracks them to work in the design, development and maintenance of cellular telecommunications systems. The three-year programme is also an opportunity for candidates to develop business and professional skills.

Candidates who have successfully completed the programme are offered permanent positions at Vodacom after their first year. To date, 98% of the 48 women who have participated in the programme have been permanently employed by Vodacom, with 22 additional candidates enrolled in the programme for 2009. Since inception, our total investment in the GPFT amounts to R15 million, which is anticipated to increase to R25 million by the end of 2009.

Investing in our people

Broadening access to communications

There is a pressing need to bridge the digital divide and extend access to mobile communications to those who are still marginalised from the significant socio-economic benefits they provide. A growing body of research shows that mobile communications have the potential to change people's lives for the better by promoting economic development. Considering the rapid uptake of mobile communications in Africa, there is no doubt as to the economic value of voice, data and internet services. The Group grew its customer base to close on 40 million, up 16.5% on the prior year, an increase of more than 5.6 million customers from the previous reporting period.

A number of key issues contribute to extending services to new customers: the extent of network coverage, distribution models that allow access to our products and services in remote communities, more affordable products and handsets, providing services that are key to commerce as well as specific products and services for those excluded from mainstream communication channels.

Network coverage

Vodacom SA's network comprised 7 481 2G and 2 880 3G base stations at the end of March 2009, covering about 98% of the population with 2G services and 28% of the population with 3G services. This not only meets the requirements of our license agreement, but also the demand for mobile communications from a growing number of customers across South Africa. In the year under review, Vodacom SA built 316 2G and 322 3G base stations. Vodacom SA has also rolled out a WiMAX network comprising a total of 141 base stations in the key metro areas.

During the year under review, Vodacom Tanzania has extended its network by almost a third, focusing extensively on increasing coverage in rural regions throughout the country. We continue to invest in expanding network coverage and quality in all our international operations, with more than 400 new base stations added during the year in the four countries. Tanzania and Mozambique were the main beneficiaries of this investment, followed by Lesotho where we commenced 3G services.

Vodacom continues to rollout next generation communication services, including broadband and data networks, both mobile and fixed-line. We provide customers and other stakeholders with periodic updates on network coverage through various channels, including the annual report, monthly Vodaworld magazine and online (at www.vodamap.net/3G).

Affordable products and handsets

Products introduced during the financial year to improve affordability include:

- **R5 voucher –** Vodacom reduced the lowest denomination airtime voucher from R12 to R5. The R5 vouchers had reached 34% of sales volumes and 12% of usage value by March 2009.
- ***Yebo4Less* –** Launched in May 2008, this prepaid tariff plan offers customers variable discounts (up to 99%) based on the customer's location and time of day. By the end of March 2009, *Yebo4Less* had 4.8 million customers.
- **Ad-funded Call Me request –** This ad-funded free service, delivering a "Please Call Me" SMS to the recipient enjoys volumes of over 620 million messages per month.
- **Short voice service (SVS) –** Voice messages of up to 30 seconds are allowed at a cost of R0.90 per *SVS*. More than 2 million messages have been sent since the launch in October 2008.

Tackling the challenge of affordable handsets across all our markets, Vodacom first introduced Ultra Low Cost handsets in South Africa in 2007 and subsequently in Tanzania, Lesotho, Mozambique and the DRC in 2008; immediately selling nearly a million of these handsets in South Africa alone. This year, prices have come down by an average of 20%, to between R200 and R300 per handset, and our volumes reached two million handsets sold.

Mobile banking for the unbanked

Access to affordable banking services for the unbanked population has been a challenge facing countries across the developing world. In addition, carrying cash often represents a high risk and constrains commercial activity. Following the successful launch in Kenya of *M-PESA* by Vodafone's affiliate, Safaricom, Vodacom launched a similar mobile money transfer product in Tanzania in the year. Following the success of this product, Vodacom intends to launch a similar product for the South African market.

Reducing the level of preventable exclusion

In September 2008, Vodacom relaunched its new speaking phone range for visually impaired customers with special software that converts the information displayed on the cell phone screen to speech, with the customer paying no extra fees for this utility. Uptake of these phones has increased threefold, with over 800 phones sold in six months, compared with 2 400 between 2004 and August 2008. We aim to launch Vodacom's Specific Needs products and services in our international operations and research has already begun in conjunction with disability organisations in Tanzania to investigate the rollout of the speaking phones.

Renewing our network for greater efficiencies

In our quest to provide the best network service with the broadest possible coverage, Vodacom is constantly looking for opportunities to upgrade and extend the network while reducing costs. This ongoing investment in our network infrastructure ensures that we can provide our customers with word-class services and improved access. In the 2009 financial year, we started implementing a major radio renewal project.

The new equipment drives significant improvements in coverage, technology features and operational costs. The increase in transmit output power provides better signal quality and broader coverage while achieving a 30% to 50% reduction in power consumption in some instances. We have also reduced signal attenuation in the base stations by deploying remote radio heads to the top of the masts, replacing long RF cables that previously linked the radio head component in the containers to the antennae.

Before

After

According to Andries Delport, Executive Director of Engineering and Technology: "The constant improvements in radio equipment and technology made future-proofing a key requirement for the project. The new base stations are specifically designed to facilitate the seamless implementation of new features and new technologies. Through the renewal project, we are already preparing our network infrastructure for Long Term Evolution ("LTE"), the advanced wireless mobile radio technology that will succeed the current 3G / HSPA technology used by operators."

The ease with which future technology upgrades could be implemented will ultimately benefit our customers, specifically in broadening access to enhanced data connectivity in both metro and rural areas. Also, increased quality and signal strength reduces the number of stations required for future expansion. Furthermore, the new radio equipment uses less electricity, thereby effectively reducing CO^2 emmissions.

Containing our impact on the environment

In a 2007 study, research firm Gartner estimates that 2% of global CO_2 emissions are produced by the ICT industry. It is generally accepted that CO_2 emissions contribute to global warming and climate change. Mobile phones and networks have environmental impacts at every stage of their lifecycle – from manufacture and use through to disposal. Vodacom focuses on reducing these impacts at the stages where we have direct control. Three environmental issues are where we have the ability to reduce our environmental impact:

- Consumption of resources;
- Placement of base stations; and
- Electronic waste.

As a responsible corporate citizen, Vodacom is committed to internationally accepted environmental practices and national regulations. Vodacom SA achieved a rating of 78.5% following an external audit of compliance with South African Environmental legislation, conducted by Lexis Nexis Butterworths in August 2008, down from 90.8% in February 2008. The reduced score can be ascribed to the bigger sample (75% of Vodacom SA's operations) covered by the audit compared to the previous year. Vodacom SA received one notice regarding non-compliance to environmental regulations (directive issued in terms of Section 19 of the National Water Act no 36 of 1998, Preventing and Remedying the effects of pollution). A diesel leak was detected from the Techno Park building into the continuation pond which feeds into the storm water drainage system. A full clean-up and rehabilitation action plan was put in place. To prevent any further incidents the diesel installation was re-engineered.

Vodacom SA's environmental management system was certified by an independent agency, Dekra Certification GmbH, in November 2008. No concerns were raised by the auditor and Vodacom SA unconditionally retained ISO 14001 certification.

Consumption of resources

Vodacom SA's consumption of energy, water, paper and fuel is shown in the table below.

	Year ended 31 March		
	2009	2008	2007
Electricity buildings (million kWh)	80.6	74.1	61
Electricity sites (million kWh)[1]	188.6	163	112.3
Water (kl)	216 721	335 990	137 502
Paper (kg)	174 497	160 000	105 482
Diesel (litres)	953 453	679 577	466 681
Petrol (million litres)	1.27	1.3	0.94

[1]Electricity consumption at sites is an approximate value based on the use of averages. Vodacom is working on more accurate consumption measures

Vodacom has a number of initiatives in place to contain, and ultimately reduce, the consumption of energy and other resources:

- **Reducing energy consumption** – A three-year strategic roadmap setting out targets for reducing energy consumption and CO_2 emissions from base stations has been formulated, projecting cumulative power savings of over 80 000 MWh and 70 000 tons of CO_2 emissions. We are likely to make a greater impact at our 3G base stations, as opposed to our 2G base stations, as 3G installations are more efficient in using power. Accurate measurement of energy use remains a priority.
- **Using renewable energy** – Vodacom is experimenting with the use of renewable energy sources (fuel cells, solar, wind power) to power our network equipment, especially during times of peak energy demand. Other products being developed make use of safer fuel sources such as methanol/water mixtures.
- **"Greening" its buildings** – Vodacom has identified two main areas in which improvements can be made to existing buildings: better management of water (i.e. waterless urinals) and energy efficiency (i.e. intelligent lighting solutions). At the new office building in Durban we will be installing more energy efficient lighting and air-conditioning.

- **Reducing powered air-conditioning** – During 2008, Vodacom SA installed 280 units that make use of 'free cooling' technology at our base stations, resulting in a reduction of up to 60% in energy used for cooling. A further 1 000 such units will be installed during the current financial year. Free cooling technology has also been applied to our offices in Midrand, while the design and layout of our data centres are being improved to reduce the cooling requirement.

- **Improving generator usage** – Hybrid systems are being developed to reduce generator run-time and fuel consumption.

- **"Greening" its catering facilities** – Various measures have been implemented in our catering facilities to reduce energy use and waste, including the recycling of cooking oil (approximately 1 400 litres per annum), management of 'time in use' and the collection of food waste for bio-recycling.

- **Reducing water consumption** – Water-wise management techniques are being applied at all gardens and water features that surround the company's buildings.

Placement of base stations

Vodacom SA has a policy in place to guide the placement of base stations, drawing on demographic studies, research results and customer requests to determine the most appropriate location for new base stations. This policy complies with ECNS licence requirements, as well as with legislation governing the stakeholder engagement process required before a new base station can be built. As required by national legislation, independent environmental impact assessments are conducted for all new site proposals.

These help protect plant and animal species against habitat loss, fragmentation and extinction, and prevent erosion and the destruction of wetlands, vital to the preservation of a country's water supply.

Vodacom SA has devised innovative ways to blend base stations in with the surrounding environment, with 309 of these modified base stations currently in operation. Examples include locating antennae on existing structures, painting them to blend in to the background, or disguising masts as windmills, trees or billboard towers.

Electronic waste

Electronic waste includes network equipment, IT and handset waste:

- **Network equipment waste** – Vodacom has not yet managed to accurately measure network equipment waste, but has mapped the waste stream and redesigned the equipment chain to include a formal system of collection, reuse and disposal.

- **IT waste** – Vodacom intends to launch an E-waste recycling programme with our IT vendors that will allow for the recycling of old equipment in a formalised and controlled process.

- **Handset waste** – Handsets sent to our Vodacare outlets that are beyond repair are collected for recycling. After sorting for recyclable parts, the handsets are sent for dismantling and further sorting into component materials that are either recycled, or disposed of responsibly. In the year ended 31 March 2009, just over 12 400 cell phones were recycled. In March 2008, Vodacom SA also introduced a waste disposal process allowing customers to dispose of their unwanted cell phones and accessories in an environmentally friendly way.

The Vodacom Foundation and group CSI

Vodacom is committed to investing in the development of the communities in which we operate. We recognise our duty to assist communities not only with financial contributions but also through the innovative application of our technical skills and operational capacity. The application of mobile communications in education and health in particular can be broadened to deliver much needed services to the citizens of the countries in which we operate. It is for this reason that Vodacom has established Foundations in most of the countries of operation.

Celebrating its tenth year of existence, The Vodacom Foundation in South Africa disbursed R67 million during the 2009 financial year, a 2% increase over the prior year. This brings the Foundation's total investment since its inception a decade ago to approximately R500 million.

Stakeholder engagement

While project selection decisions are taken by the Vodacom SA Foundation Board of Advisors (who annually receive a budget allocation from the company), these decisions are not taken in isolation. Vodacom Foundation has strong relationships with the government departments of education and health, at national, provincial and local levels. Programmes are normally also delivered by a number of implementing partners, each providing specific expertise, and the Foundation enjoys a close working relationship with institutions such as the SA National Council for the Blind, Netcare and the Pretoria Eye Institute. In April 2009, the Vodacom Foundation launched its website to serve as an interactive communication portal for its engagement with stakeholders ranging from government and implementing partners to communities and individuals.

Since 2002, Vodacom has invested more than R6 million in the Cell-Life organisation, an NGO developing technology-based solutions for the management of HIV/Aids. Projects currently focus on facilitating effective treatment programmes and raising awareness through education on HIV/Aids.

Our funding initially assisted in developing cellphone software that helps manage the treatment regime for HIV-positive patients. The investment also assisted Cell-Life in developing iDART (Intelligent Dispensing of ART), software which improves the efficiency of dispensing Antiretroviral Therapy (ART). This system has already been rolled out to 20 clinics.

Cell-Life is also driving the 'Cellphone for HIV' project, which provides an information and communication platform for everyone affected by HIV, including healthcare professionals. The project supports the monitoring of HIV and adherence counselling, and by providing access to information, it should go a long way towards minimising the stigma surrounding HIV/Aids.

Technology-based solutions for HIV/Aids

Approach

Vodacom Foundation support takes the form of cash, in-kind giving, time and skills:

- Cash support usually consists of once-off donations, or one- to three-year funding agreements. Additionally, contributions deducted from staff salaries through the company's 'Payroll-Giving' platform totaled R654 000 this year, with 1 260 registered payroll contributors.
- In-kind support comprises collections, driven by the company's 1 729 employee volunteers, our Yebo Heroes, typically in the form of books, clothing, blankets and other much-needed items.
- Time and skills contributions are driven by Yebo Heroes, including form of relief duty, gardening, painting and tree-planting. Staff completed 75 volunteer projects this year.

The criteria for dispensing Foundation support include the potential to use ICT to solve social problems, the degree of impact, partnerships, sustainability, sound governance, track record and solvency. Currently, the bulk of its funding goes towards projects that offer naming rights and branding opportunities, e.g. mobile labs and clinics, life-saving operations (facial reconstruction, cataracts, cardiac surgery), as well as those that require ongoing funding to survive, such as feeding schemes and bursaries. In the future Vodacom will be looking to increase the proportion of spending on projects that are more closely aligned to our business competency, such as applying ICT to solve social problems. Good examples of these are Cell-Life and ICT Resource Centres.

Focus areas

Education and Healthcare remain Vodacom's main focus areas, while projects in areas such as security, arts and culture, community sport, and the environment are granted funding on a per-case basis. We also place emphasis on vulnerable groups like children, the youth, the empowerment of women and the disabled.

Performance and evaluation

The Vodacom Foundation in South Africa established a monitoring and risk management department with a mandate to improve a number of key performance areas:

- Accreditation of beneficiary organisations;
- Addressing bottlenecks;
- Contracting and reporting;
- Milestone payments;
- Systems compliance; and
- Early warning systems.

Projects recommended by the Board of Advisors are visited and scored by independent service providers. Regular visits by Vodacom Foundation employees are conducted during implementation. Post-project audits are also conducted to inform decisions to renew or discontinue projects.

Future commitments

This year the Vodacom Foundation will embark on rolling out ICT resource centres that aims to assist schools through e-learning. These facilities will be community based, providing general internet services, a range of computer training programmes primarily for the teachers and also the community at large. Two centres will be rolled out this year. The intention is to provide seven more facilities in the next few years, with the aim of establishing one resource centre in each of the nine provinces.

Corporate governance statement

Vodacom is committed to the highest standards of business integrity, ethical values and professionalism in all of its activities. As an essential part of this commitment, the Board supports the highest standards of corporate governance and in so doing; the Board recognises the need to conduct the enterprise in accordance with the principles as contemplated in the Code of Corporate Practices and Conduct as set out in King II and looking forward to King III. These include discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of directors to all stakeholders.

These principles are entrenched in the Group's internal controls and policy procedures governing corporate conduct. The Board of the Vodacom Group is satisfied that every effort is being made to comply in all material aspects of King II.

Board

Vodacom Group has a unitary Board consisting of 12 directors. Of these, four, including the Chairman, are independent non-executive directors while five are non-executive and three are executive directors. A Board charter has been adopted where the detailed responsibilities of the Board include:

- oversight of the strategic direction of the Vodacom Group;
- approving major capital projects, acquisitions or divestments;
- exercising independent objective judgement on the business affairs of the Group independent from management;
- ensuring that policies and procedures are in place in terms of appropriate governance structures;
- ensuring the effectiveness of and reporting on the Group's systems of internal controls;
- review and evaluation of business risks facing the Group;
- approval of the annual budget and operating plan;
- monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels;
- approval of the annual and interim financial results and shareholder communications; and
- approval of the senior management structure, responsibilities and succession plans.

Accountability

The Board takes overall responsibility for the success of the company. Its role is to exercise leadership and sound judgement in directing Vodacom to achieve sustainable growth and act in the best interests of the shareholders.

In line with best practice, the roles of chairman and chief executive are separate. The board is led by the chairman while operational management of the Group is the responsibility of the Chief Executive Officer.

Directors

The directors have a wide range of expertise as well as significant experience in financial, commercial and mobile telecommunications activities. In terms of Vodacom Group's recently adopted articles of association, the non-executive directors have no fixed term of appointment while the executive directors are subject to the standard terms and conditions of employment. Two of the three executive directors have a notice period of 3 months, while the Chief Executive Officer has a notice period of 12 months.

In terms of Vodacom's articles of association, the directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Any director appointed to fill a casual vacancy must retire at the first annual general meeting following his appointment and stand for re-election at that annual general meeting.

Independent advice

The Board recognises that there may be occasions where one or more directors feel it necessary to take independent professional advice at the company's expense. There is an agreed procedure for them to do so.

Board meetings

A minimum of four board meetings plus a strategy session are scheduled per financial year. Additional board meetings may be convened when necessary.

Five board meetings plus four special board meetings were held during the past financial year. The accompanying table details the attendance by each director at these meetings.

	Special 16.04.08	Special 29.05.08	05.06.08	11.09.08	11.11.08	03.12.08	Special 30.01.09	Special 24.02.09	24.02.09
OA Mabandla (Chairman)*	P	P	X	P	P	P	P	P	P
ADC Knott-Craig (CEO)[1]	P	P	P	P	-	-	-	-	-
MS Aziz Joosub	P	P	X	P	P	P	P	P	P
DD Barber[3]	-	-	-	-	-	X	P	P	P
RN Barr[4]	P	X	P	P	P	-	-	-	-
TA Boardman[5]	-	-	-	-	-	-	-	P	P
RW Collymore[6]	P	P	P	P	P	P	P	-	-
DJ Darby[7]	P	P	P	P	P	-	-	-	-
PM Donovan (alternate)	X	P	X	X	X	-	-	-	-
IM Fourie (alternate)	X	X	X	P	P	-	-	-	-
DJ Fredericks[8]	P	P	P	P	P	-	-	-	-
PG Joubert[9]	-	-	-	-	-	P	P	P	P
M Lundal[10]	-	-	-	-	-	P	X	P	P
JCG Maclaurin[11]	-	-	-	-	-	P	X	P	P
P Malabie[12]	-	-	-	-	-	-	-	P	P
RAW Schellekens[13]	-	-	-	-	-	-	-	P	P
RJ September[14]	P	P	X	P	X	-	-	-	-
E Spio-Garbrah (Dr)	P	P	X	X	P	P	P	P	P
RC Snow	P	X	X	P	X	P	X	P	P
PJ Uys (CEO)[2]	X	P	P	P	P	P	P	P	P
J van der Watt[15]	-	-	-	-	-	-	-	P	P

[1]Resigned 30 September 2008
[2]Appointed CEO 1 October 2008
[3]Appointed 20 November 2008
[4]Resigned 24 Novvember 2008
[5]Appointed 24 February 2009
[6]Resigned 24 February 2009
[7]Resigned 24 November 2008
[8]Resigned 20 November 2008
[9]Appointed 20 November 2008
[10]Appointed 24 November 2008
[11]Appointed 24 November 2008
[12]Appointed 24 February 2009
[13]Appointed 24 February 2009
[14]Resigned 20 November 2008
[15]Appointed 24 February 2009

* Replaced by MP Moyo at date of listing (18 May 2009)

Board committees

The Board has established several committees in which the non-executive directors play a pivotal role. All committees operate under board approved terms of reference, which may be updated from time to time to keep abreast with developments in corporate law and best practice in governance.

Executive committee

Members: Chief Executive Officer (Chairman), Chief Financial Officer, Chief Officer Human Resources, Chief Officer Corporate Affairs, Chief Officer International Business and the Managing Director Vodacom SA.

The executive committee is responsible for the operational activities of the Group, developing strategy and policy proposals for consideration by the Board and implementing the Board's directives.
It has a properly constituted mandate and terms of reference. Other responsibilities include:

- leading the executive, management and staff of Vodacom;
- developing the annual budget and business plans for approval by the Board; and
- developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels.

Audit committee

Members: TA Boardman (Chairman); P Malabie.

In line with the Corporate Laws Amendment Act, the Board revised the constitution of the audit committee to comprise of independent directors only. Mr TA Boardman (Chairman) and Ms P Malabie were appointed as members on 24 February 2009. The Chief Executive Officer and Chief Financial Officer attend audit committee meetings by invitation, as well as the head of internal audit and the external auditors. The primary role of the audit committee is to ensure the integrity of the financial reporting, the audit process and that a sound risk management and internal control system is maintained. In pursuing these objectives the audit committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

The audit committee's responsibilities include the following:

- reviewing the company's preliminary results, interim results and annual financial statements;
- monitoring compliance with statutory and JSE Listings Requirements;
- reporting to the Board on the quality and acceptability of the Group's accounting policies and practices, including, without limitation, critical accounting policies and practices;
- considering the appointment and/or termination of the external auditors, including their audit fee, independence and objectivity and determining the nature and extent of any non-audit services; and
- receiving and dealing appropriately with any complaints (internally and externally) relating either to the accounting practices and internal audit or to the content or auditing of the company's financial statements or related matters.

The internal and external auditors have unlimited access to the Chairman of the audit committee. The internal audit department reports directly to the audit committee and is also responsible to the Chief Financial Officer on day-to-day administrative matters.

Four audit committee meetings are scheduled per financial year. Additional committee meetings may be convened when necessary. During the previous financial year, five committee meetings and one special meeting were convened.

Remuneration committee

Members: TA Boardman, M Lundal, TM Mokgosi-Mwantembe, RAW Schellekens.

The remuneration committee, in consultation with executive management, ensures that the Group's directors and senior executives are fairly rewarded for their individual contributions to overall performance and in line with Vodacom's remuneration philosophy. The remuneration committee has a mandate and terms of reference from the Board and includes the following responsibilities:

- ensuring that Vodacom's remuneration strategies, including long and short-term incentive plans are based on performance and are appropriately market competitive;
- reviewing employee benefits from time to time as to their adequacy and appropriateness with regard to developments in the industry and market benchmarks;
- ensuring appropriate human resources practices and policies; and
- reviewing and approving of compensation, executive succession and development plans.

Four remuneration committee meetings are scheduled per financial year. Additional committee meetings may be convened when necessary. During the previous financial year, three committee meetings were convened.

Nomination committee

The Board has adopted a mandate and terms of reference for the establishment of a nomination committee. The duties of this committee include:

- identifying and evaluating suitable potential candidates for appointment to the Board. It will not have authority to appoint directors as this will remain a function of the Board and shareholders;
- identifying and evaluating of suitable candidates for the position of Chief Executive Officer and Chief Financial Officer; and
- recommending the composition of the Board in terms of the mix of skills and size of the Board and number of committees required.

To the date of this report, the membership of this committee had not yet been appointed. It was expected that by financial year end 2010, the members to this committee would have been appointed.

Company secretary

All directors have access to the advice and services of the company secretary, who is responsible to the Board for ensuring compliance with procedures and applicable statutes and regulations. To enable the Board to function effectively, all directors have full and timely access to information that is relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments which may affect Vodacom and its operations. This also includes access to management where required.

The company secretary is responsible for development of director training. All new directors, where relevant, are appropriately inducted to Vodacom by the company secretary and Chief Executive Officer, which includes briefings on fiduciary and statutory responsibilities as well as orientation in respect of the Group's operations.

Relations with shareholders

Vodacom is committed to communicating its strategy and activities to shareholders and, to that end, maintaining an active dialogue with investors though a planned investor relations programme. This programme includes:

- formal presentations of year end and interim results;
- briefing meetings with major institutional shareholders following the release of results; and
- hosting investor and analyst sessions.

Risk management

Effective risk management is integral to the Group's objective of consistently contributing to the business. As a result, management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for risk identification, assessment and monitoring. When setting strategies, approving budget and monitoring progress against the budget, the directors therefore consider the identified business risks.

In order to facilitate the process of embedding risk management within the Group to assist in identifying, assessing and recording strategic risks currently facing the Group and, where appropriate, to monitor procedures to mitigate pertinent risks, a division reporting to the Chief Risk Officer has been established.

Risks are identified and managed at five different levels within the organisation, namely at project, process, operational, tactical and strategic levels. These risks are periodically reviewed and updated. As relates to the strategic risks, a filtering and reporting process ensures that the relevant items are reported to the risk management committee comprising executive management, and, ultimately, that these risks reach the audit committee.

The major consolidated key strategic risks identified during the year under review were as follows:

Increased regulatory requirements

The main risks in this area include wholesale and retail price control, subscriber registration and additional fees and taxes.

These risks are managed through a dedicated regulatory team which ensures constant contact with the various regulators; the attendance of formal hearings and provision of the necessary reports to the regulator and involvement in international debate, dialogue and research to determine best practices.

In South Africa, it has been noted that additional scrutiny is exercised with regard to proposals for new regulations by ICASA. This includes the imposition of wholesale price control and increasing enquiries into retail pricing. Also affecting South Africa is the liberalisation of the telecommunications markets which encompasses Voice-over IP (VoIP) and facilities provisioning. These factors have resulted in an increase in competition due to the existence of additional entrants into the market. This has ultimately placed pressure on pricing and margins.

In the DRC, constant changes and increases to telecommunications fees and obligations have been noted. This is currently not a major concern, however it may impact upon future prices and margins. Subscriber registration has been implemented by the regulator, and, to further complicate this issue within a rapidly changing country such as the DRC, the infrastructure within remote areas can be described as limited at best.

Global recession

The effect of the decreasing GDP growth due to the negative impact of the power crisis, increased fuel and food prices, and exchange rate fluctuations is currently impacting negatively on revenue growth and budgets as customers are tightening their spend patterns. Although this is not a major issue within South Africa, this is the cause for concern within certain of the African operations.
For example, in the DRC the impact has been compounded due to the dramatic fall in the copper and cobalt prices from September 2008, resulting in the closure of several mines and hence in the retrenchment of numerous employees.

This risk is currently managed through many initiatives and cost control exercises in each country. These initiatives include increased efficiencies in customer care, network deployment, infrastructure upgrades and procurement. Cooperation with major suppliers, and products and services innovations to increase revenue and limiting headcount growth has also proven to be a successful strategy in countering the effects of the recession.

Along with management's efforts at ensuring the implementation of the necessary controls to mitigate these major risks to an acceptable level, Vodacom subscribes to a comprehensive insurance programme and has a fully embedded business continuity strategy.

Internal control

Internal controls comprise methods and procedures adopted by management to provide reasonable assurance in safeguarding assets, prevention and detection of error, accuracy and completeness of accounting records and reliability of financial statements. The internal audit function serves management and the Board by performing independent evaluations of the adequacy and effectiveness of the group companies' controls, financial reporting mechanisms and records, information systems and operations and provides additional assurance in safeguarding of assets and financial information.

Code of ethics

A detailed code of ethics forms part of the overall employee policies within Vodacom. All executives and employees are required to maintain the highest ethical standards in ensuring Vodacom's business practices are conducted in a manner which, in all reasonable circumstances, is above reproach.

Share dealings

Vodacom has adopted a share dealing policy requiring all directors, senior executives and the company secretary to obtain prior written clearance from either the Chairman or Chief Executive Officer to deal in Vodacom shares.
The Chairman is required to obtain prior written clearance from the chairman of the audit committee. Closed periods are operated as defined by the JSE Listings Requirements. During these periods, the Group's directors, executives and employees are not permitted to deal in Vodacom shares. Additional closed periods would be enforced should Vodacom be subject to any corporate activity where a cautionary announcement is published.

Consolidated value added statement

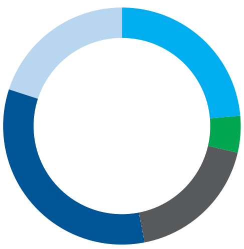
for the year ended 31 March 2009

	2009 Rm	2009 %	2008 Rm	2008 %	2007 Rm	2007 %
Value created						
Value created by operating activities	20 088.6	99.6	19 592.3	99.6	16 447.4	99.5
Revenue	55 187.1		48 177.8		41 146.4	
Net operating expenses	(35 098.5)		(28 585.5)		(24 699.0)	
Finance income	89.3	0.4	72.3	0.4	74.5	0.5
	20 177.9	100.0	19 664.6	100.0	16 521.9	100.0
Value distributed						
Distributed to employees	3 686.5	18.3	2 975.4	15.1	2 372.5	14.4
Salaries, wages, medical and other benefits	3 535.2		2 841.1		2 275.1	
Pension and retirement fund contributions	151.3		134.3		97.4	
Distributed to providers of finance	6 659.5	33.0	6 621.3	33.7	5 769.3	34.9
Finance costs	1 459.5		681.3		369.3	
Dividends	5 200.0		5 940.0		5 400.0	
Distributed to government	4 031.5	20.0	4 181.1	21.2	3 785.7	22.9
South African normal taxation	3 102.8		3 472.8		3 058.7	
Secondary taxation on companies	522.7		594.0		692.7	
Foreign taxation	406.0		114.3		34.3	
Value reinvested	4 808.5	23.8	3 869.2	19.7	3 434.4	20.8
Depreciation of property, plant and equipment	3 948.0		3 366.0		2 901.8	
Amortisation of intangible assets	734.8		545.2		459.4	
Impairment of assets	112.2		29.9		22.9	
Deferred taxation	189.0		(99.5)		(44.0)	
Foreign deferred taxation	(175.5)		27.6		94.3	
Value retained	991.9	4.9	2 017.6	10.3	1 160.0	7.0
Retained earnings (adjusted for dividends)	889.3		1 871.4		942.4	
Minority interest	102.6		146.2		217.6	
	20 177.9	100.0	19 664.6	100.0	16 521.9	100.0

	2009 Rm	2008 Rm	2007 Rm
1. Net operating expenses			
Direct network operating cost	31 736.2	26 299.5	22 439.8
Other operating income	(254.8)	(155.6)	(119.8)
Marketing and advertising expenses	1 523.6	1 264.3	1 146.4
Other operating expenses	1 696.0	1 362.4	1 063.6
(Gains)/Losses on remeasurement and disposal of financial instruments	397.5	(185.1)	169.0
	35 098.5	28 585.5	24 699.0

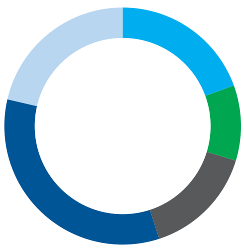
2. Analysis of value distributed

Value distributed 2009



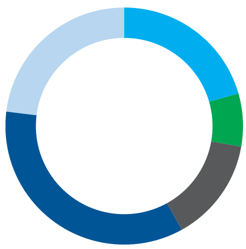
Retained	4.9%
Employees	18.3%
Financial providers	33.0%
Government	20.0%
Reinvested	23.8%

Value distributed 2008



Retained	10.3%
Employees	15.1%
Financial providers	33.7%
Government	21.2%
Reinvested	19.7%

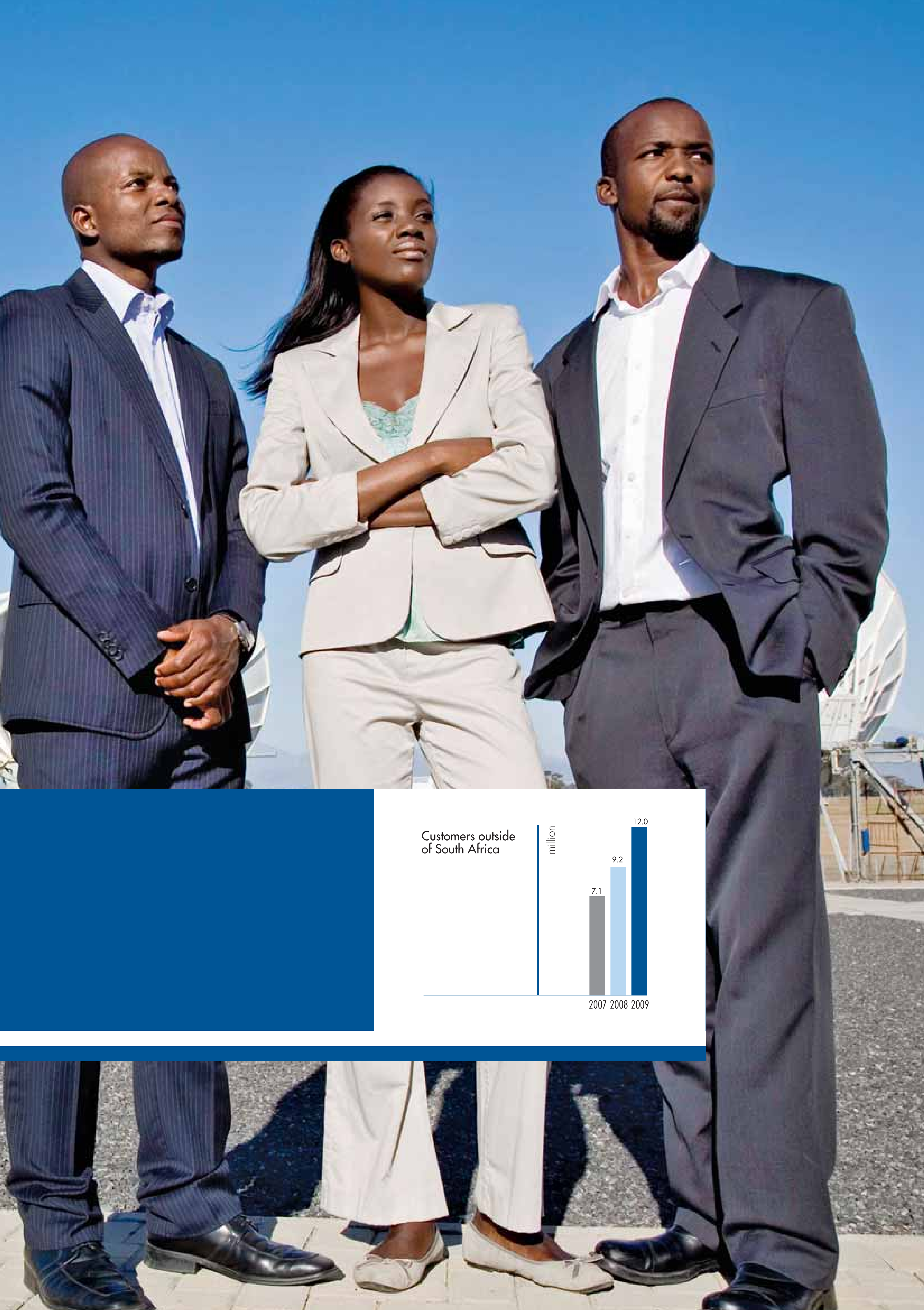
Value distributed 2007



Retained	7.0%
Employees	14.4%
Financial providers	34.9%
Government	22.9%
Reinvested	20.8%

EXPANSION IN SUB-SAHARAN AFRICA

Our greatly expanded African footprint through Gateway provides the springboard for further expansion. Besides new market entry points and local market understanding, Gateway provides attractive synergies and new growth impetus in the enterprise market.



Customers outside of South Africa
million
7.1
9.2
12.0
2007
2008
2009

Annual financial statements

for the year ended 31 March 2009

CONTENTS

Annual financial statements

Vodacom Group Limited group

Vodacom Group Limited company

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 Limited ("the Group") and the company abridged annual financial statements.

The consolidated annual financial statements and company abridged 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 on the consolidated annual financial statements is presented on page 106 and on the company abridged annual financial statements on page 216.

The consolidated annual financial statements for the year ended 31 March 2009 presented on pages 107 to 215 and the company abridged annual financial statements for the year ended 31 March 2009 presented on page 217 to 230 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Companies Act, 1973, as amended. 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 these annual financial statements. The directors have no reason to believe that the Group nor the company 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 and company abridged 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 and the company abridged annual financial statements were approved by the board of directors on 29 May 2009 and are signed on its behalf:

PJ UYS
CHIEF EXECUTIVE OFFICER

J VAN DER WATT
ACTING CHIEF FINANCIAL OFFICER

Certificate by the company secretary

In terms of section 268G(d) of the Companies Act, 1973, as amended, I certify that, to the best of my knowledge and belief, Vodacom Group Limited has lodged with the Registrar of Companies for the financial year ended 31 March 2009, all such returns as are required of a public company in terms of the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date.

SF LINFORD
COMPANY SECRETARY

Report of the independent auditors

To the members of Vodacom Group Limited

We have audited the accompanying consolidated annual financial statements of Vodacom Group Limited which comprise the directors' report, the consolidated balance sheet as at 31 March 2009, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of principal accounting policies and other explanatory notes as set out on pages 107 to 215.

Directors' responsibility for the consolidated annual financial statements

The directors are responsible for the preparation and fair presentation of these consolidated annual financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the Companies Act, 1973, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial consolidated annual financial statement presentation. We believe that our audit provides a reasonable basis for our audit opinion.

Opinion

In our opinion, the consolidated annual financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2009, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1973, as amended.

Deloitte & Touche

Registered Auditors
Per PJ Smit
Partner
Johannesburg, South Africa
29 May 2009
Buildings 1 and 2, Deloitte Place
The Woodlands Office Park, Woodlands Drive
Sandton

National Executive: GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax, Legal and Financial Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), CR Beukman (Finance), TJ Brown (Clients & Markets), NT Mtoba (Chairman of the Board).

A full list of partners and directors is available on request.

Directors' report

for the year ended 31 March 2009

1. NATURE OF BUSINESS

Vodacom Group Limited is an investment holding company. Its principal subsidiaries are engaged in the provision of a wide range of communications products and services including but not limited to voice, messaging, broadband and data connectivity and converged services.

2. FINANCIAL RESULTS

Earnings attributable to equity holders of Vodacom Group Limited for the year ended 31 March 2009 were R6 089.3 million (2008: R7 811.4 million; 2007: R6 342.4 million) representing basic earnings per share of 409.2 cents (2008: 525.0 cents; 2007: 426.3 cents). Full details of the financial position and results of the Group are set out in these consolidated annual financial statements.

3. DIVIDENDS

The following dividends were declared during the current financial year:

- interim dividend of R3 000.0 million declared on 11 September 2008 and paid on 6 October 2008 to all shareholders registered on 1 October 2008; and
- final dividend of R2 200.0 million declared on 30 January 2009 and paid on 8 April 2009 to all shareholders registered on 1 April 2009.

Following its listing on Monday 18 May 2009, Vodacom Group Limited has adopted a dividend policy that, dependent on results, interim dividends would be paid in December and final dividends in June of each year. Vodacom Group Limited intends to pay so much of its net profit as will be available after retaining such sums and repaying such debts owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for expansion and other growth opportunities.

4. SHARE CAPITAL

Full details of the authorised and issued share capital of Vodacom Group Limited are contained in Note 19 of the consolidated annual financial statements. Following the financial year end and conclusion of the implementation of the share sale transaction between Telkom SA Limited and Vodafone Holdings (SA) (Proprietary) Limited, the authorised and issued share capital of Vodacom Group Limited were restructured as follows:

- The 100 000 ordinary shares of R0.01 each in the authorised share capital was subdivided into 14 879 540 000 ordinary shares * with the resulting issued share capital consisting of 1 487 954 000 ordinary shares **.
- The 14 879 540 000 authorised ordinary shares * and 1 487 954 000 issued ordinary shares ** were converted into ordinary shares of no par value.
- 10 879 540 000 ordinary shares of no par value in the authorised share capital of 14 879 540 000 ordinary shares of no par value were cancelled resulting in the authorised share capital comprising of 4 000 000 000 ordinary shares of no par value.
- The authorised and issued share capital is thus illustrated as follows:
  Stated Capital
  Authorised
  4 000 000 000 ordinary shares of no par value
  Issued
  1 487 954 000 ordinary shares of no par value amounting to R100

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by Vodacom Group Limited at a general meeting held on 23 February 2009. No ordinary shares have been repurchased in terms of this general authority. Approval will be sought at the forthcoming annual general meeting on 31 July 2009 to renew this general authority.

Share Scheme

The Group wishes to adopt a share scheme known as the "forfeiture share plan" the details of which are more fully set out in the notice of annual general meeting found on page 233 of this annual report. In terms of the share scheme so proposed, approval will be sought from shareholders to allocate 5% of Vodacom Group Limited's current issued share capital representing 74 397 700 ordinary shares to the forfeiture share plan.

* 14 879 540 000 ordinary shares of R0.0000000672063786918143974880943900014745 each
** 1 487 954 000 ordinary shares of R0.0000000672063786918143974880943900014745 each

5. SUBSIDIARIES, ASSOCIATE, JOINT VENTURES AND OTHER INVESTMENTS

Particulars of the material subsidiaries of Vodacom Group Limited are provided in Addendum A while particulars of associate companies, joint ventures and other investments are provided in Notes 13, 14 and 47. The attributable interest in the net profit or losses of subsidiaries before eliminations for the year ended 31 March 2009 is as follows:

	2009 Rm	2008 Rm	2007 Rm
Aggregate amount of profit after taxation	**8 007.7**	10 541.4	8 485.1
Aggregate amount of losses after taxation	**(696.2)**	(270.8)	(241.4)
	7 311.5	10 270.6	8 243.7

5.1 Broad-based black economic empowerment transaction

In October 2008, the Group finalised a R7.5 billion broad-based black economic empowerment ("BBBEE") transaction where broad-based strategic partners, black business partners, the broad-based black South African public and permanent South African employees of Vodacom Group Limited and any of its wholly owned South African subsidiaries from time to time as well as Vodacom (Proprietary) Limited ("Vodacom SA") and its wholly owned South African subsidiaries including employees of the said entities who on secondment outside of South Africa were given the opportunity to acquire a 6.25% interest in Vodacom SA. Vodacom SA facilitated the BBBEE transaction through a 10% upfront discount of R750.0 million and provided the BBBEE participants with notional vendor finance of R5.85 billion for a period of 7 years. The public offer was approximately three times oversubscribed and the share allotment was therefore pro-rated according to the rules of the scheme. The BBBEE participants invested R900.0 million of unencumbered equity which was used to subscribe for ordinary shares and "A" ordinary shares in Vodacom SA. The transaction was introduced to assist the Group in meeting its empowerment objectives. Refer to Note 20.4 of the consolidated annual financial statements for further information.

5.2 Acquisition of Gateway *

The Group acquired 100% of the carrier services and business network solutions businesses of Gateway Telecommunications SA (Proprietary) Limited effective 30 December 2008 for an enterprise value of approximately $675.0 million plus a make whole payment of $26.4 million on the high yield bond. Gateway was consolidated into the Group's result from this date. The financial year end of Gateway is 31 December and is in the process of being changed to be in line with the Group's year end. Refer to Note 34 of the consolidated annual financial statements for further information.

5.3 Acquisition of a controlling interest in Storage Technology Services (Proprietary) Limited ("StorTech")

The Group acquired a controlling interest of 51% in StorTech, a managed services company, on 2 February 2009 for a consideration of R138.1 million. StorTech was consolidated into the Group's result from this date. The financial year end of StorTech is 28 February and is in the process of being changed to be in line with the Group's year end. Refer to Note 34 of the consolidated annual financial statements for further information.

5.4 WBS Holdings (Proprietary) Limited ("WBS")

On 1 October 2008 the Group exercised its call option to acquire an additional 14.9% of WBS. This increased the Group's overall interest in WBS to 24.9%. Refer to Note 14 of the consolidated annual financial statements for further information.

6. CAPITAL EXPENDITURE AND COMMITMENTS

Details of the Group's capital expenditure and commitments are set out in Notes 37 and 38 of the consolidated annual financial statements.

7. SPECIAL RESOLUTIONS

The following special resolutions were passed by subsidiary companies during the year under review:

7.1 Vodacom (Proprietary) Limited

28 June 2008 — Several special resolutions for the amendment of the memorandum of association and restructure of share capital by way of a subdivision of the ordinary shares and creation of "A" ordinary class shares.

7.2 YeboYethu Limited

4 September 2008 — Special resolution granting approval for the specific repurchase of shares from the subscribers to the memorandum of association and the trustees of the YeboYethu Employee Participation Trust.

* 100% of the shares in each of Gateway Telecommunications Plc, Gateway Communications (Proprietary) Limited, Gateway Communications Mozambique LDA, Gateway Communications (Tanzania) Limited and GS Telecom (Proprietary) Limited and their respective subsidiaries.

8. DIRECTORATE AND SECRETARY

The following movements in the directorate and secretary were recorded during the year under review:

Appointments

1 April 2008	MS du Preez (Secretary)
16 April 2008	J van der Watt (Secretary)
20 November 2008	DD Barber
	PG Joubert
24 November 2008	JCG Maclaurin
	M Lundal
	HM Mahmoud (alternate)
	TJ Harrabin (alternate)
1 December 2008	SF Linford (Secretary)
24 February 2009	TA Boardman
	P Malabie
	RAW Schellekens
	J van der Watt

Resignations

16 April 2008	MS du Preez (Secretary)
30 September 2008	ADC Knott-Craig
20 November 2008	DJ Fredericks
	RJ September
	IM Fourie (alternate)
	MJ Nzeku (alternate)
24 November 2008	RN Barr
	GJ Darby
	J Bryant (alternate)
	PM Donovan (alternate)
1 December 2008	J van der Watt (Secretary)
24 February 2009	RW Collymore

Subsequent to year end, the following movements took place:

Appointments

18 May 2009	TM Mokgosi-Mwantembe
	MP Moyo
	M Joseph

Resignations

18 May 2009	OA Mabandla
	E Spio-Garbrah
	DD Barber
	PG Joubert

In terms of Vodacom Group Limited's articles of association Messrs M Lundal, JCG Maclaurin, TA Boardman, RAW Schellekens, MP Moyo, M Joseph and Mesdames P Malabie and TM Mokgosi-Mwantembe having been appointed since the last annual general meeting retire at the forthcoming annual general meeting to be held on 31 July 2009.

