CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and fair presentation of the consolidated annual financial statements of Vodacom Group (Proprietary) Limited.

The consolidated annual financial statements have been audited by the independent accounting firm Deloitte & Touche, which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The report of the auditors is presented on the next page.

The consolidated annual financial statements for the three years ended March 31, 2006 presented on pages 92 to 189 have been prepared in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies which have been consistently applied, and which are supported by reasonable and prudent judgements and estimates. The going concern basis has been adopted in preparing the consolidated annual financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

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

The consolidated annual financial statements were approved by the Board of Directors on May 26, 2006 and are signed on its behalf:

Adv OA Mabandla
Chairman

ADC Knott-Craig
Chief Executive Officer

CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as Company Secretary, I hereby confirm that for the year ended March 31, 2006, the Group has lodged with the Registrar of Companies all such returns required in terms of relevant company legislation and that all such returns are true, correct and up to date.

L Crouse
Company Secretary

REPORT OF THE INDEPENDENT AUDITORS AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM*

TO THE MEMBERS OF VODACOM GROUP (PROPRIETARY) LIMITED

We have audited the accompanying consolidated balance sheets of Vodacom Group (Proprietary) Limited and subsidiaries ("the Group") as of March 31, 2006 and the related consolidated income statements, statements of changes in equity and cash flows for the three years in the period then ended, set out on pages 92 to 189. These consolidated annual financial statements are the responsibility of the Group's directors. 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 and the standards of the Public Company Accounting Oversight Board ("PCAOB") (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated annual financial statements present fairly, in all material respects, the financial position of the Group as of March 31, 2006, 2005 and 2004, and the results of its operations and its cash flows for the three years then ended, in conformity with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act in South Africa, 1973.

Note 23 to the consolidated annual financial statements discloses certain restatements. These restatements relate to the recognition of operating lease payments on a straight-line basis, an investment property which has been reclassified to property, plant and equipment, the non-current portion of the interest rate swap asset which has been reclassified to current assets, and computer software which was previously classified as part of property, plant and equipment. These restatements do not impact the Group's results, with the exception of the operating lease restatement, or cash flow information for these years.

IFRS vary in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). Information relating to the nature and effect of such differences is presented in Note 45 to the consolidated annual financial statements.

Deloitte & Touche
Registered Accountants and Auditors

Per S Strydom
Partner

Pretoria,
South Africa
June 2, 2006

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

DIRECTORS' REPORT

for the year ended March 31, 2006

The directors have the pleasure of presenting their report, which forms part of the audited consolidated annual financial statements, for the three years ended March 31, 2006.

1. NATURE OF BUSINESS

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

2. REVIEW OF ACTIVITIES AND RESULTS

Revenue for the year was R34.0 billion (2005: R27.3 billion; 2004: R22.9 billion), representing a 24.6% (2005: 19.5%; 2004: 17.7%) increase over the prior year. This is largely attributable to the 51.9% (2005: 38.0%; 2004: 29.7%) increase in the total customer base.

	2004 '000	2005 '000	**2006** **'000**
Customer base			
Total	11,217	15,483	**23,520**
Contract	1,437	1,895	**2,392**
Prepaid	9,743	13,546	**21,072**
Community Services	37	42	**56**
Location of customer base			
South Africa	86.7%	82.9%	**81.5%**
International	13.3%	17.1%	**18.5%**
Total ARPU			
South Africa (R)	177	163	**139**
Tanzania (R)	128	81	**67**
Lesotho (R)	125	92	**78**
Congo (R)	150	98	**86**
Mozambique (R)	110	52	**36**

Profit from operations for the year was R8.9 billion (2005: R6.5 billion; 2004: R5.2 billion), representing a 36.9% (2005: 24.0%; 2004: 20.7%) increase over the prior year. The net profit for the year under review is R5.1 billion (2005: R3.9 billion; 2004: R3.1 billion). The 32.0% (2005: 27.3%; 2004: 35.1%) increase in net profit is mainly due to the 36.9% increase in operating profit offset by an increase in net finance cost of R680.0 million from net finance income of R21.1 million in 2005 to net finance cost of R658.9 million in 2006. Taxation expense also increased with R464.8 million from R2.6 billion in 2005 to R3.1 billion in 2006 due to the increased profit from operations.

