

## Notes

### 1. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with the disclosure requirements of International Accounting Standard 34: Interim Financial Reporting. They have been prepared on the historical cost basis, except for financial instruments recorded at fair value or at amortised cost, and have been presented in South African rand, 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 as disclosed in Note 2. The accounting policies are available for inspection at the Group's registered office.

There have been no material changes in judgments or estimates of amounts reported in prior reporting periods except for the prospective classification of certain foreign denominated loans to subsidiaries as part of the net investments in these foreign operations, which led to the recognition of additional exchange losses of R944 million net of taxation in other comprehensive income.

Certain amounts have been reclassified as disclosed in Note 7.

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

### 2. Accounting policies

The Group adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the Group from 1 April 2009.

#### IAS 1: Presentation of Financial Statements (Amended)

The Group previously classified all financial instruments held for trading as current. These are now classified as current if they are expected to be settled within twelve months of the reporting date. The change in accounting policy had no material impact on the Group's classification of these financial instruments in the current and prior periods.

A separate condensed consolidated statement of comprehensive income is now included as part of the primary financial statements which resulted in changes to the condensed consolidated statement of changes in equity. The Group changed the naming of the primary financial statements and adopted new terminology as per the amendments.

#### IAS 23: Borrowing Costs (Revised)

The Group previously expensed all borrowing costs as incurred. The Group now capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. In accordance with the transitional provisions, the Group adopted the standard prospectively. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 April 2009.

The change in accounting policy had no impact on the Group's financial results for the period.

## 2. Accounting policies (continued)

### IFRIC 13: Customer Loyalty Programmes

The Group now accounts for customer loyalty credits as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits, deferred and recognised as revenue over the period the award credits are redeemed. The Group previously recorded a liability at the time of sale based on the costs expected to be incurred to supply the products in future. The change in accounting policy was not applied retrospectively, since the prior period financial impact is immaterial.

	Six months ended		Year ended
	30 September	2008	31 March
	2009	2008	2009
	Rm	Rm	Rm
	Reviewed	Reviewed	Audited
<b>3. Segmental information</b>			
<b>External customers segment revenue<sup>1</sup></b>	<b>28 675</b>	26 090	55 442
South Africa	24 314	22 782	47 592
International	2 875	3 303	7 030
Gateway	1 476	–	805
Corporate	10	5	15
<b>EBITDA<sup>2</sup></b>	<b>9 347</b>	8 654	18 195
South Africa	8 609	7 749	16 222
International	598	842	1 835
Gateway	144	–	100
Corporate and eliminations	(4)	63	38
<b>Reconciliation of segment results</b>			
<b>EBITDA</b>	<b>9 347</b>	8 654	18 195
Depreciation, amortisation and impairment	(5 753)	(2 217)	(4 795)
Broad-based black economic empowerment charge	(51)	–	(1 382)
Net loss on disposal of property, plant and equipment and intangible assets	(8)	(7)	(13)
<b>Operating profit</b>	<b>3 535</b>	6 430	12 005
<b>Net profit</b>	<b>59</b>	3 776	6 192
South Africa	4 481	3 923	6 969
International	(1 252)	209	75
Gateway	(3 047)	–	(36)
Corporate and eliminations	(123)	(356)	(816)
<b>Assets</b>	<b>40 693</b>	36 219	47 359
South Africa	27 765	25 916	26 692
International	8 890	9 104	11 182
Gateway	3 291	–	8 014
Corporate and eliminations	747	1 199	1 471

<sup>1</sup> Other operating income has been incorporated into revenue on the face of the condensed consolidated income statement.

<sup>2</sup> The measure of segment profit changed from management operating profit to EBITDA. All segment information is presented on the revised basis, with prior years amended to conform to the current period presentation.

	Six months ended		Year ended
	30 September		31 March
	2009	2008	2009
	Rm	Rm	Rm
	Reviewed	Reviewed	Audited
<b>4. Impairment of assets</b>			
Intangible assets	(3 134)	-	(1)
Property, plant and equipment	(5)	(21)	(105)
Available-for-sale financial assets carried at cost	-	-	(6)
Investment in associate	(50)	-	-
Impairment recognised	<b>(3 189)</b>	(21)	(112)

The carrying value of goodwill for the Gateway cash-generating unit has been impaired by R3.0 billion following a test for impairment triggered by adverse economic conditions as a result of the global recession and an increased competitive environment leading to adverse performance against previous plans. The carrier services operation was negatively impacted by reduced mobile traffic on the continent and pricing pressure from operators. The impairment loss was based on a value in use calculation using a post taxation risk adjusted discount rate, which ranged between 13% and 15% in US dollar terms. The recoverable amount of the Gateway cash-generating unit equals its reported carrying value at 30 September 2009 and consequently, any adverse change in a key assumption underpinning the value in use calculation may cause a further impairment loss to be recognised.

Included in the impairment recognised is R8 million (30 September 2008: R21 million; 31 March 2009: R106 million) relating to a net write down of VM, SA assets to fair value less cost to sell.

	Six months ended		Year ended
	30 September		31 March
	2009	2008	2009
	Cents	Cents	Cents
	Reviewed	Reviewed	Audited
<b>5. Per share calculations</b>			
<b>5.1 Earnings, dividend and net asset value per share</b>			
Basic and diluted earnings per share	4	248	409
Headline and diluted headline earnings per share	219	250	417
Dividend per share (Note 12)	-	202	350
Net asset value per share	<b>849</b>	854	1 015

Per share calculations are based on a weighted average number of ordinary shares of 1 487 954 000 outstanding during the reporting period 30 September 2009, 30 September 2008 and 31 March 2009. No dilutive factors are present.