8. DIRECTORATE AND SECRETARY (CONTINUED)

In terms of the articles of association, Mr PJ Uys retires by rotation.

All retiring directors are eligible and available for re-election. Their profiles appear on page 22 of this annual report.

As at date of this report, the directors of Vodacom Group Limited were as follows:

Independent non-executive

MP Moyo (Chairman), TA Boardman, P Malabie and TM Mokgosi-Mwantembe.

Non-executive

M Lundal, JCG Maclaurin, M Joseph, RAW Schellekens and RC Snow.

Executive

PJ Uys (Chief Executive Officer), MS Aziz Joosub and J van der Watt (Acting Chief Financial Officer).

9. INTEREST OF DIRECTORS

As at date of listing, the current directors of Vodacom Group Limited held direct and indirect beneficial interests in 690 shares of its issued ordinary shares (2008: Nil; 2007: Nil). Details of the ordinary shares held per director are set out below:

	Beneficial interest	
	Direct	Indirect
PJ Uys	900	-
MP Moyo	250	140

Subsequent to listing and at date of this report, MP Moyo increased his indirect benefit holdings to 2 415 ordinary shares.

10. OTHER MATTERS

10.1 Funding requirements

The Group increased its interest bearing debt during the current financial year as follows:

- The Group obtained a rand denominated term loan in the amount of R3 000.0 million from Absa Capital, a division of Absa Bank Limited. The loan is for a term of one year and was used as bridge funding for the acquisition of Gateway.
- The Group entered into a syndicated loan with various banks and institutions for R6 450.0 million. The funding will be utilised to refinance existing short-term debt, as well as for capital expenditure.

Refer to Note 23 of the consolidated annual financial statements for further information.

10.2 Electronic Communications Act No. 36 of 2006 ("ECA")

The Independent Communications Authority of South Africa ("ICASA") finalised the licence conversion process and issued converted licences for Individual Electronic Communications Services ("I-ECS") and Independent Electronic Communications Network Services ("I-ECNS") to all qualifying licensees under the ECA. The Group has been issued with two sets of I-ECS and I-ECNS licences, one set converted from the Value Added Network Services ("VANS") licences and the other from the Mobile Cellular Telecommunications Services ("MCTS") licence. The licences confer the same rights for the category of licences as provided for under the ECA. The MCTS converted licences do, to a considerable extent, grandfather most provisions from the MCTS licence with the following key issues outstanding:

- Finalisation of the licence fee regulations as required under the EAC.
- No additional Universal Service Obligations ("USOs") have been imposed on the Group as part of the conversion process, however the Group is required to continue to maintain the previously implemented USOs under the converted licence pending the review of all USOs by ICASA and the Universal Service and Access Agency of South Africa ("USAASA"). The old disparities remain as new I-ECNS, converting from VANS have no USOs imposed on them. It is anticipated that the outcome of the review will result in parity between all similarly licenced entities.
- Provisions that might have a negative financial impact on the Group are the provision prohibiting charging for itemised billing, which will have a substantial impact on the Group's revenue, and the penalties and fines subscribed are substantial.

The above requirements are set out in terms of the Regulations on Standard Terms and Conditions for Licensees which came into effect on 19 January 2009. ICASA has indicated that the contentious provisions under the regulations, as mentioned above, will be reviewed. The Group is in consultation with Senior Counsel to ensure the Group's rights in this regard are protected.

10. OTHER MATTERS (CONTINUED)

10.3 Events subsequent to year end

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the company as at 31 March 2009 or the results of its operations or cash flows for the year then ended, other than those disclosed in Note 41 of the consolidated annual financial statements.

11. AUDIT COMMITTEE

In terms of section 270A(f) of the Companies Act, 1973, as amended ("the Act"), the Group audit committee has discharged all of those functions delegated to in terms of the Group audit committee charter, the Act and the JSE Listings Requirements:

- the audit committee met on 5 occasions to review, *inter alia*, the year end and interim results of the Group as well as consider regulatory and accounting standards compliance;
- considered and satisfied itself that the external auditors are independent and determined the external fees for financial year 2009/2010 and nominated the external auditors for appointment for financial years 2009 and 2010;
- confirmed the non-audit services which the external auditors performed during the year under review;
- ensured that the audit committee complied with the membership criteria specified in the Act;
- confirmed the internal audit plan for the next 3 years;
- held separate meetings with management and the external auditors to discuss any reserved matters; and
- considered the appropriateness and experience of the Acting Chief Financial Officer as required by the Listings Requirements of the JSE Limited.

Further detail to the role of the audit committee can be found on page 97 of this annual report.

12. CORPORATE ADMINISTRATION

The auditors' and secretary's business and postal address appear on the corporate administration sheet attached as Addendum B to the annual report.

Consolidated income statement

for the year ended 31 March 2009

	Notes	2009 Rm	2008 Rm	2007 Rm
Revenue	1	55 187.1	48 177.8	41 146.4
Other operating income		254.8	155.6	119.8
Direct network operating cost	2	(30 421.6)	(26 299.5)	(22 439.8)
Depreciation	11	(3 948.0)	(3 366.0)	(2 901.8)
Staff expenses		(3 618.7)	(2 975.4)	(2 372.5)
Marketing and advertising expenses		(1 523.6)	(1 264.3)	(1 146.4)
Broad-based black economic empowerment charge	20	(1 382.4)	-	-
Other operating expenses		(1 696.0)	(1 362.4)	(1 063.6)
Amortisation of intangible assets	12	(734.8)	(545.2)	(459.4)
Impairment of assets	3	(112.2)	(29.9)	(22.9)
Operating profit	4	12 004.6	12 490.7	10 859.8
Finance income	5	108.2	72.3	74.5
Finance costs	6	(1 459.5)	(681.3)	(369.3)
(Losses)/Gains on remeasurement and disposal of financial instruments	7	(397.5)	185.1	(169.0)
Loss from associate	14	(18.9)	-	-
Profit before taxation		10 236.9	12 066.8	10 396.0
Taxation	9	(4 045.0)	(4 109.2)	(3 836.0)
Net profit		6 191.9	7 957.6	6 560.0
Attributable to:				
Equity shareholders		6 089.3	7 811.4	6 342.4
Minority interests		102.6	146.2	217.6
		6 191.9	7 957.6	6 560.0

	Notes	2009 Cents	2008 Cents	2007 Cents
Basic and diluted earnings per share	10	409.2	525.0	426.3

Consolidated balance sheet

as at 31 March 2009

	Notes	2009 Rm	2008 Rm	2007 Rm
ASSETS				
Non-current assets		35 224.5	24 468.3	20 844.3
Property, plant and equipment	11	21 844.1	19 119.6	17 073.2
Intangible assets	12	11 793.6	4 224.1	2 700.3
Financial assets	13	239.1	244.2	209.5
Investment in associate	14	64.5	-	-
Deferred taxation	15	782.7	455.1	386.1
Deferred cost		179.7	333.3	396.4
Trade and other receivables	17	8.2	-	-
Lease assets	18	312.6	92.0	78.8
Current assets		12 134.9	9 706.9	7 625.9
Deferred cost		711.9	705.9	574.8
Financial assets	13	227.9	444.9	207.5
Inventory	16	652.6	636.9	364.3
Trade and other receivables	17	9 103.8	6 801.1	5 675.0
Lease assets	18	270.7	140.5	32.9
Taxation receivable		63.9	-	-
Cash and cash equivalents	36	1 104.1	977.6	771.4
Total assets		47 359.4	34 175.2	28 470.2
EQUITY AND LIABILITIES				
Ordinary share capital	19	*	*	*
Retained earnings		12 264.9	11 392.9	9 523.2
Other reserves	20	1 752.1	8.8	(97.4)
Equity attributable to equity holders of the parent		14 017.0	11 401.7	9 425.8
Minority interests	21	1 080.8	403.6	221.2
Total equity		15 097.8	11 805.3	9 647.0
Non-current liabilities		10 430.3	4 788.2	3 812.1
Interest bearing debt	23	8 309.6	3 025.8	2 051.4
Non-interest bearing debt	24	6.0	6.0	3.0
Deferred taxation	15	1 360.9	776.5	757.3
Deferred revenue		240.7	358.8	412.3
Provisions	25	397.5	373.7	377.5
Other non-current liabilities	26	115.6	247.4	210.6
Current liabilities		21 831.3	17 581.7	15 011.1
Trade and other payables	27	7 864.8	7 561.3	6 874.4
Deferred revenue		2 458.2	2 229.9	1 904.8
Taxation payable		549.0	580.5	1 112.7
Interest bearing debt	23	5 692.2	502.9	501.0
Provisions	25	800.3	909.5	741.8
Dividends payable		2 210.8	3 190.0	2 990.0
Derivative financial liabilities	43	52.8	10.8	7.2
Bank borrowings	36	2 203.2	2 596.8	879.2
Total equity and liabilities		47 359.4	34 175.2	28 470.2

* Share capital R100

vodacom

Consolidated statement of changes in equity

for the year ended 31 March 2009

	Notes	Attributable to equity shareholders Share capital Rm	Retained earnings Rm	Other reserves Rm	Total Rm	Minority interests Rm	Total equity Rm
Balance as at 31 March 2006		*	8 583.0	(194.0)	8 389.0	283.3	8 672.3
Net profit for the period	21	-	6 342.4	-	6 342.4	217.6	6 560.0
Dividends declared	21	-	(5 400.0)	-	(5 400.0)	(170.8)	(5 570.8)
Business combinations and other acquisitions	21,34	-	-	-	-	(136.4)	(136.4)
Contingency reserve	20	-	(2.2)	2.2	-	-	-
Net gains and losses not recognised in the income statement							
Foreign currency translation reserve	20,21	-	-	94.4	94.4	27.5	121.9
Balance as at 31 March 2007		*	9 523.2	(97.4)	9 425.8	221.2	9 647.0
Net profit for the period	21	-	7 811.4	-	7 811.4	146.2	7 957.6
Dividends declared	21	-	(5 940.0)	-	(5 940.0)	(0.6)	(5 940.6)
Business combinations and other acquisitions	21,34	-	-	-	-	(6.1)	(6.1)
Disposal of subsidiaries	21,35	-	-	-	-	(0.3)	(0.3)
Minority shares of VM, SA	21	-	-	-	-	0.8	0.8
Contingency reserve	20	-	(1.7)	1.7	-	-	-
Net gains and losses not recognised in the income statement							
Foreign currency translation reserve	20,21	-	-	87.7	87.7	42.4	130.1
Revaluation of available-for-sale investments	20	-	-	16.8	16.8	-	16.8
Balance as at 31 March 2008		*	11 392.9	8.8	11 401.7	403.6	11 805.3
Net profit for the period	21	-	6 089.3	-	6 089.3	102.6	6 191.9
Dividends declared	21	-	(5 200.0)	-	(5 200.0)	(13.5)	(5 213.5)
Business combinations and other acquisitions	21,34	-	(3.9)	-	(3.9)	34.4	30.5
Broad-based black economic empowerment transaction	20,21	-	-	1 382.4	1 382.4	522.0	1 904.4
Contingency reserve	20	-	(4.5)	4.5	-	-	-
Net gains and losses not recognised in the income statement							
Foreign currency translation reserve	20,21	-	-	373.2	373.2	31.7	404.9
Revaluation of available-for-sale investments	20	-	-	(16.8)	(16.8)	-	(16.8)
Acquisition of associate	14	-	(8.9)	-	(8.9)	-	(8.9)
Balance as at 31 March 2009		*	12 264.9	1 752.1	14 017.0	1 080.8	15 097.8

* Share capital R100

Consolidated cash flow statement

for the year ended 31 March 2009

	Notes	2009 Rm	2008 Rm	2007 Rm
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		**53 780.2**	47 409.6	40 380.0
Cash paid to suppliers and employees		**(37 429.0)**	(31 076.1)	(26 513.9)
Cash generated from operations	28	**16 351.2**	16 333.5	13 866.1
Finance costs paid	29	**(1 388.3)**	(669.6)	(326.6)
Finance income received	30	**103.6**	74.3	41.7
Realised net losses on remeasurement and disposal of financial instruments	31	**(556.5)**	(151.0)	(38.8)
Taxation paid	32	**(4 123.2)**	(4 721.5)	(3 303.3)
Dividends paid – equity shareholders		**(6 190.0)**	(5 650.0)	(5 300.0)
Dividends paid – minority shareholders		**(13.5)**	(90.6)	(80.8)
Net cash flows from operating activities		**4 183.3**	5 125.1	4 858.3
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets	33	**(7 253.7)**	(6 540.6)	(5 955.3)
Proceeds on disposal of property, plant and equipment and intangible assets		**42.8**	10.2	98.3
Business combinations and other acquisitions	34	**(5 347.6)**	(956.5)	(591.2)
Disposal of subsidiaries	35	**-**	15.7	-
Other investing activities		**(191.1)**	(31.0)	(135.7)
Net cash flows utilised in investing activities		**(12 749.6)**	(7 502.2)	(6 583.9)
CASH FLOW FROM FINANCING ACTIVITIES				
Non-interest bearing debt incurred		**-**	-	3.0
Non-interest bearing debt repaid		**-**	(3.0)	-
Interest bearing debt incurred		**10 162.2**	1 000.0	6.0
Interest bearing debt repaid		**(1 513.6)**	(226.4)	(209.0)
Bank borrowings (repaid)/incurred		**(297.8)**	2 456.0	-
Minority interests		**522.0**	7.2	-
Net cash flows from/(utilised) in financing activities		**8 872.8**	3 233.8	(200.0)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**306.5**	856.7	(1 925.6)
Cash and cash equivalents/(bank borrowings) at the beginning of the year		**836.8**	(107.8)	1 760.3
Effect of foreign exchange rate changes		**(59.5)**	87.9	57.5
CASH AND CASH EQUIVALENTS/(BANK BORROWINGS) AT THE END OF THE YEAR	36	**1 083.8**	836.8	(107.8)

Notes to the consolidated annual financial statements

for the year ended 31 March 2009

BASIS OF PREPARATION

These consolidated annual financial statements of Vodacom Group Limited ("the Group") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and have been prepared on the historical cost basis, except for financial assets and financial liabilities (including derivative instruments) recorded at fair value or at amortised cost. The consolidated annual financial statements have been presented in South African rand, as this is the currency in which the majority of the Group's transactions are denominated.

The principal accounting policies are consistent in all material respects with those applied in the previous period, except where disclosed elsewhere.

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

ACCOUNTING POLICIES

A. CONSOLIDATION

A.1 Basis of consolidation

The consolidated annual financial statements include the consolidated financial position, results of operations and cash flows of Vodacom Group Limited and both foreign and domestic entities (subsidiaries, special purpose entities, associates and joint ventures) controlled, significantly influenced and jointly controlled by Vodacom Group Limited, up to 31 March 2009.

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

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. Goodwill on the acquisition of associates is accounted for in accordance with the Group's accounting policy for associates set out below.

A.2 Business combinations

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, measured as the aggregate of the fair values, at the date of the exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. Business combinations include the acquisition of subsidiaries.

On acquisition, the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries that meet the recognition criteria in IFRS 3: Business Combinations ("IFRS 3"), are measured based upon the Group's interest in their fair value at the date of acquisition, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"), which are recognised and measured at fair value less costs to sell. The interest of minority shareholders is recorded at the minority's share of the net fair value of the identifiable assets, liabilities and contingent liabilities that meet the recognition criteria. Subsequently, any losses attributable to minority shareholders in excess of their interest, is allocated against the interest of the Group, except to the extent that the minority shareholder has a binding obligation and is able to make an additional investment to cover the losses.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating activities of an entity 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.

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.

Minority shareholders are treated as equity participants and, therefore, all subsequent acquisitions of minority interest by the Group in subsidiary companies are accounted for using the parent entity extension method. Under this method, the assets and liabilities of the subsidiary are not restated to reflect their fair values at the date of the acquisition. The difference between the purchase price and the minority interest's share of the assets and liabilities reflected within the consolidated balance sheet at the date of the acquisition is therefore reflected as goodwill.

The difference between the proceeds from disposal and the carrying value of the net assets and liabilities disposed of, adjusted for any related carrying amount of goodwill, is recognised as the profit or loss on disposal of subsidiaries.

A.3 Joint ventures

Joint ventures are those entities in which the Group has joint control through a contractual arrangement with one or more other venturers. Joint control exists when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

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 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.

A. CONSOLIDATION (CONTINUED)

A.3 Joint ventures (continued)

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.

Investments in joint ventures classified as held for sale are accounted for under IFRS 5.

The difference between the proceeds from disposal and the carrying value of the net assets and liabilities disposed of, adjusted for any related carrying amount of goodwill, is recognised as the profit or loss on disposal of joint ventures.

A.4 Associates

Associates are those entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures. Significant influence exists when the Group has the power to participate in the financial and operating policy decisions of these entities, but does not control or jointly control those policies.

Investments in associates are accounted for using the equity method from the date on which the Group has significant influence, up to the date on which it ceases to have significant influence. The investments are initially accounted for at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets in the associates.

Profits or losses of associates are recognised in profit or loss while losses of associates in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Dividend distributions received from associates reduce the carrying amount of the investment.

Goodwill represents the excess of the cost of an investment in an associate over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is included in the carrying amount of the investment and assessed for impairment as part of the investment. If the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired exceeds the cost, the excess is immediately recognised in profit or loss.

At the date significant influence is obtained over an investment previously accounted for as an available-for-sale investment, gains or losses in equity are reversed to revert the investment to its original cost, an equity method adjustment is made through retained earnings to recognise the Group's share of post acquisition profit or losses net of any dividends receivable and any changes in the fair value of the underlying assets since the original acquisition date. Dividend income is recognised in profit or loss up to the date significant influence is obtained.

The Group's share of inter-company unrealised profit or losses, between Group companies and associate entities is eliminated on consolidation.

Investments in associates classified as held for sale are accounted for under IFRS 5.

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.

The 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 the location and condition necessary for it to be capable of operating in the manner intended by management. 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 lives to the estimated residual value. Useful lives, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis. Residual values are measured as the estimated amount currently receivable for an asset if the asset were already of the age and condition expected at the end of its useful life. Each significant component included in an item of property, plant and equipment is separately recorded and depreciated.

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). Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale in accordance with IFRS 5 or the date the asset is derecognised. Depreciation is not ceased when assets are idle.

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.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation commences when the assets are ready for their intended use.

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 during the period incurred.

B. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 profit or loss in the period in which they occur. The date of disposal is determined as the date on which the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the proceeds on the sale can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Property, plant and equipment acquired in exchange for a non-monetary asset or assets is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

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 accreted to its future value over the lease period.

Changes in the measurement of an existing liability that result from changes in the estimated timing or amount of the outflow of resources required to settle the liability, or a change in the discount rate, are accounted for as follows:
- changes in the liability are added, or deducted from, the cost of the reflected asset. If the amount deducted exceeds the carrying amount of the asset, the excess is recognised immediately in profit and loss;
- adjustments that result in additions to the cost of assets are tested for impairment if it is considered that the new carrying value of the asset is not fully recoverable.

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 instead are tested for impairment on an annual basis.

- **Goodwill**

  Goodwill represents the excess of the cost of an acquisition of a subsidiary or joint venture, over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill on the acquisition of subsidiaries and joint ventures is included in intangible assets. If the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition of a subsidiary or joint venture exceed the cost of the business combination, the excess is recognised immediately in profit or loss. Goodwill is tested annually for impairment, or more frequently when there is an indication that the goodwill may be impaired and carried at cost less accumulated impairment losses, if any. Impairment losses previously recognised cannot be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill on the acquisition of associates is accounted for in accordance with the Group's accounting policy for associates set out above.

D.2 Intangible assets with a finite useful life

Intangible assets with finite useful lives are amortised to profit or loss on a straight-line basis over their estimated useful lives. Useful lives and amortisation methods are reviewed at the end of each annual reporting period, or more frequently when there is an indication that the intangible asset may be impaired, with the effect of any changes accounted for on a prospective basis. Amortisation commences when the intangible asset is available for use. The residual values of intangible assets are assumed to be zero.

- **Licences**

  Licences, which are acquired, other than through a business combination, 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, prepaid customer bases and internet service provider customer bases acquired, other than through a business combination, represents the fair value at the acquisition date of the customer bases. Customer bases are amortised on a straight-line basis over their estimated useful lives.

D. INTANGIBLE ASSETS (CONTINUED)

D.2 Intangible assets with a finite useful life (continued)

- **Trademarks, patents and other**

  Purchased trademarks, patents and other acquired, other than through business combinations, are capitalised at cost and amortised over their estimated useful lives. Expenditure incurred to develop, maintain and renew internally generated trademarks and patents is recognised as an expense in the period incurred.

- **Computer software**

  Computer software that is not considered to form an integral part of any hardware equipment is recorded as intangible assets. The software is capitalised at cost and amortised over its estimated useful life.

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, or more frequently when there is an indication that the intangible asset may be impaired.

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, whichever occurs first. Exchange differences on the settlement or translation of monetary assets or liabilities are included in gains or losses on remeasurement and disposal of financial instruments in profit or loss in the period in which they arise.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

F.2 Foreign operations

The annual financial statements of foreign operations are translated into South African rand 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 at the date of the transaction or average foreign exchange rates for the period.

All resulting unrealised exchange differences are classified as equity and recognised in the foreign currency translation reserve. On disposal, the cumulative amounts of unrealised exchange differences that have been deferred are recognised in profit or loss as part of the gain or loss on disposal.

All gains and losses on the translation of equity loans to foreign entities that are intended to be permanent, whether they are denominated in one of the entities functional currencies or in a third currency, are recognised in equity.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are classified as equity and recognised in the foreign currency translation reserve.

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 balances

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.

G. TAXATION (CONTINUED)

G.2 Deferred taxation balances (continued)

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 profits will be available against which the associated unused taxation losses or credits and deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all, or part of the asset to be recovered.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the Group has the intention to settle its current taxation assets and liabilities on a net basis.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on taxation rates (and taxation laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred taxation assets and liabilities reflects the taxation consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

G.3 Current and deferred taxation for the period

Current and deferred taxation are recognised as an expense or income in profit or loss, except when they relate to a transaction or event recognised directly in equity, in which case the current and deferred taxation is also recognised directly in equity, or where deferred taxation arises from the initial accounting for a business combination. In the case of a business combination any resulting deferred taxation asset or liability recognised as an identifiable asset or liability at the acquisition date affects goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

G.4 Secondary taxation on companies

Secondary taxation on companies ("STC") is provided for at the prevailing rate on the amount of the net dividend declared by Vodacom Group Limited. It is recorded as a taxation expense when dividends are declared.

STC credits on dividends received are recorded as assets in the period that they arise, limited to the amount recoverable based on 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.

The Group provides for other employee benefits payable to eligible employees on termination or retirement. The Group's liability is based on an actuarial valuation. Actuarial gains and losses, on the other employee benefits provision, are accounted for through profit and loss in the year in which they arise.

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. EMPLOYEE BENEFITS (CONTINUED)

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.

H.5 Share-based payments

The Group has equity-settled share-based payment compensation plans for employees of the South African based operations of the Group. The cost of the services received in an equity-settled transaction with employees is measured at the fair value of the equity instruments granted. The fair value (excluding the effect of non-market based vesting conditions) of those equity instruments is measured at grant date, and expensed as employee costs in profit or loss as the services are rendered over the vesting period on a straight-line basis with a corresponding increase in equity, based on the Group's estimate of the shares that will eventually vest, and adjusted for the effect of non-market based vesting conditions.

The fair value is measured using the Monte Carlo option pricing valuation model. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments, and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

Changes in estimates of the number of shares or rights to acquire shares that will ultimately vest are included in profit or loss for the year with a corresponding decrease or increase in equity.

I. BROAD BASED BLACK ECONOMIC EMPOWERMENT ("BBBEE") TRANSACTIONS

Where equity instruments are issued to a BBBEE partner at less than fair value, these are accounted for as share-based payments.

The difference between the fair value of the equity instruments issued and the consideration received is accounted for as an expense in profit or loss at the date the goods and services are received, with a corresponding increase in equity. No service or other conditions exist for BBBEE partners. A restriction on the BBBEE partner to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

The fair value of the equity instruments issued is measured based on the same principles as set out in the accounting policy on share-based payments under employee benefits above.

J. 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 applicable, 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 useful life of the customer base. The estimates and assumptions are based on past experience.

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

J.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, limited to the amount of cash received.
- 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. Revenue relating to 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 revenue.

J.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.

J. REVENUE RECOGNITION (CONTINUED)

J.2 Prepaid products (continued)

- Revenue and related costs from the activated SIM-card, representing activation fees, are recognised over the average useful life of a prepaid customer.
- Airtime revenue is recognised on the usage basis. Revenue relating to 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, are 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 revenue and costs are released to profit or loss.

J.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.

J.4 Equipment sales

Revenue from equipment sales is recognised only when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the proceeds on the sale can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is normally achieved with acceptance of the goods on the delivery thereof.

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.

J.5 Other revenue and income

- **Interconnect and international revenue**
  Interconnect and international revenue is recognised on the usage basis.
- **Dividends**
  Dividends from investments or subsidiaries are recognised when the shareholder's 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.

K. LEASES

K.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.

A lease of land and buildings is classified by considering the land and buildings elements separately. Minimum lease payments are allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interest in the land and buildings elements of the lease at inception of the lease.

K.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 of the asset or the present value of the minimum lease payments, at inception of the lease. Such assets are depreciated in accordance with 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 profit or loss over the term of the lease using the effective interest rate method, so as to produce a constant periodic rate of return on the remaining balance of the liability for each period.

- **Operating leases**
  Lessee operating lease rental payments are expensed in profit or loss 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. LEASES (CONTINUED)

K.3 Group as lessor

- **Finance leases**

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

- **Operating leases**

  Lessor operating lease rental income is recognised in profit or loss on a straight-line basis over the lease term. Such leased assets are included under property, plant and equipment and depreciated in accordance with the accounting policy stated above.

L. FINANCIAL INSTRUMENTS

Financial instruments include all financial assets, financial liabilities and equity instruments, including derivative instruments.

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Fair value methods and assumptions

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial instruments with standard terms and conditions and traded in active, liquid and organised financial markets are determined with reference to the applicable quoted market prices.

The fair values of derivative instruments are determined using quoted prices or where such prices are not available, discounted cash flow methods using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives. These amounts reflect the approximate values of the net derivative position at the balance sheet date. The quoted market prices used for interest rate derivatives is at the effective yield basis, while the quoted market prices used for foreign exchange derivatives is at the mid or mid forward rate.

The fair value of financial instruments, excluding derivative instruments, not traded in active, liquid and organised financial markets is determined by 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.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of financial assets and financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts and future cash payments (including transactions costs and other premiums or discounts) through the expected life of the financial asset and financial liability, or when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability.

Interest income is recognised on an effective interest basis for held-to-maturity investments, available-for-sale financial assets and loans and receivables. Interest expense is recognised on an effective interest rate basis for financial liabilities held at amortised cost.

Amortised cost

Amortised cost is the amount at which the financial asset and financial liability is measured at initial recognition less principal repayments, plus or minus cumulative amortisation and minus accumulated impairment losses. The cumulative amortisation of any difference between the initial amount and the maturity amount of the financial asset and financial liability is calculated by using the effective interest rate method and recognised in profit or loss as interest income or interest expense over the period of the investment or debt.

L.1 Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group's principal financial assets, other than derivatives which are dealt with below, are investments, loans and other receivables, finance lease assets, trade and other receivables (excluding value added taxation, prepayments and operating lease receivables) and cash and cash equivalents.

Financial assets are recognised and derecognised on trade-date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

All financial assets are initially measured at fair value, including transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

L. FINANCIAL INSTRUMENTS (CONTINUED)

L.1 Financial assets (continued)

Subsequent to initial measurement, these instruments are measured as set out below.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or the financial asset is designated at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- it is part of a portfolio of identified financial instruments that the Group manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that it is not designated as an effective hedging instrument or a derivative that is a financial guarantee contract.

Financial assets are designated upon initial recognition at fair value through profit or loss when:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives which do not significantly modify cash flows and can be separated from the hybrid contract, and IAS 39: Financial Instruments: Recognition and Measurement ("IAS 39") permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value, with any resultant remeasurement gains and losses recognised in gains or losses on remeasurement and disposal of financial instruments in profit or loss. The net gain or loss recognised in profit or loss incorporates any gains or losses on remeasurement, dividends and interest income on the financial asset.

These financial assets are classified as current assets if they are either held for trading or expected to be realised within twelve months of the balance sheet date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in profit or loss by applying the effective interest rate.

Available-for-sale financial assets

Investments in equity instruments, excluding those in subsidiaries, associates, joint ventures and those acquired principally for the purpose of generating a profit from the short-term fluctuations in price, are classified as available-for-sale investments and are subsequently measured 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 recognised in gains or losses on remeasurement and disposal of financial instruments in profit or loss. Interest income is recognised in profit or loss by applying the effective interest rate method.

The net gain or loss recognised in profit or loss incorporates any gains or losses on remeasurement transferred from equity to profit or loss, dividends and interest income on the financial asset.

These investments are classified as non-current assets unless management intends to dispose of the investments within twelve months of the balance sheet date.

Loans and receivables

Trade and other receivables (excluding value added taxation, prepayments and operating lease receivables), loans, finance lease assets and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in profit or loss by applying the effective interest rate, except for short-term trade receivables where the recognition of interest would be immaterial. Trade receivables are carried at original invoice amount less any impairment loss.

The terms of loans granted are renegotiated on a case by case basis if circumstances require renegotiation.

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

L. FINANCIAL INSTRUMENTS (CONTINUED)

L.1 Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired and impairment losses are incurred where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset has been impacted and the Group will not be able to collect all amounts due according to the original terms of the financial asset.

For unlisted shares classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence that a financial asset or group of assets (other than unlisted shares classified as available-for-sale) is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of financial assets carried at amortised cost is reduced directly by the impairment loss with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. The amount of the allowance account is the difference between the carrying amount and the recoverable amount. When management deems a trade receivable to be uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, either directly or by adjusting the allowance account, through profit or loss. The carrying amount of the financial asset at the date the impairment is reversed will not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss recognised directly in equity is removed from equity and recognised in profit or loss. The amount of the cumulative loss removed from equity to profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss.

Reversal of impairment losses on available-for-sale equity investments is recognised directly in equity, while the reversal of impairment losses on available-for-sale debt instruments is recognised in profit or loss.

L.2 Financial liabilities and equity instruments

Classification as equity, debt or compound instruments

Financial liabilities and equity instruments issued by the Group are classified on initial recognition as debt or equity or compound instruments in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

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.

Financial liabilities

Financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss, financial liabilities held at amortised cost and financial guarantee contract liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

L. FINANCIAL INSTRUMENTS (CONTINUED)

L.2 Financial liabilities and equity instruments (continued)

Financial liabilities (continued)

The Group's principal financial liabilities, other than derivatives which are dealt with below, are interest bearing debt, non-interest bearing debt, trade and other payables (value added taxation, revenue charged in advance and reduced subscriptions excluded), dividends payable, bank borrowings and other short-term debt.

All financial liabilities are initially measured at fair value, including transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

Subsequent to initial measurement, these instruments are measured as set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss where the financial liability is either held for trading or the financial liability is designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- it is part of a portfolio of identified financial instruments that the Group manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated as an effective hedging instrument or a derivative that is a financial guarantee contract.

Financial liabilities are designated upon initial recognition at fair value through profit or loss when:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognising the gains and losses on them on different bases;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the groupings is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, with any resultant remeasurement gains and losses recognised in gains or losses on remeasurement and disposal of financial instruments in profit or loss. The net gain or loss recognised in profit or loss incorporates any gains or losses on remeasurement and interest paid on the financial liability.

These financial liabilities are classified as current liabilities if they are either held for trading or expected to be settled within twelve months of the balance sheet date.

Financial liabilities held at amortised cost

Interest bearing debt, including finance lease obligations, non-interest bearing debt, bank borrowings and other short-term debt is subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in profit or loss by applying the effective interest rate.

The terms of loans received are renegotiated on a case by case basis if circumstances require renegotiation.

Interest bearing debt and non-interest bearing debt are 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.

Trade and other payables are carried at the original invoice amount.

Dividends payable are stated at amounts declared.

Preference shares, which are mandatory redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as interest expense.

A contract that contains an obligation for the Group to purchase its own equity instrument for cash or another financial asset gives rise to a financial liability and is accounted for at the present value of the redemption amount. On initial recognition its fair value is reclassified directly from equity. Subsequent changes in the liability are included in profit and loss. On expiry or exercise of the option the carrying value of the liability is reclassified directly to equity.

The accounting policy for bank borrowings and other short-term debt is dealt with under cash and cash equivalents set out below, while the accounting policy for finance lease obligations is dealt with under leases set out above.

L. FINANCIAL INSTRUMENTS (CONTINUED)

L.2 Financial liabilities and equity instruments (continued)

Financial liabilities (continued)

Financial guarantee contract liabilities

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder of the instrument for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are measured initially at fair value and subsequently at the higher of the amount determined in accordance with the Group's policy on provisions as set out below, or the amount initially recognised less, when appropriate, cumulative amortisation.

L.3 Derivative financial instruments

The Group's principal derivative financial instruments are option contracts, interest rate swaps and foreign exchange forward contracts.

The Group recognises all derivative instruments on the consolidated balance sheet at fair value, including certain derivative instruments embedded in other contracts. Derivatives are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. Changes in the fair value of derivative instruments are recorded in profit or loss 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 and the host contracts are carried at fair value with changes in fair value recognised in profit or loss.

The Group does not use derivatives for trading or speculative purposes. Derivatives are not designated into an effective hedge relationship and are classified as current assets or a current liability if the remaining maturity of the instrument is less than twelve months and is expected to be realised or settled within twelve months.

L.4 Derecognition

Financial assets, or a portion thereof, are derecognised when the Group's contractual rights to the cash flow expire, when the Group transfers substantially all the risks and rewards of the transferred financial asset or when the Group neither transfers nor retains substantially all the risks and rewards of the transferred financial asset but loses control of the transferred financial asset. On derecognition, 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 profit or loss.

If the Group retains substantially all the risks and rewards of the transferred financial asset, the Group continues to recognise the transferred financial asset. If the Group neither transfers nor retains substantially all the risks and rewards of the transferred financial asset, but retains control, it continues to recognise the transferred financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability for any amounts payable.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in profit or loss.

L.5 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. 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.

N. IMPAIRMENT OF ASSETS

Goodwill and other 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 profit or loss immediately. The recoverable amount of an asset is the higher of the asset's 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.

N. IMPAIRMENT OF ASSETS (CONTINUED)

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 taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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. For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the synergies of the combination. 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.

O. INSURANCE CONTRACTS

O.1 Premiums

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude value added taxation. Premiums written include adjustments to premiums written in prior accounting periods.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business assumed.

The net earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

O.2 Unearned premium income

Unearned premium income comprises the proportion of premiums written which is estimated to be earned in subsequent financial years, computed separately for each insurance contract using a time proportionate basis or another suitable basis for uneven risk contracts.

O.3 Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and an appropriate risk margin.

O.4 Contingency reserve

A reserve in equity is made for the full amount of the contingency reserve as required by the regulatory authorities in South Africa. Transfers to and from this reserve are treated as appropriations of retained earnings.

P. 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 initially recognised at fair value and subsequently measured at its face value.

Deposits held on call are classified as loans and receivables by the Group and carried at amortised cost. Due to the short-term nature of these, the amortised cost normally 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.

Q. BORROWING COSTS

Borrowing costs are expensed as they are incurred.

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

S. INCENTIVES

Incentives paid to service providers and dealers for products delivered to the customer are expensed as incurred. Incentives paid to service providers and dealers for services delivered are expensed over 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.

T. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell.

U. USE OF ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment 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.

V. COMPARATIVES

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

W. OPERATING SEGMENTS

The Group discloses its operating segments according to the entity components regularly reviewed by the Group Executive Committee. The components comprise of operating segments located in South Africa and other countries.

Segment information is prepared in conformity with the measure that is reported to the Group Executive Committee. These values have been reconciled to the consolidated annual financial statements. The measure reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated annual financial statements.

Segment revenue excludes value added taxation and includes intergroup revenue. Net revenue represents segment revenue from which intergroup revenue has been eliminated. Sales between segments are made on a commercial basis. Segment profit or loss from operations represents segment revenue less segment operating expenses. Segment expenses include direct and operating expenses.

The segment assets and liabilities comprise all assets and liabilities of the different segments that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

Capital expenditure in property, plant and equipment and intangible assets has been allocated to the segments to which it relates.

	2009 Rm	2008 Rm	2007 Rm
1. REVENUE			
Airtime and access	30 331.3	27 095.2	23 707.5
Interconnect	9 798.8	8 887.1	7 835.6
Data	6 440.9	5 002.2	3 341.7
Equipment	5 299.8	5 051.4	4 699.1
International airtime	2 085.8	1 835.9	1 305.8
Other *	1 230.5	306.0	256.7
	55 187.1	48 177.8	41 146.4

* The increase mainly relates to the operations of Gateway.

	2009 Rm	2008 Rm	2007 Rm
2. DIRECT NETWORK OPERATING COST			
Airtime and access	(8 881.7)	(7 838.6)	(6 929.0)
Interconnect	(6 954.4)	(6 039.2)	(5 179.9)
Data	(750.1)	(757.0)	(531.3)
Equipment	(5 995.6)	(5 519.1)	(5 022.8)
International airtime	(688.6)	(518.1)	(456.2)
Regulatory fees	(1 212.0)	(1 054.9)	(979.7)
Network operational expenses #	(3 424.0)	(2 778.7)	(2 248.1)
Other *	(2 515.2)	(1 793.9)	(1 092.8)
	(30 421.6)	(26 299.5)	(22 439.8)

\# Network operational expenses include transmission rental, site costs and site maintenance.
* The increase mainly relates to the operations of Gateway.

	2009 Rm	2008 Rm	2007 Rm
3. IMPAIRMENT OF ASSETS			
Intangible assets	(1.0)	-	(0.3)
Goodwill	-	-	(0.2)
Computer software	(1.0)	-	(0.1)
Property, plant and equipment	(105.4)	(29.9)	(22.6)
Infrastructure	(89.2)	(23.9)	(17.9)
Information services	(4.4)	(3.2)	(3.7)
Motor vehicles	(7.2)	(0.8)	(0.3)
Furniture and office equipment	(0.7)	(0.6)	(0.3)
Leasehold improvements	(2.8)	(0.7)	(0.1)
Other assets	(1.1)	(0.7)	(0.3)
Available-for-sale investments carried at cost	(5.8)	-	-
Impairment recognised	(112.2)	(29.9)	(22.9)

Due to the competitive and economic environment in which VM, SA operates in Mozambique, the Group assessed the property, plant and equipment and intangible assets for impairment in accordance with the requirements of IAS 36: Impairment of Assets ("IAS 36"). The recoverable amount of these assets was based on the fair value less cost to sell at 31 March 2009, 2008 and 2007. The amount with which the carrying amount exceeded the recoverable amount is recognised as an impairment loss.

During the current financial year the Group impaired its equity investment in G-Mobile Holdings Limited by R5.8 million in light of adverse economic conditions.

Notes to the consolidated annual financial statements

for the year ended 31 March 2009

	2009 Rm	2008 Rm	2007 Rm
4. OPERATING PROFIT			
The operating profit is arrived at after taking the following income/(expenditure) into account:			
Net (loss)/profit on disposal of property, plant and equipment and intangible assets	(13.3)	(39.3)	26.9
Loss on disposal of property, plant and equipment and intangible assets	(21.3)	(42.2)	(30.3)
Profit on disposal of property, plant and equipment and intangible assets	8.0	2.9	57.2
Profit on disposal of shares in subsidiary	-	8.0	17.4
Auditor's remuneration - audit fees	(28.4)	(23.3)	(16.6)
Current year audit fees	(28.3)	(21.1)	(16.2)
Prior year over/(under) provision of audit fees	1.4	(1.4)	(0.2)
Telkom SA Limited audit costs	(3.1)	(5.1)	(6.1)
Telkom SA Limited recovery of audit costs	3.1	5.1	6.1
Expenses	(1.5)	(0.8)	(0.2)
Auditor's remuneration - other services	(6.4)	(3.0)	(0.6)
Proceeds from insurance recoveries	2.7	2.1	-
Professional fees for consultancy services	(303.5)	(203.7)	(147.1)
Operating lease rentals	(1 915.4)	(1 550.3)	(1 259.1)
GSM transmission and data lines	(1 511.0)	(1 224.7)	(965.8)
Office accommodation	(118.0)	(94.0)	(65.1)
Other accommodation *	(278.1)	(225.6)	(223.4)
Office equipment	(1.1)	(0.2)	(0.2)
Motor vehicles	(7.2)	(5.8)	(4.6)
* Other accommodation includes distribution outlets, site and building rentals.			
Payment to other operators	(7 642.9)	(6 557.3)	(5 636.0)
Staff expenses - pension and provident fund contributions	(151.3)	(126.9)	(97.4)
Pension fund contributions	(138.2)	(113.4)	(84.7)
Provident fund contributions	(13.1)	(13.5)	(12.7)
Write down of inventory to net realisable value	(2.0)	(0.3)	-
Decrease/(Increase) in provision for obsolete inventory (Note 16)	14.1	(0.2)	(18.3)

	2009 Rm	2008 Rm	2007 Rm
4. OPERATING PROFIT (CONTINUED)			
The operating profit is arrived at after taking the following income/(expenditure) into account:			
(Increase)/Decrease in provision for doubtful receivables (Note 17)	**(40.7)**	(5.8)	9.7
(Increase)/Decrease in provision for doubtful receivables - South African (Note 17)	**(6.1)**	12.6	(6.8)
(Increase)/Decrease in provision for doubtful receivables - non-South African (Note 17)	**(34.6)**	(18.4)	16.5

Marketing and advertising expenses include broadcasting, branding, publications, promotions and sponsorship expenditure.

Other operating expenses include accomodation costs, call centre management costs, auditor's remuneration, consultancy fees, information technology costs, insurance, office administration costs, sales and distribution costs, social economic investment costs, subsistence and travel costs and transport costs.

Insurance activities

The Group offers a range of insurance contracts to its customers providing protection against specified risks associated with the ownership of a cell phone. These products are offered through a cell captive facility maintained with Centriq Insurance Company Limited, a South African registered short-term insurance company. The cell captive facility is further used to issue insurance contracts to Group companies to provide cover against a variety of insurable risks including assets own risk. The extended warranty provided to customers is no longer provided by the Group as the suppliers assumed responsibility for the second year warranty. Inter-company transactions are eliminated on consolidation of the cell captive.

In terms of the shareholders' agreement, the Group carries all the risks and rewards related to the business underwritten in the cell captive facility. The risks are closely monitored by the Group through the ongoing review of the performance of the underlying insurance products. Premium rate adjustments are used to mitigate the associated insurance risks.

Provided below is a summarised underwriting account giving details of the R36.2 million (2008: R38.7 million; 2007: R28.8 million) underwriting profit included in operating profit and the summarised assets and liabilities of the cell captive facility:

	2009 Rm	2008 Rm	2007 Rm
Net earned premiums	**152.7**	146.6	131.6
Gross claims incurred	**(76.0)**	(76.1)	(67.4)
Net reinsurance expenses	**(11.5)**	(4.9)	(11.6)
Net operating expenses	**(29.0)**	(26.9)	(23.8)
Underwriting profit	**36.2**	38.7	28.8
Non-current deferred taxation	**1.0**	-	-
Current financial assets *	**125.3**	107.9	135.7
Current trade and other receivables	**8.5**	18.1	16.7
Equity and reserves	**(83.3)**	(32.3)	(112.1)
Current trade and other payables	**(35.6)**	(0.2)	(28.5)
Current taxation payable	**(1.4)**	(14.0)	-
Current provisions	**(14.5)**	(79.5)	(11.8)

* Current financial assets consist of money market investments.

	2009 Rm	2008 Rm	2007 Rm
5. FINANCE INCOME			
Interest			
Interest on financial assets not at fair value through profit or loss	85.4	54.6	52.8
Banks	56.4	33.0	30.6
Loans	22.1	17.7	20.7
Other interest income	6.9	3.9	1.5
Interest on financial assets at fair value through profit or loss	18.7	17.7	20.6
Interest rate swap interest	2.1	5.1	10.2
Interest on money market investments	16.6	12.6	10.4
Interest on non-financial instruments	4.1	-	1.1
Interest received from taxation authorities	4.1	-	1.1
	108.2	72.3	74.5
6. FINANCE COSTS			
Finance costs on financial liabilities not at fair value through profit or loss	(1 342.2)	(659.0)	(358.9)
Bank borrowings	(371.1)	(399.1)	(131.4)
Debt *	(969.5)	(259.5)	(226.2)
Other finance costs	(1.6)	(0.4)	(1.3)
Finance costs on financial liabilities at fair value through profit or loss	(0.3)	-	-
Interest rate swap interest	(0.3)	-	-
Finance costs on non-financial instruments	(117.0)	(22.3)	(10.4)
Other employee benefits provision interest cost (Note 25)	(19.8)	(14.4)	(9.6)
Interest paid to taxation authorities	(88.4)	(0.4)	(0.8)
Licence obligation (Note 26)	(8.8)	(7.5)	-
	(1 459.5)	(681.3)	(369.3)

* Included in debt are amounts of R11.0 million and R10.0 million for the 2008 and 2007 financial years respectively which relates to the adjustment to the amortised cost based on the effective interest rate on the loans from Caspian Limited, Planetel Communications Limited and Mirambo Limited that was remeasured at amortised cost, at an effective interest rate of LIBOR plus 5.0% and the loan from Sekha-Metsi Investment Consortium Limited that was remeasured at amortised cost, at an effective interest rate of 13.7%, for which no consideration was recorded.