The earnings before interest, taxation, depreciation and amortisation (EBITDA) for the year was R11.8 billion (2005: R9.6 billion; 2004: R7.8 billion), representing a 23.1% (2005: 23.6%; 2004: 15.7%) increase over the year. EBITDA as a percentage of revenue is currently 34.7% (2005: 35.1%; 2004: 33.9%). EBITDA as a percentage of revenue excluding mobile phone and accessory sales is 39.9% (2005: 40.1%; 2004: 38.0%).

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

3. DIVIDENDS DISTRIBUTION

An ordinary dividend of R4,500.0 million (2005: R3,400.0 million; 2004: R2,100.0 million) was declared for the year:

	2004 Rm	2005 Rm	**2006** **Rm**
Declared March 9, 2006 and paid April 5, 2006	–	–	**2,800.0**
Declared September 9, 2005 and paid October 3, 2005	–	–	**1,700.0**
Declared March 10, 2005 and paid April 1, 2005	–	1,800.0	**–**
Declared September 10, 2004 and paid October 1, 2004	–	1,600.0	**–**
Declared March 11, 2004 and paid May 31, 2004	1,500.0	–	**–**
Declared September 11, 2003 and paid September 30, 2003	600.0	–	**–**

The payment of the current year final ordinary dividend was made on April 5, 2006 to all shareholders registered on April 3, 2006. Payment of the interim dividend was made on October 3, 2005 to all shareholders registered on October 1, 2005.

4. CHANGE IN ACCOUNTING POLICIES

During the 2006 financial year, the Group changed its accounting policies for the recognition and measurement of property, plant and equipment in accordance with the revised IAS 16: Property, Plant and Equipment. Each significant component included in an item of property, plant and equipment is now separately recorded and depreciated. Useful lives and residual values are also reviewed on an annual basis.

Details of the effect of the change in accounting policies, newly adopted standards implemented in 2006 as well as restatements and reclassifications are disclosed in Note 23 to the consolidated annual financial statements.

5. CAPITAL EXPENDITURE

During the year, the Group invested R5.1 billion (2005: R3.5 billion; 2004: R2.9 billion) in property, plant and equipment and intangible assets: software. Of this capital expenditure R4.2 billion (2005: R2.8 billion; 2004: R2.3 billion) was for cellular network infrastructure. Capital expenditure in South Africa amounted to R4.4 billion (2005: R2.8 billion; 2004: R1.7 billion), making up approximately 85.3% of the total amount invested. The capital expenditure was funded by internal cash generation, supplier credits and bank credit.

During the financial year, the impairment on certain property, plant and equipment of VM, S.A.R.L. trading as Vodacom Mozambique that was previously impaired, was reversed. This net impairment reversal amounted to R52.8 million. The Group assessed the assets of VM, S.A.R.L. in accordance with the requirements of IAS 36: Impairment of Assets. The recoverable amount of these assets has been determined based on the fair value of the assets less cost of disposal at March 31, 2006 and 2005. Refer to Note 3 to the consolidated annual financial statements.

Further information on the investment in property, plant and equipment and intangible assets: software of the Group is presented in Note 8 and Note 10 to the consolidated annual financial statements.

Commitments at March 31, 2006 in respect of contracts for orders placed for the new financial year amount to R1.3 billion (2005: R1.5 billion; 2004: R0.7 billion). Commitments at March 31, 2006 which have been approved by the Board of Directors but not yet contracted for amount to R6.2 billion (2005: R4.4 billion; 2004: R4.5 billion).

Further information on the commitments of the Group is presented in Note 33 and Note 34 to the consolidated annual financial statements.