	Six months ended		Year ended
	30 September		31 March
	2009	2008	2009
	Rm	Rm	Rm
	Reviewed	Reviewed	Audited
<b>5. Per share calculations (continued)</b>			
<b>5.2 Headline earnings reconciliation</b>			
Basic earnings attributable to equity shareholders per the income statement	61	3 693	6 089
Adjusted for:			
Net loss on disposal of property, plant and equipment and intangible assets	8	7	13
Impairment recognised (Note 4)	3 189	21	112
	3 258	3 721	6 214
Taxation impact of adjustments	(2)	(2)	(4)
Non-controlling interests in adjustments	–	–	–
Headline earnings <sup>1</sup>	3 256	3 719	6 210

<sup>1</sup> This disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with the applicable South African Institute of Chartered Accountants' circular.

## 6. Forfeitable share plan

A share incentive plan for the Group's employees in the form of a forfeitable share plan ("FSP"), was approved by shareholders at the annual general meeting held on 31 July 2009 by ordinary resolution. The FSP will be treated in terms of IFRS 2: Share-based Payment.

The Group expects to purchase Vodacom Group Limited shares in the market during November 2009 to facilitate making the first award under the FSP.

	Balance as previously reported	Bonus and leave pay liabilities (Note 7.1)	Statement of cash flows (Note 7.2)	Balance as reclassified
	Rm	Rm	Rm	Rm
	Reviewed/ Audited	Reviewed	Reviewed	Reviewed

## 7. Reclassifications

### Reconciliation 30 September 2008

#### Statement of financial position

##### Non-current liabilities

Provisions	365	(38)	–	327
Trade and other payables	474	38	–	512

##### Current liabilities

Provisions	568	(343)	–	225
Trade and other payables	10 775	343	–	11 118

#### Statement of cash flows

Cash generated from operations	7 952	–	(174)	7 778
Finance costs paid	(463)	–	463	–
Finance income received	27	–	(27)	–
Realised net losses on remeasurement and disposal of financial instruments	(21)	–	21	–
Net additions to property, plant and equipment and intangible assets	(3 848)	–	152	(3 696)
Other investing activities	(39)	–	27	(12)
Movement in debt including interest paid	632	–	(462)	170

### Reconciliation 31 March 2009

#### Statement of financial position

##### Non-current liabilities

Provisions	397	(32)	–	365
Trade and other payables	356	32	–	388

##### Current liabilities

Provisions	800	(562)	–	238
Trade and other payables	10 323	562	–	10 885

#### Statement of cash flows

Cash generated from operations	16 351	–	(330)	16 021
Finance costs paid	(1 388)	–	1 388	–
Finance income received	104	–	(104)	–
Realised net losses on remeasurement and disposal of financial instruments	(557)	–	557	–
Net additions to property, plant and equipment and intangible assets	(7 211)	–	181	(7 030)
Other investing activities	(190)	–	103	(87)
Movement in debt including interest paid	8 350	–	(1 795)	6 555

### 7.1 Bonus and leave pay liabilities

Bonus and leave pay liabilities have retrospectively been reclassified from provisions to accruals within trade and other payables as to align with practices of the Group's parent.

## 7. Reclassifications (continued)

### 7.2 Statement of cash flows

Dividends paid, realised net losses on remeasurement and disposal of financial instruments, finance costs paid and finance income received have retrospectively been reclassified in the statement of cash flows from operating activities to the activity from where it originates as to align with practices of the Group's parent.

## 8. Related party transactions

The Group's related parties are its parent (entities with joint control over the Group for prior years), joint venture, associate, pension schemes and key management.

	Six months ended 30 September		Year ended 31 March
	2009	2008	2009
	Rm	Rm	Rm
	Reviewed	Reviewed	Audited
<b>8.1 Balances with related parties</b>			
Accounts receivable	168	781	948
Accounts payable	(216)	(169)	(325)
Dividends payable	–	(3 000)	(2 200)
<b>8.2 Transactions with related parties</b>			
Revenue	395	1 611	3 390
Operating costs	(462)	(1 115)	(2 602)
Dividends paid	–	(3 000)	(5 200)
<b>8.3 Key management personnel remuneration</b>			
Key management personnel remuneration	(6)	(43)	(85)
<b>8.4 Directors' remuneration</b>			
Compensation paid to the Group's board of directors will be disclosed in the Group's annual report for the year ending 31 March 2010.			
<b>9. Capital expenditure incurred</b>			
Capital expenditure additions including software	2 934	2 976	6 906
<b>10. Capital commitments</b>			
Contracted for but not yet incurred	2 981	2 655	2 214
Approved but not yet contracted for	5 673	5 320	9 712
<b>11. Other commitments and contingencies</b>			

There have been no material changes to the Group's other commitments or contingent liabilities during the period.

## 12. Events after the reporting period

The board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period, other than the following:

### 12.1 Dividend declared after the reporting date and not recognised as a liability

An interim dividend of R1 637 million (110 cents per share) for the year ending 31 March 2010 was declared on 5 November 2009, payable to shareholders on 7 December 2009, with the last date of registration being 4 December 2009.

### 12.2 Fixed and mobile termination review

The mobile industry decided to voluntarily embark on a process to reduce mobile termination rates with Independent Communications Authority of South Africa (“ICASA”) exercising an oversight responsibility. Bi-lateral negotiations were initiated between mobile operators, but have still not yielded an outcome that is acceptable to all role-players. The Minister of Communications published a draft policy directive for public comment with regard to mobile termination rates. In addition, ICASA has recently communicated its intention to complete the regulatory market review process by June 2010. A decline in mobile termination rates may result in a decrease in revenue and operating profit.