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		2009 Rm	2008 Rm	2007 Rm
7.	(LOSSES)/GAINS ON REMEASUREMENT AND DISPOSAL OF FINANCIAL INSTRUMENTS			
	(Loss)/Gain on foreign exchange forward contract revaluation	(567.1)	345.8	467.7
	Loss on interest rate swap revaluation	(4.8)	(10.3)	(9.9)
	(Loss)/Gain on revaluation of foreign denominated cash and cash equivalents	(1.5)	24.3	6.2
	(Loss)/Gain on revaluation of foreign denominated assets	(51.8)	(15.2)	9.7
	Gain/(Loss) on sale of investments	-	2.2	(0.7)
	Gain/(Loss) on revaluation of foreign denominated liabilities	227.7	(161.7)	(642.0)
		(397.5)	185.1	(169.0)
8.	NET (LOSSES)/GAINS *			
	Net (losses)/gains on financial instruments analysed by category, are as follows:			
	Financial assets and financial liabilities at fair value through profit or loss, classified as held for trading	(553.5)	353.2	478.4
	Available-for-sale investments	-	2.2	(0.7)
	Loans and receivables (including cash and bank deposits)	32.2	63.7	62.5
	Financial liabilities held at amortised cost	(1 114.6)	(820.7)	(994.7)
	Net losses attributable to financial instruments	(1 635.9)	(401.6)	(454.5)
	Net losses attributable to non-financial instruments	(112.9)	(22.3)	(9.3)
		(1 748.8)	(423.9)	(463.8)

* Note 8 aggregates notes 5, 6 and 7.

		2009 Rm	2008 Rm	2007 Rm
9.	TAXATION			
	South African normal taxation	(3 102.8)	(3 472.8)	(3 058.7)
	Current year	(3 110.7)	(3 487.2)	(3 063.7)
	Prior year over provision	7.9	14.4	5.0
	Deferred taxation	(189.0)	99.5	44.0
	Current year	(195.8)	94.4	45.3
	Prior year over/(under) provision	6.8	(4.6)	(1.3)
	Taxation rate change *	-	9.7	-
	Secondary taxation on companies	(522.7)	(594.0)	(692.7)
	Current year	(522.7)	(594.0)	(692.7)
	Foreign taxation	(406.0)	(114.3)	(34.3)
	Current year	(229.5)	(113.0)	(34.0)
	Prior year under provision	(175.0)	(1.3)	(0.3)
	Withholding taxation	(1.5)	-	-
	Foreign deferred taxation	175.5	(27.6)	(94.3)
	Current year	112.2	(134.0)	(135.4)
	Prior year over provision	63.3	106.4	41.1
		(4 045.0)	(4 109.2)	(3 836.0)

* Deferred taxation was calculated at 28% for all South African entities at 31 March 2008 following a change in the corporate taxation rate. The revised taxation rate is applicable to normal taxation with effect from the 2009 financial year.

	2009 Rm	2009 %	2008 Rm	2008 %	2007 Rm	2007 %
9. TAXATION (CONTINUED)						
Reconciliation of rate of taxation						
Normal taxation on profit before taxation	(2 866.3)	(28.0)	(3 499.4)	(29.0)	(3 014.9)	(29.0)
Adjusted for:						
Disallowed expenditure	(258.9)	(2.5)	(125.8)	(1.0)	(205.8)	(2.0)
Broad-based black economic empowerment charge	(387.1)	(3.8)	-	-	-	-
Broad-based black economic empowerment transaction expense	(28.0)	(0.3)	-	-	-	-
Unrecognised taxation asset	(169.2)	(1.7)	(31.9)	(0.3)	(86.5)	(0.9)
Functional vs local reporting currency	599.7	5.9	23.8	0.2	226.8	2.2
Revaluation of taxation base of qualifying assets	(153.4)	(1.5)	(26.6)	(0.2)	(98.6)	(0.9)
Translation of deferred taxation to US dollar	(268.4)	(2.6)	(6.0)	(0.1)	(95.7)	(0.9)
Secondary taxation on companies	(522.7)	(5.1)	(594.0)	(5.0)	(692.7)	(6.7)
Secondary taxation on companies credits	0.2	-	-	-	(3.8)	-
Prior year (under)/over provision	(97.0)	(0.9)	114.9	1.0	44.5	0.4
Foreign taxation rate differences	114.7	1.2	(7.6)	(0.1)	48.6	0.5
Taxation rate change *	-	-	9.7	0.1	-	-
Foreign taxation	(66.6)	(0.7)	(20.6)	(0.2)	(10.4)	(0.1)
Taxation not payable due to taxation concession	-	-	67.7	0.6	81.2	0.8
Foreign controlled entity passive income imputed	(26.4)	(0.3)	(21.9)	(0.2)	(27.9)	(0.3)
Foreign taxation rebates #	39.0	0.4	9.0	0.1	5.5	0.1
Surrender of taxation losses	(3.8)	-	-	-	-	-
Exempt income	0.8	-	-	-	(5.7)	(0.1)
Loss from associate	(5.3)	(0.1)	-	-	-	-
Utilisation of taxation losses	55.8	0.5	0.6	-	-	-
Other adjustments	(2.1)	-	(1.1)	-	(0.6)	-
	(4 045.0)	(39.5)	(4 109.2)	(34.1)	(3 836.0)	(36.9)

* Deferred taxation was calculated at 28% for all South African entities at 31 March 2008 following a change in the corporate taxation rate. The revised taxation rate is applicable to normal taxation with effect from the 2009 financial year.

Foreign taxation rebates previously disclosed within "Other adjustments" are now stated separately.

10. EARNINGS AND DIVIDEND PER SHARE

10.1 Earnings and dividend per share

Subsequent to the year end Vodafone Holdings (SA) (Proprietary) Limited increased its interest in Vodacom Group (Proprietary) Limited by acquiring an additional 15% from Telkom SA Limited ("the share sale transaction"). Immediately following the share sale transaction Vodacom Group (Proprietary) Limited was converted from a private company to a public company named Vodacom Group Limited and underwent a capital restructuring during which the existing issued share capital of 10 000 ordinary shares of R0.01 each was subdivided and converted into 1 487 954 000 ordinary shares with no par value (Note 19 and 41).

	2009 Cents	2008 Cents	2007 Cents
Basic and diluted earnings per share	**409.2**	525.0	426.3
Headline and diluted headline earnings per share	**417.4**	528.4	426.3
Dividend per share	**349.5**	399.2	362.9

Earnings and dividend per share calculations are based on 1 487 954 000 (2008: 1 487 954 000; 2007: 1 487 954 000) ordinary shares in issue at the date of listing (Note 19).

The calculation of basic earnings per share is based on earnings of R6 089.3 million (2008: R7 811.4 million; 2007: R6 342.4 million). Due to no dilutive factors being present, basic earnings per share equals diluted earnings per share.

The calculation of headline earnings per share is based on headline earnings of R6 211.1 million (2008: R7 861.6 million; 2007: R6 328.9 million). Due to no dilutive factors being present, headline earnings per share equals diluted headline earnings per share.

The calculation of dividend per share is based on a declared dividend of R5 200.0 million (2008: R5 940.0 million; 2007: R5 400.0 million).

	2009 Rm	2008 Rm	2007 Rm
10.2 Headline earnings reconciliation			
Basic earnings per the income statement	**6 089.3**	7 811.4	6 342.4
Adjusted for:			
Profit on disposal of shares in subsidiary (Note 4)	**-**	(8.0)	(17.4)
Net loss/(profit) on disposal of property, plant and equipment and intangible assets (Note 4)	**13.3**	39.3	(26.9)
Impairment recognised (Note 3)	**112.2**	29.9	22.9
	6 214.8	7 872.6	6 321.0
Taxation impact of adjustments	**(3.8)**	(11.0)	7.9
Minority interests in adjustments	**0.1**	-	-
Headline earnings *	**6 211.1**	7 861.6	6 328.9

* The disclosure of headline earnings is a requirement of the JSE Limited ("JSE") and is not a recognised measure under IFRS. It has been calculated in accordance with the South African Institute of Chartered Accountants' circular issued in this regard.

	Cost Rm	Accumulated depreciation and impairment Rm	Net book value Rm
11. PROPERTY, PLANT AND EQUIPMENT			
2009			
Land and buildings	1 789.9	(222.0)	1 567.9
Infrastructure	38 001.8	(19 403.8)	18 598.0
Information services	2 422.0	(1 687.7)	734.3
Community services	141.7	(82.6)	59.1
Motor vehicles	337.5	(172.7)	164.8
Furniture and office equipment	443.5	(253.8)	189.7
Leasehold improvements	879.9	(388.5)	491.4
Other assets	103.7	(64.8)	38.9
	44 120.0	(22 275.9)	21 844.1
2008			
Land and buildings	1 470.2	(163.5)	1 306.7
Infrastructure	31 398.2	(15 131.2)	16 267.0
Information services	2 165.0	(1 426.8)	738.2
Community services	131.6	(76.9)	54.7
Motor vehicles	252.0	(121.2)	130.8
Furniture and office equipment	327.3	(183.4)	143.9
Leasehold improvements	763.4	(320.4)	443.0
Other assets	83.3	(48.0)	35.3
	36 591.0	(17 471.4)	19 119.6
2007			
Land and buildings	1 277.9	(135.4)	1 142.5
Infrastructure	26 788.9	(12 084.6)	14 704.3
Information services	1 924.0	(1 248.5)	675.5
Community services	127.2	(72.3)	54.9
Motor vehicles	192.7	(103.6)	89.1
Furniture and office equipment	335.9	(233.0)	102.9
Leasehold improvements	538.2	(276.5)	261.7
Other assets	74.3	(32.0)	42.3
	31 259.1	(14 185.9)	17 073.2

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	Land and buildings Rm	Infra-structure Rm	Information services Rm	Community services Rm	Motor vehicles Rm	Furniture & office equipment Rm	Leasehold improve-ments Rm	Other assets Rm	Total Rm
11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)									
Reconciliation 2009									
Opening balance	1 306.7	16 267.0	738.2	54.7	130.8	143.9	443.0	35.3	19 119.6
Additions	182.8	4 965.2	360.3	10.2	69.5	117.8	226.6	25.8	5 958.2
Disposals	(0.7)	(21.8)	(27.5)	(0.1)	(4.9)	(0.1)	(0.5)	(0.3)	(55.9)
Foreign currency translation	11.3	644.6	7.0	-	7.3	1.6	7.5	1.8	681.1
Depreciation	31.7	(3 495.8)	(253.7)	(5.7)	(37.1)	(57.4)	(128.5)	(1.5)	(3 948.0)
Business combinations (Note 34)	-	144.3	97.9	-	3.1	27.2	9.8	2.9	285.2
Impairments (Note 3)	-	(89.2)	(4.4)	-	(7.2)	(0.7)	(2.8)	(1.1)	(105.4)
Other transfers	(8.1)	-	-	-	0.9	-	-	(16.9)	(24.1)
Net transfer to intangible assets/Asset category transfer (Note 12)	44.2	183.7	(183.5)	-	2.4	(42.6)	(63.7)	(7.1)	(66.6)
Closing balance	1 567.9	18 598.0	734.3	59.1	164.8	189.7	491.4	38.9	21 844.1
Reconciliation 2008									
Opening balance	1 142.5	14 704.3	675.5	54.9	89.1	102.9	261.7	42.3	17 073.2
Additions	184.2	4 047.6	309.9	7.9	62.6	83.0	252.5	4.5	4 952.2
Disposals	(1.1)	(37.4)	(4.7)	(0.1)	(3.6)	(2.0)	(0.6)	0.9	(48.6)
Foreign currency translation	5.8	563.7	13.2	-	5.0	2.4	8.0	1.9	600.0
Depreciation	(29.3)	(2 953.0)	(220.3)	(8.0)	(21.2)	(42.0)	(79.1)	(13.1)	(3 366.0)
Disposal of subsidiaries (Note 35)	(13.8)	-	-	-	-	-	-	-	(13.8)
Impairments (Note 3)	-	(23.9)	(3.2)	-	(0.8)	(0.6)	(0.7)	(0.7)	(29.9)
Transfer between property, plant and equipment and finance lease receivables (Note 18)	-	-	-	-	2.0	-	-	-	2.0
Net transfer to intangible assets/Asset category transfer (Note 12)	18.4	(34.3)	(32.2)	-	(2.3)	0.2	1.2	(0.5)	(49.5)
Closing balance	1 306.7	16 267.0	738.2	54.7	130.8	143.9	443.0	35.3	19 119.6
Reconciliation 2007									
Opening balance	928.9	11 630.6	523.5	41.9	63.6	48.3	146.5	3.3	13 386.6
Additions	214.3	5 239.2	302.3	19.6	41.3	71.9	208.3	40.2	6 137.1
Disposals	(1.3)	(60.5)	(4.0)	(0.1)	(5.1)	(0.2)	-	-	(71.2)
Foreign currency translation	4.0	479.9	12.8	-	3.2	2.0	4.0	0.6	506.5
Depreciation	(21.5)	(2 580.0)	(181.2)	(6.5)	(13.6)	(29.8)	(67.6)	(1.6)	(2 901.8)
Business combinations (Note 34)	-	2.4	-	-	0.2	3.0	-	-	5.6
Impairments (Note 3)	-	(17.9)	(3.7)	-	(0.3)	(0.3)	(0.1)	(0.3)	(22.6)
Net transfer from intangible assets/Asset category transfer (Note 12)	18.1	10.6	25.8	-	(0.2)	8.0	(29.4)	0.1	33.0
Closing balance	1 142.5	14 704.3	675.5	54.9	89.1	102.9	261.7	42.3	17 073.2

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Debt is collateralised over South African based land and buildings with a book value of R527.9 million (2008: R709.7 million; 2007: R728.4 million). The fair value of the related debt is R526.4 million (2008: R629.0 million; 2007: R786.3 million) (Note 23).

During the current year the property, plant and equipment of Vodacom Tanzania Limited were pledged as security for the loan obtained and the fair value of the related debt is R378.9 million (US$39.3 million) (Note 23).

A register with details of the cost price, cost of improvements 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 or when the primary purpose is the service and connection of Vodacom customers are classified as property, plant and equipment.

The estimated useful lives of depreciable property, plant and equipment are as follows:

	2009 years	2008 years	2007 years
General purpose buildings	**50**	50	50
Special purpose buildings	**15 - 17**	15 - 17	15
Leasehold improvements	**Shorter of lease term or 50 years**	Shorter of lease term or 50 years	Shorter of lease term or 50 years
Infrastructure			
- Radio	**1 - 15**	1 - 10	1 - 10
- Intelligent Networks	**4 - 8**	4 - 8	5 - 8
- Switching	**4 - 25**	2 - 15	5 - 10
- Transmission	**3 - 15**	8 - 12	8
- Billing	**3 - 8**	3 - 8	5 - 6
- Value added services equipment	**3 - 8**	3 - 8	3 - 8
Community services	**2 - 15**	2 - 15	2 - 10
Information services	**3 - 6**	3 - 6	3 - 5
SIM centre	**6 - 8**	6 - 8	3 - 8
Office automation	**3 - 5**	3 - 5	3 - 5
Other assets			
- Motor vehicles	**3 - 5**	3 - 5	4
- Furniture and fittings	**5 - 25**	4 - 5	4 - 5
- Office equipment	**2 - 15**	2 - 6	4

The Group is required to measure the residual value of every item of property, plant and equipment. Management has determined that radio, transmission, switching, sim centres and community services categories of property, plant and equipment have no active market and the value of the asset at the end of its life would therefore be nil or insignificant.

The above categories are not exhaustive and will depend on the existence of an active market for the asset. The Group ensures that proper documentation exists to support the non-existence of an active market. For assets with an active market, confirmation of the residual values is received from third parties where the residuals are more than 10%. For residuals less than 10% the Group uses historical sales and management's best estimate.

During the current financial year the Group reviewed the estimated useful lives and residual values of property, plant and equipment. The review resulted in an increase of R8.9 million (2008: R6.7 million increase; 2007: R14.7 million decrease) in the current year's depreciation charge.

The Group uses the following indicators to determine useful lives:

- expected usage of the asset;
- expected physical wear and tear; and
- technical or commercial obsolescence.

	Cost Rm	Accumulated amortisation and impairment Rm	Net book value Rm
12. INTANGIBLE ASSETS			
2009			
Goodwill	7 968.4	(538.8)	7 429.6
Licences	515.0	(303.3)	211.7
Trademark, patents and other *	514.3	(226.7)	287.6
Customer bases	2 713.6	(1 097.2)	1 616.4
Computer software	4 815.3	(2 567.0)	2 248.3
	16 526.6	(4 733.0)	11 793.6
2008			
Goodwill	2 426.0	(529.4)	1 896.6
Licences	478.9	(269.3)	209.6
Trademark, patents and other *	445.3	(195.7)	249.6
Customer bases	920.4	(816.0)	104.4
Computer software	3 734.6	(1 970.7)	1 763.9
	8 005.2	(3 781.1)	4 224.1
2007			
Goodwill	1 455.8	(524.6)	931.2
Licences	439.0	(229.2)	209.8
Trademark and patents	390.4	(169.8)	220.6
Customer bases	919.3	(760.3)	159.0
Computer software	2 827.5	(1 647.8)	1 179.7
	6 032.0	(3 331.7)	2 700.3

* Other includes future benefits from provisioning of infrastructure and supply of non-mobile services.

	Goodwill Rm	Licences Rm	Trademark, patents and other * Rm	Customer bases Rm	Computer software Rm	Total Rm
12. INTANGIBLE ASSETS (CONTINUED)						
Reconciliation 2009						
Opening balance	1 896.6	209.6	249.6	104.4	1 763.9	4 224.1
Additions	-	(0.8)	53.3	180.1	947.6	1 180.2
Disposals	-	-	-	0.1	(0.5)	(0.4)
Foreign currency translation	10.8	19.3	-	(7.0)	28.9	52.0
Amortisation	-	(16.6)	(31.1)	(97.8)	(589.3)	(734.8)
Business combinations (Note 34)	5 522.2	-	15.8	1 436.6	32.3	7 006.9
Impairments (Note 3)	-	-	-	-	(1.0)	(1.0)
Transfer from property, plant and equipment/Asset category transfer (Note 11)	-	0.2	-	-	66.4	66.6
Closing balance	7 429.6	211.7	287.6	1 616.4	2 248.3	11 793.6
Reconciliation 2008						
Opening balance	931.2	209.8	220.6	159.0	1 179.7	2 700.3
Additions	949.2	3.0	54.9	-	963.9	1 971.0
Disposals	-	-	-	-	(0.9)	(0.9)
Foreign currency translation	16.2	11.1	-	1.0	21.1	49.4
Amortisation	-	(14.3)	(25.9)	(55.6)	(449.4)	(545.2)
Transfer from property, plant and equipment (Note 11)	-	-	-	-	49.5	49.5
Closing balance	1 896.6	209.6	249.6	104.4	1 763.9	4 224.1
Reconciliation 2007						
Opening balance	483.9	119.7	257.9	162.9	930.5	1 954.9
Additions	372.2	93.9	-	-	611.2	1 077.3
Disposals	-	-	-	-	(0.2)	(0.2)
Foreign currency translation	19.0	16.6	-	(0.4)	13.0	48.2
Amortisation	-	(20.4)	(37.3)	(60.0)	(341.7)	(459.4)
Business combinations (Note 34)	56.3	-	-	56.5	-	112.8
Impairments (Note 3)	(0.2)	-	-	-	(0.1)	(0.3)
Transfer to property, plant and equipment (Note 11)	-	-	-	-	(33.0)	(33.0)
Closing balance	931.2	209.8	220.6	159.0	1 179.7	2 700.3

* Other includes future benefits from provisioning of infrastructure and supply of non-mobile services.

	2009 years	2008 years	2007 years
12. INTANGIBLE ASSETS (CONTINUED)			
The estimated useful lives of finite intangible assets are as follows:			
- Mobile licences	**8 - 30**	8 - 30	5 - 30
- Trademark, patents and other	**10 - 12**	10 - 14	10 - 15
- Computer software	**2 - 8**	2 - 8	2 - 8
- Internet service provider customers	**8**	8	3

	2009 months	2008 months	2007 months
- Contract and prepaid mobile customers	**24 - 98**	53 - 119	36 - 96
- Business and carrier customers	**48 - 120**	-	-

The Group uses the following indicators to determine useful lives:

- expected usage of the asset;
- technical or commercial obsolescence.

The largest components of individual material intangible assets relate to licences and trademark, patents and other of the Group that have estimated remaining useful lives of between 10 to 15 (2008: 11 to 16; 2007: 12 to 17) years and 7 to 9 (2008: 8 to 10; 2007: 9 to 11) years respectively as at 31 March 2009.

The licence and other intangible assets of Vodacom Tanzania Limited were pledged as security for the loan obtained during the current financial year with a fair value of R378.9 million (US$39.3 million), while the same was pledged as security for the project finance funding obtained which expired at the end of the 2008 financial year (Note 23).

During the current financial year the Group reviewed the estimated useful lives of intangible assets. The review resulted in an increase of R5.8 million (2008: R10.6 million decrease; 2007: R66.5 million decrease) in the current year's amortisation charge.

	2009 Short-term portion Rm	2009 Long-term portion Rm	2009 Total Rm	2008 Short-term portion Rm	2008 Long-term portion Rm	2008 Total Rm
13. FINANCIAL ASSETS						
Loans and receivables (Note 13.1)	**118.6**	**165.4**	**284.0**	29.7	134.2	163.9
Financial assets at fair value through profit or loss (Note 13.2)	**109.3**	**-**	**109.3**	415.2	-	415.2
Available-for-sale investments (Note 13.3)	**-**	**73.7**	**73.7**	-	110.0	110.0
	227.9	**239.1**	**467.0**	444.9	244.2	689.1

	2007 Short-term portion Rm	2007 Long-term portion Rm	2007 Total Rm
Loans and receivables (Note 13.1)	16.2	114.4	130.6
Financial assets at fair value through profit or loss (Note 13.2)	191.3	-	191.3
Available-for-sale investments (Note 13.3)	-	95.1	95.1
	207.5	209.5	417.0

	2009 Rm	2008 Rm	2007 Rm
13. FINANCIAL ASSETS (CONTINUED)			
13.1 Loans and receivables			
Planetel Communications Limited	**-**	-	49.6
The loan with a nominal value of US$6.8 million issued during the 2003 year bore interest at LIBOR plus 5.0%. 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 were collateralised by cession over all shareholder distributions and a pledge over their shares in Vodacom Tanzania Limited. All the shareholders subordinated their loans to Vodacom Tanzania Limited for the duration of the project finance funding, which expired at the end of the 2008 financial year (Note 23). On 30 November 2007 Planetel Communications Limited sold its 16% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Caspian Limited	**-**	-	58.8
The loan with a nominal value of US$8.1 million issued during the 2003 year bore interest at LIBOR plus 5.0%. Caspian Limited utilised this loan to ensure sufficient shareholder loan funding by itself as a shareholder of Vodacom Tanzania Limited. The loans and capitalised interest were collateralised by cession over all shareholder distributions and a pledge over their shares in Vodacom Tanzania Limited. All the shareholders subordinated their loans to Vodacom Tanzania Limited for the duration of the project finance funding, which expired at the end of the 2008 financial year (Note 23). On 30 November 2007 Caspian Limited sold its 19% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Sekha-Metsi Investment Consortium Limited	**-**	-	16.2
The loan was advanced to Sekha-Metsi Investment Consortium Limited and bore interest at South African overdraft interest rates plus a margin of 2.0%. Interest was payable monthly in arrears. The loan was repayable on demand, should Sekha-Metsi Investment Consortium Limited have been able to obtain a loan externally. Sekha-Metsi Investment Consortium Limited pledged their shares in Sekha-Metsi Enterprises (Proprietary) Limited as security for the loan. The loan was repaid during the 2008 financial year.			
Number Portability Company (Proprietary) Limited	**6.0**	6.0	6.0
The shareholder loan made to Number Portability Company (Proprietary) Limited, during the 2007 financial year, for an amount of R6.0 million, is subordinated and ranks behind all the claims of all creditors of Number Portability Company (Proprietary) Limited for repayment until such time as the assets of Number Portability Company (Proprietary) Limited fairly valued exceed its liabilities. In such case, the loan shall cease to be subordinated to the extent that the assets of Number Portability Company (Proprietary) Limited exceed its liabilities from time to time. The shareholder loan bears no interest and has no fixed repayment terms.			
Mirambo Limited	**143.4**	120.9	-
Mirambo Limited bought the 16% and 19% equity interest of Planetel Communications Limited and Caspian Limited respectively in Vodacom Tanzania Limited on 30 November 2007. The shareholder loans with a combined nominal value of US$14.9 million, were transferred to Mirambo Limited in order to meet its obligations to Vodacom Tanzania Limited in respect of shareholder contributions. The loan bears interest at LIBOR plus 5.0% and shall be repaid from any cash distributions by Vodacom Tanzania Limited to Mirambo Limited. The loan and capitalised interest are collateralised by cession over all shareholder distributions and a pledge over the 16% (2008: 16%) of Mirambo Limited's shares in Vodacom Tanzania Limited.			
Balance carried forward	**149.4**	126.9	130.6

Notes to the consolidated annual financial statements

for the year ended 31 March 2009

	2009 Rm	2008 Rm	2007 Rm
13. FINANCIAL ASSETS (CONTINUED)			
13.1 Loans and receivables (continued)			
Balance brought forward	**149.4**	126.9	130.6
WBS Holdings (Proprietary) Limited	**116.6**	25.8	-
The loan with a nominal value of R116.6 million (2008: R25.5 million) bears no interest. The loan is repayable from pre-determined cash flows of WBS Holdings (Proprietary) Limited *pro-rata* to the shareholder's respective claims on loan account at the relevant time. WBS Holdings (Proprietary) Limited may not declare and/or pay any dividend or make any capital distribution to shareholders without the prior written consent of the shareholders. The R25.5 million loan issued during the 2008 financial year which bore interest at South African prime minus 0.5% became non-interest bearing during the current financial year.			
Empresa Moçambicana de Telecommunicaçòes SA ("Emotel")	**8.7**	7.3	-
The loan with a nominal value of US$0.9 million issued during the 2008 financial year bears interest at LIBOR plus 2.0%. Interest is capitalised on a monthly basis. The loan and capitalised interest are repayable upon the expiry of 5 years following the advance date, being 31 March 2012. Empresa Moçambicana de Telecommunicaçòes SA utilised this loan to meet its obligations to VM, SA in respect of its initial 2% shareholding in VM, SA. The loan and capitalised interest are collateralised by cession over all shareholder distributions and a pledge over the 2% of Empresa Moçambicana de Telecommunicaçòes SA's shares in VM, SA.			
Other	**9.3**	3.9	-
The loans represent the Group's *pro-rata* portion of the funding advanced by the shareholders to Westside Trading 163 (Proprietary) Limited, Waterberg Lodge (Proprietary) Limited and Zoopy (Proprietary) Limited. The loans bear interest at South African prime plus 1.0%, 0% and South African prime respectively. The loans are unsecured and are repayable: in the case of Westside Trading 163 (Proprietary) Limited, simultaneously and proportionately as and when determined by the board of directors; in the case of Waterberg Lodge (Proprietary) Limited, on demand of the shareholders; and in the case of Zoopy (Proprietary) Limited, 5 years after the draw-down date or when Zoopy (Proprietary) Limited reaches specific funding targets, whichever is the earliest. The 2008 figure related to a loan receivable from the Group's minority shareholder in Vodacom Congo (RDC) s.p.r.l., Congolese Wireless Network s.p.r.l. This loan bore interest at 7.5%, was unsecured, and was repaid during April 2008.			
Total loans and receivables	**284.0**	163.9	130.6
Less: Short-term portion of loans and receivables			
Sekha-Metsi Investment Consortium Limited	**-**	-	(16.2)
WBS Holdings (Proprietary) Limited	**(116.6)**	(25.8)	-
Other	**(2.0)**	(3.9)	-
Short-term portion of loans and receivables	**(118.6)**	(29.7)	(16.2)
Long-term portion of loans and receivables	**165.4**	134.2	114.4

The fair value of the short-term portion of loans and receivables are R118.6 million (2008: R29.7 million; 2007: R16.2 million). The long-term portion of loans and receivables are fair due to market related interest rates and repayment terms.

		2009 Rm	2008 Rm	2007 Rm
13.	FINANCIAL ASSETS (CONTINUED)			
13.2	Financial assets at fair value through profit or loss			
13.2.1	Financial assets held for trading			
13.2.1.1	Money market investments	84.9	107.9	135.7
	The fair value of money market investments are derived from quoted market prices of identical assets.			
13.2.1.2	Derivative financial assets	24.4	307.3	55.6
	Interest rate swap assets (Note 43)	12.6	17.4	27.7
	Foreign exchange forward contract assets (Note 43)	11.8	289.9	27.9
	The fair value is determined using quoted market prices. The quoted market prices used to fair value foreign exchange forward contracts are the mid rates or mid forward rates at year end based on quoted market prices applicable to similar assets. Interest rate swaps are fair valued according to forward rates and discount rates determined from a yield curve derived from similar market traded instruments.			
	Total financial assets held for trading	109.3	415.2	191.3
13.3	Available-for-sale investments			
13.3.1	Unlisted investments carried at fair value WBS Holdings (Proprietary) Limited 2 500 ordinary shares of R0.01 each	-	45.4	80.8
	On 1 October 2008 the Group increased its equity interest, resulting in the investment being accounted for as an associate investment (Note 14). During the 2008 and 2007 financial years the fair value was determined by applying the discounted cash flow method and the discount rates and terminal growth rates used ranged between 16.0% and 18.0% (2007: 15.0% and 17.0%) and 3.0% and 5.0% (2007: Nil% and 3.0%), respectively. During the 2008 financial year, R54.9 million was reclassified from available-for-sale investments to intangible assets, as this amount represents future benefits from provisioning of infrastructure and supply of non-mobile services (Note 12).			
13.3.2	Unlisted investments carried at cost During the current year the Group purchased 75.0% interest in Zoopy (Proprietary) Limited, 75.0% interest in Westside Trading 163 (Proprietary) Limited and increased its interest in XLink Communications (Proprietary) Limited from 35.0% to 40.46%. During 2008 the Group purchased 50.0% interest in Waterberg Lodge (Proprietary) Limited, 35.0% interest in XLink Communications (Proprietary) Limited and increased its interest in G-Mobile Holdings Limited from 10.0% to 26.0% by exercising a call option. During 2007 the Group purchased 10.0% interest in G-Mobile Holdings Limited and 25.93% interest in Gogga Tracking Solutions (Proprietary) Limited. The Group holds call options over some of these investee companies (Note 43).	73.7	64.6	14.3
	Total available-for-sale investments	73.7	110.0	95.1

The carrying value of unlisted investments carried at cost approximate their fair value.

14. INVESTMENT IN ASSOCIATE

During the 2007 financial year the Group acquired a 10.0% interest in WBS Holdings (Proprietary) Limited, a wireless service provider providing mobile data communications services in the South African market. The investment was accounted for as an available-for-sale investment and carried at fair value (Note 13). Effective 1 October 2008 the Group exercised a call option and increased its interest with an additional 14.9%, resulting in the Group holding and beneficially owning 24.9% of the entire issued share capital of WBS Holdings (Proprietary) Limited. As from 1 October 2008 the investment is equity accounted for as an associate.

	2009 Rm
Investment in associate	
Investment at cost	92.3
Initial 10.0% interest	25.9
Additional 14.9% interest (including capitalised costs of R0.5 million)	66.4
Share of post acquisition reserves since acquisition	(27.8)
Since initial 10.0% interest up to additional 14.9% interest	(8.9)
Since additional 14.9% interest	(18.9)
	64.5

The estimated fair value of the investment in the associate is R87.6 million.

The shares of the associate are not publically traded and therefore no quoted market prices are available. The fair value of the investment in the associate is determined by applying the discounted cash flow method. The discount rate used ranged between 15.0% and 17.0% and the terminal growth rate between 6.0% and 8.0%.

	2009 Rm
Goodwill included in the carrying amount of the investment in associate	106.3
Loss from associate	
Group's share of loss of associate before taxation	(9.7)
Taxation	(8.2)
Amortisation of fair value adjustments	(1.4)
Deferred taxation on amortisation of fair value adjustments	0.4
	(18.9)

The year end of the Group's associate is 28 February. The summarised financial information in respect of the Group's associate for the year ended 28 February 2009 was as follows: *

	2009 Rm
Non-current assets	259.8
Current assets	216.6
Non-current liabilities	(524.0)
Current liabilities	(127.0)
Revenue	344.7
Net loss	(118.9)

* The financial information provided represents 100% of the results of the associate.

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans other than the fact that the associate may not declare and/or pay any dividends or make any capital distribution to shareholders without the prior written consent of the existing shareholders.

The Group's associate had no contingent liabilities.

		2009 Rm	2008 Rm	2007 Rm
15.	DEFERRED TAXATION			
	Deferred taxation assets	**782.7**	455.1	386.1
	Deferred taxation liabilities	**(1 360.9)**	(776.5)	(757.3)
		(578.2)	(321.4)	(371.2)
15.1	Components			
	Capital allowances	**(1 907.0)**	(1 809.0)	(1 418.8)
	Fair value adjustment of customer bases	**(346.6)**	(30.2)	(53.4)
	Fair value adjustment of trademark and patents	**(42.8)**	(41.8)	(47.9)
	Fair value adjustment of properties	**-**	-	(2.0)
	Foreign exchange	**712.6**	292.7	180.9
	Foreign equity revaluation reserve	**(28.9)**	(8.2)	4.5
	Prepayments and other allowances	**(187.8)**	(137.4)	(84.9)
	Provisions and deferred income	**1 158.3**	1 194.4	1 006.0
	Remeasurement of shareholders loans assets	**-**	3.4	29.5
	Remeasurement of shareholders loans liabilities	**-**	(6.1)	(16.8)
	Secondary taxation on companies credits	**0.2**	-	-
	Taxation losses	**62.6**	223.5	25.1
	Other	**1.2**	(2.7)	6.6
		(578.2)	(321.4)	(371.2)
15.2	Reconciliation			
	Balance at the beginning of the year	**(321.4)**	(371.2)	(304.7)
	Business combinations	**(272.6)**	-	(17.5)
	Foreign exchange differences on consolidation of foreign subsidiaries	**47.0**	(8.6)	9.3
	Foreign equity revaluation reserve	**(20.7)**	(12.7)	(8.1)
	Deferred taxation - income statement expense (Note 9)	**(13.5)**	71.9	(50.3)
	Disposal of subsidiaries	**-**	1.8	-
	Fair value adjustment of available-for-sale investments	**2.7**	(2.7)	-
	Other	**0.3**	0.1	0.1
	Balance at the end of the year	**(578.2)**	(321.4)	(371.2)

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

Deferred taxation is not raised at a rate other than the normal taxation rate as the intention of the Group is to hold assets for use and not for resale.

	2009 Rm	2008 Rm	2007 Rm
15. DEFERRED TAXATION (CONTINUED)			
15.3 Utilisation of taxation losses			
Opening taxation loss	**2 274.1**	1 212.7	1 538.7
Foreign exchange movement on opening taxation loss	**80.9**	260.0	104.5
Acquired from Gateway	**136.6**	-	-
Prior year (over)/under statement	**(746.8)**	693.6	(129.7)
Current year taxation loss created/(utilised)	**476.6**	107.8	(300.8)
Closing taxation loss	**2 221.4**	2 274.1	1 212.7
Utilised to reduce net temporary differences	**(192.9)**	(818.3)	(78.4)
The Democratic Republic of Congo (taxation rate of 40%)	**(71.6)**	-	-
Mozambique (taxation rate of 32%)	**-**	(73.4)	(78.4)
Republic of Tanzania (taxation rate of 30%)	-	(744.9)	-
United Kingdom (taxation rate of 28%)	**(121.3)**	-	-
Taxation losses available to reduce deferred taxation	**2 028.5**	1 455.8	1 134.3
Taxation credit	**319.3**	268.1	-

There are estimated unused taxation losses to the value of R2 028.5 million (2008: R1 455.8 million; 2007: R1 134.3 million) available to reduce the net deferred taxation liability. If applied, the available R649.1 million (2008: R465.9 million; 2007: R363.0 million) would result in a reduction of the current year's R578.2 million net deferred taxation liability to a RNil million (2008: R321.4 million reduced to RNil million; 2007: R371.2 million reduced to R8.2 million) net deferred taxation liability. The unused taxation losses of Vodacom Mozambique are available for utilisation for a period of five years, after which they expire.

The R319.3 million (2008: R268.1 million) taxation credit relating to Vodacom Mozambique expires in 2014.

	2009 Rm	2008 Rm	2007 Rm
16. INVENTORY			
Merchandise	**434.7**	507.1	287.3
Other inventory	**217.9**	129.8	77.0
	652.6	636.9	364.3
Inventory carried at net realisable value included above	**256.6**	224.6	163.1
16.1 Inventory valuation allowance included above			
Balance at the beginning of the year	**(98.7)**	(97.6)	(78.0)
Foreign exchange movement on opening balance	**(1.1)**	(0.9)	(1.3)
Reversed from/(Charged to) cost and expenses	**14.1**	(0.2)	(18.3)
Inventory written off	**39.6**	-	-
Balance at the end of the year	**(46.1)**	(98.7)	(97.6)

The cost of inventories recognised as an expense during the period is reflected as equipment cost (Note 2).

The cost of inventories recognised as an expense includes no amount (2008: R0.3 million; 2007: R35.7 million) in respect of write downs of inventory to net realisable value and R14.1 million (2008: RNil million; 2007: R18.6 million) in respect of the reversal of such write downs. The previous years write downs have been reversed as a result of a change in method for providing for slow moving handsets (2008: increased sale prices in certain markets). Inventory to the amount of R39.6 million which was provided for in previous years, was written off against inventory in the current financial year.

	2009 Rm	2008 Rm	2007 Rm
17. TRADE AND OTHER RECEIVABLES			
Trade receivables	**8 057.6**	6 234.2	5 211.5
Prepayments	**548.4**	244.1	192.3
Value added taxation	**155.7**	200.3	147.7
Interest income receivable	**107.2**	76.1	51.3
Other	**243.1**	46.4	72.2
	9 112.0	6 801.1	5 675.0
Timing of trade and other receivables			
Within one year	**9 103.8**	6 801.1	5 675.0
After one year	**8.2**	-	-
	9 112.0	6 801.1	5 675.0

The average credit period on sales of goods and services is between 30 and 60 days (2008: 30 and 60 days; 2007: 30 and 60 days) from date of invoice for the South African operations and between 30 and 75 days (2008: 20 and 75 days; 2007: 20 and 75 days) from date of invoice for the non-South African operations.

Generally no interest is charged on trade receivables.

The Group has provided fully for all receivables over 120 days due (2008: 120 days due; 2007: 120 days due) for its South African operations and 90 days due (2008: 90 days due; 2007: 90 days due) for its non-South African operations because historical experience is such that receivables that are due beyond these days are generally not recoverable. Trade receivables of the South African operations due between 60 and 120 days (2008: 60 and 120 days; 2007: 60 and 120 days) are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

Before accepting any new individual customer, the Group uses an internal and external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The Group manually assesses the credit of corporate customers, using credit bureaus, financial standing as well as an internal grading system. Before accepting any new network operator customers, the Group enters into a contractual arrangement. The contractual arrangement is determined by regulatory requirements and industry norms.

Of the trade receivable balance at the end of the year R1.4 billion (2008: R1.3 billion; 2007: R0.9 billion) is due from the Group's largest customer.

There is no customer who represents more than 17.4% (2008: 21.2%; 2007: 17.6%) of the total balance of trade receivables.

The Group does not have any significant exposure to any individual customer or counter-party, except commercially to Telkom SA Limited, one of the Group's shareholders as at 31 March 2009, Mobile Telephone Networks (Proprietary) Limited, the Group's largest competitor, Cell C (Proprietary) Limited, the country's third mobile network operator and Vo-Call Cellular (Proprietary) Limited, the Group's largest dealer.

Trade receivables are stated at their cost which normally approximate their fair value due to short-term maturity.

	2009 Rm	2008 Rm	2007 Rm
17. TRADE AND OTHER RECEIVABLES (CONTINUED)			
17.1 Doubtful receivable allowance			
The Group's South African trade receivables are stated after allowances for doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:			
Balance at the beginning of the year	**(37.9)**	(50.5)	(43.7)
(Charged to)/Reversed from profit and loss	**(6.1)**	12.6	(6.8)
Business combinations	**(0.4)**	-	-
Balance at the end of the year	**(44.4)**	(37.9)	(50.5)
The Group's non-South African trade receivables are stated after allowances for doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:			
Balance at the beginning of the year	**(43.3)**	(24.9)	(41.4)
Foreign exchange movement	**(6.2)**	(5.2)	(6.1)
(Charged to)/Reversed from profit and loss	**(28.4)**	(13.2)	22.6
Business combinations	**(14.0)**	-	-
Balance at the end of the year	**(91.9)**	(43.3)	(24.9)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

	2009 Rm	2008 Rm	2007 Rm
18. LEASE ASSETS			
Operating leases (Note 18.1)	**56.6**	20.1	35.1
Finance leases (Note 18.2)	**526.7**	212.4	76.6
	583.3	232.5	111.7
Less: Short-term portion of lease assets			
Operating leases	**(3.0)**	(17.6)	-
Finance leases	**(267.7)**	(122.9)	(32.9)
Short-term portion of lease assets	**(270.7)**	(140.5)	(32.9)
Long-term portion of lease assets	**312.6**	92.0	78.8

18.1 Operating leases

Operating lease payments are expensed in profit or loss on a straight-line basis over the lease term and results in the recognition of an operating lease asset.

	Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
18.2 Finance lease receivables				
2009				
Staff benefits	**4.4**	**7.2**	-	**11.6**
Computer equipment and handsets	**263.3**	**251.8**	-	**515.1**
Present value of minimum lease payments	**267.7**	**259.0**	-	**526.7**

	Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
18. LEASE ASSETS (CONTINUED)				
18.2 Finance lease receivables (continued)				
2008				
Staff benefits	3.9	7.5	-	11.4
Computer equipment and handsets	119.0	82.0	-	201.0
Present value of minimum lease payments	122.9	89.5	-	212.4
2007				
Staff benefits	6.0	6.2	-	12.2
Computer equipment and handsets	26.9	37.5	-	64.4
Present value of minimum lease payments	32.9	43.7	-	76.6

The Group provides motor vehicles to certain of its executives for their use. These executives may retain these assets at the end of the lease period, normally between three and four years. In terms of IAS 17: Leases ("IAS 17"), these arrangements are regarded as finance leases and the cost of the assets are capitalised as finance lease receivables and amortised on a straight-line basis over the period of the agreement to employee cost. The implicit interest rate is zero.

The Group provides computer equipment and handsets to certain customers at an additional contractual charge. The customers retain this equipment at the end of the contract period. In terms of IAS 17, these arrangements are regarded as finance leases and accounted for using the effective interest rate method. The interest rate inherent in these leases is currently between nil and 0.08% (2008: Nil and 0.08%; 2007: Nil and 0.08%) per annum.

The fair value of the computer equipment and handsets is R494.4 million (2008: R153.4 million; 2007: R52.0 million).

All leases are denominated in South African rand.

	2009 R	2008 R	2007 R
19. ORDINARY SHARE CAPITAL			
Authorised			
100 000 ordinary shares of R0.01 each	**1 000**	1 000	1 000
Issued			
10 000 ordinary shares of R0.01 each	**100**	100	100

The unissued share capital is under the control of the current shareholders and the directors do not have the authority to issue any unissued shares. The Group does not hold any of the issued share capital as treasury shares.

At the date of listing, being 18 May 2009, the authorised share capital amounted to 4 000 000 000 ordinary shares with no par value and the issued share capital to 1 487 954 000 ordinary shares with no par value which amounted to stated capital of R100 (Note 41).

	2009 Rm	2008 Rm	2007 Rm
20. OTHER RESERVES			
Foreign currency translation reserve (Note 20.1)	**362.4**	(22.6)	(123.0)
Taxation on foreign currency translation reserve (Note 20.1)	**(14.6)**	(2.8)	9.9
Contingency reserve (Note 20.2)	**21.9**	17.4	15.7
Revaluation of available-for-sale investments (Note 20.3)	**-**	16.8	-
Broad-based black economic empowerment reserve (Note 20.4)	**1 382.4**	-	-
	1 752.1	8.8	(97.4)

	2009 Rm	2008 Rm	2007 Rm
20. OTHER RESERVES (CONTINUED)			
Reconciliation			
Balance at the beginning of the year	8.8	(97.4)	(194.0)
Foreign currency translation reserve	373.2	87.7	94.4
Foreign currency translation	385.0	100.4	102.5
Deferred taxation	(20.7)	(12.7)	(8.1)
Current taxation	8.9	-	-
Contingency reserve	4.5	1.7	2.2
Revaluation of available-for-sale investments	(16.8)	16.8	-
Revaluation of available-for-sale investments *	(19.5)	19.5	-
Taxation on revaluation of available-for-sale investments *	2.7	(2.7)	-
Broad-based black economic empowerment charge	1 382.4	-	-
Balance at the end of the year	1 752.1	8.8	(97.4)

* During the current financial year the cumulative revaluation was reversed as the equity interest in the investment was increased resulting in the investment no longer being accounted for as an available-for-sale investment (Note 14).

20.1 Foreign currency translation reserve and taxation

The financial results of foreign operations are translated into South African rand 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. Deferred taxation and normal taxation on the foreign currency translation reserve relates only to the translation of equity loans advanced to foreign subsidiaries.

20.2 Contingency reserve

In terms of the Short-term Insurance Act ("the Act") of 1998 the Group's cell captive partner, Centriq Insurance Company Limited is required to recognise 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.