DIRECTORS' REPORT continued

for the year ended March 31, 2006

6. INVESTMENT ACTIVITIES

6.1 South Africa

Vodacom (Proprietary) Limited, Vodacom Service Provider Company (Proprietary) Limited, Smartphone SP (Proprietary) Limited, Smartcom (Proprietary) Limited and Cointel VAS (Proprietary) Limited (refer Note 6.3 below), included in Vodacom's South African operations continued to grow, showing an increase in revenue of 24.1% (2005: 17.3%; 2004: 17.5%). EBITDA for the year was R11.1 billion (2005: R9.0 billion; 2004: R7.5 billion), an increase of 22.9%. Customers increased to 19.2 million, representing a 49.3% increase year on year.

6.2 Companies operating beyond South Africa's borders

Vodacom Tanzania Limited

The Tanzanian operations continued to grow showing a healthy increase in customers, with 2.1 million closing customers, a 74.1% increase year on year. EBITDA for the year was R464.7 million (2005: R344.7 million; 2004: R277.7 million), an increase of 34.8%.

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

Vodacom International Limited, holds 51% of the ordinary share capital of the company. During the previous financial year the shareholders' agreement was amended to remove some of the participative rights of the minority shareholders, resulting in the company being consolidated from April 1, 2004.

The operations continued to grow with an increase in revenue of 24.1% year on year (2005: 15.2%; 2004: 83.7%). EBITDA for the year was R372.5 million (2005: R252.3 million; 2004: R190.0 million), an increase of 48.0%. Customers increased to 1.6 million, a 52.2% increase year on year.

Vodacom Lesotho (Proprietary) Limited

The Lesotho operations continued to grow with revenue amounting to R170.1 million (2005: R137.0 million; 2004: R118.3 million), an increase of 24.1% year on year. Customers grew to 206,000, a 40.1% increase year on year. A total dividend of R7.5 million (2005: R2.0 million) was declared to shareholders.

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

The company was incorporated on August 14, 2002 and was awarded the second cellular licence on August 23, 2003. Commercial services were launched during December 2003. Vodacom International Limited holds 98% of the ordinary share capital of the company, but local shareholders have an option to acquire another 25% of the ordinary share capital.

Customers grew to 490,000, an 84.9% increase year on year. EBITDA is still in a loss position at R128.5 million (2005: R110.9 million loss; 2004: R71.2 million loss).

6.3 Acquisition of subsidiaries

Cointel VAS (Proprietary) Limited

The Group acquired a 51% equity stake in Cointel VAS (Proprietary) Limited, a value added service provider in the cellular telephony industry in the South African market, for R83.6 million. All suspensive conditions contained in the sale of shares agreement were met on August 1, 2005, when the Group received Competition Commission approval.

7. LONG-TERM FUNDING

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

8. SHARE CAPITAL AND SHAREHOLDER LOANS

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

The issued share capital of R100 (2005: R100; 2004: R100) is ultimately held in the percentages as outlined below.

	Shareholding 2004 %	Shareholding 2005 %	**Shareholding 2006 %**
Telkom SA Limited	50.0	50.0	**50.0**
Vodafone Holdings (SA) (Proprietary) Limited	35.0	35.0	**35.0**
VenFin Telecommunication Investments Limited*	15.0	15.0	**15.0**
	100.0	100.0	**100.0**

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

** During the current financial year, the effective shareholding changed. Vodafone Holdings (SA) (Proprietary) Limited increased its effective shareholding in the Group from 35% to 50%. This was achieved by acquiring a 100% shareholding in VenFin Limited, who ultimately owns 15% in the Group, through Venfin Telecommunication Investments Limited.*

