

## Notes

### BASIS OF PREPARATION

These preliminary condensed consolidated annual financial statements of Vodacom Group Limited ("the Group") have been prepared in accordance with the recognition and measurement criteria of 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 preliminary condensed consolidated 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, and 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 and methods of computation 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 prior financial years.

The financial information has been reviewed by Deloitte & Touche whose unqualified review opinion is available for inspection at the Group's registered office.

The annual report containing a detailed review of the operations of the Group together with the audited consolidated annual financial statements will be posted to shareholders on or about Tuesday 30 June 2009.

	2009 Rm Reviewed	2008 Rm Audited	2007 Rm Audited
<b>1. SEGMENTAL INFORMATION</b>			
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.			
<b>External customers segment revenue</b>	<b>55 187.1</b>	48 177.8	41 146.4
South Africa	<b>47 435.7</b>	42 824.9	37 038.6
International	<b>6 946.1</b>	5 352.9	4 107.8
Gateway	<b>805.3</b>	-	-
<b>Management operating profit</b>	<b>12 262.4</b>	12 616.4	11 000.4
South Africa	<b>11 453.3</b>	11 752.1	10 394.8
International	<b>723.1</b>	757.1	569.0
Gateway	<b>77.0</b>	-	-
Corporate and eliminations	<b>9.0</b>	107.2	36.6
<b>Reconciliation of segment results</b>			
Management operating profit	<b>12 262.4</b>	12 616.4	11 000.4
Amortisation of licences, trademarks, patents and customer bases	<b>(145.6)</b>	(95.8)	(117.7)
Impairment of assets	<b>(112.2)</b>	(29.9)	(22.9)
<b>Operating profit</b>	<b>12 004.6</b>	12 490.7	10 859.8

	2009 Rm Reviewed	2008 Rm Audited	2007 Rm Audited
<b>1. SEGMENTAL INFORMATION (continued)</b>			
<b>Net profit</b>	<b>6 191.9</b>	7 957.6	6 560.0
South Africa	<b>6 968.6</b>	7 916.3	6 935.6
International	<b>75.1</b>	404.0	15.1
Gateway	<b>(36.0)</b>	-	-
Corporate and eliminations	<b>(815.8)</b>	(362.7)	(390.7)
<b>Assets</b>	<b>47 359.4</b>	34 175.2	28 470.2
South Africa	<b>26 693.1</b>	24 597.8	22 879.3
International	<b>11 181.8</b>	8 546.9	6 468.9
Gateway	<b>8 013.5</b>	-	-
Corporate and eliminations	<b>1 471.0</b>	1 030.5	(878.0)
<b>Liabilities</b>	<b>(32 261.6)</b>	(22 369.9)	(18 823.2)
South Africa	<b>(19 322.4)</b>	(17 776.7)	(16 547.3)
International	<b>(8 490.6)</b>	(6 692.4)	(4 874.7)
Gateway	<b>(3 130.8)</b>	-	-
Corporate and eliminations	<b>(1 317.8)</b>	2 099.2	2 598.8

## 2. EARNINGS AND DIVIDEND PER SHARE

### 2.1 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.

	2009 Cents Reviewed	2008 Cents Reviewed	2007 Cents Reviewed
Basic and diluted earnings per share	<b>409.2</b>	525.0	426.3
Headline and diluted headline earnings per share	<b>417.4</b>	528.4	426.3
Dividend per share	<b>349.5</b>	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.

The calculation of basic and headline earnings per share is based on earnings of R6 089.3 million (2008: R7 811.4 million; 2007: R6 342.4 million) and headline earnings of R6 211.1 million (2008: R7 861.6 million; 2007: R6 328.9 million) respectively. Due to no dilutive factors being present, basic earnings per share equals diluted 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 Reviewed	2008 Rm Reviewed	2007 Rm Reviewed
<b>2.2 Headline earnings reconciliation</b>			
Basic earnings per the income statement	<b>6 089.3</b>	7 811.4	6 342.4
Adjusted for:			
Profit on disposal of shares in subsidiary	-	(8.0)	(17.4)
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	<b>13.3</b>	39.3	(26.9)
Impairment recognised	<b>112.2</b>	29.9	22.9
	<b>6 214.8</b>	7 872.6	6 321.0
Taxation impact of adjustments	<b>(3.8)</b>	(11.0)	7.9
Minority interest in adjustments	<b>0.1</b>	-	-
Headline earnings*	<b>6 211.1</b>	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 International Financial Reporting Standards. It has been calculated in accordance with the South African Institute of Chartered Accountants' circular issued in this regard.