20.3 Revaluation of available-for-sale investments

Gains and losses from changes in the fair value of available-for-sale investments are recognised directly in equity until the financial asset is disposed of or the equity interest is increased resulting in the investment no longer being accounted for as an available-for-sale investment.

20.4 Broad-based black economic empowerment reserve

Broad-based black economic empowerment transaction

During the year the following broad-based black economic empowerment ("BBBEE") charge was recognised in terms of IFRS 2: Share-based Payment ("IFRS 2") in profit or loss:

	2009 Rm	2008 Rm	2007 Rm
Broad-based black economic empowerment charge	(1 382.4)	-	-

The Group's shareholders approved a BBBEE transaction which entailed the issue and allotment of ordinary shares and "A" ordinary shares representing, in aggregate, 6.25% of Vodacom (Proprietary) Limited's ("Vodacom SA") issued share capital to permanent South African employees of Vodacom Group Limited and any of its wholly owned South African subsidiaries from time to time as well as Vodacom SA and its wholly owned South African subsidiaries including employees of the said entities who are on secondment outside of South Africa ("Employees"), broad-based black South African public ("Black Public"), black business partners ("Business Partners") and broad-based strategic partners ("Strategic Partners"). The transaction was introduced to assist the Group in meeting its empowerment objectives. The transaction gives rise to an equity-settled share-based payment in terms of IFRS 2.

20. OTHER RESERVES (CONTINUED)

20.4 Broad-based black economic empowerment reserve (continued)

Broad-based black economic empowerment transaction (continued)

The following BBBEE participants acquired a direct or indirect ownership in Vodacom SA's share capital as follows:

- Employees through YeboYethu Employee Participation Trust ("the Trust");
- Black Public through YeboYethu Limited;
- Business Partners through YeboYethu Limited; and
- Two Strategic Partners through two ring-fenced private companies, wholly-owned by Royal Bafokeng Holdings (Proprietary) Limited and Thebe Investment Corporation (Proprietary) Limited.

Components of the transaction	Note	Percentage allocated %	Transaction value Rm	Broad-based black economic empowerment charge Rm	Cash received Rm	Grant date
Employees: YeboYethu Employee Participation Trust	20.4.1	1.56	1 875.0	* 67.8	-	8 October 2008
Black Public and Business Partners: YeboYethu Limited	20.4.2	1.88	2 250.0	527.0	360.0	8 October 2008
Royal Bafokeng Holdings (Proprietary) Limited	20.4.3	1.97	2 366.0	552.2	378.0	25 April 2008
Thebe Investment Corporation (Proprietary) Limited	20.4.3	0.84	1 009.0	235.4	162.0	25 April 2008
		6.25	7 500.0	1 382.4	900.0	

* This amount represents the current year's charge taking into account the vesting conditions of the rights granted to employees. The total charge for employees over the five year vesting period amounts to R377.0 million.

20.4.1 Employees' scheme

The Trust, an employee share ownership plan, was established for the benefit of all employees. The Trust holds its equity investments in Vodacom SA through its interest in YeboYethu Limited, which is consolidated by the Group as a special purpose entity in terms of SIC 12: Consolidation - Special Purpose Entities ("SIC 12"), as developed by the standing interpretations committee of the IASB, effective from 8 October 2008.

Employees participated in the transaction by being allocated units in the Trust based on a varying percentage of their total cost of employment per annum taking into account their employment level, racial and gender classification. 75.0% of the Trust units were allocated to the employees on or about 1 November 2008 and 25.0% is reserved for future allocations to future employees. Of the 75.0% of allocated units, only 72.9% was taken up by current employees. The balance will be allocated on the day of conversion to employees in proportion to the number of units they already hold on that date.

YeboYethu Limited subscribed for 75 000 000 "A" ordinary shares in Vodacom SA at par value on behalf of the Trust at par value of R0.00001 each through a R750 contribution made by Vodacom SA. Vodacom SA contributed these shares based on a notional funding repurchase mechanism (Note 20.4.4). This is effectively an additional discount given to participants at grant date. The notional funding does not give rise to a legal obligation but only facilitates the share repurchase mechanism. The "A" ordinary shares are a separate class of shares in Vodacom SA, ranking *pari passu* with the ordinary shares except that they do not entitle the holder to dividends in cash until the notional loan is repaid. The shares in Vodacom SA were valued at R25.0 each and issued to YeboYethu Limited at a 10.0% discount for a total notional loan value of R1 687.5 million.

The notional funding closing balance as at 31 March 2009 was R1 707.7 million.

The above would result in YeboYethu Limited holding a residual number of Vodacom SA "A" ordinary shares, which will have a market value based on an independent valuation of Vodacom SA performed at maturity of the transaction, equal to the growth plus dividends in excess of the notional vendor finance rate of 10.0%.

20 OTHER RESERVES (CONTINUED)

20.4 Broad-based black economic empowerment reserve (continued)

Broad-based black economic empowerment transaction (continued)

20.4.1 Employees' scheme (continued)

The vesting methodology and unit allocation of the employees' scheme is as follows:

- 75.0% of the units were allocated, effective 1 September 2008, the grant date being 8 October 2008, of which 72.9% was taken up by current employees. These units vest annually on 1 September in five equal tranches, but can only be converted into YeboYethu Limited shares on 1 March 2016;
- employees who leave the employ of Vodacom, other than through death, forfeit the unvested portion of their units and have to wait until the conversion date to convert the vested balance;
- the value of vested units of employees who die or retire is determined in terms of a valuation mechanism in the Trust Deed and this value, net of employee taxation deducted and paid to the South African Revenue Service, is paid to the employee's estate. Vodacom SA provides the funding to the Trust required to enable the Trust to make the payments to the deceased employees's estate. The Trust then becomes the beneficial owner of these units;
- the remaining 25.0% of the units is allocated on a reducing sliding scale from years two to seven and also vest annually on 1 September in equal tranches from the first anniversary of the date on which they were allocated until the conversion date;
- units forfeited through permanent disability, retrenchment, retirement or resignation are allocated on the day of conversion to employees in proportion to the number of units they already hold on that date; and
- upon conversion of the units into shares in YeboYethu Limited, Vodacom SA will be required to deduct employee taxation on the full value of the units as at that date and pay it over to the South African Revenue Service.

20.4.2 Black Public and Business Partner scheme

The Black Public and Business Partners also hold their equity interest in Vodacom SA through YeboYethu Limited, a public company established and ring-fenced for this purpose only. YeboYethu Limited is consolidated by the Group as a special purpose entity in terms of SIC 12.

The Black Public contributed R270.0 million and the Business Partners contributed R90.0 million of unencumbered equity which was used to acquire 14.4 million shares in YeboYethu Limited. These proceeds were then used by YeboYethu Limited to acquire Vodacom SA ordinary shares and "A" ordinary shares as follows:

- 7 200 000 ordinary shares at R25 a share; and
- 82 800 000 "A" ordinary shares at R2.17 a share.

The holders of the ordinary shares are entitled to dividends but the holders of the "A" ordinary shares will only be entitled to dividends once the notional funding has been settled.

The balance of the transaction (less the 10% initial discount) of R1 665.0 million will be contributed by Vodacom SA on behalf of the Black Public and Business Partners by way of notional funding (Note 20.4.4).

The notional funding closing balance as at 31 March 2009 was R1 677.5 million.

For the first five years the Black Public and Business Partners will not be entitled to sell their ordinary and "A" ordinary shares in Vodacom SA, however, after the fifth anniversary until the expiry of the ten year lock-in period they will be entitled to sell or transfer these shares to approved BBBEE parties and after the expiry of the ten year lock-in period the Black Public and Business Partners will be entitled to freely trade the ordinary and "A" ordinary shares.

20.4.3 Strategic Partners scheme: Royal Bafokeng Holdings (Proprietary) Limited and Thebe Investment Corporation (Proprietary) Limited

The two Strategic Partners hold their shares respectively through two wholly owned ring-fenced private companies named Linsinfo 209 Investments (Proprietary) Limited and Main Street 661 (Proprietary) Limited. These entities are consolidated by the Group as special purpose entities in terms of SIC 12.

The Strategic Partners subscribed for 10 800 000 ordinary shares at R25 per share in Vodacom SA as well as 124 200 000 "A" ordinary shares at R2.17 per share. The Strategic Partners contributed R540.0 million unencumbered equity. The balance of the transaction (less the 10% initial discount) of R2 497.5 million was contributed by Vodacom SA on behalf of the Strategic Partners by way of notional funding (Note 20.4.4).

20. OTHER RESERVES (CONTINUED)

20.4 Broad-based black economic empowerment reserve (continued)

Broad-based black economic empowerment transaction (continued)

20.4.3 Strategic Partners scheme: Royal Bafokeng Holdings (Proprietary) Limited and Thebe Investment Corporation (Proprietary) Limited (continued)

The Strategic Partners will not be able to trade their shares during the first seven years of the ten year lock-in period. After the seventh anniversary and until the expiry of the lock-in period the Strategic Partners will be entitled to trade their shares subject to Vodacom SA having a first pre-emptive right to repurchase and other Strategic Partners, introduced with Vodacom SA's approval, having a second ranking pre-emptive right to repurchase the shares of the Strategic Partners. If none of the parties exercise their rights, then the Strategic Partners will be entitled to sell their shares to any other party with similar or higher BBBEE rating than themselves subject to Vodacom SA approval. After the expiry of the lock-in period the Strategic Partners will be entitled to trade their shares freely.

The notional funding closing balance as at 31 March 2009 was R2 516.3 million.

20.4.4 Funding

The notional loan carries a 10.0% notional interest compounded every six months. The BBBEE participants receive a notional dividend on the "A" ordinary shares, calculated on the basis of the actual dividend paid to ordinary shareholders, divided by ordinary shares and "A" ordinary shares, which is applied as a repayment of the notional loan.

If the notional loan has not been fully repaid by the notional dividends after seven years, Vodacom SA has the legal right and option to repurchase a variable number of shares from the BBBEE participants at par value. The variable number of shares will be calculated based on a specified formula which takes into account the outstanding balance of the notional loan and the underlying value of the shares held in Vodacom SA. This repurchase feature is a mechanism to redeem any outstanding notional loan balance and since there is no obligation on Vodacom SA to repurchase any shares, it does not render the share-based payment to be cash-settled, nor does it impact the vesting rights.

A market condition has been included in the grant of the share rights through the repurchase feature, since the growth in the market value of Vodacom SA's shares impacts the variable number of shares to be repurchased. This market condition has been taken into account when estimating the fair value of the share rights granted.

Number of share rights as at 31 March 2009	Total	Employees Current 75% allocation	Employees Future 25% allocation *	Black Public and Business Partners	Strategic Partners
20.4.5 Share rights					
Share rights granted	281 250 000	56 250 000		90 000 000	135 000 000
Share rights unissued	18 750 000	-	18 750 000	-	-
	300 000 000	56 250 000	18 750 000	90 000 000	135 000 000
Vesting period of share rights granted					
Vested	225 000 000	-	-	90 000 000	135 000 000
Within one year	11 250 000	11 250 000	-	-	-
Between one and five years	51 979 167	45 000 000	6 979 167	-	-
After five years	11 770 833	-	11 770 833	-	-
	300 000 000	56 250 000	18 750 000	90 000 000	135 000 000

* Transaction not yet effective.

No share rights relating to the employee scheme have vested as at 31 March 2009.

20.4.6 BBBEE valuation

The BBBEE transaction is an equity-settled share-based payment. BBBEE credentials are not separable (i.e. not capable of being sold, transferred, licenced, rented or exchanged) and can not be valued other than by reference to the fair value of the equity instrument granted.

The broad-based black economic empowerment charge was calculated using an option pricing model reflective of the underlying characteristics of the BBBEE transaction. The charge was calculated using the following assumptions at grant date:

	Employees	Black Public and Business Partners	Strategics Partners
20. OTHER RESERVES (CONTINUED)			
20.4 Broad-based black economic empowerment reserve (continued)			
Broad-based black economic empowerment transaction (continued)			
20.4.6 BBBEE valuation (continued)			
Valuation model	Monte Carlo	Monte Carlo	Monte Carlo
Exercise price	-	R25.0	R25.0
Risk-free rate (%)	8.9 - 11.7	8.9 - 11.7	8.9 - 11.7
Expected volatility (%)	30	30	30
Vesting period (years)	5	-	-
Contractual life (years)	7	7	7

The risk-free interest rates were determined from the bootstrapped zero coupon perfect fit swap curve, sourced from the Bond Exchange of South Africa, as at grant date.

The expected volatility in the value of the shares granted was determined using the historical share prices of Vodafone Group Plc, data sourced from Bloomberg, Telkom SA Limited and Mobile Telephone Networks (Proprietary) Limited, data sourced from McGregor BFA. The measurement of the BBBEE charge required a significant degree of judgment by management.

Movements in the number of share rights granted	Number of share rights	Weighted average value R	Weighted average remaining life Years
Employees	56 250 000	25.0	6.5
Black Public and Business Partners	90 000 000	25.0	6.5
Strategic Partners	135 000 000	25.0	6.5

	Employees	Black Public and Business partners	Strategic Partners
Weighted average price at which share rights have been granted during the year	-	R25.0	R25.0

As described under the terms and conditions above, no share rights are currently exercisable. Through the notional funding mechanism, the funded portion of the fair value is repaid through notional dividends forfeited on the "A" ordinary shares issued. The exercise price at the date the share rights become exercisable can therefore vary depending to what extent the notional amounts outstanding have been recouped. Based on the present forecasts of the future dividends, it is estimated that once the share rights become exercisable, the exercise price will be RNil.

	2009 Rm	2008 Rm	2007 Rm
21. MINORITY INTERESTS			
Reconciliation			
Balance at the beginning of the year	**403.6**	221.2	283.3
Profit allocated to minority interests	**102.6**	146.2	217.6
Foreign currency translation reserve	**31.7**	42.4	27.5
Business combinations and other acquisitions	**34.4**	(6.1)	(136.4)
Broad-based black economic empowerment transaction	**522.0**	-	-
Minority shares of VM, SA	**-**	0.8	-
Disposal of subsidiaries	**-**	(0.3)	-
Dividend to minority shareholders	**(13.5)**	(0.6)	(170.8)
Balance at the end of the year	**1 080.8**	403.6	221.2
22. ANALYSIS OF RECOGNISED INCOME AND EXPENSES			
(Reversal)/Gain on revaluation of available-for-sale investments	**(16.8)**	16.8	-
Foreign currency translation reserve	**404.9**	130.1	121.9
Net profit recognised directly in equity	**388.1**	146.9	121.9
Net profit for the year	**6 191.9**	7 957.6	6 560.0
Total recognised income and expense for the year	**6 580.0**	8 104.5	6 681.9
Attributable to:			
Equity shareholders	**6 445.7**	7 915.9	6 436.8
Minority interests	**134.3**	188.6	245.1
	6 580.0	8 104.5	6 681.9

23. INTEREST BEARING DEBT

In terms of the current articles of association of Vodacom Group Limited the borrowing powers of the company are limited to that of its holding company. The borrowing powers of Vodacom Group Limited are further governed by the shareholders agreement in terms of which the shareholders exercise joint control.

	2009 Short-term portion Rm	2009 Long-term portion Rm	2009 Total Rm	2008 Short-term portion Rm	2008 Long-term portion Rm	2008 Total Rm
Asset backed financing (Note 23.1)	**183.8**	**316.1**	**499.9**	194.3	420.7	615.0
Funding loans (Note 23.2)	**5 498.8**	**7 993.5**	**13 492.3**	300.5	2 605.1	2 905.6
Other short-term loans (Note 23.3)	**9.6**	**-**	**9.6**	8.1	-	8.1
	5 692.2	**8 309.6**	**14 001.8**	502.9	3 025.8	3 528.7

	2007 Short-term portion Rm	2007 Long-term portion Rm	2007 Total Rm
Asset backed financing (Note 23.1)	113.6	615.0	728.6
Funding loans (Note 23.2)	365.5	1 436.4	1 801.9
Other short-term loans (Note 23.3)	21.9	-	21.9
	501.0	2 051.4	2 552.4

	2009 Rm	2008 Rm	2007 Rm
23. INTEREST BEARING DEBT (CONTINUED)			
23.1 Asset backed financing			
FirstRand Bank Limited	**324.1**	396.7	479.7
The loans were used to purchase, and are collateralised by, various land and buildings with a book value of R325.7 million (2008: R464.2 million; 2007: R477.3 million), bearing interest at fixed effective interest rates of between 12.1% and 16.9% per annum. Payments on these loans are made monthly, quarterly or bi-annualy. The loans are repayable within one to four years with residual payments amounting to R144.7 million (2008: R144.7 million; 2007: R144.7 million).			
The Standard Bank of South Africa Limited	**175.8**	218.3	248.9
The loans were used to purchase, and are collateralised by, various buildings with a book value of R202.2 million (2008: R245.5 million; 2007: R251.1 million), bearing interest at an effective interest rate of 13.8% (2008: 14.3%; 2007: 14.3%). Payments on the loans are made bi-annually. The loans are repayable on 1 September 2011.			
	499.9	615.0	728.6
Less: Short-term portion of asset backed financing			
FirstRand Bank Limited	**(125.0)**	(151.7)	(83.0)
The Standard Bank of South Africa Limited	**(58.8)**	(42.6)	(30.6)
Short-term portion of asset backed financing	**(183.8)**	(194.3)	(113.6)
Long-term portion of asset backed financing	**316.1**	420.7	615.0

The asset backed financing is denominated in South African rand and is held with FirstRand Bank Limited acting through Rand Merchant Bank and The Standard Bank of South Africa Limited acting through its Corporate and Investment Banking division.

The fair value of the Group's asset backed financing is R526.4 million (2008: R629.0 million; 2007: R786.3 million). The fair value of the asset backed financing is determined as the present value of all future cash flows discounted using market related interest rates. The discount rate used varied between 10.3% and 10.7% (2008: 13.5% and 14.9%; 2007: 11.3% and 13.3%).

	2009 Rm	2008 Rm	2007 Rm
23.2 Funding loans			
Planetel Communications Limited	-	-	53.5
The shareholder loan of US$8.4 million was subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, which expired at the end of the 2008 financial year, bore no interest from 1 April 2002 and was 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 5.0% (Note 13) during the 2003 financial year. The gain on remeasurement was included in equity. On 30 November 2007 Planetel Communications Limited sold its 16% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Balance carried forward	-	-	53.5

	2009 Rm	2008 Rm	2007 Rm
23. INTEREST BEARING DEBT (CONTINUED)			
23.2 Funding loans (continued)			
Balance brought forward	-	-	53.5
Caspian Limited	-	-	63.6
The shareholder loan of US$10.0 million was subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, which expired at the end of the 2008 financial year, bore no interest from 1 April 2002 and was thereafter available for repayment, by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. This loan became non-interest bearing and was remeasured at amortised cost at an effective interest rate of LIBOR plus 5.0% (Note 13) during the 2003 financial year. The gain on remeasurement was included in equity. On 30 November 2007 Caspian Limited sold its 19% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Project finance funding to Vodacom Tanzania Limited	-	-	94.9
The loans were collateralised by a charge over 51.0% of the shares, the licence and Vodacom Tanzania Limited's tangible and intangible assets. The loans bore interest based upon the foreign currency denomination of the project financing between 6.0% and 14.4% per annum and was fully repaid by March 2008.			
The drawn down portions of the project finance funding from external parties included the following: (a) Netherlands Development Finance Company of US$Nil (2008: US$Nil; 2007: US$3.8 million); (b) Deutsche Investitions- und Entwicklungsgesellschaft mbH of €Nil (2008: €Nil; 2007: €3.9 million); (c) Standard Corporate and Merchant Bank of US$Nil (2008: US$Nil; 2007: US$4.0 million);			
Term loan to Vodacom International Limited	**1 735.2**	1 462.5	1 311.9
The loan provided by Standard Bank Plc and RMB International (Dublin) Limited that amounts to US$180.0 million (2008: US$180.0 million; 2007: US$180.0 million) is collateralised by guarantees provided by the Group. The loan, originally repayable on 19 July 2006, was refinanced during the 2007 financial year. The loan is now repayable on 26 July 2009 and bears interest at an effective interest rate of LIBOR plus 0.35%. The loan was utilised for capital expenditure and will be refinanced in the bank and debt capital markets.			
Mirambo Limited	**191.6**	142.6	-
Mirambo Limited bought the 16% and 19% equity interest of Planetel Communications Limited and Caspian Limited respectively in Vodacom Tanzania Limited on 30 November 2007. The shareholder loans with a combined nominal value of US$18.4 million (2008: US$18.4 million), were transferred to Mirambo Limited in order to meet its obligations to Vodacom Tanzania Limited in respect of shareholder contributions. The loan bears interest at LIBOR plus 5.0% and interest is payable annually. The loan shall be repaid by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. The loan and capitalised interest are unsecured and subordinated.			
Balance carried forward	**1 926.8**	1 605.1	1 523.9

	2009 Rm	2008 Rm	2007 Rm
23. INTEREST BEARING DEBT (CONTINUED)			
23.2 Funding loans (continued)			
Balance brought forward	**1 926.8**	1 605.1	1 523.9
Asset Backed Arbitraged Securities (Proprietary) Limited	**1 000.0**	1 000.0	-
On 5 December 2007 the Group issued two promissory notes with a nominal value of R500.0 million each to which Asset Backed Arbitraged Securities (Proprietary) Limited subscribed. The promissory notes bear interest based on JIBAR plus a fixed credit margin of 0.4% and a floating funding margin between 0.22% and 0.50% (2008: 0.15% and 0.18%). The promissory notes are repayable on 6 December 2010 with interest being paid quarterly. This funding was utilised for capital expenditure.			
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	**356.5**	300.5	269.5
During December 2001, Vodacom Congo (RDC) s.p.r.l. issued US$37.0 million (2008: US$37.0 million; 2007: US$37.0 million) of cumulative redeemable preference shares which bear interest at a rate of 4.0% per annum. The preference shares are redeemable at the discretion of the shareholders and on the basis that the shareholders are repaid simultaneously and in proportion to their shareholding. These preference shares form part of the capital structure of Vodacom Congo (RDC) s.p.r.l.			
Sekha-Metsi Investment Consortium Limited	**-**	-	2.5
The shareholder loan bore no interest, was repayable in ten equal six monthly instalments commencing on 30 September 2006. Effective 1 April 2007 the repayment terms changed to four equal six monthly instalments. The loan was remeasured at amortised cost at a fixed effective interest rate of 13.7% during the 2007 financial year. The gain on remeasurement was included in equity. The loan was repaid during the 2008 financial year.			
Number Portability Company (Proprietary) Limited	**-**	-	6.0
The Group's share of the shareholder loan provided amounted to R6.0 million. The subordinated shareholder loan bore interest at the maximum rate of the prevailing South African prime rate or a lesser rate determined by the board of directors of Number Portability Company (Proprietary) Limited. During the 2008 financial year the loan became non-interest bearing (Note 24).			
Absa Bank Limited capital facility A	**1 246.2**	-	-
On 3 October 2008 the Group obtained a loan in the amount of R1 250.0 million. The loan is repayable on 30 September 2011. The loan bears interest at JIBAR plus 1.25%. Interest is payable quarterly. The loan was utilised to refinance existing short-term debt as well as for capital expenditure. The loan was recognised net of transaction costs. The facility is administered by Absa Capital, a division of Absa Bank Limited.			
Balance carried forward	**4 529.5**	2 905.6	1 801.9

	2009 Rm	2008 Rm	2007 Rm
23. INTEREST BEARING DEBT (CONTINUED)			
23.2 Funding loans (continued)			
Balance brought forward	4 529.5	2 905.6	1 801.9
Nedbank Limited facility B	3 737.8	-	-
On 3 October 2008 the Group obtained a loan in the amount of R3 750.0 million. The loan is repayable on 30 September 2013. The loan bears interest at JIBAR plus 1.5% per annum. Interest is payable quarterly. The loan was utilised to refinance existing short-term debt as well as for capital expenditure. The loan was recognised net of transaction costs. The facility is administered by Absa Capital, a division of Absa Bank Limited.			
Momentum Group Limited and Futuregrowth Asset Management (Proprietary) Limited facility C	449.0	-	-
On 3 October 2008 the Group obtained loans in the amount of R450.0 million. The loans are repayable on 30 September 2013. The loans bear interest at JIBAR plus 1.5% per annum. Interest is payable quarterly. The loans were utilised to refinance existing short-term debt as well as for capital expenditure. The loans were recognised net of transaction costs. The facility is administered by Absa Capital, a division of Absa Bank Limited.			
Old Mutual Specialised Financing (Proprietary) Limited and Minervos Trading No.2 (Proprietary) Limited facility D	997.8	-	-
On 3 October 2008 the Group obtained loans in the amount of R1 000.0 million. The loans are repayable on 30 September 2015. The loans bear interest at JIBAR plus 1.8% per annum. Interest is payable quarterly. The loans were utilised to refinance existing short-term debt as well as for capital expenditure. The loans were recognised net of transaction costs. The facility is administered by Absa Capital, a division of Absa Bank Limited.			
Absa Bank Limited capital facility	2 990.6	-	-
On 10 December 2008 the Group obtained a loan in the amount of R3 000.0 million. The loan is repayable on 10 December 2009. The loan bears interest at JIBAR plus 1.5% per annum (first six months), JIBAR plus 1.75% per annum (month seven to nine), JIBAR plus 2.0% per annum (month ten to twelve). The interest is payable quarterly. This loan was used as bridge funding for the acquisition of Gateway and will be refinanced in the bank and debt capital markets. The loan was recognised net of transaction costs. The facility is administered by Absa Capital, a division of Absa Bank Limited.			
Syndicated loan to Vodacom Tanzania Limited	386.4	-	-
On 16 December 2008 the Group obtained facilities in the amounts of US$47.1 million and TZS54 billion, which are available for utilisation for 12 months from this date. An amount of US$40 million was utilised at year end. The loan is repayable in seven bi-annual instalments commencing on 16 December 2010. The loan bears interest at LIBOR plus 2.0% per annum. Interest is payable quarterly. The loan will be utilised to refinance existing debt, as well as for capital expenditure and general corporate requirements. The facilities are secured by an asset debenture, granted by Vodacom Tanzania Limited, and a mortgage over certain land and buildings (Note 11 and Note 12).			
Balance carried forward	13 091.1	2 905.6	1 801.9

	2009 Rm	2008 Rm	2007 Rm
23. INTEREST BEARING DEBT (CONTINUED)			
23.2 Funding loans (continued)			
Balance brought forward	**13 091.1**	2 905.6	1 801.9
Royal Bafokeng Holdings (Proprietary) Limited	**401.2**	-	-
The shareholder loan was granted by Royal Bafokeng Holdings (Proprietary) Limited to Linsinfo 209 Investments (Proprietary) Limited on 8 October 2009 for an amount of R378.0 million. Linsinfo 209 Investments (Proprietary) Limited is the special purpose entity that holds Royal Bafokeng Holdings (Proprietary) Limited's interest in Vodacom (Proprietary) Limited. The loan has no fixed terms of repayment and the rate of interest is determined as being the R157 bond rate plus 5.0%.			
	13 492.3	2 905.6	1 801.9
Less: Short-term portion of funding loans			
Project finance funding to Vodacom Tanzania Limited	**-**	-	(94.9)
Term loan to Vodacom International Limited	**(1 735.2)**	-	-
Mirambo Limited	**(14.5)**	-	-
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	**(356.5)**	(300.5)	(269.5)
Sekha-Metsi Investment Consortium Limited	**-**	-	(1.1)
Absa Bank Limited capital facility	**(2 990.6)**	-	-
Syndicated loan to Vodacom Tanzania Limited	**(0.8)**	-	-
Royal Bafokeng Holdings (Proprietary) Limited	**(401.2)**	-	-
Short-term portion of funding loans	**(5 498.8)**	(300.5)	(365.5)
Long-term portion of funding loans	**7 993.5**	2 605.1	1 436.4

The fair value of funding loans are R13 393.8 million (2008: R2 933.2 million). The fair value of funding loans were determined by applying the discounted cash flow method, where applicable. A discount rate which varied between 9.1% and 10.5% (2008: 12.2% and 12.3%) was applied to rand denominated debt and 1.8% to 4.1% (2008: 2.8%) to US dollar denominated debt.

	2009 Rm	2008 Rm	2007 Rm
23.3 Other short-term loans			
Vodacom Congo (RDC) s.p.r.l.	**9.6**	8.1	21.9
The short-term facilities amount to US$1.0 million (2008: US$1.0 million; 2007: US$3.0 million) bears interest at 18.0% per annum with no fixed repayment terms. US$2.0 million of these facilities was repaid on 30 June 2007 and bore interest at LIBOR plus 6.0% per annum.			
	9.6	8.1	21.9

The fair value of other short-term loans approximate their carrying value.

23. INTEREST BEARING DEBT (CONTINUED)

23.4 Repayment of interest bearing debt

	2010	2011	2012	2013	2014	2015 onwards	Total
2009							
Asset backed financing	183.8	155.5	83.5	77.1	-	-	499.9
Funding loans							
Term loan to Vodacom International Limited	1 735.2	-	-	-	-	-	1 735.2
Mirambo Limited	14.5	-	-	-	-	177.1	191.6
Asset Backed Arbitraged Securities (Proprietary) Limited	-	1 000.0	-	-	-	-	1 000.0
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	356.5	-	-	-	-	-	356.5
Absa Bank Limited capital facility A	-	-	1 246.2	-	-	-	1 246.2
Nedbank Limited facility B	-	-	-	-	3 737.8	-	3 737.8
Momentum Group Limited and Futuregrowth Asset Management (Proprietary) Limited facility C	-	-	-	-	449.0	-	449.0
Old Mutual Specialised Financing (Proprietary) Limited and Minervois Trading No.2 (Proprietary) Limited facility D	-	-	-	-	-	997.8	997.8
Absa Bank Limited capital facility	2 990.6	-	-	-	-	-	2 990.6
Syndicated loan to Vodacom Tanzania Limited	0.8	55.1	110.3	110.1	110.1	-	386.4
Royal Bafokeng Holdings (Proprietary) Limited	401.2	-	-	-	-	-	401.2
Other short-term loans	9.6	-	-	-	-	-	9.6
	5 692.2	1 210.6	1 440.0	187.2	4 296.9	1 174.9	14 001.8

	2009	2010	2011	2012	2013	2014 onwards	Total
2008							
Asset backed financing	194.3	98.5	161.6	83.5	77.1	-	615.0
Funding loans							
Term loan to Vodacom International Limited	-	1 462.5	-	-	-	-	1 462.5
Mirambo Limited	-	-	-	-	-	142.6	142.6
Asset Backed Arbitraged Securities (Proprietary) Limited	-	-	1 000.0	-	-	-	1 000.0
Preference shares isssued by Vodacom Congo (RDC) s.p.r.l.	300.5	-	-	-	-	-	300.5
Other short-term loans	8.1	-	-	-	-	-	8.1
	502.9	1 561.0	1 161.6	83.5	77.1	142.6	3 528.7

	2008	2009	2010	2011	2012	2013 onwards	Total
2007							
Asset backed financing	113.6	194.3	98.5	161.6	83.5	77.1	728.6
Funding loans							
Planetel Communications Limited	-	53.5	-	-	-	-	53.5
Caspian Limited	-	63.6	-	-	-	-	63.6
Project finance funding to Vodacom Tanzania Limited	94.9	-	-	-	-	-	94.9
Term loan to Vodacom International Limited	-	-	1 311.9	-	-	-	1 311.9
Preference shares isssued by Vodacom Congo (RDC) s.p.r.l.	269.5	-	-	-	-	-	269.5
Sekha-Metsi Investment Consortium Limited	1.1	1.4	-	-	-	-	2.5
Number Portability Company (Proprietary) Limited	-	-	-	-	-	6.0	6.0
Other short-term loans	21.9	-	-	-	-	-	21.9
	501.0	312.8	1 410.4	161.6	83.5	83.1	2 552.4

	2009 Rm	2008 Rm	2007 Rm
24. NON-INTEREST BEARING DEBT			
Minority shareholders of Smartcom (Proprietary) Limited	-	-	3.0
The minority shareholder's loan was repaid during the 2008 financial year. The loan was unsecured and bore no interest.			
Number Portability Company (Proprietary) Limited	6.0	6.0	-
The Group's share of the shareholder loan provided, amounted to R6.0 million (2008: R6.0 million). The subordinated shareholder loan bore interest at the maximum rate of the prevailing South African prime rate or a lesser rate determined by the board of directors of Number Portability Company (Proprietary) Limited and was classified as interest bearing debt in the 2007 financial year (Note 23). During the 2008 financial year the loan became non-interest bearing.			
Long-term portion of non-interest bearing debt	6.0	6.0	3.0
The fair value of non-interest bearing debt is not determinable due to the absence of repayment dates.			
25. PROVISIONS			
Deferred bonus incentive provision (Note 25.1)	344.2	497.4	500.7
Bonus provision (Note 25.2)	443.2	426.0	330.6
Leave pay provision (Note 25.3)	150.9	119.7	90.9
Other employee benefits provision (Note 25.5)	249.4	225.2	161.2
Other (Note 25.6)	10.1	14.9	35.9
	1 197.8	1 283.2	1 119.3
Timing of provisions			
Within one year	800.3	909.5	741.8
After one year	397.5	373.7	377.5
	1 197.8	1 283.2	1 119.3

	Deferred bonus incentive provision Rm	Bonus provision Rm	Leave pay provision Rm	Warranty provision Rm	Other employee benefits provision Rm	Other Rm
25. PROVISIONS (CONTINUED)						
Reconciliation 2009						
Balance at the beginning of the year	**497.4**	**426.0**	**119.7**	**-**	**225.2**	**14.9**
Provision created	**108.4**	**542.4**	**56.5**	**-**	**63.9**	**12.6**
Provision utilised	**(261.6)**	**(528.0)**	**(27.1)**	**-**	**(45.1)**	**(17.4)**
Business combinations	**-**	**2.8**	**1.8**	**-**	**5.4**	**-**
Balance at the end of the year	**344.2**	**443.2**	**150.9**	**-**	**249.4**	**10.1**
Reconciliation 2008						
Balance at the beginning of the year	500.7	330.6	90.9	-	161.2	35.9
Provision created	181.0	474.6	48.9	-	81.4	5.3
Provision utilised	(184.3)	(379.2)	(20.1)	-	(17.4)	(26.3)
Balance at the end of the year	497.4	426.0	119.7	-	225.2	14.9
Reconciliation 2007						
Balance at the beginning of the year	452.4	279.8	70.8	32.8	122.1	37.4
Provision created	191.6	380.2	24.7	-	39.1	29.2
Provision utilised	(143.3)	(329.4)	(4.6)	(32.8)	-	(30.7)
Balance at the end of the year	500.7	330.6	90.9	-	161.2	35.9

Provisions are required to be recorded when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

Best estimates, being the amount that the Group would rationally pay to settle the obligation, are recognised as provisions at balance sheet date. Risks, uncertainties and future events are taken into account by management in determining the best estimates. Provisions are discounted where the effect of discounting is material. The discount rate used is the rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which requires management judgement. All provisions are reviewed at each balance sheet date.

Various uncertainties can result in obligations not being considered probable or estimable for significant periods of time. As a consequence, potentially material obligations may have no provisions and a change in facts or circumstances that result in an obligation becoming probable or estimable can lead to a need for the establishment of material provisions. In addition, where estimated amounts vary from initial estimates the provisions may be revised materially, up or down.

The Group records provisions for legal contingencies when the contingency is probable of occurring and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the balance sheet date.

25. PROVISIONS (CONTINUED)

25.1 Deferred bonus incentive provision

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

The value of the bonus entitlements are determined based upon the audited consolidated annual 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 three years after the participating rights have vested. The provision is utilised when eligible employees receive the value of vested entitlements.

25.2 Bonus provision

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

25.3 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.

25.4 Warranty provision

The warranty provision covered manufacturing defects in the second year of warranty on handsets sold to customers. The estimate was based on claims notified and past experience. The suppliers of the various handsets assumed responsibility for the second year warranty subsequent to 31 March 2007 and accordingly there is no remaining provision.

25.5 Other employee benefits provision

The other employee benefits provision represents the present value of the expected future cash outflows payable to eligible employees on termination or retirement. The amount of the liability is based on an actuarial valuation. The provision is utilised when eligible employees receive the value of the benefits.

	2009 Rm	2008 Rm	2007 Rm
Net liability at the beginning of the year	**225.2**	161.2	122.1
Interest cost	**19.8**	14.4	9.6
Current service cost	**30.4**	20.0	17.6
Recognised actuarial losses	**18.6**	62.3	13.3
Net cost	**294.0**	257.9	162.6
Total benefit payments	**(44.6)**	(32.7)	(1.4)
Net liability at the end of the year	**249.4**	225.2	161.2

In order to determine the other employee benefits provision, actuarial techniques are applied using the projected unit credit method.

Key assumptions:			
General inflation rate (%)	**4.1**	6.6	5.1
Discount rate (%)	**7.6**	9.5	8.0
Salary inflation (%)	**5.1**	7.6	6.1
Valuation date - 31 March	**2009**	2008	2007

25.6 Other

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

	2009 Rm	2008 Rm	2007 Rm
26. OTHER NON-CURRENT LIABILITIES			
Operating lease liability (Note 26.1)	**154.0**	165.0	150.4
Licence obligation (Note 26.2)	**95.7**	96.2	90.7
	249.7	261.2	241.1
26.1 Operating lease liability	**154.0**	165.0	150.4

The liability is due to the recognition of the operating lease expense on a straight-line basis over the lease term (Note 38).

	2009 Rm	2008 Rm	2007 Rm
26.2 Licence obligation	**95.7**	96.2	90.7

On 9 December 2004, ICASA amended the Vodacom (Proprietary) Limited's South Africa licence to allow for access to the 1800 Megahertz frequency spectrum band and the 3G radio spectrum band. In terms of the amended licence, the Group is required to complete the following obligations in accordance with an implementation plan to be approved by ICASA:

The 1800 Megahertz frequency spectrum band obligations are to provide:

- a minimum of 2 500 000 SIM card packages with certain privileges to designated individuals within three years;
- a minimum of 125 000 units terminal equipment within three years; and
- a minimum airtime window period of 12 months for these SIM cards.

The costs to the Group are estimated at R68.8 million (2008: R68.8 million; 2007: R68.8 million). The net present value, at the end of the year net of costs already incurred at a discount rate of 8.0% per annum, over three years, amounts to R69.3 million (2008: R64.0 million; 2007: R59.1 million). The Group is in the process of negotiations with ICASA to determine the method of delivery of the SIM cards. Individual delivery may result in a significant extra cost.

The 3G radio spectrum obligations are to provide:

- internet access to no less than 140 institutions for persons with disabilities within eight years;
- internet access to no less than 5 000 public schools within eight years; and
- a minimum of 1 400 units terminal equipment within eight years.

The costs to the Group are estimated at R24.1 million (2008: R36.8 million; 2007: R36.8 million). The net present value, at a discount rate of 8.0% per annum, over eight years amounts to R26.4 million (2008: R32.2 million; 2007: R31.6 million).

The Group adjusted the liability in the current year by R8.6 million cumulative due to the delays in the roll-out approval by ICASA, as well as reduction in the cost of the equipment.

	2009 Rm	2008 Rm	2007 Rm
	249.7	261.2	241.1
Less: Short-term portion of other non-current liabilities			
Operating lease liability	**(62.0)**	(7.1)	(0.3)
Licence obligation	**(72.1)**	(6.7)	(30.2)
Short-term portion of other non-current liabilities *	**(134.1)**	(13.8)	(30.5)
Long-term portion of other non-current liabilities	**115.6**	247.4	210.6

* The short-term portion of other non-current liabilities is included in trade payables (Note 27).

	2009 Rm	2008 Rm	2007 Rm
27. TRADE AND OTHER PAYABLES			
Trade payables *	**5 042.9**	4 876.5	4 021.3
Capital expenditure creditors	**1 633.7**	1 718.9	2 274.9
Value added taxation	**345.8**	82.7	121.9
Other accruals	**646.6**	359.9	110.8
Revenue charged in advance	**30.7**	28.6	34.2
Interest accrual	**121.9**	98.2	62.0
Put option liability #	**43.2**	396.5	249.3
	7 864.8	7 561.3	6 874.4

* Trade payables include the short-term portion of other non-current liabilities of R134.1 million (2008: R13.8 million; 2007: R30.5 million) (Note 26).

\# The obligation to settle the Congolese Wireless Network s.p.r.l. put option (Note 43) in cash gives rise to an obligation which represents a financial liability. This liability is remeasured through profit or loss.

The average creditor period on the purchase of goods and services is 30 to 60 days (2008: 30 to 60 days) from date of invoice for the South African operations and 45 to 110 days (2008: 45 to 105 days) from date of invoice for the non-South African operations. No interest is charged on trade payables for the first 30 days (2008: 30 to 60 days) from the date of invoice for the South African operations and for the first 30 to 60 days (2008: 30 to 60 days) from the date of invoice for the non-South African operations. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Trade payables are stated at their cost which normally approximate their fair value due to their short-term maturity.

	2009 Rm	2008 Rm	2007 Rm
28. CASH GENERATED FROM OPERATIONS			
Operating profit	**12 004.6**	12 490.7	10 859.8
Adjusted for:			
Depreciation of property, plant and equipment and amortisation of intangible assets (Note 11 and Note 12)	**4 682.8**	3 911.2	3 361.2
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	**13.3**	39.3	(26.9)
Impairment recognised (Note 3)	**112.2**	29.9	22.9
Net profit on disposal of subsidiary	**-**	(8.0)	(17.4)
Broad-based black economic empowerment charge	**1 382.4**	-	-
Other non-cash flow items	**323.0**	49.1	97.0
Cash flow from operations before working capital changes	**18 518.3**	16 512.2	14 296.6
Increase in trade and other receivables	**(1 598.7)**	(915.5)	(838.8)
Decrease/(Increase) in inventory	**45.5**	(259.3)	84.8
(Decrease)/Increase in trade and other payables and provisions	**(613.9)**	996.1	323.5
Cash generated from operations	**16 351.2**	16 333.5	13 866.1
29. FINANCE COSTS PAID			
Finance costs as per the income statement	**(1 459.5)**	(681.3)	(369.3)
Interest accrual at the beginning of the year	**(98.2)**	(62.0)	(56.7)
Interest accrual at the end of the year	**147.8**	98.2	62.0
Other non-cash flow items	**21.6**	(24.5)	37.4
	(1 388.3)	(669.6)	(326.6)

	2009 Rm	2008 Rm	2007 Rm
30. FINANCE INCOME RECEIVED			
Finance income per the income statement	**108.2**	72.3	74.5
Interest income receivable at the beginning of the year	**76.1**	51.3	41.5
Interest income receivable at the end of the year	**(107.2)**	(76.1)	(51.3)
Other non-cash flow items	**26.5**	26.8	(23.0)
	103.6	74.3	41.7
31. REALISED NET LOSSES ON REMEASUREMENT AND DISPOSAL OF FINANCIAL INSTRUMENTS			
(Losses)/Gains on remeasurement and disposal of financial instruments as per the income statement	**(397.5)**	185.1	(169.0)
Unrealised gains/(losses) on foreign exchange forward contracts	**320.0**	(258.4)	(20.6)
Unrealised losses on foreign liability and asset revaluation	**(92.1)**	(191.9)	(108.4)
Unrealised gains on interest rate swap revaluation	**4.8**	10.3	9.9
Unrealised put option liability (decrease)/increase	**(391.7)**	103.9	249.3
	(556.5)	(151.0)	(38.8)
32. TAXATION PAID			
Taxation per the income statement	**(4 045.0)**	(4 109.2)	(3 836.0)
Taxation payable at the beginning of the year	**(580.5)**	(1 112.7)	(630.2)
Taxation payable at the end of the year	**549.0**	580.5	1 112.7
Taxation receivable at the end of the year	**(63.9)**	-	-
Deferred taxation at the beginning of the year	**(321.4)**	(371.2)	(304.7)
Deferred taxation at the end of the year	**578.2**	321.4	371.2
Disposal of subsidiary – deferred taxation	**-**	1.8	-
Disposal of subsidiary – taxation payable	**-**	0.1	-
Business combination – deferred taxation	**(272.6)**	-	(17.5)
Business combination – taxation payable	**(41.3)**	-	-
Business combination – taxation receivable	**45.0**	-	-
Exchange difference on consolidation of foreign subsidiary	**34.0**	(17.1)	9.3
Movement due to foreign equity revaluation reserve	**(11.8)**	(12.9)	(8.1)
Fair value adjustment for available-for-sale investments	**2.7**	(2.7)	-
Remeasurement of shareholders loans	**-**	0.5	-
Other non-cash flow items	**4.4**	-	-
	(4 123.2)	(4 721.5)	(3 303.3)
33. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS			
Additions to property, plant and equipment and intangible assets (Note 11 and Note 12)	**(7 138.4)**	(6 923.2)	(7 214.4)
(Decrease)/Increase in capital expenditure related creditors	**(116.3)**	(591.5)	796.2
Licence obligation	**(0.5)**	5.5	90.7
Licence reallocation	**-**	46.9	-
Other non-cash flow items	**1.5**	(27.5)	-
Less: Goodwill acquired through increase in shareholding of existing subsidiaries			
Smartphone SP (Proprietary) Limited (Note 34.2.1)	**-**	931.2	313.2
Smartcom (Proprietary) Limited (Note 34.2.2)	**-**	18.0	8.2
Cointel V.A.S. (Proprietary) Limited (Note 34.2.3)	**-**	-	90.9
Goodwill allocated to Smartphone SP (Proprietary) Limited's minority shareholders	**-**	-	(40.1)
	(7 253.7)	(6 540.6)	(5 955.3)

		2009 Rm	2008 Rm	2007 Rm
34.	**BUSINESS COMBINATIONS AND OTHER ACQUISITIONS**			
	Business combinations (Note 34.1)	(5 347.6)	-	(101.2)
	Other acquisitions (Note 34.2)	-	(956.5)	(490.0)
		(5 347.6)	(956.5)	(591.2)
34.1	**Business combinations**			
	Storage Technology Services (Proprietary) Limited (Note 34.1.1)	(99.1)	-	-
	Gateway (Note 34.1.2)	(5 248.5)	-	-
	InterConnect s.p.r.l. (Note 34.1.3)	-	-	(21.2)
	Africell Cellular Services (Proprietary) Limited (Note 34.1.4)	-	-	(80.0)
		(5 347.6)	-	(101.2)
34.1.1	**Storage Technology Services (Proprietary) Limited**			
	Effective 1 February 2009 the Group acquired a controlling interest of 51% in Storage Technology Services (Proprietary) Limited, a managed storage services company. The fair values of the assets and liabilities acquired were preliminary determined as follows:			
	Fair value of net assets acquired	(67.3)	-	-
	Property, plant and equipment	2.2	-	-
	Intangible assets	79.0	-	-
	Deferred taxation	6.9	-	-
	Deferred cost	34.3	-	-
	Inventory	6.3	-	-
	Trade and other receivables	37.9	-	-
	Cash and cash equivalents	42.1	-	-
	Deferred taxation	(22.0)	-	-
	Trade and other payables	(43.1)	-	-
	Deferred revenue	(51.3)	-	-
	Taxation payable	(9.1)	-	-
	Provisions	(4.6)	-	-
	Dividends payable	(10.8)	-	-
	Bank borrowings	(0.5)	-	-
	Minority interest	34.4	-	-
	Goodwill	(105.2)	-	-
	Purchase price (including capitalised costs)	(138.1)	-	-
	Cash and cash equivalents	42.1	-	-
	Bank borrowings	(0.5)	-	-
	Final settlement adjustment receivable	(2.6)		
	Cash consideration	(99.1)	-	-
	Carrying value of the assets and liabilities immediately before the combination:			
	Non-current assets	12.7	-	-
	Current assets	120.7	-	-
	Current liabilities	(119.5)	-	-
		13.9	-	-

The carrying value of the assets and liabilities immediately before the combination equalled their fair value as disclosed above, except for customer bases which had a carrying value of RNil (Fair value: R62.7 million), trademarks of RNil (Fair value: R15.8 million) and deferred taxation liabilities of RNil (Fair value: R22.0 million). The purchase price of R138.1 million (including capitalised costs of R0.5 million) was paid on 1 February 2009.

Revenue amounting to R57.2 million and net profit of R8.6 million were included in the current year results. As a result of this business combination restated consolidated revenue would have amounted to R55 318.2 million and restated consolidated net profit to R6 162.4 million if the entity had been consolidated for the full year ended 31 March 2009, which would have resulted in a decrease in earnings per share and headline earnings per share of 1.0 cents per share.

The customer base and trademark were not previously recorded in the accounting records of Storage Technology Services (Proprietary) Limited as they were internally generated intangible assets. The goodwill related to the acquisition represents future synergies and is allocated to the South African cash-generating unit.

	2009 Rm	2008 Rm	2007 Rm
34. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS (CONTINUED)			
34.1 Business combinations (continued)			
34.1.2 Gateway *			
Effective 30 December 2008 the Group acquired 100% of the carrier services and business network solutions businesses of Gateway Telecommunications SA (Proprietary) Limited. The fair values of the assets and liabilities acquired were preliminary determined as follows:			
Fair value of net assets acquired	(280.8)	-	-
Property, plant and equipment	283.0	-	-
Intangible assets	1 405.7	-	-
Financial assets	338.4	-	-
Trade and other receivables	555.4	-	-
Deferred taxation	84.9	-	-
Deferred cost	23.5	-	-
Inventory	28.7	-	-
Taxation receivable	45.0	-	-
Cash and cash equivalents	100.5	-	-
Interest bearing debt	(1 541.3)	-	-
Deferred taxation	(342.4)	-	-
Deferred revenue	(85.8)	-	-
Provisions	(5.4)	-	-
Trade and other payables	(576.7)	-	-
Taxation payable	(32.2)	-	-
Non-interest bearing debt	(0.5)	-	-
Goodwill	(5 417.0)		
Foreign exchange gain	5.9		
Purchase price (including capitalised costs)	(5 691.9)	-	-
Cash and cash equivalents	100.5	-	-
Liabilities assumed (non-cash consideration)	337.7	-	-
Capitalised cost payable	53.6	-	-
Discounting of deferred compensation paid	(48.4)	-	-
Cash consideration	(5 248.5)	-	-
Carrying value of the assets and liabilities immediately before the combination:			
Non-current assets	2 194.7	-	-
Current assets	749.9	-	-
Non-current liabilities	(1 588.7)	-	-
Current liabilities	(667.9)	-	-
	688.0	-	-

* Gateway comprises 100% of the shares in each of Gateway Telecommunications Plc, Gateway Communications (Proprietary) Limited, Gateway Communications Mozambique LDA, Gateway Communications Tanzania Limited and GS Telecom (Proprietary) Limited and their respective subsidiaries.

The carrying value of the assets and liabilities immediately before the combination equaled their fair value as disclosed above, except for customer bases which had a carrying value of R221.1 million (Fair value: R1 373.9 million), software of R14.5 million (Fair value: R31.7 million) and deferred taxation liabilities of R14.7 million (Fair value: R342.4 million).

	2009 Rm	2008 Rm	2007 Rm

34. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS (CONTINUED)

34.1 Business combinations (continued)

34.1.2 Gateway (continued)

The preliminary cash consideration of R5 295.7 million (US$548.1 million), which included a deferred compensation amount of R579.8 million (US$60 million) was paid on 30 December 2008.

Reconciliation of the preliminary cash consideration:	2009 Rm	2008 Rm	2007 Rm
Purchase price	(5 691.9)	-	-
Liabilities assumed (non-cash consideration)	337.7	-	-
Transaction costs	118.3	-	-
Foreign exchange movement	3.8	-	-
Discounting of deferred compensation paid	(48.4)	-	-
Final settlement adjustment	(15.2)	-	-
	(5 295.7)	-	-

Transaction costs of approximately R64.7 million (US$7.1 million) were paid from June 2008 to 31 March 2009 while an amount of R53.6 million (US$5.3 million) relating to transaction costs was unpaid at year end. R15.2 million (US$1.6 million) was received from the seller on 6 April 2009 as an adjustment to the purchase price. The balance of the cash consideration consisted of liabilities assumed.

Revenue amounting to R807.6 million and net loss of R36.0 million were included in the current year results. As a result of this business combination restated consolidated revenue would have amounted to R57 419.7 million and restated consolidated net profit to R5 815.8 million if the entity had been consolidated for the full year ended 31 March 2009, which would have resulted in a decrease in earnings per share and headline earnings per share of 25.3 cents per share.

Certain customer bases and software were not previously recorded in the accounting records of Gateway as they were internally generated intangible assets. The goodwill related to the acquisition represents future synergies and is allocated to the Gateway cash-generating unit.

	2009 Rm	2008 Rm	2007 Rm

34. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS (CONTINUED)

34.1.3 InterConnect s.p.r.l.

Effective 1 November 2006 the Group acquired the internet service provider business of InterConnect s.p.r.l. The fair values of the assets and liabilities acquired were determined as follows:

	2009 Rm	2008 Rm	2007 Rm
Fair value of net assets acquired	-	-	(8.6)
Property, plant and equipment	-	-	2.5
Intangible assets	-	-	9.7
Inventory	-	-	0.3
Deferred taxation	-	-	(3.9)
Goodwill	-	-	(12.6)
Purchase price (excluding capitalised costs)	-	-	(21.2)

The purchase price of R21.2 million (US$2.8 million) (excluding capitalised costs) was paid on 1 November 2006. Revenue amounting to R8.2 million (US$1.2 million) and net profit of R2.8 million (US$0.4 million) are included in the 2007 year results. It was impracticable to disclose the impact of the consolidated revenue and consolidated net profit for the full year ended 31 March 2007. The goodwill related to the acquisition represents future synergies and is allocated to the Democratic Republic of Congo's cash-generating unit.

34.1.4 Africell Cellular Services (Proprietary) Limited

Effective 1 October 2006 the Group acquired the cellular business of Africell Cellular Services (Proprietary) Limited. The fair values of the assets and liabilities acquired were determined as follows:

	2009 Rm	2008 Rm	2007 Rm
Fair value of net assets acquired	-	-	(36.3)
Property, plant and equipment	-	-	3.1
Intangible assets	-	-	46.8
Deferred taxation (including taxation effect on intangible assets)	-	-	(13.6)
Goodwill	-	-	(43.7)
Purchase price (excluding capitalised costs)	-	-	(80.0)

The customer base was not previously recorded in the accounting records of Africell Cellular Services (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 in South Africa. It was impracticable to disclose the revenue and profit of the business that was included in the 2007 year 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 this reason it was not practicable to determine the impact on revenue and profits of the Group for the full year ended 31 March 2007. The goodwill related to the acquisition represents future synergies and is allocated to the South African cash-generating unit.

		2009 Rm	2008 Rm	2007 Rm
34.	**BUSINESS COMBINATIONS AND OTHER ACQUISITIONS (CONTINUED)**			
34.2	**Other acquisitions**			
	Smartphone SP (Proprietary) Limited and subsidiaries (Note 34.2.1)	-	(938.1)	(333.9)
	Smartcom (Proprietary) Limited (Note 34.2.2)	-	(18.0)	(9.1)
	Cointel V.A.S. (Proprietary) Limited (Note 34.2.3)	-	(0.4)	(147.0)
		-	(956.5)	(490.0)

34.2.1 Smartphone SP (Proprietary) Limited and subsidiaries

On 31 August 2007 the Group increased its interest in the equity of Smartphone SP (Proprietary) Limited from 70% to 100%, which at that time had a 88% shareholding in Smartcom (Proprietary) Limited, a 100% shareholding in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited, a 52% shareholding in Ithuba Smartcall (Proprietary) Limited, a 100% shareholding in Cointel V.A.S. (Proprietary) Limited and a 90% shareholding in Smartcall Smartlife (Proprietary) Limited. The acquisition was accounted for using the parent entity extension method.

	2009 Rm	2008 Rm	2007 Rm
Minority interest	-	(6.1)	-
Goodwill	-	(931.2)	-
Purchase price (including capitalised cost)	-	(937.3)	-

The purchase price of R935.0 million (excluding capitalised costs) was paid on 3 September 2007 and the capitalised costs of R2.3 million was paid on 26 March 2008.

On 30 August 2006, the Group acquired a further 19% interest in the equity of Smartphone SP (Proprietary) Limited, which at that time had a 85.75% shareholding in Smartcom (Proprietary) Limited, a 100% shareholding in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited and a 52% shareholding in Ithuba Smartcall (Proprietary) Limited. The acquisition was accounted for using the parent entity extension method.

	2009 Rm	2008 Rm	2007 Rm
Minority interest	-	-	(21.5)
Goodwill	-	-	(313.2)
Purchase price (including capitalised costs)	-	-	(334.7)
Capitalised cost (paid)/payable	-	(0.8)	0.8
Cash consideration	-	(0.8)	(333.9)

The purchase price of R333.9 million (excluding capitalised costs) was paid in three tranches on 3 October 2006, 16 January 2007 and 26 March 2007 and the capitalised costs of R0.8 million was paid on 2 November 2007. The outstanding amount accrued interest at 7.6% per annum from 21 September 2006 up to the date of payment.

	2009 Rm	2008 Rm	2007 Rm

34. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS (CONTINUED)

34.2 Other acquisitions (continued)

34.2.2 Smartcom (Proprietary) Limited

On 1 September 2007 the Group increased its interest in the equity of Smartcom (Proprietary) Limited from 88% to 100%. The acquisition was accounted for using the parent entity extension method.

	2009 Rm	2008 Rm	2007 Rm
Minority interest	-	-	-
Goodwill	-	(18.0)	-
Purchase price	-	(18.0)	-

The purchase price of R18.0 million was paid on 6 September 2007.

On 13 September 2006, the Group increased its interest in Smartcom (Proprietary) Limited to 88% by acquiring an additional 2.25% interest through its 70% owned subsidiary, Smartphone SP (Proprietary) Limited. The acquisition was accounted for using the parent entity extension method.

	2009 Rm	2008 Rm	2007 Rm
Minority interest	-	-	(0.9)
Goodwill	-	-	(8.2)
Purchase price	-	-	(9.1)

The purchase price of R9.1 million was paid in two tranches on 21 February 2007 and 26 March 2007.

34.2.3 Cointel V.A.S. (Proprietary) Limited

On 4 October 2006 the Group increased its interest in the equity of Cointel V.A.S. (Proprietary) Limited to 100% by acquiring 49% from the minority shareholders. The acquisition was accounted for using the parent entity extension method.

	2009 Rm	2008 Rm	2007 Rm
Minority interest	-	-	(56.5)
Goodwill	-	-	(90.9)
Purchase price (including capitalised costs)	-	-	(147.4)
Capitalised cost (paid)/payable	-	(0.4)	0.4
Cash consideration	-	(0.4)	(147.0)

The purchase price of R147.0 million (excluding capitalised costs) was paid on 18 October 2006 while the capitalised cost of R0.4 million was paid on 2 November 2007.

On 9 October 2006, Smartphone SP (Proprietary) Limited, acquired 100% shareholding of Cointel V.A.S. (Proprietary) Limited from Vodacom Group Limited for R300.0 million.

As a result of the sale of Cointel V.A.S. (Proprietary) Limited from Vodacom Group Limited to Smartphone SP (Proprietary) Limited, R38.0 million goodwill was realised, which resulted in the realisation of R17.4 million profit on consolidation.

		2009 Rm	2008 Rm	2007 Rm
35.	**DISPOSAL OF SUBSIDIARIES**			
	Ithuba Smartcall (Proprietary) Limited (Note 35.1)	-	-	-
	Stand 13 Eastwood Road Dunkeld (Proprietary) Limited (Note 35.2)	-	15.7	-
	Smartcall Smartlife (Proprietary) Limited	-	*	-
		-	15.7	-

35.1 Ithuba Smartcall (Proprietary) Limited

On 3 September 2007, the Group disposed of its 52% interest in Ithuba Smartcall (Proprietary) Limited. The carrying values of the assets and liabilities disposed of were as follows:

	2009 Rm	2008 Rm	2007 Rm
Carrying amount of net assets disposed of	-	0.1	-
Trade and other receivables	-	-	-
Cash and cash equivalents	-	0.1	-
Minority interest	-	(0.3)	-
Capital gain on disposal	-	0.3	-
Selling price	-	0.1	-
Cash and cash equivalents	-	(0.1)	-
Cash consideration	-	-	-
Selling price satisfied by:			
Cash	-	0.1	-

The consideration was received on 6 September 2007.

35.2 Stand 13 Eastwood Road Dunkeld (Proprietary) Limited

On 3 September 2007, the Group disposed of its 100% interest in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited. The carrying values of the assets and liabilities disposed of were as follows:

	2009 Rm	2008 Rm	2007 Rm
Carrying amount of net assets disposed of	-	8.4	-
Property, plant and equipment	-	13.8	-
Deferred taxation	-	(1.8)	-
Cash and cash equivalents	-	0.4	-
Interest bearing debt	-	(3.9)	-
Taxation payable	-	(0.1)	-
Minority interest	-	-	-
Capital gain on disposal	-	7.7	-
Selling price	-	16.1	-
Cash and cash equivalents	-	(0.4)	-
Cash consideration	-	15.7	-
Selling price satisfied by:			
Cash	-	16.1	-

The consideration was received on 6 September 2007.

* On 1 October 2007, the Group disposed of its 90% interest in Smartcall Smartlife (Proprietary) Limited for R90. The carrying value of the assets and liabilities disposed amounted to R1 000.

		2009 Rm	2008 Rm	2007 Rm
36.	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**			
	Bank and cash balances	**1 104.1**	977.6	771.4
	Bank borrowings *	**(2 203.2)**	(2 596.8)	(879.2)
	Bank borrowings classified as financing activities	**2 182.9**	2 456.0	-
		1 083.8	836.8	(107.8)

* Bank borrowings, excluding those used for financing activities, are regarded as part of the Group's integral cash management system.

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

Included in cash and cash equivalents is a restricted amount of R28.3 million (2008: R29.8 million; 2007: R18.5 million) held by the Group on behalf of third parties.

		2009 Rm	2008 Rm	2007 Rm
37.	**CAPITAL COMMITMENTS**			
	Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:			
	Vodacom (Proprietary) Limited	**1 282.0**	997.4	747.6
	Vodacom Tanzania Limited	**525.1**	212.9	56.7
	Vodacom Congo (RDC) s.p.r.l.	**190.7**	251.1	209.7
	VM, SA	**176.6**	66.3	32.0
	Vodacom Properties No.1 (Proprietary) Limited	**28.5**	-	-
	Vodacom Service Provider Company (Proprietary) Limited	**9.5**	48.4	14.8
	Vodacom Group Limited	**0.9**	23.4	120.7
	Gateway Communications SA	**0.6**	-	-
		2 213.9	1 599.5	1 181.5
	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	**6 356.0**	5 509.7	4 916.7
	Vodacom Tanzania Limited	**1 368.0**	1 743.6	889.3
	Vodacom Congo (RDC) s.p.r.l.	**889.6**	876.4	660.0
	VM, SA	**446.9**	299.0	259.4
	Vodacom Service Provider Company (Proprietary) Limited	**256.0**	254.0	277.7
	Vodacom Properties No.1 (Proprietary) Limited	**200.0**	-	-
	Vodacom Lesotho (Proprietary) Limited	**175.6**	129.3	48.5
	Vodacom Group Limited	**15.2**	10.2	50.7
	Other	**4.5**	0.2	32.9
		9 711.8	8 822.4	7 135.2

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

		2009 Rm	2008 Rm	2007 Rm
38.	**OTHER COMMITMENTS**			
	Operating leases (Note 38.1)	**3 533.8**	4 570.9	2 765.2
	Sport and marketing contracts (Note 38.2)	**1 037.8**	1 359.5	881.7
	GSM transmission and data lines (Note 38.3)	**6 643.5**	-	-
	Other (Note 38.4 - 38.10)	**1 000.4**	1 544.2	775.3
		12 215.5	7 474.6	4 422.2

		Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
38.1	**Operating leases**				
	2009				
	GSM transmission and data lines	**369.2**	**826.1**	**109.2**	**1 304.5**
	Accommodation	**181.9**	**456.4**	**113.1**	**751.4**
	Site rentals	**226.6**	**665.8**	**548.9**	**1 441.3**
	Other operating leases	**16.7**	**19.3**	**0.6**	**36.6**
		794.4	**1 967.6**	**771.8**	**3 533.8**
	2008				
	GSM transmission and data lines	385.0	1 055.1	172.8	1 612.9
	Accommodation	149.6	620.3	903.0	1 672.9
	Site rentals	186.0	560.0	510.0	1 256.0
	Other operating leases	14.9	14.1	0.1	29.1
		735.5	2 249.5	1 585.9	4 570.9
	2007				
	GSM transmission and data lines	163.2	456.3	75.6	695.1
	Accommodation	134.1	585.8	747.7	1 467.6
	Site rentals	142.2	392.6	47.6	582.4
	Other operating leases	9.2	10.6	0.3	20.1
		448.7	1 445.3	871.2	2 765.2

The remaining lease term for transmission and data lines is between 1 and 5 years (2008: 1 and 5 years; 2007: 5 years) with a fixed price escalation clause per annum and various options to renew. The remaining lease term and escalation rate for office accommodation is between 1 and 15 years (2008: 1 and 15 years; 2007: 8 years) and between 3% and 12% (2008: 3% and 13%; 2007: 12%) per annum respectively with an option to renew for a further period. The remaining lease term and escalation rate for other accommodation is between 1 and 18 years (2008: 1 month and 18 years; 2007: 3 and 5 years) and between 6% and 12% (2008: 6% and 12%; 2007: 10%) per annum respectively with an option to renew. The remaining average lease term for site rentals is 5 years (2008: 5 years) and the lease escalates annually on the anniversary date using fixed or consumer price index rates with an option to renew on the same terms and conditions.

		Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
38.2	**Sport and marketing contracts**				
	2009	**447.7**	**583.6**	**6.5**	**1 037.8**
	2008	563.6	789.4	6.5	1 359.5
	2007	327.7	550.7	3.3	881.7

38. OTHER COMMITMENTS (CONTINUED)

38.3 GSM transmission and data lines

These GSM transmission and data line commitments of the Group's South African operations are not classified as operating leases. Effective 1 October 2008 most transmission and data line links are accounted for under the new Base Transceiver Station and Broadband agreement. The Group's commitment to Telkom SA Limited in respect of transmission line rentals is R3 357.1 million. The commitment is for the duration of the initial period. The initial period varies between one and five years depending on the option link chosen by the Group.

	Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
2009	984.4	3 753.4	1 905.7	6 643.5

38.4 Service providers

Service provider agreements with the Group's independent service providers were extended for a further period of five years during the 2006 financial year.

38.5 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.

38.6 Global alliance fees

The Group pays annual fees for services provided to the Group by Vodafone Group Plc. The fee is calculated as a percentage of revenue and amounted to R373.0 million (2008: R303.9 million; 2007: R249.8 million).

38.7 Retention incentives

The Group has committed a maximum of R727.6 million (2008: R1 316.6 million; 2007: R651.9 million) in respect of customers already beyond their normal 24 month contract period, but who have not yet upgraded into new contracts, and therefore have not utilised the incentives available for such upgrades. The Group has not recognised the liability, as no legal obligation exists, since the customers have not yet entered into new contracts.

38.8 Activation bonuses

The Group has a potential liability in respect of activation bonuses payable related to starter packs sold which have not yet been validated. The exposure is estimated at approximately R7.4 million (2008: R14.4 million; 2007: R7.8 million).

38.9 Activation commissions

Activation incentives are paid on activation of a prepaid starter pack. Activation is based on certain predefined usage rules per the Vodacom Service Provider Discount Scheme.

The Group has a commitment to a maximum of R142.2 million (2008: R119.3 million; 2007: R115.6 million) in terms of activation commissions on gross prepaid connections in excess of the legal liability recorded in the consolidated annual financial statements.

The above is calculated by applying actual historical percentages of connections and activations that occur over a 6 month period i.e. activations in any given month are traced back to the relevant month that the specific starter pack was connected.

	Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
38.10 Various other *				
2009	20.3	102.9	-	123.2
2008	14.9	79.1	-	94.0
2007	-	-	-	-

* Includes other accommodation.

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		2009 Rm	2008 Rm	2007 Rm
39.	CONTINGENCIES			
	Various legal matters	**21.7**	7.0	7.6

39.1 Negative net current asset ratio

For the financial years ended 31 March 2009, 2008 and 2007 the Group had a negative net current asset ratio. 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. The funding loans obtained from a consortium of lenders in the amount of R6.5 billion which will be utilised to refinance existing short-term debt and for capital expenditure and it will improve the negative net current asset ratio (Note 23.2). Depending on market conditions the Group will continue to seek longer term funding opportunities which will further reduce the negative net current asset ratio.

39.2 Universal Service Obligation

The Group has a potential liability in South Africa of approximately R147.5 million in respect of the 1800 MHz Universal Service Obligation in terms of distribution costs of 2.5 million SIM cards and the cost of 125 thousand handsets as the Independent Communications Authority of South Africa ("ICASA") is yet to formulate an implementation plan setting out the criteria for identification of the beneficiaries as well as the areas to be targeted.

39.3 Unresolved taxation matters

The Group is regularly subject to an evaluation, by the taxation authorities, of its direct and indirect taxation filings. The consequence of such reviews is that 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.

The Group has 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. All reliable assessments of taxation exposure identified have been quantified and accounted for as appropriate.

The Group has considered all matters in dispute with the taxation authorities and has assessed the deductibility of expenses initially disallowed for taxation purposes. Deferred taxation assets have only been recognised in this regard if it is probable that the Group will succeed in its disagreements with the taxation authorities.

39.4 Various legal contingencies

The Group is currently involved in various legal proceedings. The Group, in consultation with its legal counsel, has assessed the outcome of these proceedings and the likelihood that certain of these cases are not likely to be in the Group's favour. Following this assessment, the Group's management has determined that no provision is required in respect of these legal proceedings as at 31 March 2009. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

39.5 Customer registration

Democratic Republic of Congo

The telecommunications industry in the Democratic Republic of Congo is subject to a ministerial decree promulgated during the 2008 financial year requiring the registration of the entire customer base of all network operators. This decree required prescribed particulars of all customers to be obtained and maintained by 30 June 2008. Verbal extension was obtained initially to 31 December 2008 and subsequently further extended to 30 June 2009. The Group is making every effort to obtain the required information within the allowed timeframe, but believes it is unlikely that the Group will meet all the requirements in time. The Group continues to engage with the relevant ministries on this matter and is presently unable to reliably assess the potential impact on the Group in the event of partial non-compliance.

South Africa

The Regulation of Interception of Communications and Provisions of Communication-Related Information Amendment Act, 2008 ("RICA") was passed by Parliament during August 2008 and assented to, by the President, during January 2009. The legislation requires all licensees who provide electronic communications services to register the personal details of all customers to whom the services are provided. Though the effective date of these requirements is yet to be promulgated, it is anticipated that they will be effective by 1 July 2009. The industry has been given a period of 18 months to register all existing customers.

39.6 Contingent asset

Litigation may be instituted for the recovery of certain fees paid by the Group. The information usually required by IAS 37: Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The directors are of the opinion that a claim may be successful and that the amount recovered could be significant.

40. 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 R138.2 million (2008: R113.4 million; 2007: R84.7 million). Current contributions to the provident fund amounted to R13.1 million (2008: R13.5 million; 2007: R12.7 million). South African funds are governed in terms of the Pension Funds Act of 1956.

41. EVENTS SUBSEQUENT TO YEAR END

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the Group as at 31 March 2009 or the results of its operations or cash flows for the year ended, other than the following:

41.1 Increase in shareholding by Vodafone Group Plc

Vodafone Holdings (SA) (Proprietary) Limited increased its interest in Vodacom Group (Proprietary) Limited by acquiring an additional 15% from Telkom SA Limited, which resulted in Vodafone Group Plc ultimately holding and beneficially owning in aggregate 65% of the entire issued share capital of Vodacom Group (Proprietary) Limited ("the share sale transaction").

41.2 Capital restructure

Immediately following the share sale transaction Vodacom Group (Proprietary) Limited was converted from a private company to a public company named Vodacom Group Limited. The capital restructure involved sub-dividing the authorised share capital of 100 000 ordinary shares of R0.01 each, as at year end, into 14 879 540 000 ordinary shares with no par value after which 10 879 540 000 authorised but unissued shares with no par value were cancelled. This resulted in the authorised share capital of Vodacom Group Limited comprising of 4 000 000 000 ordinary shares with no par value. The existing issued share capital of 10 000 ordinary shares of R0.01 each was subdivided and converted into 1 487 954 000 ordinary shares with no par value.

41.3 Listing

After the share sale transaction and the capital restructure Vodacom Group Limited listed on the JSE in the "Telecommunications Sector" of the main board of the JSE, under the abbreviated name Vodacom, effective from the commencement of business on 18 May 2009. After the listing Telkom SA Limited unbundled its remaining 35% interest to its shareholders.

41.4 West Africa Cable System construction and maintenance agreement and supply contract

On 8 April 2009 the Group entered into a construction and maintenance agreement and supply contract for the building and laying of the West Africa Cable System ("WACS") submarine cable, resulting in the Group becoming a co-owner in the consortium that owns and operates the WACS submarine cable. The Group will receive capacity for its investment and will provide the WACS landing points in the Democratic Republic of Congo and the Canary Islands, the latter through Vodafone España S.A. The Group has committed to invest US$75 million over the next three financial years, with US$12 million thereof to be paid within the next financial year. In addition the Group is also committed to provide a cable station building and ancillary equipment at its landing point in the Democratic Republic of Congo, which will cost an estimated US$2.6 million. It is anticipated that the WACS system will be ready for commercial service by June 2011.

41.5 Congress of South African Trade Unions ("Cosatu") versus Vodacom Group Limited and others

The application launched by Cosatu against various respondents including Vodacom Group Limited is proceeding in the normal course, notwithstanding the failure of the urgent interlocutory application. Should the application proceed to court, it is anticipated that the matter will be enrolled for a hearing in approximately three months time.

		2009 Rm	2008 Rm	2007 Rm
42.	RELATED PARTY TRANSACTIONS			
42.1	Balances with related parties			
	Related party transactions occur within the Group.			
	Details of transactions entered into are as follows:			
	Included in accounts receivable			
	Telkom SA Limited – Interconnect	**664.2**	761.7	699.3
	Telkom SA Limited – Other	**10.4**	16.2	6.9
	Vodafone Group Plc and subsidiaries	**149.5**	13.4	20.9
	WBS Holdings (Proprietary) Limited	**122.9**	-	-
	Other *	**1.2**	-	-
	Transactions with entities in which related parties have an interest	**-**	37.1	-
	Included in accounts payable			
	Telkom SA Limited – Interconnect	**(88.3)**	(83.9)	(80.1)
	Telkom SA Limited – Other	**(44.6)**	(23.2)	(41.3)
	Vodafone Group Plc and subsidiaries	**(188.5)**	(328.1)	(6.4)
	WBS Holdings (Proprietary) Limited	**(1.0)**	-	-
	Other *	**(1.0)**	-	-
	Transactions with entities in which related parties have an interest	**(1.5)**	(3.4)	(8.0)
	Dividends payable			
	Telkom SA Limited	**(1 100.0)**	(1 595.0)	(1 450.0)
	Vodafone Holdings (SA) (Proprietary) Limited	**(657.8)**	(641.2)	(867.1)
	Vodafone Telecommunications Investments (SA) (Proprietary) Limited	**(442.2)**	(953.8)	(582.9)

These outstanding balances are unsecured and will be settled in cash in the ordinary course of business. No guarantees or provision for doubtful debts have been recognised.

* Other includes G Mobile Holdings (Proprietary) Limited and Gogga Tracking Solutions (Proprietary) Limited.

		2009 Rm	2008 Rm	2007 Rm
42.2	Transactions with related parties			
	Telkom SA Limited and subsidiaries (Entity with joint control over the Group)	**(1 306.3)**	(1 436.1)	(1 221.3)
	Audit fees recovered	**3.1**	5.9	6.1
	Cellular usage	**55.3**	54.0	45.6
	Installation of transmission lines	**(121.7)**	(100.2)	(67.6)
	Interconnect expense	**(462.2)**	(468.1)	(468.2)
	Interconnect income	**2 965.0**	2 963.4	2 908.4
	Interest paid	**-**	(0.2)	(0.1)
	Transmission line expense	**(937.1)**	(928.2)	(839.0)
	Other	**(160.6)**	41.1	(75.4)
	Site costs	**(51.5)**	(40.0)	(30.9)
	Telephone landline usage	**(14.7)**	(10.7)	(14.9)
	Site rental income	**18.1**	16.9	14.7
	Dividend payable	**(1 100.0)**	(1 595.0)	(1 450.0)
	Dividend paid	**(1 500.0)**	(1 375.0)	(1 250.0)
	Vodafone Group Plc and subsidiaries	**(440.5)**	(417.9)	(338.2)
	Roaming income	**282.3**	141.0	108.4
	Roaming expense	**(347.4)**	(256.9)	(188.9)
	Global alliance agreement	**(373.0)**	(303.9)	(249.8)
	Other	**(2.4)**	1.9	(7.9)
	Vodafone Holdings (SA) (Proprietary) Limited (Entity with joint control over the Group)	**(1 554.8)**	(1 194.0)	(1 614.6)
	Dividend payable	**(657.8)**	(641.2)	(867.1)
	Dividend paid	**(897.0)**	(552.8)	(747.5)

	2009 Rm	2008 Rm	2007 Rm
42. RELATED PARTY TRANSACTIONS (CONTINUED)			
42.2 Transactions with related parties (continued)			
Vodafone Telecommunications Investments (SA) (Proprietary) Limited	(1 045.2)	(1 776.1)	(1 085.4)
Dividend payable	(442.2)	(953.8)	(582.9)
Dividend paid	(603.0)	(822.3)	(502.5)
Other *	(13.9)	(10.7)	-
WBS Holdings (Proprietary) Limited #	8.6	-	-
Income	10.6	-	-
Expenses	(2.0)	-	-
Transactions with entities in which related parties have an interest	(60.2)	(53.0)	(40.6)

* Other includes G Mobile Holdings (Proprietary) Limited, Gogga Tracking Solutions (Proprietary) Limited, Westside Trading 163 (Proprietary) Limited and XLink Communications (Proprietary) Limited.

\# A family member of a Group director, who is no longer part of key management, had significant influence over this company.

	2009 Rm	2008 Rm	2007 Rm
42.3 Key management personnel compensation (excluding directors' remuneration)			
Key management personnel remuneration	(85.2)	(112.7)	(83.1)
Salaries and restraint of trade payments	(39.7)	(32.0)	(32.7)
Fringe benefits	(0.1)	(1.2)	(0.8)
Bonuses and incentives	(33.3)	(61.1)	(37.6)
Other employee benefits	(11.3)	(18.4)	(12.0)
Broad-based black economic empowerment charge	(0.8)	-	-
Included in key management personnel's remuneration above are:	(5.4)	(8.6)	(3.8)
Pension fund employer contributions	(2.6)	(4.3)	(1.7)
Provident fund employer contributions	(2.0)	(3.5)	(1.7)
Medical aid employer contributions	(0.8)	(0.8)	(0.4)

Key management include Chief Officers and Group Executives up to 31 January 2009. The Group introduced an Executive Committee on 1 February 2009, replacing the key management as previously defined.

	2009 Rm	2008 Rm	2007 Rm
42.4 Directors' remuneration			
Executive directors	(64.2)	(85.1)	(74.5)
Salaries and restraint of trade payments	(17.3)	(18.7)	(16.3)
Fringe benefits	-	(0.6)	(1.2)
Bonuses and incentives	(31.5)	(52.2)	(48.5)
Other employee benefits	(15.2)	(13.6)	(8.5)
Broad-based black economic empowerment charge	(0.2)	-	-
Non-executive directors	(2.3)	(1.4)	(2.2)
Directors' fees	(2.3)	(1.4)	(2.2)
Directors' remuneration paid and accrued by:	(66.6)	(86.5)	(76.7)
Vodacom Group Limited	(50.0)	(71.2)	(64.8)
Subsidiaries	(16.6)	(15.3)	(11.9)
Included in directors' remuneration above are:	(4.7)	(7.5)	(15.8)
Pension fund employer contributions	(1.1)	(2.5)	(8.3)
Provident fund employer contributions	(3.4)	(4.8)	(7.3)
Medical aid employer contributions	(0.2)	(0.2)	(0.2)

42. RELATED PARTY TRANSACTIONS (CONTINUED)

42.4 Directors' remuneration (continued)

Included in the aggregate directors' remuneration above are emoluments paid in cash for those directors who were directors of Vodacom Group Limited during the year ended 31 March 2009 and who were directors of Vodacom Group Limited on the date of listing:

	Directors' fees	Basic salary *	Bonus and performance related payments	Restraint of trade payments	Sums paid by way of expense allowance	Monetary value of any other material benefits	Total
	R	R	R	R	R	R	R
2009							
Executive directors							
PJ Uys	-	4 910 000	5 550 000	-	4 044	4 400	10 468 444
MS Aziz Joosub	-	3 850 000	8 286 735	10 000 000	8 359	131 746	22 276 840
J van der Watt	-	266 666	-	-	-	2 400	269 066
Non-executive directors							
TA Boardman	17 187	-	-	-	-	-	17 187
P Malabie	17 187	-	-	-	-	-	17 187
M Lundal **	61 251	-	-	-	-	-	61 251
JCG Maclaurin **	61 251	-	-	-	-	-	61 251
RAW Schellekens **	17 187	-	-	-	-	-	17 187
RC Snow **	175 000	-	-	-	-	-	175 000
	349 063	9 026 666	13 836 735	10 000 000	12 403	138 546	33 363 413
2008							
Executive directors							
PJ Uys	-	3 700 000	8 111 493	-	7 776	65 992	11 885 261
MS Aziz Joosub	-	3 500 000	4 050 000	-	9 884	120 569	7 680 453
Non-executive directors							
RC Snow **	175 000	-	-	-	-	-	175 000
	175 000	7 200 000	12 161 493	-	17 660	186 561	19 740 714

* Basic salary refers to guaranteed total cost of employment ("GTCE") which includes company contributions to provident funds, company car benefits, executive travel and travel allowances and professional membership fees. Included in basic salary is pension and provident contributions for PJ Uys of R473 744 (2008: R373 131), for MS Aziz Joosub of R330 478 (2008: R302 205) and for J van der Watt of R21 146.

The amounts disclosed above reflect actual payments made in cash. During the year the Group provided R1.4 million (2008: R2.4 million) for PJ Uys, R1.5 million (2008: R2.7 million) for MS Aziz Joosub and R0.1 million for J van der Watt respectively in respect of the vested deferred bonus incentive scheme allotments. The Group also provides for other employee benefits payable to eligible employees on termination or retirement.

** Fees due to these directors were paid to Vodafone Group Plc, the company by which the director is employed.

Except as noted otherwise no payments were made to third parties in lieu of directors' fees.

Notes to the consolidated annual financial statements

for the year ended 31 March 2009

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	Loans and receivables Rm	Available-for-sale financial assets Rm	Financial liabilities at amortised cost Rm	Finance lease receivables Rm	Equity and non financial assets and liabilities Rm
43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT								
43.1 Categories of financial instruments								
2009								
ASSETS								
Non-current assets								
Property, plant and equipment	11	21 844.1	-	-	-	-	-	21 844.1
Intangible assets	12	11 793.6	-	-	-	-	-	11 793.6
Financial assets	13	239.1	-	165.4	73.7	-	-	-
Investment in associate	14	64.5	-	-	-	-	-	64.5
Deferred taxation	15	782.7	-	-	-	-	-	782.7
Deferred cost		179.7	-	-	-	-	-	179.7
Trade and other receivables	17	8.2	-	8.2	-	-	-	-
Lease assets	18	312.6	-	-	-	-	251.8	60.8
Current assets								
Deferred cost		711.9	-	-	-	-	-	711.9
Financial assets	13	227.9	109.3	118.6	-	-	-	-
Inventory	16	652.6	-	-	-	-	-	652.6
Trade and other receivables	17	9 103.8	-	8 399.8	-	-	-	704.0
Lease assets	18	270.7	-	-	-	-	263.3	7.4
Taxation receivable		63.9	-	-	-	-	-	63.9
Cash and cash equivalents	36	1 104.1	-	1 104.1	-	-	-	-
Total assets		47 359.4	109.3	9 796.1	73.7	-	515.1	36 865.2
EQUITY AND LIABILITIES								
Ordinary share capital	19	*	-	-	-	-	-	*
Retained earnings		12 264.9	-	-	-	-	-	12 264.9
Other reserves	20	1 752.1	-	-	-	-	-	1 752.1
Equity attributable to equity holders of the parent		14 017.0	-	-	-	-	-	14 017.0
Minority interests	21	1 080.8	-	-	-	-	-	1 080.8
Total equity		15 097.8	-	-	-	-	-	15 097.8
Non-current liabilities								
Interest bearing debt	23	8 309.6	-	-	-	8 309.6	-	-
Non-interest bearing debt	24	6.0	-	-	-	6.0	-	-
Deferred taxation	15	1 360.9	-	-	-	-	-	1 360.9
Deferred revenue		240.7	-	-	-	-	-	240.7
Provisions	25	397.5	-	-	-	-	-	397.5
Other non-current liabilities	26	115.6	-	-	-	-	-	115.6
Current liabilities								
Trade and other payables	27	7 864.8	-	-	-	7 416.1	-	448.7
Deferred revenue		2 458.2	-	-	-	-	-	2 458.2
Taxation payable		549.0	-	-	-	-	-	549.0
Interest bearing debt	23	5 692.2	-	-	-	5 692.2	-	
Provisions	25	800.3	-	-	-	-	-	800.3
Dividends payable		2 210.8	-	-	-	2 210.8	-	-
Derivative financial liabilities	43	52.8	52.8	-	-	-	-	-
Bank borrowings	36	2 203.2	-	-	-	2 203.2	-	-
Total liabilities		32 261.6	52.8	-	-	25 837.9	-	6 370.9
Total equity and liabilities		47 359.4	52.8	-	-	25 837.9	-	21 468.7

* Share capital R100

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	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	Loans and receivables Rm	Available-for-sale financial assets Rm	Financial liabilities at amortised cost Rm	Finance lease receivables Rm	Equity and non financial assets and liabilities Rm
43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)								
43.1 Categories of financial instruments (continued)								
2008								
ASSETS								
Non-current assets								
Property, plant and equipment	11	19 119.6	-	-	-	-	-	19 119.6
Intangible assets	12	4 224.1	-	-	-	-	-	4 224.1
Financial assets	13	244.2	-	134.2	110.0	-	-	-
Deferred taxation	15	455.1	-	-	-	-	-	455.1
Deferred cost		333.3	-	-	-	-	-	333.3
Lease assets	18	92.0	-	-	-	-	82.1	9.9
Current assets								
Deferred cost		705.9	-	-	-	-	-	705.9
Financial assets	13	444.9	415.2	29.7	-	-	-	-
Inventory	16	636.9	-	-	-	-	-	636.9
Trade and other receivables	17	6 801.1	-	6 356.7	-	-	-	444.4
Lease assets	18	140.5	-	-	-	-	119.0	21.5
Cash and cash equivalents	36	977.6	-	977.6	-	-	-	-
Total assets		34 175.2	415.2	7 498.2	110.0	-	201.1	25 950.7
EQUITY AND LIABILITIES								
Ordinary share capital	19	*	-	-	-	-	-	*
Retained earnings		11 392.9	-	-	-	-	-	11 392.9
Other reserves	20	8.8	-	-	-	-	-	8.8
Equity attributable to equity holders of the parent		11 401.7	-	-	-	-	-	11 401.7
Minority interests	21	403.6	-	-	-	-	-	403.6
Total equity		11 805.3	-	-	-	-	-	11 805.3
Non-current liabilities								
Interest bearing debt	23	3 025.8	-	-	-	3 025.8	-	-
Non-interest bearing debt	24	6.0	-	-	-	6.0	-	-
Deferred taxation	15	776.5	-	-	-	-	-	776.5
Deferred revenue		358.8	-	-	-	-	-	358.8
Provisions	25	373.7	-	-	-	-	-	373.7
Other non-current liabilities	26	247.4	-	-	-	-	-	247.4
Current liabilities								
Trade and other payables	27	7 561.3	-	-	-	7 443.3	-	118.0
Deferred revenue		2 229.9	-	-	-	-	-	2 229.9
Taxation payable		580.5	-	-	-	-	-	580.5
Interest bearing debt	23	502.9	-	-	-	502.9	-	-
Provisions	25	909.5	-	-	-	-	-	909.5
Dividends payable		3 190.0	-	-	-	3 190.0	-	-
Derivative financial liabilities	43	10.8	10.8	-	-	-	-	-
Bank borrowings	36	2 596.8	-	-	-	2 596.8	-	-
Total liabilities		22 369.9	10.8	-	-	16 764.8	-	5 594.3
Total equity and liabilities		34 175.2	10.8	-	-	16 764.8	-	17 399.6

* Share capital R100

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	Loans and receivables Rm	Available-for-sale financial assets Rm	Financial liabilities at amortised cost Rm	Finance lease receivables Rm	Equity and non financial assets and liabilities Rm
43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)								
43.1 Categories of financial instruments (continued)								
2007								
ASSETS								
Non-current assets								
Property, plant and equipment	11	17 073.2	-	-	-	-	-	17 073.2
Intangible assets	12	2 700.3	-	-	-	-	-	2 700.3
Financial assets	13	209.5	-	114.4	95.1	-	-	-
Deferred taxation	15	386.1	-	-	-	-	-	386.1
Deferred cost		396.4	-	-	-	-	-	396.4
Lease assets	18	78.8	-	-	-	-	37.5	41.3
Current assets								
Deferred cost		574.8	-	-	-	-	-	574.8
Financial assets	13	207.5	191.3	16.2	-	-	-	-
Inventory	16	364.3	-	-	-	-	-	364.3
Trade and other receivables	17	5 675.0	-	5 334.9	-	-	-	340.1
Lease assets	18	32.9	-	-	-	-	26.9	6.0
Cash and cash equivalents	36	771.4	-	771.4	-	-	-	-
Total assets		28 470.2	191.3	6 236.9	95.1	-	64.4	21 882.5
EQUITY AND LIABILITIES								
Ordinary share capital	19	*	-	-	-	-	-	*
Retained earnings		9 523.2	-	-	-	-	-	9 523.2
Other reserves	20	(97.4)	-	-	-	-	-	(97.4)
Equity attributable to equity holders of the parent		9 425.8	-	-	-	-	-	9 425.8
Minority interests	21	221.2	-	-	-	-	-	221.2
Total equity		9 647.0	-	-	-	-	-	9 647.0
Non-current liabilities								
Interest bearing debt	23	2 051.4	-	-	-	2 051.4	-	-
Non-interest bearing debt	24	3.0	-	-	-	3.0	-	-
Deferred taxation	15	757.3	-	-	-	-	-	757.3
Deferred revenue		412.3	-	-	-	-	-	412.3
Provisions	25	377.5	-	-	-	-	-	377.5
Other non-current liabilities	26	210.6	-	-	-	-	-	210.6
Current liabilities								
Trade and other payables	27	6 874.4	-	-	-	6 688.0	-	186.4
Deferred revenue		1 904.8	-	-	-	-	-	1 904.8
Taxation payable		1 112.7	-	-	-	-	-	1 112.7
Interest bearing debt	23	501.0	-	-	-	501.0	-	-
Provisions	25	741.8	-	-	-	-	-	741.8
Dividends payable		2 990.0	-	-	-	2 990.0	-	-
Derivative financial liabilities	43	7.2	7.2	-	-	-	-	-
Bank borrowings	36	879.2	-	-	-	879.2	-	-
Total liabilities		18 823.2	7.2	-	-	13 112.6	-	5 703.4
Total equity and liabilities		28 470.2	7.2	-	-	13 112.6	-	15 350.4

* Share capital R100

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

43.2 RISK MANAGEMENT

The Group purchases or issues financial instruments in order to finance its operations and to manage market risks (foreign currency risk, interest rate risk and price risk) that arise from its operations and sources of finances. Various financial assets and liabilities for example trade and other receivables and trade and other payables, 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 risk faced in the normal course of the Group's business are market risks (foreign currency risk, interest rate risk and price risk), credit risk, liquidity risk and insurance risk.