### 3. BROAD-BASED BLACK ECONOMIC EMPOWERMENT CHARGE

The broad-based black economic empowerment ("BBBEE") charge arose from the BBBEE transaction which was implemented during the year. 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 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 (Proprietary) Limited and its wholly owned South African subsidiaries and shall include 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 and gives rise to an equity-settled share-based payment in terms of IFRS 2: Share-based Payment.

The following BBBEE participants acquired a direct or indirect ownership in Vodacom (Proprietary) Limited's share capital as follows:

Components of the transaction	Percentage allocated %	Transaction value Rm	Broad-based black economic empowerment charge Rm
Employees through YeboYethu Employee Participation Trust	1.56	1 875.0	** 67.8
Black Public and Business Partners through YeboYethu Limited	1.88	2 250.0	527.0
Royal Bafokeng Holdings (Proprietary) Limited	1.97	2 366.0	552.2
Thebe Investment Corporation (Proprietary) Limited	0.84	1 009.0	235.4
	<b>6.25</b>	<b>7 500.0</b>	<b>1 382.4</b>

\*\* This amount represents the current year's charge taking into account the vesting conditions and the rights granted to employees. The total charge for employees over the five-year period amounts to R377.0 million.

#### 4. INTEREST BEARING DEBT

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 (note 5).

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.

The debt incurred as set out above had the impact of decreasing earnings per share and headline earnings per share by 26.5 cents per share based on 1 487 954 000 ordinary shares in issue at the date of listing.

	2009 Rm Reviewed	2008 Rm Audited	2007 Rm Audited
<b>5. MATERIAL BUSINESS COMBINATION</b>			
<b>Gateway*</b>			
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)	-	-
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)	-	-
	<b>688.0</b>	-	-

\* 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.

	2009 Rm Reviewed	2008 Rm Audited	2007 Rm Audited
<b>6. CAPITAL COMMITMENTS</b>			
Contracted for but not yet incurred	2 213.9	1 599.5	1 181.5
Approved but not yet contracted for	9 711.8	8 822.4	7 135.2
<b>7. OTHER COMMITMENTS</b>			
Operating leases	3 533.8	4 570.9	2 765.2
Sport and marketing contracts	1 037.8	1 359.5	881.7
GSM transmission and data lines	6 643.5	-	-
Other	1 000.4	1 544.2	775.3
	<b>12 215.5</b>	<b>7 474.6</b>	<b>4 422.2</b>

Other commitments comprise other accommodation, retention incentives, activation bonuses and activation commissions. The Group also has commitments for service provider agreements, monthly cellular licence fees and global alliance fees the amounts of which will be determined based on future financial results.

## 8. CONTINGENCIES

### 8.1 Various legal matters

21.7

7.0

7.6

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 some 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.

### 8.2 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 (note 4) will improve the negative net current asset ratio. Depending on market conditions the Group will continue to seek longer term funding opportunities which will further reduce the negative net current asset ratio.

### 8.3 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.

#### **8.4 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 to 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 tax 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.

#### **8.5 Customer registration**

The Group is required by law to register its customers in the Democratic Republic of Congo and in South Africa. Non-compliance may result in penalties, the amount of which the Group is currently unable to reliably assess.

#### **8.6 Contingent asset**

Litigation may be instituted for the recovery of certain fees paid by the Group.

### **9. EVENTS SUBSEQUENT TO YEAR END**

#### **Listing**

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 Holdings (SA) (Proprietary) Limited holding and beneficially owning in aggregate 65% of the entire issued share capital of Vodacom Group (Proprietary) 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. 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 ordinary 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 ordinary shares with no par value.

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% stake to its shareholders.