A treasury function within Vodacom Group Limited provides treasury and related services to the Group, including co-ordinating access to domestic and international financial markets, and the managing of various risks relating to the Group's operations.

Treasury operations are conducted within a framework of approved policies and guidelines that are continuously monitored by management and the board of directors, through the audit committee, the objective being to minimise exposure to market risks (foreign currency risk, interest rate risk and price risk) and liquidity risk. These risks are managed, subject to the limitation of the local markets in which the various Group companies operate in and the South African Reserve Bank Regulations.

The Group uses a number of derivative instruments that are transacted for risk management purposes only. The Group does not trade in financial instruments for speculative purposes.

The Group finances its operations through a mixture of retained earnings, bank borrowings and long-term loans. Long-term financing is arranged locally by the South African entities.

There has been no significant change during the financial year, or since the end of the financial year, to the types of financial risks faced by the Group, the approach to the measurement of these financial risks or the objectives, policies and processes for managing these financial risks.

43.2.1 Market risk management

The Group's activities expose it primarily to the risks of fluctuations in foreign currency exchange rates (Note 43.2.1.1), interest rates (Note 43.2.1.2) and in previous financial years equity prices (Note 43.2.1.3).

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or foreign currency risk.

The Group enters into various derivative financial instruments to manage its exposure to interest rate risk and foreign currency risk, including:

- foreign exchange forward contracts to manage the exchange rate risk arising on foreign denominated transactions; and
- interest rate swaps to manage the risk of rising interest rates on borrowings.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how profit post taxation and equity post taxation would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Sensitivity analysis are for illustrative purposes only as, in practice, market rates rarely change in isolation.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
43.2 RISK MANAGEMENT (CONTINUED)
43.2.1 Market risk management (continued)
43.2.1.1 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence the Group has a policy to hedge foreign exchange risks, from a South African perspective, on transactions denominated in other currencies above certain de minimis levels.

It is the Group's policy to enter into foreign exchange forward contracts to buy and/or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The contracts are entered into 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 purchase of capital equipment and to a lesser extent operating expenditure.

The Group has entered into numerous foreign exchange forward contracts to cover foreign capital commitments in respect of future imports of infrastructure.

The total fair value for the foreign exchange forward contract asset/(liability) at year end was:

	2009 Rm	2008 Rm	2007 Rm
Foreign currency asset			
To buy	**10.1**	289.9	27.8
To sell	**1.7**	-	0.1
	11.8	289.9	27.9
Foreign currency liability			
To buy	**(52.8)**	-	(6.9)
To sell	**-**	(10.8)	(0.3)
	(52.8)	(10.8)	(7.2)

The following table details the foreign exchange forward contracts outstanding at year end:

	Foreign contract value Mil	Forward value Rm	Fair value Rm
Forward contracts to buy foreign currency			
2009			
United States Dollar	**27.4**	**267.9**	**267.4**
Euro	**75.5**	**1 015.1**	**980.0**
Pound Sterling	**3.6**	**56.9**	**49.9**
Swiss Franc	**0.3**	**2.4**	**2.3**
Australian Dollar	**0.6**	**3.7**	**3.7**
		1 346.0	**1 303.3**
2008			
United States Dollar	31.3	253.0	256.0
Euro	157.1	1 806.4	2 055.9
Pound Sterling	19.9	288.0	325.4
Swiss Franc	0.2	1.4	1.4
Australian Dollar	0.6	4.5	4.5
		2 353.3	2 643.2

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

	Foreign contract value Mil	Forward value Rm	Fair value Rm
43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)			
43.2 RISK MANAGEMENT (CONTINUED)			
43.2.1 Market risk management (continued)			
43.2.1.1 Foreign currency risk management (continued)			
Forward contracts to buy foreign currency (continued)			
2007			
United States Dollar	32.0	240.5	233.6
Euro	187.2	1 815.0	1 836.2
Pound Sterling	32.3	457.3	463.9
Swiss Franc	0.2	1.3	1.3
Australian Dollar	*	0.3	0.3
		2 514.4	2 535.3
Forward contracts to sell foreign currency			
2009			
United States Dollar	**0.3**	**2.9**	**2.8**
Euro	**3.2**	**40.9**	**40.5**
Pound Sterling	**1.0**	**14.7**	**13.5**
		58.5	**56.8**
2008			
United States Dollar	0.6	5.0	5.0
Euro	7.7	89.3	99.9
Pound Sterling	0.7	10.7	10.9
Australian Dollar	0.3	2.1	2.1
		107.1	117.9
2007			
United States Dollar	*	0.2	0.2
Euro	4.4	43.2	43.1
Pound Sterling	3.9	55.7	56.0
		99.1	99.3

Forward value represents the foreign contract value multiplied by the contract forward exchange rate.
* Amount less than 50 000 of the currency.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
43.2 RISK MANAGEMENT (CONTINUED)
43.2.1 Market risk management (continued)
43.2.1.1 Foreign currency risk management (continued)

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 (net carrying amount of foreign denominated monetary assets and liabilities) of the Group according to the different functional currencies of each entity within the Group.

	South African Rand Rm	Euro Rm	Pound Sterling Rm	United States Dollar Rm	Congolese Franc Rm	Swiss Franc Rm	Other Rm
2009							
Net foreign currency monetary assets/(liabilities)							
Functional currency							
South African Rand	-	(560.6)	(28.7)	39.4	-	3.0	(0.2)
United States Dollar	(2.6)	81.5	(0.5)	-	85.4	-	-
Tanzanian Shilling	(1.8)	(77.7)	-	(304.7)	-	-	-
Mozambican Metical	(27.3)	(5.6)	-	1.3	-	-	-
	(31.7)	(562.4)	(29.2)	(264.0)	85.4	3.0	(0.2)
2008							
Net foreign currency monetary assets/(liabilities)							
Functional currency							
South African Rand	-	(1 191.5)	(265.2)	(205.9)	-	(3.5)	(3.4)
United States Dollar	-	15.2	-	-	(34.1)	(0.3)	(0.1)
Tanzanian Shilling	7.1	38.3	-	67.4	-	-	-
Mozambican Metical	(27.2)	(0.1)	-	(14.5)	-	-	-
	(20.1)	(1 138.1)	(265.2)	(153.0)	(34.1)	(3.8)	(3.5)
2007							
Net foreign currency monetary assets/(liabilities)							
Functional currency							
South African Rand	-	(1 387.0)	(331.4)	(102.2)	-	(0.3)	2.4
United States Dollar	51.5	(49.9)	0.1	-	(3.2)	(0.4)	(30.8)
Tanzanian Shilling	3.4	10.9	-	21.0	-	-	-
Mozambican Metical	(33.7)	(0.3)	-	2.2	-	-	-
	21.2	(1 426.3)	(331.3)	(79.0)	(3.2)	(0.7)	(28.4)

In terms of the Group's policy the net currency exposure is managed in terms of foreign exchange forward contracts to buy and sell specified amounts of various foreign currencies in the future at pre-determined exchange rates.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
43.2 RISK MANAGEMENT (CONTINUED)
43.2.1 Market risk management (continued)
43.2.1.1 Foreign currency risk management (continued)

Foreign currency sensitivity analysis:

The Group is mainly exposed to the currencies mentioned below and to a lesser extent exposed to the Australian Dollar, Tanzanian Shilling, Mozambican Metical, Mauritian Rupee, Lesotho Maloti and Nigerian Naira which have been combined as "Other" in the table below.

The table details the Group's sensitivity to the below-mentioned percentage strenghtening in the different functional currencies of each entity within the Group against the relevant foreign currencies exposed to. This percentage is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency exchange rates. A reasonable possible change in prevailing African and non-African foreign currency exchange rates are based upon 12 month forward mid rates as published by Reuters and Standard Bank respectively.

The sensitivity analysis includes only outstanding foreign-denominated monetary items and adjusts their translations at the balance sheet date to the relevant functional currencies of each entity within the Group for the specified percentage change in foreign currency exchange rates.

A positive number below indicates an increase in profit post taxation where the functional currency of each entity within the Group is expected to strengthen against the relevant foreign currency exposed to in a net financial liability position for non-derivative monetary items and for forward exchange contracts to sell foreign currency. A negative number below indicates a decrease in profit post taxation where the functional currency of each entity within the Group is expected to strengthen against the relevant foreign currency exposed to in a net financial asset position for non-derivative monetary items and for forward exchange contracts to buy foreign currency. For the same percentage weakening of the functional currency of each entity within the Group against the relevant foreign currency exposed to, there would be an equal and opposite impact on the profit post taxation.

There were no changes in the methods and assumptions used in preparing the foreign currency sensitivity analysis.

	South African Rand	Euro	Pound Sterling	United States Dollar	Congolese Franc	Swiss Franc	Other
2009							
Functional currency							
South African Rand (%)	-	**6.1**	**6.1**	**5.9**	**3.9**	**6.5**	**0.9 - 10.4**
United States Dollar (%)	**5.9**	**0.2**	**0.2**	-	**10.0**	**1.0**	**1.9 - 16.9**
Tanzanian Shilling (%)	**1.5**	**4.5**	**4.5**	**4.3**	**n/a**	**n/a**	**n/a**
Mozambican Metical (%)	**n/a**	**16.0**	**16.0**	**15.8**	**n/a**	**n/a**	**n/a**
Profit post taxation (Rm) *	**2.6**	**(33.4)**	**(5.5)**	**1.7**	**(4.7)**	**(0.3)**	**(0.1)**
2008							
Functional currency							
South African Rand (%)	-	7.6	6.5	9.5	n/a	8.3	0.1 - 11.0
United States Dollar (%)	9.5	5.1	2.6	-	10.0	5.5	5.0 - 10.0
Tanzanian Shilling (%)	11.0	7.5	5.0	2.5	n/a	n/a	-
Mozambican Metical (%)	0.1	3.8	6.5	9.4	n/a	n/a	-
Profit post taxation (Rm) *	0.2	(38.8)	(0.7)	(5.2)	2.7	-	(0.5)
2007							
Functional currency							
South African Rand (%)	-	31.9	13.1	11.5	12.8	26.6	11.0 - 21.0
United States Dollar (%)	11.5	18.3	1.4	-	2.7	18.1	0.8 - 19.8
Tanzanian Shilling (%)	11.0	17.4	0.6	0.8	2.0	21.2	8.1
Mozambican Metical (%)	17.7	8.6	6.9	8.2	6.0	12.1	8.1
Profit post taxation (Rm) *	6.3	(24.1)	(1.9)	1.4	0.1	-	0.2

Comparative figures are stated post taxation in contrast to prior year published results which showed pre taxation figures.

The closing exchange rates against the South African rand in the current and prior years are as follows:

	2009	2008	2007
United States Dollar	**9.6**	8.1	7.3
Tanzanian Shilling	**139.5**	152.0	170.8
Mozambican Metical	**2.8**	3.0	3.6

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
43.2 RISK MANAGEMENT (CONTINUED)
43.2.1 Market risk management (continued)
43.2.1.2 Interest rate risk management

The Group's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the Group to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

	2009 Rm	2008 Rm	2007 Rm
Financial liabilities			
Loans received and bank borrowings at fixed rates of interest	**(1 159.9)**	(934.8)	(1 184.5)
Loans received and bank borrowings linked to South African prime rates	**-**	(40.1)	(823.5)
Loans received and bank borrowings linked to Lesotho prime rates	**(20.3)**	(24.4)	(3.0)
Loans received and bank borrowings linked to LIBOR	**(2 316.8)**	(1 670.2)	(1 382.8)
Loans received and bank borrowings linked to EURIBOR	**-**	-	(37.9)
Loans received and bank borrowings linked to South African money market rates	**(2 286.6)**	(2 456.0)	-
Loans received and bank borrowings linked to JIBAR	**(10 421.4)**	(1 000.0)	-
	(16 205.0)	(6 125.5)	(3 431.7)
Financial assets			
Loans granted and bank deposits at fixed rates of interest	**567.5**	496.1	194.2
Loans granted and bank deposits linked to money market rates	**369.6**	421.5	537.0
Loans granted and bank deposits linked to South African prime rates	**210.9**	74.1	180.5
Loans granted and bank deposits linked to LIBOR	**152.1**	128.2	126.0
Loans granted and bank deposits linked to Lesotho prime rates	**47.8**	116.3	-
Interest rate swaps linked to South African BA rate	**12.6**	18.4	27.7
Finance leases linked to fixed rates	**526.7**	212.4	76.6
	1 887.2	1 467.0	1 142.0

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts.

Interest rate swap contracts

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 rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
43.2 RISK MANAGEMENT (CONTINUED)
43.2.1 Market risk management (continued)
43.2.1.2 Interest rate risk management (continued)

During the 2009 financial year the Group's interest rate swaps were as follows:

Vodacom Group Limited - the company swapped its fixed interest rate of 14.9% Nominal Annual Compounded Quarterly ("NACQ ") for a floating rate, linked to the Bankers Acceptance ("BA") rate plus margin of 2.0%. This agreement terminated on 30 January 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 24 August 2012.

Vodacom (Proprietary) Limited - the company swapped its fixed interest rate of 13.3% Nominal Annual Compounded Semi-annualy ("NACS ") for a floating rate linked to the BA rate plus margin 2.0%. The termination date of the agreement is 1 December 2012.

	2009 Rm	2008 Rm	2007 Rm
Fair value of interest rate swap asset	12.6	17.4	27.7

The fair value of the interest rate swap assets is represented by a notional principal amount of R106.6 million (2008: R170.5 million; 2007: R198.5 million) at a weighted average floating interest rate of 13.5% Nominal Annual Compounded Monthly ("NACM") (2008: 13.4% NACM; 2007: 11.45% NACM) and a weigthed average fixed interest rate of 15.1% NACM.

Interest rate sensitivity analysis:

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the balance sheet date was outstanding for the whole year.

The basis points increases, as detailed in the table below, are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Changes in prevailing market interest rates are based on economic forecasts as published by Reuters.

A positive number below indicates an increase in profit post taxation if interest rates were higher by the basis points indicated below in a net financial asset position.

A negative number below indicates a decrease in profit post taxation if interest rates were higher by the basis points indicated below in a net financial liability position.

If interest rates were lower by the basis points indicated below, there would be an equal and opposite impact on the profit post taxation.

The sensitivity analysis is representative of the Group's exposure to interest rate risk with exception of dividends and taxation that are payable at the end of the financial year and other interest bearing debt acquired during the last six months of the financial year (Note 23). There were no changes in the methods and assumptions used in preparing the interest rate sensitivity analysis.

	2009	2008	2007
South African prime rates, JIBAR rates, Money market rates and South African BA rates			
Basis point increase	200	100	200
Profit post taxation (Rm) *	(184.7)	(17.2)	65.3
LIBOR			
Basis point increase	150	20	260
Profit post taxation (Rm) *	(5.7)	(1.8)	(1.7)
EURIBOR			
Basis point increase	70	35	50
Profit post taxation (Rm) *	-	-	0.1
Lesotho prime rates			
Basis point increase	200	100	200
Profit post taxation (Rm) *	0.2	1.3	0.5

* Comparative figures are stated post taxation in contrast to prior year published results which showed pre taxation figures.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

43.2 RISK MANAGEMENT (CONTINUED)

43.2.1 Market risk management (continued)

43.2.1.3 Price risk

In the prior financial years the Group was exposed to equity price risk arising from equity investments. Equity investments were held for strategic rather than trading purposes. The Group did not actively trade these investments.

Equity price risk sensitivity analysis:

The sensitivity analysis below was determined based on the exposure to equity price risk as at 31 March 2008 and 31 March 2007 as the Group is not exposed to equity price risk as at 31 March 2009.

The Group's available-for-sale financial asset was valued using the discounted cash flow method. Assuming a constant growth rate, a 1.0% increase in the discount rate decreased the valuation of the investment by R6.6 million (2007: R7.0 million) and a 1.0% decrease in the discount rate increased the valuation by R7.7 million (2007: R8.6 million).

There were no changes in prior financial years in the methods and assumptions used in preparing the equity price sensitivity analysis.

43.2.2 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the credit risk department.

Financial assets, which potentially subject the Group to concentrations of credit risk, consists principally of cash and cash equivalents, short-term deposits, derivative contracts including foreign exchange forward contracts and interest rate swaps, loans and receivables, investments and trade and other receivables, including finance lease receivables. Financial guarantees granted also subject the Group to credit risk.

The Group's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions. Credit risk with respect to trade and finance lease receivables is limited due to large number of customers comprising the Group's customer base and stringent credit approval processes for contracted customers.

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

The Group's exposure to credit risk with regards to loans and receivables are limited due to collateral held (Note 13).

The carrying amounts of financial assets, which is net of impairment losses, excluding foreign exchange forward contracts and interest rate swaps, included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to these assets, without taking into account the value of any collateral obtained.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

43.2 RISK MANAGEMENT (CONTINUED)

43.2.2 Credit risk management (continued)

The maximum credit exposure of forward exchange forward contracts and interest rate swaps is represented by the fair value of these contracts.

The maximum credit exposure of financial guarantee contracts granted is the maximum amount the Group could be required to pay, or fund, without consideration of the probability of the actual outcome. Financial guarantees issued in support of Vodacom Congo (RDC) s.p.r.l are included as liabilities in the consolidated balance sheet.

There has been no significant change during the financial year, or since the end of the financial year, to the Group's exposure to credit risk, the approach to the measurement or the objectives, policies and processes for managing this risk.

The following table details the Group's maximum exposure to credit risk per geographical class: *

	2009 Rm	2008 Rm	2007 Rm
Loans and receivables - South Africa	**131.9**	31.8	22.2
Loans and receivables - non-South African	**152.1**	132.1	108.4
Trade and other receivables - South Africa	**6 924.7**	5 576.6	4 546.0
Trade and other receivables - non-South African	**2 010.1**	992.5	865.4
Cash and cash equivalents - South Africa	**199.3**	48.5	240.4
Cash and cash equivalents - non-South African	**904.8**	929.1	531.0

* The financial assets, which potentially subject the Group to concentrations of credit risk, and which has not been listed above, being derivative contracts including foreign exchange forward contracts and interest rate swaps, investments, finance lease receivables and financial guarantees all form part of the South African geographical class.

The Group holds collateral over certain trade and other receivables. The collateral is obtained to safeguard the Group against the risk of non-collectability and is made up of demand guarantees from financial institutions which can be exercised on overdue invoices. The collateral held amounted to R1 854.5 million (2008: R1 086.1 million; 2007: R795.8 million). Collateral held over loans and receivables are disclosed in Note 13.

No terms of financial assets were renegotiated.

The following represents information on the credit quality of South African trade receivables that are neither past due nor impaired:

	2009 %	2008 %	2007 %
High	**-**	-	-
Medium	**14.7**	12.3	32.6
Low	**85.3**	87.7	67.4
	100.0	100.0	100.0

Definitions:

High: the probability exists that the debtor has defaulted in payments and entered into a delinquency scenario.

Medium: the probability exists that the debtor is experiencing financial difficulties and is in arrears. The debtor is being managed closely to collect all overdue accounts.

Low: no default in payment has occurred or is anticipated by the debtor.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
43.2 RISK MANAGEMENT (CONTINUED)
43.2.2 Credit risk management (continued)

The following represents an analysis of the age of financial assets that are past due but not impaired:

	1 - 30 days past due Rm	31 - 60 days past due Rm	61 - 90 days past due Rm	91 - 120 days past due Rm	121 days to 12 months past due Rm	More than 12 months past due Rm	Total Rm
2009							
Loans and receivables - South Africa	0.6	-	-	-	-	0.2	0.8
Trade and other receivables - South Africa	154.5	63.3	50.5	34.0	304.0	505.1	1 111.4
Trade and other receivables - non-South African	64.7	23.0	14.3	5.0	26.6	5.3	138.9
	219.8	86.3	64.8	39.0	330.6	510.6	1 251.1
2008							
Trade and other receivables - South Africa	135.3	63.9	59.5	134.6	235.9	4.5	633.7
Trade and other receivables - non-South African	8.4	19.4	-	-	-	-	27.8
	143.7	83.3	59.5	134.6	235.9	4.5	661.5
2007							
Trade and other receivables - South Africa	25.6	8.2	3.0	20.7	1.8	-	59.3
Trade and other receivables - non-South African	19.6	27.6	-	-	-	-	47.2
	45.2	35.8	3.0	20.7	1.8	-	106.5

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

43.2 RISK MANAGEMENT (CONTINUED)

43.2.3 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

In terms of its borrowing requirements, the Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through undrawn borrowing facilities. 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.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash flows. Estimated interest of floating interest rate financial liabilities is calculated using the applicable yield curves at 31 March 2009, 2008 and 2007.

	0 -1 year Rm	2 years Rm	3 years Rm	4 years Rm	5 years Rm	5+ years Rm	Not determined Rm	Total Rm
2009								
Asset backed financing	232.9	200.6	98.7	82.1	-	-	-	614.3
Funding loans	6 002.8	1 806.7	1 951.0	657.6	4 657.6	1 490.1	-	16 565.8
Other short-term loans	9.6	-	-	-	-	-	-	9.6
Non-interest bearing debt	-	-	-	-	-	-	6.0	6.0
Trade and other payables	9 626.9	-	-	-	-	-	-	9 626.9
Bank borrowings	2 203.2	-	-	-	-	-	-	2 203.2
	18 075.4	2 007.3	2 049.7	739.7	4 657.6	1 490.1	6.0	29 025.8
2008								
Asset backed financing	271.2	153.6	200.6	98.7	82.1	-	-	806.2
Funding loans	421.1	1 665.3	1 089.0	-	-	-	142.6	3 318.0
Other short-term loans	8.1	-	-	-	-	-	-	8.1
Non-interest bearing debt	-	-	-	-	-	-	6.0	6.0
Trade and other payables	10 634.0	-	-	-	-	-	-	10 634.0
Bank borrowings	2 596.8	-	-	-	-	-	-	2 596.8
	13 931.2	1 818.9	1 289.6	98.7	82.1	-	148.6	17 369.1
2007								
Asset backed financing	211.7	271.2	153.6	200.6	98.7	82.1	-	1 017.9
Funding loans	365.5	1.4	1 489.7	-	-	-	123.1	1 979.7
Other short-term loans	21.9	-	-	-	-	-	-	21.9
Non-interest bearing debt	-	-	-	-	-	-	3.0	3.0
Trade and other payables	9 742.5	-	-	-	-	-	-	9 742.5
Bank borrowings	879.2	-	-	-	-	-	-	879.2
	11 220.8	272.6	1 643.3	200.6	98.7	82.1	126.1	13 644.2

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
43.2 RISK MANAGEMENT (CONTINUED)
43.2.3 Liquidity risk management (continued)

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis and the undiscounted gross outflows on those derivatives that requires gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to projected interest rates as illustrated by the yield curves existing at the reporting date.

	0 -1 year Rm	2 years Rm	3 years Rm	4 years Rm	5 years Rm	5+ years Rm	Not determined Rm	Total Rm
2009								
Net settled:								
Interest rate swaps	1.6	-	-	-	-	-	-	1.6
Foreign exchange forward contracts	1.6	-	-	-	-	-	-	1.6
Gross settled:								
Foreign exchange forward contracts	1 283.7	5.4	-	-	-	-	-	1 289.1
	1 286.9	5.4	-	-	-	-	-	1 292.3
2008								
Net settled:								
Interest rate swaps	3.4	-	-	-	-	-	-	3.4
Foreign exchange forward contracts	11.0	-	-	-	-	-	-	11.0
Gross settled:								
Foreign exchange forward contracts	2 134.8	100.4	-	-	-	-	-	2 235.2
	2 149.2	100.4	-	-	-	-	-	2 249.6
2007								
Net settled:								
Interest rate swaps	6.2	-	-	-	-	-	-	6.2
Foreign exchange forward contracts	0.3	-	-	-	-	-	-	0.3
Gross settled:								
Foreign exchange forward contracts	2 322.5	-	-	-	-	-	-	2 322.5
	2 329.0	-	-	-	-	-	-	2 329.0

43.2.4 Insurance risk management

The Group is exposed to insurance risk as a result of its asset base as well as its customer commitments. In terms of its insurance risk profile the company ensures that there is adequate insurance cover through the utilisation of a special purpose insurance vehicle (Note 4).

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
43.2 RISK MANAGEMENT (CONTINUED)
43.2.5 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising return to shareholders.

The Group monitors capital on the basis of net debt to EBITDA. The Group previously monitored capital on the basis of net debt to adjusted equity.

Net debt comprises interest bearing debt, shareholder's loans, outside shareholder's loans, any other long-term liabilities, shareholder for dividends, secondary taxation payable on shareholders for dividends and cash and cash equivalents.

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

Adjusted equity comprises share capital, other reserves less minority interest, trademark and goodwill.

The Group's strategy is to maintain a net debt to EBITDA multiple of less than 2. The Group's strategy for the prior years was to maintain a net debt to adjusted equity ratio of below 150%.

The Group reviews its objectives on a semi-annual basis to ensure objectives are being met.

The net debt to EBITDA multiple and net debt to adjusted equity ratio at year end were as follows:

	2009 Rm	2008 Rm	2007 Rm
Debt	**(16 438.1)**	(7 043.6)	(5 919.1)
Cash and cash equivalents	**(1 099.1)**	(1 619.2)	(107.8)
Net debt	**(17 537.2)**	(8 662.8)	(6 026.9)
Adjusted equity	**(6 398.1)**	(9 308.0)	(8 274.0)
EBITDA	**(18 195.5)**	(16 463.1)	(14 243.9)
Net debt to EBITDA	**0.96**	0.53	0.42
Net debt to adjusted equity	**n/a**	93%	73%

The Group is not subject to externally imposed capital requirements.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

43.3 OPTION AGREEMENTS AND DEEMED OFFER

43.3.1 VM, SA

In terms of a shareholders' agreement, the Group's minority shareholders in VM, SA, Empresa Moçambicana de Telecommunicaçòes SA ("Emotel") and Intelec Holdings Limitada ("Intelec") each have a call option for a period of five years following the commencement date, 1 April 2007. Effective 2 October 2008 the Group sold 5% of its equity interest to Whatana Investments Limitada ("Whatana") and on the same date, in terms of the new shareholders' agreement, granted the additional minority shareholder, Whatana, a call option for the period until 13 March 2013. In terms of the options, Emotel, Intelec and Whatana shall be entitled to acquire such numbers of further shares in and proportionate claims in and against VM, SA as will result in Emotel, Intelec and Whatana each holding and beneficially owning, in aggregate, together with their shareholding in VM, SA as at the commencement dates, 10% of the entire issued share capital of VM, SA after exercise of the options and the Group holding 70%. The option can only be exercised in a single transaction and after all obligations to Vodacom International Limited have been fully discharged. The method of determining the option price is specified in the shareholders' agreement. The call option had a nil value as at 31 March 2009 and 2008.

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

In terms of a shareholders' agreement, the Group's minority shareholder in Vodacom Congo (RDC) s.p.r.l. ("Vodacom Congo"), Congolese Wireless Network s.p.r.l. ("CWN") has a put option which comes into effect three years after the commencement date, 1 December 2001, and for a maximum of five years thereafter until 1 December 2009. Under the 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 as constitute 19% of the entire issued share capital of Vodacom Congo that will result in the Group holding and beneficially owning, in aggregate, 70% of the entire issued share capital of Vodacom Congo. 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. The option price will be the fair market value of the related shares at the date the option is exercised. The option had a nil value as at 31 March 2009, 2008 and 2007. The obligation to settle the option in cash represents a financial liability. The option liability had a value of R43.2 million (2008: R396.5 million; 2007: R249.3 million) as at 31 March 2009 (Note 27).

43.3.3 WBS Holdings (Proprietary) Limited

The Group purchased a 10% equity interest in WBS Holdings (Proprietary) Limited ("WBS") effective 31 January 2007. WBS on the same date granted the Group a call option to subscribe in such number of further shares in WBS as will result in the Group holding and beneficially owning, in aggregate 25.5% of the entire issued share capital of WBS after exercise of the option. The sale of shares and call option agreement and the shareholders' agreement were subsequently amended to adjust the equity interest acquirable under the option from 15.5 % to 14.9%, bringing the aggregate of the entire issued share capital of WBS to be held by the Group after exercise of the option to 24.9%. The option had a nil value as at 31 March 2008 and 2007. The option was exercised on 1 October 2008.

43.3.4 Gogga Tracking Solutions (Proprietary) Limited

The Group purchased a 25.93% equity interest in Gogga Tracking Solutions (Proprietary) Limited ("Gogga") effective 13 November 2006. The Somnium Family Trust ("the Trust") granted the Group a call option to subscribe in such number of further shares in Gogga, as is equal to 23% of the entire issued share capital of Gogga on the date the option is exercised, which will result in the Group holding and beneficially owning, in aggregate, 48.93% of the entire issued share capital of Gogga after exercise of the option. The option had a nil value as at 31 March 2009, 2008 and 2007. The option was cancelled subsequent to year end and a new subscription agreement was concluded on 16 April 2009, increasing the Group's interest to 48.98%.

43.3.5 Zoopy (Proprietary) Limited

The Group purchased a 26% equity interest in Zoopy (Proprietary) Limited ("Zoopy") effective 1 July 2008. The Group also contracted to purchase a further 14% in two tranches of 9% and 5% respectively over the next two years, bringing their total equity interest up to 40%. The subscription agreement was subsequently amended and effective January 2009 the Group's equity interest in Zoopy was increased to 75%. In addition, Zoopy and its shareholders granted the Group an irrevocable call option to subscribe for such number of further shares in Zoopy as will result in the Group holding and beneficially owning, in aggregate 90% of the entire issued share capital of Zoopy after exercise of the option. The option period shall commence after the occurrence of the trigger event as stipulated in the option agreement and will ultimately terminate on the tenth anniversary of the effective date being 1 July 2008. The method of determining the option price is specified in the option agreement. The option had a nil value as at 31 March 2009.

43.3.6 Westside Trading 163 (Proprietary) Limited

The Group purchased a 75% equity interest in Westside Trading 163 (Proprietary) Limited ("Westside") effective 1 July 2008. In accordance with the shareholders' agreement, there shall be a deemed offer of the minority shareholders' shares, after expiry of a period of 24 months following the effective date or if the minority shareholders cease to be directors of or commit a breach of any of their fiduciary duties towards Westside, that will result in the Group holding and beneficially owning, in aggregate, 100% of the entire issued share capital of Westside after the deemed offer. The method of determining the purchase consideration is specified in the shareholders' agreement. The deemed offer had a nil value as at 31 March 2009.

44. GOODWILL IMPAIRMENT TEST

In terms of IFRS 3: Business Combinations ("IFRS 3"), goodwill impairment tests are performed annually, or more frequently when there is an indication that goodwill may be impaired, to compare the recoverable amount of each of the cash-generating units to its carrying amount. The Group's judgements regarding the existence of impairment indicators are based on market conditions and operational performance of the business. Future events could cause management to conclude that impairment indicators exist.

Goodwill impairment testing is conducted at cash-generating unit levels of the business and is based on a cash flow based valuation model to determine the recoverable amount of the cash-generating unit. The assumptions used in estimating future cash flows were based upon the business forecasts and incorporated external information from industry sources, where applicable. Changes in certain of these estimates could have an effect on the estimated recoverable amount of the cash-generating unit. Judgements in estimating discounted cash flows also include the selection of the pre taxation discount rate (weighted average cost of capital) to be used in the valuation model. The discount rate used in the valuation model considered a targeted debt and equity mix, a market risk premium, and other factors considered with valuation methodologies.

Based on the results of the impairment evaluation described above, the recorded goodwill was not impaired as the recoverable amount of each of the cash-generating units exceeded its carrying amount. Minor changes to the valuation model would not significantly impact the results of the valuation; however, if future cash flows were materially different to the forecasts, then the assessment of the potential impairment of the recorded goodwill may be impacted.

Goodwill acquired in business combinations has been allocated, for impairment testing purposes, to the following cash-generating units that are expected to benefit from the synergies of the business combinations:

South Africa
- Vodacom (Proprietary) Limited
- Vodacom Service Provider Company (Proprietary) Limited, which includes the operations of Smartphone SP (Proprietary) Limited, Smartcom (Proprietary) Limited and Cointel V.A.S. (Proprietary) Limited
- Storage Technology Services (Proprietary) Limited

Democratic Republic of Congo
- Vodacom Congo (RDC) s.p.r.l.

Tanzania
- Vodacom Tanzania Limited

Gateway

South Africa

The recoverable amounts of the cash-generating units Vodacom (Proprietary) Limited, Vodacom Service Provider Company (Proprietary) Limited, which includes the operations of Smartphone SP (Proprietary) Limited, Smartcom (Proprietary) Limited and Cointel V.A.S. (Proprietary) Limited and Storage Technology Services (Proprietary) Limited, were based on value in use calculations. These companies operate in the same economic environment for which the same key assumptions were used. These calculations use cash flow projections for ten years based on financial budgets approved by management covering a five year period, which have been extrapolated for a further five years, and discount rates which ranged between 12.0% and 14.0% (2008: 12.0% and 15.0%; 2007: 12.5% and 13.7%) in rand terms. The implied terminal growth rate, used for the ten year cash flow projections, ranged between 4.0% and 5.0% (2008: 4.0% and 6.0%; 2007: 4.0% and 5.0%). Ten year cash flow projections were used as expectations of strong revenue growth throughout the ten year period exists. Management believes that any reasonable possible change in the key assumptions on which the recoverable amounts are based would not cause the aggregate carrying amount of these units 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 for ten years based on financial budgets approved by management covering a five year period, which have been extrapolated for a further five years, and a discount rate which ranged between 16.0% and 19.0% (2008: 16.0% and 19.0%; 2007: 17.1% and 18.1%) in US dollar terms. The implied terminal growth rate, used for the ten year cash flow projections, ranged between 3.0% and 5.0% (2008: 2.0% and 5.0%; 2007: 6.0% and 8.0%). Ten year cash flow projections were used as expectations of strong revenue growth throughout the ten year period exists. Management believes that these growth rates do 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.

44. 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 for ten years based on financial budgets approved by management covering a five year period, which have been extrapolated for a further five years, and a discount rate which ranged between 19.0% and 22.0% (2008: 16.0% and 19.0%; 2007: 15.0% and 18.0%) in Tanzanian shilling terms. The implied terminal growth rate, used for the ten year cash flow projections, ranged between 5.0% and 9.0% (2008: 7.0% and 11.0%; 2007: 7.0% and 11.0%). Ten year cash flow projections were used as expectations of strong revenue growth throughout the ten year period exists. 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.

Gateway

The recoverable amount of this cash-generating unit was based on a value in use calculation for Gateway. The calculation uses cash flow projections for ten years based on financial budgets approved by management covering a five year period, which have been extrapolated for a further five years, and a discount rate which ranged between 13.0% and 15.0% in US dollar terms. The implied terminal growth rate, used for ten year cash flow projections, ranged between 3.0% and 5.0%. Ten year cash flow projections were used as expectations of strong revenue growth throughout the ten year period exists. 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.

	2009 Rm	2008 Rm	2007 Rm
Carrying amount of goodwill			
South Africa	**1 844.5**	1 739.3	790.1
Democratic Republic of Congo	**175.7**	148.1	132.9
Tanzania	**10.9**	9.2	8.2
Gateway	**5 398.5**	-	-
	7 429.6	1 896.6	931.2

Key assumptions and basis for determining values assigned to key assumptions

The following key assumptions and basis for determining values assigned to the key assumptions are applicable to all the cash-generating units, as listed above, unless specified otherwise:

Key assumption	Basis for determining values assigned to key assumptions
Expected customer base	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.
ARPU	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.
Gross margin	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.
Capital expenditure	Total capital expenditure achieved in period immediately before the budget period, adjusted for expected network coverage roll out. Value assigned based on management's expected network coverage roll out.
ZAR/USD exchange rate during the budget period (Democratic Republic of Congo and Other only)	Average market forward exchange rate over the budget period. Value assigned to key assumption is consistent with external sources of information.
ZAR/TZS and USD/TZS exchange rates during the budget period (Tanzania only)	Average market forward exchange rate over the budget period. Value assigned to key assumption is consistent with external sources of information.

45. UNDRAWN BORROWING FACILITIES AND GUARANTEES

45.1 Rand denominated facilities and guarantees

The Group has rand denominated credit facilities totalling R15 675.0 million (2008: R6 788.0 million; 2007: R4 989.0 million) with R12 335.0 million (2008: R3 456.0 million; 2007: R816.0 million) utilised at 31 March 2009.

Guarantor	Details	Beneficiary	2009 Rm	2008 Rm	2007 Rm
Vodacom (Proprietary) Limited	All guarantees less than R2.0 million	Various	**2.5**	2.4	2.7
Vodacom Service Provider Company (Proprietary) Limited	All guarantees less than R2.0 million	Various	**2.6**	2.9	2.6
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 Renewable annually	SA Insurance Association for benefit of insurers	**34.6**	32.0	27.0
Vodacom (Proprietary) Limited	Letter of undertaking in respect of property	Attorneys	**32.5**	16.9	6.8
Smartcom (Proprietary) Limited	Guarantees for salary bank account and debit orders	Various	**-**	-	3.2
Cointel V.A.S. (Proprietary) Limited	Guarantees for operating lease and debit orders.	Various	**-**	-	1.5
Vodacom Properties No.2 (Proprietary) Limited	Lease guarantees	Various	**2.9**	-	-
			75.1	54.2	43.8

45.2 Foreign denominated facilities and guarantees

The following foreign denominated facilities are in place:

Company	Details	As at 31 March Million Total facility	As at 31 March Million Utilised
2009			
Vodacom Tanzania Limited	Medium term loan	**US$47.1**	**US$40.0**
Vodacom Tanzania Limited	Medium term loan	**TZS54 000.0**	**TZS0.0**
Vodacom International Limited	Revolving term loan	**US$180.0**	**US$180.0**
Vodacom Congo (RDC) s.p.r.l.	Various	**US$31.0**	**US$30.8**
Vodacom Lesotho (Proprietary) Limited	Overdraft facilities with various banks	**M25.0**	**M12.9**
2008			
Vodacom International Limited	Revolving term loan	US$180.0	US$180.0
Vodacom Congo (RDC) s.p.r.l.	Various	US$18.5	US$9.4
Vodacom Lesotho (Proprietary) Limited	Overdraft facilities with various banks	M40.0	M0.0
VM, SA	Overdraft facility	US$0.5	US$0.0
2007			
Vodacom Tanzania Limited	Project finance	US$13.0	US$13.0
Vodacom International Limited	Revolving term loan	US$180.0	US$180.0
Vodacom Congo (RDC) s.p.r.l.	Various	US$17.0	US$5.1
Vodacom Lesotho (Proprietary) Limited	Overdraft facilities with various banks	M47.0	M0.0
VM, SA	Overdraft facility	US$0.5	US$0.0

45. UNDRAWN BORROWING FACILITIES AND GUARANTEES (CONTINUED)

45.2 Foreign denominated facilities and guarantees (continued)

The following foreign denominated guarantees have been issued:

Guarantor/Issuer	Details	Beneficiary	Currency	2009 Rm	2008 Rm	2007 Rm
Vodacom Group Limited	Guarantees issued for the obligations of Vodacom International Limited's term loan facility *#	Standard Bank Plc and RMB International (Dublin) Limited	US$180.0 million (2008: US$180.0 million; 2007: US$180.0 million)	1 735.2	1 462.5	1 311.9
				1 735.2	1 462.5	1 311.9

* Foreign denominated guarantees amounting to R1 735.2 million (2008: R1 462.5 million; 2007: R1 311.9 million) issued in support of Vodacom Congo (RDC) s.p.r.l. are included as liabilities in the consolidated balance sheet (Note 23).

\# The Group is in compliance with the covenants attached to the term loan facility.

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

Notes to the consolidated annual financial statements

for the year ended 31 March 2009

46. SEGMENTAL INFORMATION

The Group's reportable segments are business units that offer comparable business products and services however they are separately managed because the mobile telecommunication and data communication businesses are located in South Africa and other countries as well as business units that offer business products and services that are not comparable.

Vodacom has four reportable segments: Corporate, South Africa, International and Gateway. The segments offer a variety of telecommunication and data communication services as well as equipment sales.

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

"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.

"International" comprises the segment information relating to the non-South African based cellular networks which includes the cellular networks in Tanzania, Mozambique, Lesotho and the Democratic Republic of Congo as well as the operations of Vodacom International Limited.

"Gateway" comprises the segment information relating to the Group's provider of interconnect services via satellite and terrestrial network infrastructure and high quality, end-to-end connectivity solutions to entities operating across Africa.

The Group has changed the structure of its internal organisational reporting resulting in a change of its reportable segments. This resulted in the restatement of the comparative figures.

	2009 Rm	2008 Rm	2007 Rm
Reconciliations of reportable segments			
Segment results			
Management operating profit for reportable segments	12 262.4	12 616.4	* 11 000.4
Amortisation of licences, trademark, patents and customer bases	(145.6)	(95.8)	(117.7)
Impairment of assets	(112.2)	(29.9)	(22.9)
Operating profit	12 004.6	12 490.7	10 859.8
Net finance cost	(1 748.8)	(423.9)	(463.8)
Finance income	108.2	72.3	74.5
Finance costs	(1 459.5)	(681.3)	(369.3)
(Losses)/Gains on remeasurement and disposal of financial instruments	(397.5)	185.1	(169.0)
Loss from associate	(18.9)	-	-
Profit before taxation	10 236.9	12 066.8	10 396.0
Taxation	(4 045.0)	(4 109.2)	(3 836.0)
Net profit	6 191.9	7 957.6	6 560.0

* Management operating profit for reportable segments includes profit on sale of shares in subsidiary.

	Corporate Rm	South Africa Rm	International Rm	Gateway Rm	Eliminations Rm	Total Rm
46. SEGMENTAL INFORMATION (CONTINUED)						
2009						
Segment revenue	-	47 661.6	7 003.4	860.8	-	55 525.8
Inter-segment revenue	-	(225.9)	(57.3)	(55.5)	-	(338.7)
External customers segment revenue	-	47 435.7	6 946.1	805.3	-	55 187.1
Airtime and access	-	25 771.0	4 560.3	-	-	30 331.3
Data	-	5 973.1	467.8	-	-	6 440.9
Interconnect	-	8 624.6	1 174.2	-	-	9 798.8
Equipment	-	5 171.5	128.3	-	-	5 299.8
International airtime	-	1 475.4	610.4	-	-	2 085.8
Other	-	420.1	5.1	805.3	-	1 230.5
Management operating profit/(loss)	83.2	11 453.3	723.1	77.0	(74.2)	12 262.4
Net finance income/(cost)	8 134.4	(1 118.3)	(325.4)	(67.3)	(8 372.2)	(1 748.8)
Loss from associate	(18.9)	-	-	-	-	(18.9)
Taxation	(568.0)	(3 284.6)	(203.8)	(2.2)	13.6	(4 045.0)
Net profit/(loss)	7 172.0	6 968.6	75.1	(36.0)	(7 987.8)	6 191.9
Other material non-cash items included in segment profit/(loss):						
Depreciation and amortisation	(18.0)	(3 450.0)	(1 124.3)	(66.6)	(23.9)	(4 682.8)
Impairments of assets	(470.2)	(5.7)	(106.4)	-	470.1	(112.2)
Assets						
Reportable segment assets	15 086.4	26 693.1	11 181.8	8 013.5	(13 615.4)	47 359.4
Included in reportable segment assets:						
Additions to property, plant and equipment and intangible assets	55.6	4 762.0	2 413.8	13.8	(106.8)	7 138.4
Non-current assets other than financial instruments and deferred taxation	131.7	17 096.9	7 728.7	7 025.5	1 903.6	33 886.4
Investment in associate	64.5	-	-	-	-	64.5
Liabilities						
Reportable segment liabilities	(8 264.5)	(19 322.4)	(8 490.6)	(3 130.8)	6 946.7	(32 261.6)

	Corporate Rm	South Africa Rm	International Rm	Eliminations Rm	Total Rm
46. SEGMENTAL INFORMATION (CONTINUED)					
2008					
Segment revenue	-	43 180.3	5 393.9	-	48 574.2
Inter-segment revenue	-	(355.4)	(41.0)	-	(396.4)
External customers segment revenue	-	42 824.9	5 352.9	-	48 177.8
Airtime and access	-	23 596.4	3 498.8	-	27 095.2
Data	-	4 669.8	332.4	-	5 002.2
Interconnect	-	7 938.3	948.8	-	8 887.1
Equipment	-	4 931.0	120.4	-	5 051.4
International airtime	-	1 386.7	449.2	-	1 835.9
Other	-	302.7	3.3	-	306.0
Management operating profit/(loss)	109.9	11 752.1	757.1	(2.7)	12 616.4
Net finance income/(cost)	7 820.0	(537.7)	(174.1)	(7 532.1)	(423.9)
Taxation	(738.9)	(3 249.8)	(140.2)	19.7	(4 109.2)
Net profit/(loss)	6 868.5	7 916.3	404.0	(7 231.2)	7 957.6
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	(56.6)	(3 056.5)	(798.1)	-	(3 911.2)
Impairments of assets	320.3	-	(29.9)	(320.3)	(29.9)
Assets					
Reportable segment assets	12 359.7	24 597.8	8 546.9	(11 329.2)	34 175.2
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	200.2	4 297.2	1 521.7	904.1	6 923.2
Non-current assets other than financial instruments and deferred taxation	420.6	16 046.6	5 813.1	1 488.7	23 769.0
Liabilities					
Reportable segment liabilities	(7 493.2)	(17 776.7)	(6 692.4)	9 592.4	(22 369.9)

	Corporate Rm	South Africa Rm	International Rm	Eliminations Rm	Total Rm
46. SEGMENTAL INFORMATION (CONTINUED)					
2007					
Segment revenue	345.4	37 050.2	4 183.2	-	41 578.8
Inter-segment revenue	(345.4)	(11.6)	(75.4)	-	(432.4)
External customers segment revenue	-	37 038.6	4 107.8	-	41 146.4
Airtime and access	-	21 045.3	2 662.2	-	23 707.5
Data	-	3 112.9	228.8	-	3 341.7
Interconnect	-	7 058.0	777.6	-	7 835.6
Equipment	-	4 604.9	94.2	-	4 699.1
International airtime	-	961.8	344.0	-	1 305.8
Other	-	255.7	1.0	-	256.7
Management operating profit/(loss)	99.1	10 394.8	569.0	(62.5)	11 000.4
Net finance income/(cost)	3 196.7	(475.3)	(397.3)	(2 787.9)	(463.8)
Taxation	(814.5)	(2 922.0)	(125.4)	25.9	(3 836.0)
Net profit/(loss)	2 146.8	6 935.6	15.1	(2 537.5)	6 560.0
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	(2.2)	(2 623.4)	(670.5)	(65.1)	(3 361.2)
Impairments of assets	334.4	0.2	(22.9)	(334.6)	(22.9)
Assets					
Reportable segment assets	10 218.3	22 879.3	6 468.9	(11 096.3)	28 470.2
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	184.1	5 346.1	1 575.2	109.0	7 214.4
Non-current assets other than financial instruments and deferred taxation	239.4	14 946.8	4 464.9	597.6	20 248.7
Liabilities					
Reportable segment liabilities	(6 257.1)	(16 547.3)	(4 874.7)	8 855.9	(18 823.2)

47. INTERESTS IN JOINT VENTURES

Number Portability Company (Proprietary) Limited

In response to the introduction of Mobile Number Portability ("MNP") it was necessary for the formation of a company to provide all the services necessary to allow the existing three incumbent mobile operators to offer MNP.

Number Portability Company (Proprietary) Limited was formed for the express purpose of providing all the necessary services required for MNP by Vodacom, MTN and Cell C.

Number Portability Company (Proprietary) Limited is owned equally by all three operators and they contributed the required necessary financial resources directly proportional to their shareholding. MNP was officially launched on 10 November 2006.

Effective 20 September 2006, Vodacom (Proprietary) Limited acquired a 33.3% interest in Number Portability Company (Proprietary) Limited by acquiring 100 shares for R1. Each shareholder advanced to Number Portability Company (Proprietary) Limited funding by way of shareholders loans. As at 31 March 2009 the shareholder loan balance was R6.0 million (2008: R6.0 million; 2007: R6.0 million) (Note 23).

	2009 Rm	2008 Rm	2007 Rm
Interest held	**33.3%**	33.3%	33.3%
The Group's proportionate share of assets and liabilities:			
Property, plant and equipment	*	*	*
Intangible assets	**4.6**	6.3	6.3
Current assets	**4.8**	3.0	2.2
Total assets	**9.4**	9.3	8.5
Non-current liabilities	**(6.0)**	(6.0)	(6.0)
Inter-company creditors	**(3.0)**	(3.0)	(3.0)
Current liabilities	**(0.4)**	(0.4)	(0.6)
Net liabilities	-	(0.1)	(1.1)
The Group's proportionate share of revenue and expenditure:			
Revenue	**4.7**	5.7	0.4
Profit/(Loss) before taxation	-	1.1	(1.1)
Taxation	-	(0.1)	-
Net profit/(loss)	-	1.0	(1.1)
The Group's proportionate share of cash flows:			
Net cash flows from/(utilised in) operating activities	**1.8**	0.2	(1.0)
Net cash flows utilised in investing activities	-	(1.8)	(7.0)
Net cash flows from financing activities	-	3.0	9.0
Net cash flow	**1.8**	1.4	1.0

Number Portability Company (Proprietary) Limited had no contingent liabilities or capital commitments at 31 March 2009, 2008 and 2007.

* Amounts less than R50 000

48. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements adopted at 31 March 2009

The Group adopted the following new/amended accounting pronouncements as issued by the International Accounting Standards Board ("IASB") in accordance with their effective dates during the financial year:

IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IAS 39 (amended)	Financial Instruments: Recognition and Measurement
IFRS 7 (amended)	Financial Instruments: Disclosure

The adoption of the above mentioned new/amended accounting pronouncements had no impact on the Group's results or cash flow information for the year ended 31 March 2009.

Accounting pronouncements not adopted at 31 March 2009

IFRS 1: First-time adoption of International Financial Reporting Standards ("IFRS 1")

In May 2008 the IASB amended IFRS 1 effective for annual periods beginning on or after 1 January 2009. This amendment also led to IAS 27: Consolidated and Separate Financial Statements ("IAS 27") being amended, effective for the same annual periods. The amendments to IFRS 1 and IAS 27 respond to constituents' concerns that retrospectively determining cost and applying the cost method in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. The amendments address that issue:

- by allowing first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements; and
- by removing the definition of the cost method from IAS 27 and replacing it with a requirement to present dividends as income in the separate financial statements of the investor.

These amendments are not applicable to the Group.

IFRS 2: Share-based Payment ("IFRS 2")

In January 2008 the IASB amended IFRS 2 effective for annual periods beginning on or after 1 January 2009. The amended standard clarifies:

- vesting and non-vesting conditions;
- the estimation of the fair value of equity instruments granted;
- the accounting treatment of cancellations by counterparties to a share-based arrangement; and
- the definition of performance conditions.

During March 2009 the South African Accounting Practices Committee revised AC 503: Accounting for Black Economic Empowerment (BEE) Transactions in light of the amendments to IFRS 2.

The Group will adopt the amended IFRS 2 and revised AC 503 during the 2010 financial year and is currently evaluating the effect of the amended and revised standards.

IFRS 3: Business Combinations ("IFRS 3")

In January 2008 the IASB issued a revision to IFRS 3 effective for business combinations in annual periods beginning on or after 1 July 2009, which consequentially amended IAS 27: Consolidated and Separate Financial Statements ("IAS 27"), IAS 28: Investments in Associates ("IAS 28") and IAS 31: Interest in Joint Ventures ("IAS 31") effective for annual periods beginning on or after 1 July 2009.

Revisions to IFRS 3:

- require all acquisition costs to be expensed;
- require acquirers, with step acquisitions achieving control, to remeasure its previously held equity interest to fair value at the acquisition date and recognise any gain or loss in profit or loss;
- require non-controlling interests to be measured at either fair value or at the non-controlling interest's proportionate share of net identifiable assets of the entity acquired;
- require considerations for acquisitions to be measured at fair value at the acquisition date including the fair value of any contingent consideration payable. Subsequent changes are only allowed as a result of additional information on facts and circumstances that existed at the acquisition date, all other changes are recognised in profit or loss;
- require goodwill to be measured as the difference between the aggregate of the acquisition date fair value of the consideration transferred; the amount of any non-controlling interest acquired and in a business combination achieved in stages, the acquisition date fair value of the acquirers' previously held equity interest and the net of the acquisition date amounts of identifiable assets acquired and liabilities assumed; and
- clarifies that all contractual arrangements at the acquisition date must be classified and designated with the exception of leases and insurance contracts. Thus the acquirer applies its accounting policies as if it has acquired those contractual relationships outside of the business combination.

48. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Accounting pronouncements not adopted at 31 March 2009 (continued)

IFRS 3: Business Combinations ("IFRS 3") (continued)

Amendments to IAS 27:

- require that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are equity transactions, no gain or loss is recognised and goodwill is not remeasured. The difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised in equity;
- require that with the loss of control all assets, liabilities and non-controlling interest should be derecognised at carrying amount and any retained non-controlling interest should be remeasured to fair value on the date control is lost. The difference between the sum of the proceeds received and any retained interest and the carrying amount of assets, liabilities and non-controlling interest at the date control is lost, should be recognised in profit or loss; and
- require losses to be allocated to non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary.

Amendments to IAS 28:

- require derecognition of an associate with the loss of significant influence; and
- recognition in profit or loss of the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost.

Amendments to IAS 31:

- similar treatment as for associate investments is required when an investor loses joint control over a jointly controlled entity.

The Group will adopt the revised IFRS 3, and amended IAS 27, IAS 28 and IAS 31 during the 2011 financial year and is currently evaluating the effect of the revised and amended standards.

IFRS 7: Financial Instruments: Disclosures ("IFRS 7")

In March 2009 the IASB issued Improving Disclosures about Financial Instruments (Amendments to IFRS 7). The amendments require enhanced disclosures about fair value measurements and liquidity risk. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2009, with earlier application permitted. However, an entity will not be required to provide comparative disclosures in the first year of application.

Among other things, the new disclosures:

- clarify that the existing IFRS 7 fair value disclosures must be made separately for each class of financial instrument;
- add disclosure of any change in the method for determining fair value and the reasons for the change;
- establish a three-level hierarchy for making fair value measurements being quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1), inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2) and inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3);
- add disclosure, for each fair value measurement in the statement of financial position, of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever level 3 is used including a measure of sensitivity to a change in input data;
- clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts;
- add disclosure of a maturity analysis for derivative financial liabilities.

The Group will adopt these amendments to IFRS 7 during the 2010 financial year and is currently evaluating the effect of the amendments to the standard.

48. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Accounting pronouncements not adopted at 31 March 2009 (continued)

IAS 1: Presentation of Financial Statements ("IAS 1")

In September 2007 the IASB issued a revision to IAS 1 effective for annual periods beginning on or after 1 January 2009. The revised standard requires an entity to:

- present all non-owner changes in equity either in one statement of comprehensive income or in two statements, a separate income statement and a statement of comprehensive income;
- present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective adjustment; and
- disclose income taxation relating to each component of other comprehensive income and to disclose reclassification adjustments relating to components of other comprehensive income.

In addition the revision includes changes in the titles of some of the financial statements. The new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

In February 2008 the IASB issued further amendments to IAS 1 which are effective for annual periods beginning on or after 1 January 2009. The amendments require disclosures for puttable instruments classified as equity which include quantitative data about the amount classified as equity; the entity's objectives, policies and processes for managing its obligation to repurchase or redeem the instruments including any changes from the previous period; the expected cash outflow on redemption or repurchase of that class of financial instruments, how the expected cash outflow was determined and if an instrument is reclassified into and out of financial liabilities and equity the amount, timing and reason for reclassification.

The Group will adopt the revised IAS 1 and amendments to this standard during the 2010 financial year and is currently evaluating the effect of the revised standard and amendments.

IAS 23: Borrowing Costs ("IAS 23")

In March 2007 the IASB issued a revision to IAS 23 effective for annual periods beginning on or after 1 January 2009. The revised standard removes the option of recognising immediately as an expense those borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised standard does not apply to borrowing costs directly attributable to the acquisition, construction or production of qualifying assets measured at fair value or inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis.

The Group will adopt the revised IAS 23 during the 2010 financial year and it has been concluded post evaluation of the effects of the standard, that adoption of the revised standard will not have a material impact on the Group's results.

IAS 32: Financial instruments: Presentation ("IAS 32")

In February 2008 the IASB amended IAS 32 effective for annual periods beginning on or after 1 January 2009. The amendment requires:

- puttable instruments and instruments or components of instruments that impose on the entity an obligation to deliver to another party a *pro-rata* share of the net assets of the entity only on liquidation to be classified as equity if all the conditions specified in the standard are met;
- reclassification from or to equity when the specified criteria are no longer met or are subsequently met; and
- that derivatives over the aforementioned instruments may not be classified as equity.

The Group will adopt the amended IAS 32 during the 2010 financial year and is currently evaluating the effect of the amended standard.

IAS 39: Financial instruments: Recognition and Measurement ("IAS 39")

In July 2008 the IASB amended IAS 39 effective for annual periods beginning on or after 1 July 2009.
The amendments clarified two hedge accounting issues:

- inflation in a financial hedged item; and
- a one-sided risk in a hedged item.

The Group will adopt these amendments to IAS 39 during the 2011 financial year and is currently evaluating the effect of the amendments to the standard.

48. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Accounting pronouncements not adopted at 31 March 2009 (continued)

IAS 39 & IFRIC 9: Reassessment of Embedded Derivatives ("IFRIC 9")

In March 2009 the IASB amended IAS 39 and IFRIC 9 for embedded derivatives when reclassifying financial instruments. The reclassification amendment allows entities to reclassify particular financial instruments out of the "fair value through profit or loss" category in specific circumstances. These amendments to IAS 39 and IFRIC 9 clarify that on reclassification of a financial asset out of the "fair value through profit or loss" category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.

The amendments apply retrospectively and are required to be applied for annual periods ending on or after 30 June 2009.

The Group will adopt these amendments to IAS 39 and IFRIC 9 during the 2011 financial year and is currently evaluating the effect of the amendments to the standard and interpretation.

Changes as a result of the annual improvements project

A number of standards were amended as a result of the annual improvements project of the IASB in May 2008 effective for annual periods beginning on or after 1 January 2009 with the exception of IFRS 5 which is effective for annual periods beginning on or after 1 July 2009. These standards were as follows:

- IFRS 5: Non-current Assets Held for Sale and Discontinued Operations;
- IAS 1: Presentation of Financial Statements;
- IAS 16: Property, Plant and Equipment;
- IAS 19: Employee Benefits;
- IAS 20: Accounting for Government Grants and Disclosure of Government Assistance;
- IAS 23: Borrowing Costs;
- IAS 27: Consolidated and Separate Financial Statements;
- IAS 28: Investments in Associates;
- IAS 29: Financial Reporting in Hyperinflationary Economies;
- IAS 31: Interests in Joint Ventures;
- IAS 36: Impairment of Assets;
- IAS 38: Intangible Assets;
- IAS 39: Financial Instruments: Recognition and Measurement;
- IAS 40: Investment Property; and
- IAS 41: Agriculture.

The Group will adopt the changes to these standards during the 2010 financial year with the exception of IFRS 5, which will be adopted during the 2011 financial year. The Group is currently evaluating the effects of the amendments.

IFRIC 13: Customer Loyalty Programs ("IFRIC 13")

In June 2007 the IASB issued IFRIC 13 effective for annual periods beginning on or after 1 July 2008. The interpretation addresses accounting by entities that grant loyalty award credits (such as points or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services (awards) to customers who redeem award credits. IFRIC 13 states that an entity that grants loyalty award credits shall allocate some of the proceeds of the initial sale to the award credits as a liability (its obligation to provide the awards). The entity shall recognise the deferred portion of the proceeds as revenue only when it has fulfilled its obligations.

The Group will adopt IFRIC 13 during the 2010 financial year and it is estimated that the effect of the interpretation based on current indications will result in a decrease in equity as at March 2009 of approximately R119.4 million before taking into account any taxation impact.

IFRIC 15: Agreements for the Construction of Real Estate ("IFRIC 15")

In July 2008 the IASB issued IFRIC 15 effective for annual periods beginning on or after 1 January 2009. The interpretation will standardise accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, "off plan", i.e. before construction is complete. The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11: Construction Contracts or IAS 18: Revenue and when revenue from the construction should be recognised.

The Group will adopt IFRIC 15 during the 2010 financial year and does not believe that the adoption of the interpretation will have any effect.

48. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Accounting pronouncements not adopted at 31 March 2009 (continued)

IFRIC 16: Hedges of a Net Investment in a Foreign Operation ("IFRIC 16")

In July 2008 the IASB issued IFRIC 16 effective for annual periods beginning on or after 1 October 2008. The interpretation clarifies three main issues:

- the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation;
- the hedging instrument(s) may be held by any entity or entities within the Group;
- while IAS 39: Financial Instruments: Recognition and Measurement must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21: The Effects of Changes in Foreign Exchange Rates must be applied in respect of the hedged item.

The Group will adopt IFRIC 16 during the 2010 financial year and is currently evaluating the effects of the interpretation.

IFRIC 17: Distribution of Non-cash Assets to Owners ("IFRIC 17")

In November 2008 the IASB issued IFRIC 17 effective for annual periods beginning on or after 1 July 2009. The interpretation clarifies that:

- a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;
- dividends payable should be measured at the fair value of the net assets to be distributed;
- the difference between the dividend paid and the carrying amount of the net assets distributed should be recognised in profit or loss; and
- additional disclosures are required if the net asset being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17 applies to *pro-rata* distributions except for common control transactions.

The Group will adopt IFRIC 17 during the 2011 financial year and is currently evaluating the effects of the interpretation.

IFRIC 18: Transfers of Assets from Customers ("IFRIC 18")

In January 2009 the IASB issued IFRIC 18 effective for annual periods beginning on or after 1 July 2009. The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

The basic principle of IFRIC 18 is that when the item of property, plant and equipment transferred from a customer meets the definition of an asset under the IASB Framework from the perspective of the recipient, the recipient must recognise the asset in its financial statements. If the customer continues to control the transferred item, the asset definition would not be met even if ownership of the asset is transferred to the utility or other recipient entity.

IFRIC 18 also provides guidance for recognising revenue in these cases, and on how to account for transfers of cash from customers.

The Group will adopt IFRIC 18 during the 2011 financial year and is currently evaluating the effects of the interpretation.

AC 504 - IAS 19 (AC 116) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment

In March 2009 the South African Accounting Practices Committee issued a revision to AC 504 to provide guidance on the application of IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in South Africa in relation to defined benefit pension obligations (governed by the Pension Funds Act, 1956 (the Act)) within the scope of IAS 19 (AC 116) – Employee Benefits.

The Group will adopt this standard during the 2010 financial year but do not believe that adoption of the standard will have any effect.

Report of the independent auditors

To the members of Vodacom Group Limited

We have audited the annual financial statements of Vodacom Group Limited for the year ended 31 March 2009, from which the abridged annual financial statements were derived, in accordance with International Standards on Auditing. In our report dated 29 May 2009 we expressed an unqualified opinion on the annual financial statements from which the abridged annual financial statements were derived.

In our opinion, the accompanying abridged annual financial statements, as set out on pages 217 to 230, are consistent, in all material respects, with the annual financial statements from which they were derived, and are presented in accordance with IAS 34: Interim Financial Reporting and in the manner required by the Companies Act, 1973, as amended.

For a better understanding of the Group's financial position and the results of its operations for the year ended and of the scope of our audit, the abridged annual financial statements should be read in conjunction with the annual financial statements from which the abridged annual financial statements were derived and our audit report thereon.

Deloitte & Touche

Registered Auditors
Per B Greyling
Partner
Pretoria, South Africa
29 May 2009
221 Waterkloof Road
Waterkloof
Pretoria

National Executive: GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax, Legal and Financial Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), CR Beukman (Finance), TJ Brown (Clients & Markets), NT Mtoba (Chairman of the Board), Regional Leader: X Botha.

A full list of partners and directors is available on request.

Income statement

for the year ended 31 March 2009

	Notes	2009 Rm	2008 Rm	2007 Rm
Revenue	1	586.4	551.4	381.2
Other income		-	-	68.7
Depreciation	2	(8.5)	(17.2)	(2.0)
Staff expenses		(321.4)	(294.8)	(250.9)
Marketing and advertising expenses		(27.0)	(8.0)	(3.8)
Other operating expenses		(144.4)	(120.5)	(94.3)
Amortisation of intangible assets	2	(9.5)	(2.9)	(0.1)
Impairment of assets	3	(470.1)	(320.2)	(334.5)
Loss from operations	2	(394.5)	(212.2)	(235.7)
Finance income	4	9 291.2	8 555.7	3 533.4
Finance costs	5	(917.5)	(782.3)	(397.7)
(Losses)/Gains on remeasurement and disposal of financial instruments	6	(341.0)	38.7	42.6
Profit before taxation		7 638.2	7 599.9	2 942.6
Taxation	7	(557.9)	(715.4)	(789.7)
Net profit		7 080.3	6 884.5	2 152.9

	2009 Cents	2008 Cents	2007 Cents
Basic and diluted earnings per share	475.8	462.7	144.7

Balance sheet

as at 31 March 2009

	Notes	2009 Rm	2008 Rm	2007 Rm
ASSETS				
Non-current assets		12 900.3	5 927.7	4 087.1
Investment in subsidiaries	8	9 342.6	4 319.7	3 127.8
Financial assets	8	3 218.0	1 086.0	672.5
Investment property		-	288.1	159.5
Intangible assets		102.8	58.8	3.4
Other investments	8	156.1	63.8	0.8
Property, plant and equipment		28.0	72.4	76.4
Deferred taxation	9	51.9	38.2	45.2
Lease assets		0.9	0.7	1.5
Current assets		2 083.4	6 395.5	6 105.0
Financial assets	8	148.5	26.9	130.0
Non-current assets held for sale		325.2	-	-
Lease assets		0.6	0.7	1.1
Inter-company money market loans receivable	10	1 466.4	6 103.0	5 488.4
Inter-company accounts receivable	11	92.0	167.1	305.9
Trade and other receivables	12	23.3	97.6	151.3
Taxation receivable		19.3	-	-
Cash and cash equivalents		8.1	0.2	28.3
Total assets		14 983.7	12 323.2	10 192.1
EQUITY AND LIABILITIES				
Equity		6 777.4	4 913.9	3 952.6
Ordinary share capital	13	*	*	*
Retained earnings		6 777.4	4 897.1	3 952.6
Other reserves		-	16.8	-
Non-current liabilities		120.5	113.2	106.2
Provisions	14	120.5	113.2	106.2
Current liabilities		8 085.8	7 296.1	6 133.3
Dividends payable		2 200.0	3 190.0	2 900.0
Bank borrowings		1 885.5	2 456.0	815.7
Taxation payable		217.7	322.8	360.5
Inter-company money market loans payable	10	508.7	899.5	1 644.8
Provisions	14	139.4	187.3	140.6
Interest bearing debt	15	2 990.6	-	-
Financial liability		21.5	87.9	138.0
Inter-company accounts payables	16	79.8	107.6	82.4
Trade and other payables	17	42.6	45.0	51.3
Total equity and liabilities		14 983.7	12 323.2	10 192.1

* Share capital R100

Statement of changes in equity

for the year ended 31 March 2009

	Share capital and premium Rm	Retained earnings Rm	Other reserves Rm	Total Rm
Balance as at 31 March 2006	*	7 199.7	-	7 199.7
Net profit for the period	-	2 152.9	-	2 152.9
Dividends declared	-	(5 400.0)	-	(5 400.0)
Balance as at 31 March 2007	*	3 952.6	-	3 952.6
Net profit for the period	-	6 884.5	-	6 884.5
Dividends declared	-	(5 940.0)	-	(5 940.0)
Net gains and losses not recognised in the income statement				
Revaluation of available-for-sale investments	-	-	16.8	16.8
Balance as at 31 March 2008	*	4 897.1	16.8	4 913.9
Net profit for the period	-	7 080.3	-	7 080.3
Dividends declared	-	(5 200.0)	-	(5 200.0)
Net gains and losses not recognised in the income statement				
Revaluation of available-for-sale investments	-	-	(16.8)	(16.8)
Balance as at 31 March 2009	*	6 777.4	-	6 777.4

* Share capital R100

Cash flow statement

for the year ended 31 March 2009

	Notes	2009 Rm	2008 Rm	2007 Rm
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		609.2	510.3	405.1
Cash paid to suppliers and employees		(552.3)	(355.1)	(285.7)
Cash generated from operations	18	56.9	155.2	119.4
Finance costs paid		(916.3)	(728.6)	(372.9)
Finance income received		1 124.0	1 045.4	653.7
Realised net (losses)/gains on remeasurement and disposal of financial instruments		(406.7)	(0.4)	2.1
Taxation paid		(696.0)	(746.1)	(821.5)
Dividends received		8 222.8	7 667.3	2 508.2
Dividends paid		(6 190.0)	(5 650.0)	(5 300.0)
Net cash flows from/(utilised in) operating activities		1 194.7	1 742.8	(3 211.0)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiaries		(7 702.3)	(1 915.6)	(852.6)
Proceeds on sale of investment		-	-	300.0
Proceeds on disposal of property, plant, equipment and intangible assets		1.9	0.3	-
Additions to property, plant, equipment, investment properties and intangible assets		(58.1)	(167.1)	(167.2)
Other investing activities		(87.3)	31.1	(274.9)
Net cash flows utilised in investing activities		(7 845.8)	(2 051.3)	(994.7)
CASH FLOW FROM FINANCING ACTIVITIES				
Net increase in bank borrowings and money market		6 659.0	1 096.1	2 635.4
Net cash flows from financing activities		6 659.0	1 096.1	2 635.4
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7.9	787.6	(1 570.3)
Cash and cash equivalents/(bank borrowings at the beginning of the year		0.2	(787.4)	782.9
CASH AND CASH EQUIVALENTS/(BANK BORROWINGS) AT THE END OF THE YEAR		8.1	0.2	(787.4)

Notes to the abridged annual financial statements

for the year ended 31 March 2009

BASIS OF PREPARATION

These abridged annual financial statements of Vodacom Group Limited ("the Group") have been prepared in accordance with the recognition and measurement criteria of the International Financial Reporting Standards as issued by the International Accounting Standards Board and comply with the disclosure requirements of IAS 34: Interim Financial Reporting. The abridged annual financial statements have been prepared on the historical cost basis, except for financial assets and financial liabilities (including derivative instruments) recorded at fair value or at amortised cost. The abridged annual financial statements have been presented in South African rand, 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 and the accounting policies are available for inspection at the Group's registered office.

There have been no material changes in estimates of amounts reported in prior interim periods of the current financial year or reported in previous years.

		2009 Rm	2008 Rm	2007 Rm
1.	**REVENUE**			
	Administration and management fees	**586.4**	551.4	345.2
	Other	**-**	-	36.0
		586.4	551.4	381.2
2.	**LOSS FROM OPERATIONS**			
	The loss from operations is arrived at after taking the following income/(expenditure) into account:			
	Net loss on disposal of property, plant and equipment, investment property and intangible assets	**(0.7)**	-	-
	Depreciation of property, plant and equipment and investment property	**(8.5)**	(17.2)	(2.0)
	Amortisation of intangible assets	**(9.5)**	(2.9)	(0.1)
	Auditor's remuneration - audit fees	**(8.4)**	(7.3)	(2.8)
	Auditor's remuneration - other services	**(3.6)**	(0.6)	(0.1)
	Professional fees for consultancy services	**(71.0)**	(35.9)	(14.9)
	Staff expenses - pension and provident fund contributions	**(12.1)**	(10.4)	(7.9)
	Facilities fees	**(11.9)**	(10.8)	(10.6)
3.	**IMPAIRMENT OF ASSETS**			
	Vodacom International Limited - preference shares impaired	**(266.7)**	(163.0)	(213.7)
	VM, SA - loan impaired	**(203.7)**	(157.2)	(120.8)
	Vodacom Satellite Services (Proprietary) Limited - reversal of impairment	**0.3**	-	-
		(470.1)	(320.2)	(334.5)
	The impaired amount represents the difference between the carrying value of the assets and its recoverable amount.			
4.	**FINANCE INCOME**			
	Interest			
	Interest on financial instruments not at fair value through profit or loss	**1 068.1**	1 070.3	811.1
	Banks	**27.4**	1.4	1.0
	Loans	**959.9**	983.8	727.3
	Other interest income	**80.8**	65.2	64.8
	Notional interest on foreign loan	**-**	19.9	18.0
	Interest on financial assets at fair value through profit or loss			
	Interest rate swap interest	**0.3**	1.8	4.1
	Total interest	**1 068.4**	1 072.1	815.2
	Dividends			
	Dividends received - unlisted investments	**8 222.8**	7 483.6	2 718.2
		9 291.2	8 555.7	3 533.4

vodacom

Notes to the abridged annual financial statements

for the year ended 31 March 2009

	2009 Rm	2008 Rm	2007 Rm
5. FINANCE COSTS			
Finance costs on financial liabilities not at fair value through profit or loss	(889.7)	(749.5)	(393.6)
Bank borrowings	(346.6)	(387.4)	(122.9)
Debt	(432.8)	(362.0)	(269.8)
Other finance costs	(110.3)	(0.1)	(0.9)
Finance cost on non-financial instruments	(27.8)	(32.8)	(4.1)
Other employee benefits provision interest cost	(5.7)	(6.3)	(4.1)
Guarantee fees paid	(22.0)	(26.3)	-
Interest paid to taxation authorities	(0.1)	(0.2)	-
	(917.5)	(782.3)	(397.7)
6. (LOSSES)/GAINS ON REMEASUREMENT AND DISPOSAL OF FINANCIAL INSTRUMENTS			
Loss on interest rate swap revaluation	(0.9)	(4.1)	(5.3)
Loss on foreign exchange forward contract revaluation	(408.8)	-	-
Gain on revaluation of foreign denominated assets	68.4	43.9	47.9
Gain/(Loss) on revaluation of foreign denominated liabilities	0.3	(1.1)	-
	(341.0)	38.7	42.6
7. TAXATION			
South African normal taxation	(51.2)	(127.8)	(144.0)
Current year	(50.8)	(127.8)	(149.6)
Prior year (under)/over provision	(0.1)	-	5.7
Withholding taxation	(0.3)	-	(0.1)
Deferred taxation (Note 9)	11.0	(4.3)	(1.1)
Current year	11.0	(3.2)	5.0
Prior year over/(under) provision	-	0.3	(6.1)
Taxation rate change *	-	(1.4)	-
Secondary taxation on companies	(517.7)	(583.3)	(644.6)
Current year	(517.7)	(583.3)	(644.6)
	(557.9)	(715.4)	(789.7)

* Deferred taxation was calculated at 28% as at 31 March 2008 following a change in the corporate taxation rate. The revised taxation rate is applicable to normal taxation with effect from the 2009 financial year.

Notes to the abridged annual financial statements

for the year ended 31 March 2009

	2009 Rm	2009 Rm	2008 Rm	2008 Rm	2007 Rm	2007 Rm
7. TAXATION (CONTINUED)						
Reconciliation of rate of taxation						
Normal taxation on profit before taxation	(2 138.7)	(28.0)	(2 204.0)	(29.0)	(853.4)	(29.0)
Adjusted for:						
Exempt income: dividends received	2 302.4	30.1	2 170.2	28.6	788.3	26.8
Exempt income: other	0.1	*	-	-	19.9	0.7
Secondary taxation on companies	(517.7)	(6.8)	(583.3)	(7.7)	(644.6)	(21.9)
Impairment of preference shares in Vodacom International Limited	(74.8)	(1.0)	(47.3)	(0.6)	(62.0)	(2.1)
Impairment of loan to VM, SA	(57.0)	(0.7)	(45.6)	(0.6)	(35.0)	(1.2)
Disallowed expenditure	(82.0)	(1.0)	(5.3)	(0.1)	(2.4)	(0.1)
Prior year (under)/over provision	(0.1)	*	0.3	*	(0.4)	*
Withholding taxation	(0.3)	*	-	-	(0.1)	*
Taxation rate change	-	-	(1.4)	*	-	-
Provisions transferred to the company	10.2	0.1	1.0	*	-	-
	(557.9)	(7.3)	(715.4)	(9.4)	(789.7)	(26.8)

* Less than 0.1%

8. INVESTMENT IN SUBSIDIARIES AND FINANCIAL ASSETS

	2009 Current assets Rm	2009 Non-current assets Rm	2009 Total Rm	2008 Current assets Rm	2008 Non-current current Rm	2008 Total Rm
Investment in subsidiaries (Note 8.1)	-	9 342.6	9 342.6	-	4 319.7	4 319.7

	2007 Current assets Rm	2007 Non-current assets Rm	2007 Total Rm
Investment in subsidiaries (Note 8.1)	-	3 127.8	3 127.8

	2009 Short-term portion Rm	2009 Long-term portion Rm	2009 Total Rm	2008 Short-term portion Rm	2008 Long-term portion Rm	2008 Total Rm
Loans and receivables to subsidiaries (Note 8.1)	31.9	3 218.0	3 249.9	-	1 040.6	1 040.6
Loans and receivables - other (Note 8.2.2)	116.6	-	116.6	25.8	-	25.8
Financial assets at fair value through profit and loss (Note 8.3)	-	-	-	1.1	-	1.1
Other investments (Note 8.4)	-	156.1	156.1	-	109.2	109.2
	148.5	3 374.1	3 522.6	26.9	1 149.8	1 176.7

	2007 Short-term portion Rm	2007 Long-term portion Rm	2007 Total Rm
Loans and receivables to subsidiaries (Note 8.1)	108.7	591.7	700.4
Loans and receivables - other (Note 8.2.2)	16.2	-	16.2
Financial assets at fair value through profit and loss (Note 8.3)	5.1	-	5.1
Other investments (Note 8.4)	-	81.6	81.6
	130.0	673.3	803.3

8 INVESTMENT IN SUBSIDIARIES AND FINANCIAL ASSETS (CONTINUED)

8.1 Investments in and loans and receivables to subsidiaries

The information discloses interests in active direct and indirect subsidiaries of the company. The interest in the ordinary share capital is representative of the voting power.

RSA - Republic of South Africa; TZN - Tanzania, UK - United Kingdom and MAU - Mauritius

	Country of incorporation	Issued ordinary share capital	Interest in issued ordinary share capital %	Book value investment Rm	Loans Rm
2009					
Cellular network operators					
Vodacom (Proprietary) Limited	RSA	R45 180	93.75	2 255.2	-
Vodacom Tanzania Limited	TZN	TZS10 000	65	184.2	1 154.3
Other					
Vodacom International Holdings (Proprietary) Limited	RSA	R100	100	-	40.0
Vodacom International Limited **	MAU	US$100	100	1 965.4	-
Vodacom Properties No.1 (Proprietary) Limited	RSA	R100	100	-	26.7
Vodacom UK Limited	UK	US$101	100	4 937.8	1 958.8
Skyprops 134 (Proprietary) Limited	RSA	R100	100	-	70.1
				9 342.6	3 249.9
2008					
Cellular network operators					
Vodacom (Proprietary) Limited	RSA	R100	100	2 385.1	-
Vodacom Tanzania Limited	TZN	TZS10 000	65	201.3	895.0
Other					
Vodacom International Holdings (Proprietary) Limited	RSA	R100	100	-	40.0
Vodacom International Limited **	MAU	US$100	100	1 733.3	-
Vodacom Properties No.1 (Proprietary) Limited	RSA	R100	100	-	26.7
Skyprops 134 (Proprietary) Limited	RSA	R100	100	-	78.9
				4 319.7	1 040.6
2007					
Cellular network operators					
Vodacom (Proprietary) Limited	RSA	R100	100	843.6	-
Vodacom Tanzania Limited	TZN	TZS10 000	65	201.3	546.1
Service providers					
Smartphone SP (Proprietary) Limited *	RSA	R20 000	100	603.3	-
Other					
Vodacom International Holdings (Proprietary) Limited	RSA	R100	100	-	40.0
Vodacom International Limited **	MAU	US$100	100	1 479.6	-
Vodacom Properties No.1 (Proprietary) Limited	RSA	R100	100	-	21.7
Skyprops 134 (Proprietary) Limited	RSA	R100	100	-	92.6
				3 127.8	700.4

* Dormant as at 31 March 2008
** Indirect subsidiary

		2009 Rm	2008 Rm	2007 Rm
8.	INVESTMENTS IN SUBSIDIARIES AND FINANCIAL ASSETS (CONTINUED)			
8.2	Loans and receivables			
8.2.1	VM, SA			
	Loan	1 302.7	1 099.0	941.7
	Impairment	(1 302.7)	(1 099.0)	(941.7)
		-	-	-
8.2.2	Other			
	WBS Holdings (Proprietary) Limited	116.6	25.8	-
	Sekha-Metsi Investment Consortium Limited	-	-	16.2
		116.6	25.8	16.2
8.3	Financial assets at fair value through profit or loss			
	Interest rate swap asset	-	1.1	5.1
8.4	Other investments			
	Unlisted shares at cost			
	Nova Risk Partners Limited	-	-	0.8
	Centriq Insurance Company Limited	63.8	63.8	-
	WBS Holdings (Proprietary) Limited	92.3	45.4	80.8
		156.1	109.2	81.6
9.	DEFERRED TAXATION			
	Deferred taxation asset	51.9	40.9	105.2
	Deferred taxation liability	-	(2.7)	(60.0)
		51.9	38.2	45.2
9.1	Components			
	Capital allowances	-	1.1	-
	Provisions	70.2	84.4	72.1
	Deferred income	0.1	-	-
	Prepayments and other allowances	-	1.2	3.6
	Foreign exchange losses	(18.4)	(45.5)	(29.0)
	Fair value adjustment of available-for-sale investments	-	(2.7)	-
	Interest rate swap	-	(0.3)	(1.5)
		51.9	38.2	45.2
9.2	Reconciliation			
	Balance at the beginning of the year	38.2	45.2	46.3
	Deferred taxation - income statement expense (Note 7)	11.0	(4.3)	(1.1)
	Fair value adjustment of available-for-sale investments	2.7	(2.7)	-
	Balance at the end of the year	51.9	38.2	45.2

	2009 Rm	2008 Rm	2007 Rm
10. INTER-COMPANY MONEY MARKET LOANS			
Inter-company money market loans receivable	1 466.4	6 103.0	5 488.4
Inter-company money market loans payable	(508.7)	(899.5)	(1 644.8)
	957.7	5 203.5	3 843.6
Reconciliation			
Balance of inter-company money market loans at the beginning of the year	5 203.5	3 843.6	6 479.0
Net (decrease)/increase during the year	(4 245.8)	1 359.9	(2 635.4)
Balance of inter-company money market loans at the end of the year	957.7	5 203.5	3 843.6
11. INTER-COMPANY ACCOUNTS RECEIVABLE			
Money market interest accrued	15.4	66.6	51.1
Dividends receivable	-	-	210.0
Inter-company receivables	69.1	88.7	34.3
Other inter-company interest accrued	7.5	11.8	11.0
Provision for bad debt	-	-	(0.5)
	92.0	167.1	305.9

The company's inter-company trade receivables and trade and other receivables are stated after allowances for doubtful debts based on management's assessment of creditworthiness.

Trade receivables are stated at their cost which normally approximate their fair value due to short-term maturity.

	2009 Rm	2008 Rm	2007 Rm
12. TRADE AND OTHER RECEIVABLES			
Notional debtor (Fair value of financial liability)	21.5	87.9	138.0
Prepayments	0.7	3.3	7.8
Value added taxation	-	-	3.0
Other sundry debtors	0.2	0.3	1.5
Interest rate swap interest	-	0.1	0.5
Trade receivables	0.9	6.0	0.4
Money market interest debtor	-	-	0.1
	23.3	97.6	151.3

	2009 R	2008 R	2007 R
13. ORDINARY SHARE CAPITAL			
Authorised			
100 000 ordinary shares of R0.01 each	1 000	1 000	1 000
Issued			
10 000 ordinary shares of R0.01 each	100	100	100

The unissued share capital is under the control of the current shareholders and the directors do not have the authority to issue any unissued shares. The company does not hold any of the issued share capital as treasury shares.

At the date of listing, being 18 May 2009, the authorised share capital amounted to 4 000 000 000 ordinary shares with no par value and the issued share capital to 1 487 954 000 ordinary shares with no par value which amounted to stated capital of R100 (Note 21).

Notes to the abridged annual financial statements

for the year ended 31 March 2009

		2009 Rm	2008 Rm	2007 Rm
14.	PROVISIONS			
	Deferred bonus incentive provision	72.8	118.7	102.9
	Other employee benefits provision	97.0	87.6	70.7
	Bonus provision	77.4	84.5	66.2
	Leave pay provision	12.7	9.7	7.0
		259.9	300.5	246.8
	Timing of Provisions			
	Within one year	139.4	187.3	140.6
	After one year	120.5	113.2	106.2
		259.9	300.5	246.8
15.	INTEREST BEARING DEBT			
	Absa Bank Limited capital facility	2 990.6	-	-
	Refer to Note 23.2 of the consolidated annual financial statements for further details.			
16.	INTER-COMPANY ACCOUNTS PAYABLE			
	Inter-company payables	26.9	50.3	39.5
	Money market interest accrued	52.9	57.3	42.9
		79.8	107.6	82.4
17.	TRADE AND OTHER PAYABLES			
	Trade payables	30.9	22.1	25.2
	Investment accrual	-	-	8.0
	Capital expenditure creditors	1.1	1.2	15.0
	Value added taxation	2.0	6.1	-
	Interest accrual	8.6	15.6	3.1
		42.6	45.0	51.3
	Trade payables are stated at their cost which normally approximates their fair value, due to the short-term maturity.			
18.	CASH GENERATED FROM OPERATIONS			
	Loss from operations	(394.5)	(212.2)	(235.7)
	Adjusted for:			
	Impairment recognised (Note 3)	470.1	320.2	334.5
	Depreciation of property, plant and equipment and investment property (Note 2)	8.5	17.2	2.0
	Bad debt written off	-	-	0.5
	Amortisation of intangible assets (Note 2)	9.5	2.9	0.1
	Profit on sale of investment	-	-	(68.7)
	Interest cost on other employee benefits provision (Note 5)	(5.7)	(6.3)	(4.1)
	Unrealised loss on foreign liabilities	(0.1)	(0.4)	-
	Net loss on disposal of property, plant and equipment and investment property (Note 2)	0.7	-	-
	Cash flow from operations before working capital changes	88.5	121.4	28.6
	Decrease/(Increase) in trade and other receivables	24.7	(41.5)	66.7
	(Decrease)/Increase in trade and other payables and provisions	(56.3)	75.3	24.1
	Cash generated from operations	56.9	155.2	119.4

vodacom

		2009 Rm	2008 Rm	2007 Rm
19.	CAPITAL COMMITMENTS			
	Capital expenditure contracted for at the balance sheet date but not yet incurred	0.9	23.4	120.7
	Capital expenditure commitments approved by the board of directors but not yet contracted for at the balance sheet date	15.2	10.2	50.7
	The capital expenditure of the company will be financed from internal cash generation and bank credit.			
20.	OTHER COMMITMENTS			
	Transmission and data lines	1.4	-	-
	Marketing commitments	-	2.9	2.6
	Functions and events	3.9	7.3	7.2
	Other - subsidiary funding	1 449.3	741.3	785.0
		1 454.6	751.5	794.8

21. 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 company abridged annual financial statements, which significantly affects the financial position of the company as at 31 March 2009 or the results of its operations or cash flows for the year ended, other than the following:

21.1 Increase in shareholding by Vodafone Group Plc

Vodafone Holdings (SA) (Proprietary) Limited increased its interest in Vodacom Group (Proprietary) Limited by acquiring an additional 15% from Telkom SA Limited, which resulted in Vodafone Group Plc ultimately holding and beneficially owning in aggregate 65% of the entire issued share capital of Vodacom Group (Proprietary) Limited ("the share sale transaction").

21.2 Capital restructure

Immediately following the share sale transaction Vodacom Group (Proprietary) Limited was converted from a private company to a public company named Vodacom Group Limited. The capital restructure involved sub-dividing the authorised share capital of 100 000 ordinary shares of R0.01 each, as at year end, into 14 879 540 000 ordinary shares with no par value after which 10 879 540 000 authorised but unissued shares with no par value were cancelled. This resulted in the authorised share capital of Vodacom Group Limited comprising of 4 000 000 000 ordinary shares with no par value. The existing issued share capital of 10 000 ordinary shares of R0.01 each was subdivided and converted into 1 487 954 000 ordinary shares with no par value.

21.3 Listing

After the share sale transaction and the capital restructure Vodacom Group Limited listed on the JSE in the "Telecommunications Sector" of the main board of the JSE, under the abbreviated name Vodacom, effective from the commencement of business on 18 May 2009. After the listing Telkom SA Limited unbundled its remaining 35% interest to its shareholders.

21.4 West Africa Cable System construction and maintenance agreement and supply contract

On 8 April 2009 the company entered into a construction and maintenance agreement and supply contract for the building and laying of the West Africa Cable System ("WACS") submarine cable, resulting in the company becoming a co-owner in the consortium that owns and operates the WACS submarine cable. The company will receive capacity for its investment and will provide the WACS landing points in the Democratic Republic of Congo and the Canary Islands, the latter through Vodafone España S.A. The company has committed to invest US$75 million over the next three financial years, with US$12 million thereof to be paid within the next financial year. In addition the company is also committed to provide a cable station building and ancillary equipment at its landing point in the Democratic Republic of Congo, which will cost an estimated US$2.6 million. It is anticipated that the WACS system will be ready for commercial service by June 2011.

21.5 Sale of subsidiaries

On 1 April 2009 the shares of Vodacom Properties No.1 (Proprietary) Limited was sold to Vodacom (Proprietary) Limited.

21.6 Congress of South African Trade Unions ("Cosatu") versus Vodacom Group Limited and others

The application launched by Cosatu against various respondents including Vodacom Group Limited is proceeding in the normal course, notwithstanding the failure of the urgent interlocutory application. Should the application proceed to court, it is anticipated that the matter will be enrolled for a hearing in approximately three months time.

Notes to the abridged annual financial statements

for the year ended 31 March 2009

		2009 Rm	2008 Rm	2007 Rm
22.	CONTINGENCIES			
	Various legal matters	10.0	1.0	5.3

22.1 Negative net current asset ratio

For the financial years ended 31 March 2009, 2008 and 2007 the company had a negative net current asset ratio. The company'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. The funding loan obtained in the amount of R3.0 billion which will be utilised to refinance existing short-term debt and for capital expenditure and it will improve the negative net current asset ratio (Note 15). Depending on market conditions the company will continue to seek longer term funding opportunities which will further reduce the negative net current asset ratio.

22.2 Various legal contingencies

The company is currently involved in various legal proceedings. The company, in consultation with its legal counsel, has assessed the outcome of these proceedings and the likelihood that certain of these cases are not likely to be in the company's favour. Following this assessment, the company's management has determined that no provision is required in respect of these legal proceedings as at 31 March 2009. Litigations, current or pending, are not likely to have a material adverse effect on the company.

Addendum A

for the year ended 31 March 2009

INTEREST IN MATERIAL SUBSIDIARIES

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

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

	Country of incorporation	Issued ordinary share capital			Interest in issued ordinary share capital		
		2009	2008	2007	2009 %	2008 %	2007 %
SUBSIDIARIES							
Cellular network operators							
Direct							
Vodacom (Proprietary) Limited	RSA	**R45 180**	R100	R100	93.75	100	100
Vodacom Tanzania Limited	TZN	**TZS10 000**	TZS10 000	TZS10 000	65	65	65
Indirect							
Vodacom Lesotho (Proprietary) Limited	LES	**M4 180**	M4 180	M4 180	88.3	88.3	88.3
VM, SA	MZ	**US$60 000 000**	US$60 000 000	US$60 000 000	85	90	98
Vodacom Congo (RDC) s.p.r.l.	DRC	**US$1 000 000**	US$1 000 000	US$1 000 000	51	51	51
Service providers							
Indirect							
Vodacom Service Provider Company (Proprietary) Limited	RSA	**R20**	R20	R20	100	100	100
Interconnect service providers via satellite							
Indirect							
Gateway Telecommunications Plc	UK	**£49 567 569**	-	-	100	-	-
Gateway Communications Africa (UK) Limited	UK	**£1**	-	-	100	-	-
Gateway Communications SA	BLG	**€62 000**	-	-	100	-	-
Gateway Telecoms Integrated Services Limited	NGR	**NGN1 250 000**	-	-	100	-	-
GS Telecom Limited	GUE	**US$192.66**	-	-	100	-	-
Other							
Direct							
Vodacom Properties No.1 (Proprietary) Limited	RSA	**R100**	R100	R100	100	100	100
Skyprops 134 (Proprietary) Limited	RSA	**R100**	R100	R100	100	100	100
Indirect							
Vodacom International Limited	MAU	**US$100**	US$100	US$100	100	100	100
Vodacom Properties No.2 (Proprietary) Limited	RSA	**R1 000**	R1 000	R1 000	100	100	100
Vodacom Ventures (Proprietary) Limited	RSA	**R120**	R120	R120	100	100	100
Storage Technology Services (Proprietary) Limited	RSA	**R135.72**	-	-	51	-	

Addendum B

CORPORATE ADMINISTRATION

Vodacom Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
Share code: VOD ISIN: ZAE000132577

Secretary and registered office of Vodacom Group Limited
Sandi Linford
Vodacom Corporate Park
082 Vodacom Boulevard
Vodavalley
Midrand
1685
South Africa
(Private Bag X9904, Sandton 2146, South Africa)
Telephone: +27 11 653 5000
Telefax: +27 11 848 8563
Email: sandi.linford@vodacom.co.za

Sponsor
UBS South Africa (Proprietary) Limited
(Registration number 1995/011140/07)
64 Wierda Road East
Wierda Valley
Johannesburg
2196
South Africa
(PO Box 652863, Benmore 2010, South Africa)

Auditors
Deloitte & Touche
Deloitte & Touche Place
The Woodlands
Woodlands Drive
Woodmead
2196
South Africa
(Private Bag X6, Gallo Manor 2052, South Africa)

Commercial Bankers
First National Bank (a division of FirstRand Bank Limited)
(Registration number 1966/010753/06)
Corporate Banking
4 First Place
Corner of Pritchard and Simmonds Streets
Johannesburg
2001
South Africa
(PO Box 7791, Johannesburg 2000, South Africa)

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
Corporate and Investment Banking
3 Simmonds Street
Johannesburg
2001
South Africa
(PO Box 61344, Marshalltown 2107, South Africa)

Transfer Secretaries
Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg
2001
South Africa
(PO Box 61051, Marshalltown 2107, South Africa)

Group Executive Investor Relations
Belinda Williams
Vodacom Corporate Park
082 Vodacom Boulevard
Vodavalley
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1685
South Africa
(Private Bag X9904, Sandton 2146, South Africa)
Telephone: +27 11 653 5000
Telefax: +27 11 653 5991
Email: belinda.williams@vodacom.co.za

Shareholder analysis

as at 31 May 2009

Shareholder spread	No of shareholders	%	No of shares	%
1 - 100 shares	65 798	69.14	2 334 687	0.16
101 - 1 000 shares	26 016	27.34	7 631 889	0.51
1 001 - 10 000 shares	2 553	2.68	7 206 854	0.48
10 001 - 50 000 shares	409	0.43	9 814 621	0.66
50 001 - 100 000 shares	148	0.16	10 787 017	0.72
100 001 - 1 000 000 shares	204	0.21	59 739 289	4.01
1 000 001 shares and over	35	0.04	1 390 439 643	93.46
Totals	95 163	100.00	1 487 954 000	100.00

Distribution of shareholders	No of shareholders	%	No of shares	%
Banks	137	0.14	33 089 109	2.22
Close Corporations	238	0.25	313 596	0.02
Endowment Funds	236	0.25	774 299	0.05
Holding Company	2	0.00	967 170 100	65.00
Individuals	90 750	95.36	14 093 317	0.95
Insurance Companies	62	0.07	20 567 528	1.38
Investment Companies	58	0.06	15 922 243	1.07
Medical Aid Schemes	17	0.02	390 984	0.03
Mutual Funds	375	0.39	39 107 531	2.63
Nominees and Trusts	2 565	2.70	5 191 286	0.35
Other Corporations	96	0.10	207 217 532	13.92
Private Companies	287	0.30	59 201 323	3.98
Public Companies	20	0.02	29 550 410	1.99
Retirement Funds	320	0.34	95 364 742	6.41
Totals	95 163	100.00	1 487 954 000	100.00

Public / Non-public shareholders	No of shareholders	%	No of shares	%
Non - Public Shareholders	10	0.01	1 174 221 185	78.92
Directors and Asssociates	6	0.01	3 565	0.00
Strategic Holdings (more than 10%)	2	0.00	207 047 520	13.92
Holding Company	2	0.00	967 170 100	65.00
Public Shareholders	95 153	99.99	313 732 815	21.08
Totals	95 163	100.00	1 487 954 000	100.00

Geographical holdings by owner	No of shareholders	%	No of shares	%
United Kingdom	97	0.10	979 947 327	65.87
South Africa	94 730	99.54	472 348 586	31.74
United States	103	0.11	27 092 887	1.82
Europe	65	0.07	6 260 606	0.42
Other	168	0.18	2 304 594	0.15
Totals	95 163	100.00	1 487 954 000	100.00

Beneficial shareholders holding 5% or more of the issued capital	No of shares	%
Vodafone Group	967 170 100	65.00
South African Government	207 047 520	13.91
Public Investment Corporation	78 725 341	5.29

Notice of annual general meeting

VODACOM GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(JSE share code: VOD)
(ISIN: ZAE000132577
("Vodacom" or the "company")

Notice is hereby given that the fourteenth annual general meeting of members will be held on Friday 31 July 2009 in the Dome, Vodaworld, 082 Vodacom Boulevard, Vodavalley, Midrand, Johannesburg, South Africa at 10:00 to conduct the following business:

1. To receive and consider the annual financial statements for the year ended 31 March 2009.

2. To elect:
   2.1 Messrs M Lundal, JCG Maclaurin, TA Boardman, RAW Schellekens, MP Moyo, M Joseph and Mesdames P Malabie and TM Mokgosi-Mwantembe having been appointed since the last annual general meeting of the company and are, in accordance with the provisions of the company's articles of association, obliged to retire at this annual general meeting.

   2.2 Mr PJ Uys is obliged to retire by rotation at this annual general meeting in accordance with the provisions of the company's articles of association. Having so retired, Mr PJ Uys is eligible for re-election.

   All retiring directors are eligible and available for re-election.

   The profiles of the directors up for election appear on page 23, 25 and 27 of the annual report.

3. To re-appoint Deloitte & Touche, as nominated by the company's audit committee, as independent auditors of the company, to hold office until the conclusion of the next annual general meeting of the company. It is noted that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2010 is Mr PJ Smit.

4. To ratify the level of annual fees currently earned by non-executive directors, which fees were agreed when the company was a private company:

	R
Chairman of the Board (Chairman)	1 000 000
Members of the Board	220 000
Chairman of the Audit Committee	200 000
Members of the Audit Committee	100 000
Chairman of the Remuneration Committee	175 000
Members of the Remuneration Committee	100 000
Chairman of other committees	100 000
Members of other committees	50 000

   The annual fee payable to the Chairman of the Board is inclusive of any committee fees. No fees are payable for any special meetings that could be convened.

5. **Special business**
   To consider and if deemed fit, pass, with or without modification the following special and ordinary resolutions:

5.1 **Special resolution**
   "RESOLVED THAT the directors of the company be and are hereby authorised to approve the purchase by the company, or by any of its subsidiaries, of the company's ordinary shares subject to the provisions of the Companies Act, 1973, as amended, and the Listings Requirements of JSE Limited ("JSE"), provided that:

   (a) the general authority granted to the directors shall be valid only until the company's next annual general meeting and shall not extend beyond 15 (fifteen) months from the date of this resolution;

   (b) any general purchase by the company and/or any of its subsidiaries of the company's ordinary shares in issue shall not in aggregate in any one financial year exceed 20% (twenty percent) of the company's issued ordinary share capital at the time that the authority is granted;

   (c) no acquisition may be made at a price more than 10% (ten percent) above the weighted average of the market value of the ordinary share for the 5 (five) business days immediately preceding the date of such acquisition;

   (d) the repurchase of the ordinary shares are effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades are prohibited);

   (e) the company may only appoint one agent at any point in time to effect any repurchase(s) on the company's behalf;

   (f) the company or its subsidiary may not repurchase ordinary shares during a prohibited period;

   (g) the general authority may be varied or revoked by special resolution of the members prior to the next annual general meeting of the company; and

   (h) should the company or any subsidiary cumulatively repurchase, redeem or cancel 3% (three percent) of the initial number of the company's ordinary shares in terms of this general authority and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter in terms of this general authority, and announcement shall be made in terms of the Listings Requirements of the JSE."

   Having considered the effect on the company of the maximum repurchase under this general authority, the directors are of the opinion that:

   - the company and the group will be able in the ordinary course of business to pay its debts for a period of 12 (twelve) months after the date of this notice of annual general meeting;

- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of this notice of annual general meeting which assets and liabilities have been valued in accordance with the accounting policies used in the audited financial statements of the group for the year ended 31 March 2009;

- the share capital and reserves of the company and the group will be adequate for the ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting; and

- the working capital of the company and group are considered adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting.

The board will ensure that the company's sponsor provides the JSE with the necessary report on the adequacy of the working capital of the company and its subsidiaries in terms of the JSE Listings Requirements prior to the commencement of any share repurchase in terms of this special resolution.

Reason for and effect of the special resolution

The reason for special resolution is to grant the company's directors a renewable general authority or permit a subsidiary company to acquire ordinary shares of the company. The effect of this special resolution is to confer a general authority on the directors of the company to repurchase ordinary shares of the company which are in issue from time to time.

The board has considered the impact of a repurchase of up to 20% (twenty percent) of the company's shares, being the maximum permissible under a general authority in terms of the JSE Listings Requirements. Should the opportunity arise and should the directors deem it in all respects to be advantageous to the company to repurchase such shares, it is deemed appropriate that the directors be authorised to repurchase the company's shares.

Disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the Vodacom annual report as set out below:

	Page
Directors and management	23, 25 and 27
Major shareholders	232
Directors' interest in securities	110
Share capital	107

Directors' responsibility statement

The directors, whose names appear on pages 23, 25 and 27, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by the JSE Listing Requirements.

Litigation statement

The directors, whose names appear on pages 23, 25 and 27, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, other than what has been disclosed below, that may have or have had in the previous twelve months a material effect on the group's financial position.

Vodacom SA vs ICASA and others

Vodacom SA launched an application in the High Court seeking interim relief against ICASA on an urgent basis. The matter was initially set down for 15 August 2008. The relief sought was twofold, to stay a regulation restricting handset subsidies and to review the process or lack thereof by ICASA. ICASA consented to the interim relief and the regulation was postponed sine die. However, after reviewing the matter ICASA decided to withdraw the Regulations as published and restart the consultative process with a view to formulating new regulations in this regard. This was communicated by ICASA in terms of the media release dated 6 February 2009.

Kenneth Makate vs VSPC

Plaintiff was previously employed by Vodacom. He claims to have invented the "Please Call Me" application and has sued Vodacom for a royalty. Vodacom is opposing the matter on the following grounds namely (i) his action has prescribed; and (ii) he did not invent the application and even if he did his contract of employment states that any invention whilst employed by Vodacom belongs to Vodacom.

Zietsman & Others vs Vodacom SA & Others

The Plaintiffs rely on a non-disclosure agreement and a breach of a patent in their claim, alleging that their interactive device which interacts with the television covers cellular phones as used to vote in the Big Brother television show. The Defendants deny the validity of the patent in this regard and deny any breach of agreement.

Zietsman vs Vodacom SA & Others

The Plaintiff if one of the Plaintiffs in Zietsman & Others vs Vodacom SA & Others referred to above. In this matter he relies on a patent referred to in the aforesaid matter and which he has brought in the patent court. The Defendants deny the validity of the patent. There are three interlocutory applications brought by Vodacom; an application for security of costs, an application to set aside an amendment to the original patent and an application to extend the time period for filing its plea pending the outcome of the other applications. Vodacom succeeded in the three interlocutory applications which were heard on 22 September 2005 before De Vos J. The plaintiff has appealed the application for security of costs.

Vodacom SA vs ICASA and Minister of Communications and Another

Vodacom applied to the High Court to set aside the Interconnection Guidelines made by the First Respondent and promulgated by the Second Respondent. The order sought is one declaring that the First Respondent lacks the power to declare Vodacom SA to be a major operator. All pleadings have closed and a court date is awaited.

Competition Commission vs Vodacom SA

During 2005 the Competition Commission received a complaint about excessively high mobile phone rates stemming from the Interconnect Agreement between Vodacom SA and MTN. The matter was addressed by Vodacom SA, however, it has re-surfaced, with the Competition Commission deciding to investigate the matter further. Vodacom SA requested a postponement to gather documentation and information. Vodacom SA submitted the documentation and information and is awaiting the Competition Commission's decision whether or not to refer the matter to the Competition Tribunal. If Vodacom SA is found to have committed prohibited practices as contained in the Competition Act, Vodacom SA could be required to cease these practices and be fined a penalty of up to 10% of Vodacom's annual turnover, excluding the turnover of subsidiaries and joint ventures, for the financial year prior to the dates of the complaints. The Competition Commission has to date not imposed the maximum penalty on any offender

Cosatu vs Vodacom Group Limited & Others

Applicant launched an application for a declaratory regarding the process followed by ICASA in relation to the sale of Telkom shares in Vodacom to Vodafone.

Material change

There have been no material changes in the affairs or financial position of the company and its subsidiaries since year-end.

5.2 Ordinary resolution

"RESOLVED THAT the Vodacom Group forfeiture share plan, tabled at the meeting and initialled for purposes of identification be and is hereby adopted by the company and the directors are authorised to take all steps necessary to implement the forfeiture share plan".

In terms of JSE Listings Requirements, a 75% majority of all votes cast is required for the adoption of this ordinary resolution.

Salient features of the Vodacom Group forfeitable share plan

Introduction

In line with global best practice and emerging South African practice, the company intends to adopt a new share incentive plan for its employees, a forfeitable share plan. This plan is in line with practice in FTSE 100 and FTSE 250 companies in the UK and with several recently adopted schemes for large JSE-listed or dual-listed companies.

The forfeitable share plan ("FSP") will include participation by executive directors and selected employees of the Group. The purpose of the FSP is to recognise contributions made by selected employees and to provide an incentive for their continuing relationship with the Group by giving them with the opportunity to receive shares in the company. As a consequence, participants are provided with an incentive to advance the Group's interests and to ensure that the Group attracts and retains the core competencies required for formulating and implementing the Group's business strategies. It is intended that awards will be made annually.

As the primary intent of the FSP will be to purchase shares in the market to settle the benefits, the plan will not be as dilutive as conventional share option schemes. The company will retain the right to issue new shares at its election. In any case, the company will be limited to issuing no more than 74.4 million shares equating to approximately 5% (five percent) of the current issued share capital of the company. In the event of a discrepancy between the number of shares and the percentage of issued shares it represents, the number of shares shall prevail over the stated percentage.

The FSP also supports the principle of alignment of employee and shareholder interests with performance targets governing the vesting of instruments in most cases.

Glossary of terms

"allocated"
: for purposes of setting the FSP limits, one share allocated per any one Forfeitable Award made;

"Award Date"
: the date on which a Forfeitable Award is made to an employee as specified in the Award Certificate, irrespective of the date on which the Forfeitable Award is actually accepted;

"Award Certificate"
: the document prepared by the Board which details the name of the employee to whom the Forfeitable Award is made, the number of forfeitable shares comprising the Forfeitable Award, the performance target and performance period applicable to the award, the release date and any relevant terms and conditions pertaining thereto;

"business day"
: any day on which the JSE is open for the transaction of business;

"company"
: Vodacom Group Limited (Registration Number 1993/005461/06);

"directors"
: the board of directors for the time being of the company, or any committee thereof (including the Remuneration Committee) to whom or upon whom the powers of the board in respect of the FSP are delegated or are conferred in terms of the company's articles of association;

"employee"
: a person eligible to participate in the FSP, namely an officer or employee, including any director holding salaried employment or office, of any employer company in the Group, as determined from time to time by the directors, but excluding any non-executive directors;

" employer company"
: a company in the Group, as determined from time to time by the directors, which employs an employee;

"escrow agent"
: the person or entity appointed by the directors from time to time to hold the forfeitable shares in escrow on behalf of participants;

"financial year"
the financial year of the company which currently runs from 1 April to 31 March each year;

"Forfeitable Award"
an award of a specified number of forfeitable shares made to the participant on terms that he may forfeit them if he ceases to be an employee of an employer company before the release date and if other conditions set out in the Award Certificate are not met, and subject to restrictions on the participant's ability to deal with the forfeitable shares;

"forfeitable shares"
the shares comprised in the Forfeitable Award and registered in the name of the participant;

"FSP"
the Vodacom Group Limited Forfeitable Share Plan constituted by the Rules, as amended from time to time;

"Group"
the company and its direct and indirect subsidiaries;

"JSE"
the JSE Limited (registration number 2005/022939/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, licensed as an exchange under the Securities Services Act, No. 36 of 2004;

"market value"
in relation to a share on any particular day, the volume weighted average price of a share as on that day as quoted on the JSE;

"participant"
an employee to whom a Forfeitable Award has been made under the Rules of the FSP and who has accepted such Forfeitable Award;

"performance period"
the period in respect of which a performance condition is to be satisfied as specified in the Award Certificate;

"performance target"
a performance target imposed as a condition of vesting of a Forfeitable Award;

"reconstruction or takeover"
any takeover, merger or reconstruction, however effected, including a reverse takeover, reorganisation or scheme of arrangement sanctioned by the court, or any other corporate action but does not include any event which consists of or is part of an internal reconstruction of the company or employer company or which does not involve a change of control of the company;

"release date"
the date on which the Forfeitable Award vests;

"RemCo"
the Remuneration Committee of the directors;

"Rules"
the Rules of the FSP, as amended from time to time;

"settlement"
delivery of the required number of Forfeitable Shares to which a participant is entitled pursuant to the grant of the Forfeitable Award and "Settle" and "Settled" shall be construed accordingly;

"settlement date"
the date on which settlement shall occur;

"shares"
ordinary shares in the capital of the company; and

"vest"
the participant becomes absolutely entitled to the Forfeitable Shares free from any restrictions and the risk of forfeiture, and "vests" and "vested" shall be construed accordingly.

Salient features of the FSP

The FSP

An annual Forfeitable Award will be made to executives and selected employees. This is an award of a specified number of forfeitable shares to the participant on the terms that he may forfeit the forfeitable shares if he ceases to be an employee of an employer company before the release date or if the specified performance target (or any other condition set out in the Award Certificate) has not been met. Following the grant of the Forfeitable Award, the relevant employer company shall, within 30 (thirty) days of the award date, procure the settlement of that number of forfeitable shares to the participant (without deducting any costs or income taxation at that stage).

The Forfeitable Award shall be subject to restrictions such that the forfeitable shares to which the Forfeitable Award relates may not be disposed of, ceded, transferred or otherwise encumbered at any time before the release date and shall be held in escrow by the escrow agent.

Prior to the release date, participants shall not be entitled to exercise any voting right in respect of the forfeitable shares, although they will receive dividend payments. On the release date participants shall have all shareholder rights in respect of the shares.

Eligibility

Directors (excluding non-executive directors) and employees of the Group at levels 1 to 3 and select level 4 of the Vodacom management bands are eligible to participate in the FSP. The employer companies will recommend participation in the FSP to the RemCo.

Performance Targets

The release of Forfeitable Awards may (as determined by the RemCo) be subject to the achievement of a specified performance target either in whole or in part. The performance target will be stated in the Award Certificate, and will be set by the RemCo on an annual basis. The performance target that will be imposed for the first Forfeitable Award is:

50% of Forfeitable Award – cumulative EBITDA taxed less normalised capital expenditure
50% of Forfeitable Award – revenue market share

There will be no retesting of the performance target after the end of the performance period.

Limits

Overall Company limit

The aggregate number of Shares which may be allocated under the FSP shall be no more than 74.4 million shares equating to approximately 5% (five percent) of the current issued share capital of the company. In the event of a discrepancy between the number of shares and the percentage of issued shares it represents, the number of Shares shall prevail over the stated percentage. The limit referred to shall exclude shares allocated to participants under the FSP which have been forfeited.

Individual limit

The maximum number of shares allocated to any one participant in respect of the FSP shall not exceed 3.7 milllion shares, representing approximately 0.25% (one quarter of a percent) of the current issued ordinary share capital of the company. In the event of a discrepancy between the number of shares and the percentage of issued shares it represents, the number of shares shall prevail over the stated percentage.

Cessation of employment and death

Resignation or dismissal

If a participant's employment with an employer company terminates by reason of his resignation or dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct (whether such cessation occurs as a result of notice given by him or otherwise or where he resigns to avoid dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct) before the release date, all his Forfeitable Awards will be forfeited and will lapse.

Retirement

If a participant's employment with any employer company terminates before the release date by reason of retirement, then the participant shall be entitled to the same rights and be subject to the same conditions as if he had continued to be an employee.

Retrenchment, death, ill health, disability, Employer Company ceasing to be a subsidiary or other reasons for cessation of employment

If a participant ceases to be an employee of an employer company by reason of retrenchment, death, ill health, disability, the employer company ceases to be a subsidiary of the company or other reasons for cessation of employment other than resignation or dismissal or retirement, then the release date in respect of a proportion of his forfeitable shares shall be advanced to a date as soon as practical after the date of termination of employment or, in the case of Forfeitable Awards which are subject to the satisfaction of a performance target, shall be advanced to a date as soon as practicable after the determination of the extent to which the performance target has been achieved. This determination will take place at the end of the relevant financial year in which the date of termination of employment has occurred. The proportion of forfeitable shares which will vest will reflect the number of months served since the Award Date and the extent to which the performance target (if any) has been satisfied as at the end of the financial year in which the date of termination of employment occurs. To the extent that the Forfeitable Award does not vest, the balance of the forfeitable shares not released will lapse immediately.

Change of control

In the event that before the release date, there is a reconstruction or takeover, a proportion of the Forfeitable Award will vest. The proportion of forfeitable shares which will vest will reflect the number of months served since the award date and the extent to which the performance farget (if any) has been satisfied. To the extent that the Forfeitable Award does not vest, the balance of the forfeitable shares not released will lapse immediately.

However, Forfeitable Awards will not vest in these circumstances but will be exchanged for a new award where the RemCo, with the consent of the acquiring company, decides before the change of control that the Forfeitable Awards will be exchanged automatically or where a participant accepts an offer to exchange his Forfeitable Award. The new award will relate to shares in the acquiring company or such other company as may be determined by the acquiring company.

In addition, the directors have discretion to take such action as is considered appropriate if other events (including the shares ceasing to be listed on the JSE) occur which may have an effect on the forfeitable shares, provided that the participant is no worse off.

If there is an internal reconstruction or other event which does not involve any change in the ultimate control of the company, the directors can take such action as is considered appropriate to protect the interests of the participants, including converting Forfeitable Awards into forfeitable share awards in respect of shares in one or more other companies, provided that the participant is no worse off.

Variation in share capital

In the event of a rights issue, capitalisation issue, capital distribution, unbundling, any other corporate action or other event affecting the share capital of the company, a demerger (in whatever form) or in the event that the company makes a distribution in specie or a payment in terms of section 90 of the Companies Act, 1973 as amended (other than a dividend paid in the ordinary course of business out of the current year's retained earnings), or a repurchase of shares before the vesting date, participants shall continue to participate in the FSP and the directors shall make such adjustment to the number of forfeitable shares comprised in the Forfeitable Award as is thought appropriate. Such adjustment should not place the participant in a worse position than he was before the event.

The directors shall notify the participants of any adjustments which are made under this paragraph. Where necessary, in respect of any such adjustments, the company's auditors, acting as experts and not as arbitrators and whose decision shall be final and binding on all persons affected thereby, shall confirm to the directors in writing that the participants have not been disadvantaged by the adjustments.

Shares to rank *pari passu*
On the release date the participant shall have all shareholders rights in respect of the shares and the shares shall rank *pari passu* with the existing shares in the issued ordinary share capital of the company.

Amendments to the FSP
Amendments to the provisions of the FSP relating to:

- eligibility to participate in the FSP;
- the basis for determining Forfeitable Awards;
- the adjustment of Forfeitable Awards in the event of a variation of capital of the company as well as voting, dividend, transfer and other rights, including those arising on liquidation of the company;
- the procedure to be applied in respect of the vesting of Forfeitable Awards in the event of termination of employment and/or retirement;
- the number of shares that may be utilised for the FSP; and
- the limitations on benefits or maximum entitlements,

are subject to approval by ordinary resolution of 75% (seventy-five percent) of the shareholders in general/annual general meeting and the JSE.

A copy of the FSP rules will be available for inspection to shareholders during normal business hours from 1 July to 31 July 2009 at the registered office of the company.

Voting and proxies

Ordinary shareholders are entitled to attend, speak and vote at the annual general meeting.

Ordinary shareholders may appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder of the company.

Shareholders holding dematerialised shares, but not in their own name must furnish their Central Securities Depositary Participant (CSDP) or broker with their instructions for voting at the annual general meeting. If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in terms of your mandate furnished to it, or if the mandate is silent in this regard, complete the relevant form of proxy enclosed.

Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you at this annual general meeting, your CSDP or broker will assume that you do not wish to attend the annual general meeting or send a proxy.

If you wish to attend the annual general meeting or send a proxy, you must request your CSDP or broker to issue the necessary letter of authority to you. Shareholders holding dematerialised shares in their own name, or holding shares that are not dematerialised, and who are unable to attend the annual general meeting and wish to be represented thereat, must complete the relevant form of proxy enclosed in accordance with the instructions therein and lodge it with or mail it to the transfer secretaries.

Forms of proxy (which form may be found at the back of this annual report) should be forwarded to reach the transfer secretaries, Computershare Investor Services (Proprietary) Limited by no later than 10:00 on Thursday 30 July 2009.

The completion of a form of proxy will not preclude a shareholder from attending the annual general meeting.

By order of the Board

Sandi Linford
Group Company Secretary

Midrand
29 June 2009

Definitions

2G	Second Generation
3G	Third Generation
AA	Affirmative Action
ACG	Authentication and Charging Gateway
ADSL	Asymmetric Digital Subscriber Line (ADSL)
Aids	Acquired immune deficiency syndrome
ARPU	Average Revenue Per User per month
ART	Antiretroviral Treatment
ASAFEC	Association pour l'Assistance de la Femme Célibataire Congolaise
ATM	Automatic Teller Machine
Bandwidth	Is a measure of the quantity of signals that can travel over a transmission medium such as copper or a glass fibre strand. It is the space available to carry a signal. The greater the bandwidth, the greater the information carrying capacity. Bandwidth is measured in bits per second.
BA	Bankers' Acceptance rate
BBBEE	Broad-based black economic empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BOL	Benson Informatics Limited trading as Benson Online
Broadband	Is a method of measuring the capacity of different types of transmission. Digital bandwidth is measured in the rate of bits transmitted per second (bps). For example, an individual ISDN channel has a bandwidth of 64 kilobits per second (Kbps), meaning that it transmits 64 000 bits (digital signals) every second.
BSC	Base Station Controller
BTS	Base Transceiver Station
CAGR	Compound annual growth rate
Capex	Capital expenditure
CBD	Central Business District
CCBRT	Comprehensive Community Based Rehabilitation in Tanzania
CDMA	Code Division Multiple Access
Cell C	Cell C (Proprietary) Limited, a company incorporated in the Republic of South Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLP	Conversations in Leadership Programme
CMT	Corruption, Money laundering and Terrorism
CR	Corporate Responsibility
CRM	Customer Relationship Management
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
CUR	Common User Repository
CWN	Congolese Wireless Network
CWU	Communications Workers Union
DAI	Direct Aids Intervention
DCS	Digital Cross-connect System
DoC	Department of Communications
DRC	Democratic Republic of the Congo
DSTV	Digital Satellite Television, a multi-channel digital satellite television service in Africa
DTI	Department of Trade and Industry
Earth station	A surface-based end of a satellite communications link
Eassy Cable	Eastern Africa Submarine Cable System (EASSy)
EBITDA	Earnings before interest, taxation, depreciation, amortisation, impairment, profit/loss on disposal of investments and profit/loss on disposal of property, plant and equipment, investment properties and intangible assets and the BBBEE change

ECA	Electronic Communication Act (formerly Convergence Bill)
ECS	Electronic communications service
ECNS	Electronic communications network service
EDGE	Enhanced Data for GSM Evolution
EE	Employment Equity
EHS	Environmental Health Services
ELP	Executive Lifestyle Programme
EMF	Electromagnetic Field
EPS	Earnings per share
ERM	Enterprise Risk Management
Ethernet	Family of frame-based computer networking technologies for local area networks (LANs)
EURIBOR	Euro Interbank Offer Rate
FEC	Forward Exchange Contract
Fibre optics	Is where messages or signals are sent via light rather than electrical signals down a very thin strand of glass. Light transmission enables much higher data rates than conventional wire, coaxial cable and many forms of radio. Signals travel at the speed of light and do not generate nor are subject to interference.
Fibre rings	Have come to be used in many fibre networks as they provide more network resiliency; if there is a failure along a route and a ring is broken, the direction of the traffic can be reversed and the traffic will still reach its final destination.
FPB	Films and Publications Board
GAAP	Generally Accepted Accounting Practices
Gateway	100% shares in each of Gateway Telecommunications Plc, Gateway Communications (Proprietary) Limited, Gateway Communications Mozambique LDA, Gateway Communications (Tanzania) Limited and GS telecom (Proprietary) Limited and their respective subsidiaries.
GDP	Gross Domestic Product
Global Rep-Trak™ Pulse	A global system introduced by the global agency Reputation Institute to identify and assess the world's most respected companies
Global Telematics	Global Telematics (Proprietary) Limited trading as Orchid, a company incorporated in the Republic of South Africa
Gogga	Gogga Tracking Solutions (Proprietary) Limited
GPFT	The Graduate Programme for Females in Technology
GPRS	General Packet Radio Service
GSM	Global System for Mobile communications
HDI	Historically Disadvantaged Individual or company
HEPS	Headline earnings per share
HIV	Human immunodeficiency virus
HLR	Home Location Register
HR	Human Resources
HSDPA	High Speed Downlink Packet Access
HSPA	High Speed Packet Access
HSUPA	High Speed Uplink Packet Access
IAS	International Accounting Standards
IASB	International Accounting Standards Board
iBurst	Wireless internet connections available in South Africa
ICAS	Independent Counselling and Advisory Services
ICASA	Independent Communications Authority of South Africa
ICNIRP	International Commission on Non-Ionising Radiation
ICT	Information and communications technology
IDC	Industrial Development Corporation
I-ECS	Individual Electronic Communications Services
I-ECNS	Individual Electronic Communications Network Services
IEEE 802.16e	Institute of Electrical and Electronics Engineers standard 802.16e

Definitions

Infraco	Broadband InfraCo (Proprietary) Limited, a company incorporated in the Republic of South Africa
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IN	Intelligent networks
Intelec	Intelec Holdings Limitada
Interconnection	Refers to the joining of two or more telecommunications networks. Networks need to interconnect to enable traffic to be transmitted to and from destinations. The amounts paid and received by the operators vary according to distance, time, the direction of traffic, and the type of networks involved.
IP	Internet Protocol
ISDN	Integrated Services Digital Network is a data communications standard used to transmit digital signals over ordinary copper telephone cables. This is one technology for improving the "last mile" of copper cables from the local exchange to the customer's premises, which has proved a bottleneck for Internet access, for example. ISDN allows carrying voice and data simultaneously, in each of at least two channels capable of carrying 64 Kbps. It provides up to 128 Kbps and a total capacity of 144 Kbps exist.
ISETT SETA	Information Systems, Electronics and Telecommunications Technologies Sector Education Training Authority
ISO	International Standards Organisation
ISP	Internet Service Provider
IT	Information Technology
IVR	Interactive Voice Response
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited
King II	King Committee Report on Corporate Governance 2002
LAN	Local Area Network is a group of devices that communicate with each other within a limited geographic area, such as an office.
Leased line	Is a telecommunications transmission circuit that is reserved by a communications provider for the private use of a customer.
LIBOR	London Interbank Offered Rate
Local loop	Is the final connection between the exchange and the home or office. It is also known as the last mile.
LTA	Lesotho Telecommunications Authority
LTPIC	Long Term Prospective Incremental Costs methodology
Markinor	Ipsos Markinor (Proprietary) Limited, a company incorporated in the Republic of South Africa
Mbps	Megabits per second.
Microwave	Is radio transmission using very short wavelengths.
Millicom	Millicom International Cellular S.A., a company incorporated in the Grand Duchy of Luxembourg
Mirambo	Mirambo Limited, a company incorporated in the United Republic of Tanzania
MMS	Multimedia Messaging Service
MNO	Mobile network operator
MNP	Mobile Number Portability
Mobile churn	Vodacom's 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.
Mobile penetration	Vodacom calculates penetration, or teledensity, based on the total number of customers at the end of the period per 100 persons in the population of each country. Population is the estimate population at the mid-year in the periods indicated.
Mobile traffic	Vodacom's traffic comprises total traffic registered on Vodacom's network, including bundled minutes, outgoing international roaming calls and calls to free services, but excluding national and incoming international roaming calls.
MOU	Minutes of Use – Vodacom's average monthly minutes of use per customer, or average MOU, is calculated by dividing the average monthly minutes during the period by its average monthly total reported customer base during the period. MOU excludes calls to free services, bundled minutes and data minutes.
M-PESA	A mobile payment solution that enables customers to complete simple financial transactions by mobile phone
MPLS	Multi-protocol Label Switching
MSC	Mobile Services switching Centre
MSISDN	Mobile Station International Subscriber Directory Number
MTN	MTN Group Limited, a company incorporated in the Republic of South Africa
MVNO	Mobile Virtual Network Operator
MWASA	Media Workers of South Africa
NACM	Nominal annual rate compounded monthly
NACQ	Nominal annual rate compounded quarterly
MCTS	Mobile Cellular Telecommunications Services
NEPAD	New Partnership for Africa's Development
NGN	Next Generation Network
NGO	Non-Government Organisation
NRA	National Regulatory Authority
NUL	National University of Lesotho
OBS	Online Billing Services
OHSAS	Occupational Health and Safety Assessment Series
PABX	Private Automatic Branch Exchange
Packet switching	Is designed specifically for data traffic, as it cuts the information up into small packets, which are each sent across the network separately and are then reassembled at the final destination. This allows more users to share a given amount of bandwidth. X.25 and frame relay are all packet switching techniques.
PDH	Plesiochronous Digital Hierarchy
PSD	Packet Switched Data
REMCO	The Vodacom Group Remuneration committee
RICA	Regulation of Interception of Communication and Provision of Communication-related Information Act
SACTA	South African Cellular Telecommunications Association
SADC	Southern African Development Community
Safaricom	Safaricom Limited, a company incorporated in the Republic of Kenya
SAP	Systems, Applications and Products.
SDH	Synchronous Digital Hierarchy
SDP	Succession Development Programme
Seacom	Seacom SA SPV (Proprietary) Limited, a private company incorporated in the Republic of South Africa
Select committee	Select committee on security and constitutional affairs
SIM	Subscriber Identity Module

Definitions

SIM penetration	Is the measurement of the number of active SIM cards in the country expressed as a percentage of the total population.
SME	Small to medium sized enterprise.
SMME	Small, Medium and Micro-sized Enterprises
SMS	Short Message Service
SMSC	Short Message Service Centre
SNO	Second National Operator
SoHo	Small office/Home office. Business form 1 to 10 workers.
StorTech	Storage Technology Services (Proprietary) Limited
STC	Secondary taxation on companies
STP	Signal Transfer Point
SVS	Short voice service.
Switch	Is a computer that acts as a conduit and director of traffic. It is a means of sharing resources on a network.
TB	Tuberculosis
TDM	Telecomunicações de Mozambique SA, a company incorporated in the Republic of Mozambique
Telecoms Act	Telecommunication Act, Act 103 of 1996 of the Republic of South Africa
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 Limited and all its subsidiaries and joint ventures
TSH	Tanzanian Shilling
TSI	Technology Strategy Initiative
UMTS	Universal Mobile Telecommunications Systemmis the Western European name for the 3G WCDMA standard adopted as an evolutionary path by the GSM world. However, it ulitises the radio spectrum in a fundamentally different manner than GSM. UMTS is based on CDMA technology and the GSM standard is based on TDMA technology.
UNCTAD	United Nations Conference on Trade and Development
UNISA	University of South Africa
Unique User	The holder of a unique number identifying a subscription in an ASM or UMTS mobile network, being the telephone number to the SIM card in a mobile phone.
USAASA	Universal Service and Access Agency of South Africa
USAID	United States Agency for International Development
USAL	Under Serviced Area Licence
USB	Universal Serial Bus
USD	United States of America Dollar
USO	Universal Service Obligation
USSD	Unstructured Supplementary Service Data
VAEP	Vodacom Advanced Executive development Programme
VANS	Value Added Network Service
VAS	Value Added Services
VCT	Voluntary Counselling and Testing
VLC	Virtual Learning Centre
VLR	Visitor Location Register
Vodacom Business	A division of Vodacom (Proprietary) Limited, with the primary objective is to deliver end-to-end converged solutions, extending from mobile to fixed line voice and data, managed data networks, VoIP solutions, hosted facilities and applications, security and managed hosting solutions.
Vodacom DRC	Vodacom Congo (RDC) 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	VM, SA (trading as Vodacom Mozambique), a company incorporated in the Republic of Mozambique
Vodacom Mauritius	Vodacom International Limited, a company incorporated in the Republic of Mauritius
Vodacom SA	Vodacom (Proprietary) Limited
Vodacom Service Provider	Vodacom Service Provider Company (Proprietary) Limited, a company incorporated in the Republic of South Africa
Vodacom Tanzania	Vodacom Tanzania Limited, a company incorporated in the United Republic of Tanzania
Vodacom Ventures	Vodacom Ventures (Proprietary) Limited, a company incorporated in the Republic of South Africa
Vodafone	Vodafone Group Plc, a public company incorporated in England and Wales
VPN	Virtual Private Network
VOIP	Voice Over Internet Protocol
VSA	Vodacom SA, includes all subsidiary and joint venture companies incorporated in the Republic of South Africa
VSAT	Very Small Aperture Terminal
WACS	West Africa Cable System
WAN	Wide Area Network comprises networks in different geographic locations that are connected, often over the public network.
WAP	Wireless Application Protocol
WASP	Wireless Application Service Provider
WBS	WBS Holdings (Proprietary) Limited (WBSH), a company incorporated in the Republic of South Africa
Westside	Westside Trading 163 (Proprietary) Limited
Whatana	Whatana Investments Limitada
WHO	World Health Organisation
Wi-fi	is a trademark name generally associated with the IEEE802.11 standards and is a certification that allows inter-operability between different wireless devices.
WiMax	Worldwide Interoperability for Microwave Access
WSPCCA	Walter Sisulu Paediatric Cardiac Centre for Africa
YeboYethu	YeboYethu Limited, a public limited liability company incorporated in South Africa.
Zantel	Zanzibar Telecom Limited, a company incorporated in the United Republic of Tanzania
ZAR	South African Rand
Zoopy	Zoopy (Proprietary) Limited

Disclaimer

This annual report contains statements about Vodacom that are or may be forward looking statements. All statements, other than statements of historical facts included in this annual report may be forward looking statements. Any statements preceded or followed by, or that include the words "forecasts", "believes", "expects", "intends", "plans", "prediction", "will", "may", "should", "could", "anticipates", "estimates", "seeks", "continues", or similar expression or the negative thereof, are forward looking statements.

Forward looking statements include, among others, statements relating to the following:

- future capital expenditures, acquisitions, divestitures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects;
- business and management strategies relating to the expansion and growth of Vodacom;
- the effects of regulation of Vodacom's businesses by governments in the countries in which the Group operates, including the SA Government;
- Vodacom's expectations as to the launch and roll out dates of products, services or technologies offered by Vodacom;
- expectations regarding the operating environment and market conditions;
- revenue and growth expected from Vodacom's total communications strategy;
- growth in customers and usage;
- the expected contribution to the Group's revenue of voice services, messaging services, data services, broadband services, fixed location pricing, internet services and mobile advertising;
- the rate of dividend growth by the Group or its existing investments;
- possible future acquisitions, including increases in ownership in existing investments, the timely completion of pending acquisition transactions and pending offers for investments, including licence acquisitions, and the expected funding required to complete such acquisitions or investments;
- mobile penetration and coverage rates and Vodacom's ability to acquire spectrum;
- the impact of regulatory and legal proceedings involving Vodacom and of scheduled or potential regulatory changes;
- overall market trends and other trend projections;
- the effect of the current economic crisis on Vodacom's operations;
- the ability of Vodacom to continue to obtain financing on commercially reasonable terms;
- the effect of competition on Vodacom;
- the effect of expansion on Vodacom's management, financial and technical systems;
- the ability of Vodacom to attract and retain key personnel; and
- exchange control restrictions in the jurisdictions in which Vodacom operates.

By their nature, forward looking statements are inherently predictive, speculative and, because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or its industry, to be materially different from any results, performance or achievements expressed or implied by such forward looking statements. These forward looking statements are not guarantees of future performance and are based on numerous assumptions regarding Vodacom Group's present and future business strategies and the environments in which it will operate in the future. All subsequent oral or written forward looking statements attributable to the Group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Vodacom expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward looking statement is based.

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Form of proxy

I/We ____(name in BLOCK LETTERS)

of ____(address in BLOCK LETTERS)

Being a member/members of the company holding [   ] ordinary shares in the company

do hereby appoint: ____

of ____

or failing him/her ____

of ____

or failing him/her, the Chairman of the annual general meeting as my/our proxy to represent me/us at the annual general meeting to be held on Friday 31 July 2009 at 10:00 or at any adjournment thereof as follows:

		For	Against	Abstain
1. Adoption of financial statements				
2. Re-election of directors:	2.1 MP Moyo			
	2.2 PJ Uys			
	2.3 MS Aziz Joosub			
	2.4 TA Boardman			
	2.5 M Lundal			
	2.6 M Joseph			
	2.7 JCG Maclaurin			
	2.9 TM Mokgosi-Mwantembe			
	2.10 RAW Schellekens			
	2.11 RC Snow			
3. To re-appoint Deloitte & Touche as auditors of the company.				
4. Ratification of annual fees for non-executive directors				
5. Special resolution				
6. Adoption of share plan				

and generally to act as my/our proxy at the said annual general meeting.

(Indicate with an "x" or the relevant number of shares, in the applicable space, how you wish your votes to cast).

Unless otherwise directed the proxy will vote as he/she thinks fit.

Signed at ______________________ this ______________________ day of ________________ 2009.

Signature of member ____________________________________ Assisted by (where applicable) ______________

Please read the notes on the reverse side hereof.

Completed forms of proxy must be lodged with Computershare Investor Services (Proprietary) Limited by no later than 10:00 Thursday 30 July 2009.

VODACOM GROUP LIMITED
(Incorporated in the Republic of South Africa)
(JSE share code : VOD)
(ISIN: ZAE000132577)
("Vodacom" or the "company")

vodacom

Notes

1. A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote and speak in his/her stead at the annual general meeting. A proxy need not be a member of the company.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space(s) provided, with or without deleting "the Chairman of the annual general meeting", but any such deletion or insertion must be initialled by the shareholder. Any insertion or deletion not complying with the aforegoing will be declared not to have been validly effected. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the Chairman of the annual general meeting.

3. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of votes exercisable by the shareholder or by his/her proxy.

4. To be effective, completed forms of proxy must be lodged with the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, no less than 24 hours before the time appointed for the holding of the annual general meeting, excluding Saturdays, Sundays and public holidays. As the annual general meeting is to be held at 10:00 on Friday 31 July 2009 forms of proxy must be lodged no later than 10:00 on Thursday 30 July 2009.

5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.

6. The Chairman of the annual general meeting may reject or accept any form of proxy which is not completed and/or received other than in compliance with these notes.

7. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory.

8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be enclosed to this form of proxy unless previously recorded by the company or the transfer secretaries or waived by the Chairman of the annual general meeting.

9. Where there are joint holders of shares:

- any one holder may sign this form of proxy; and
- the vote of the senior shareholder (for that purpose, seniority will be determined by the order in which the names of the shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.

10. This form of proxy is not for completion by those shareholders who have dematerialised their shares (other than those whose shareholding is recorded in their own name in the sub-register maintained by their Central Securities Depository Participant ("CSDP"). Such shareholders should provide their CSDP, broker or nominee with their voting instructions.

Transfer secretaries
Computershare Investor Services (Proprietary) Limited
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