9. DIRECTORS AND SECRETARY

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

	In office 31/03/2005	**Resignations**	**Appointments**	**In office 31/03/2006**
Directors	WYN Luhabe (Chairman) ADC Knott-Craig (Chief Executive Officer) L Crouse (Chief Financial Officer) PJ Uys (Chief Operating Officer) MS Aziz Joosub J Malherbe SE Nxasana PR Williams* GJ Darby* TD Mahloele Dr M Mostert RN Barr*	SE Nxasana (09/09/2005) TD Mahloele (09/09/2005) PR Williams* (15/09/2005) WYN Luhabe (31/12/2005) J Malherbe (22/02/2006)	LRR Molotsane (09/09/2005) RJ September (09/09/2005) J Visser# (15/09/2005) Adv OA Mabandla (01/01/2006) AAG Sokol^† (22/02/2006)	Adv OA Mabandla (Chairman) ADC Knott-Craig (Chief Executive Officer) L Crouse (Chief Financial Officer) PJ Uys (Chief Operating Officer) MS Aziz Joosub GJ Darby* Dr M Mostert RN Barr* LRR Molotsane RJ September J Visser# AAG Sokol^†
Secretary	L Crouse			L Crouse
Alternate Directors	JJ Durand Sir JM Horn-Smith* CWJ Volschenk T Nowak~ J Visser#	CWJ Volschenk (08/03/2006) J Visser# (15/09/2005) JJ Durand (22/02/2006)	PR Williams* (15/09/2005)	PR Williams* T Nowak~ Sir JM Horn-Smith*

** British*
~ German
 # Dutch
^ American
† French

DIRECTORS' REPORT continued

for the year ended March 31, 2006

10. OTHER MATTERS

All negotiations to acquire a controlling interest in Vee Networks Limited, trading as V-Mobile in Nigeria, has been terminated due to the parties being unable to reach agreement on the valuation of Vee Networks Limited.

11. COUNTRY OF INCORPORATION

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

12. REGISTERED OFFICE AND POSTAL ADDRESSES

Registered office:	Vodacom Corporate Park 082 Vodacom Boulevard Vodavalley Midrand 1685	**Postal address:**	Private Bag X9904 Sandton 2146

13. AUDITORS

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

CONSOLIDATED INCOME STATEMENTS

for the three years ended March 31, 2006

	Notes	2004 Restated Rm	2005 Restated Rm	**2006** **Rm**
Revenue	1	22,855.2	27,315.3	**34,042.5**
Other operating income		57.6	63.8	**125.1**
Direct network operating cost		(12,435.1)	(14,617.8)	**(18,297.2)**
Depreciation	4	(2,316.9)	(2,413.6)	**(2,651.6)**
Staff expenses		(1,331.6)	(1,652.9)	**(2,042.1)**
Marketing and advertising expenses		(702.0)	(767.3)	**(976.9)**
General administration expenses		(687.2)	(751.3)	**(1,042.7)**
Amortisation of intangible assets	2	(214.8)	(429.6)	**(344.2)**
Impairment of assets	3	–	(268.4)	**52.8**
Profit from operations	4	5,225.2	6,478.2	**8,865.7**
Interest, dividends and other financial income	5	656.6	662.8	**659.3**
Finance costs	6	(1,107.5)	(641.7)	**(1,318.2)**
Profit before taxation		4,774.3	6,499.3	**8,206.8**
Taxation	7	(1,722.0)	(2,613.0)	**(3,077.8)**
Net profit		3,052.3	3,886.3	**5,129.0**
Attributable to:				
Equity shareholders		3,026.1	3,855.5	**5,012.3**
Minority interests		26.2	30.8	**116.7**

		2004 R	2005 R	**2006** **R**
Basic and diluted earnings per share	32	302,610	385,550	**501,230**
Dividend per share	32	210,000	340,000	**450,000**

CONSOLIDATED BALANCE SHEETS

as at March 31, 2006

	Notes	2004 Restated Rm	2005 Restated Rm	**2006 Rm**
ASSETS				
Non-current assets		12,851.3	13,888.4	**16,079.2**
Property, plant and equipment	8	10,912.5	11,576.9	**13,386.6**
Investment properties	9	9.9	–	**–**
Intangible assets	10	1,002.7	1,644.3	**1,954.9**
Financial assets	11	222.4	93.3	**92.1**
Deferred taxation	12	277.8	308.1	**297.6**
Deferred cost		403.8	236.9	**311.2**
Lease assets		22.2	28.9	**36.8**
Current assets		7,322.7	8,706.4	**8,688.6**
Deferred cost		859.8	428.3	**451.8**
Short-term financial assets	11	354.3	187.1	**149.3**
Inventory	13	288.5	479.5	**454.3**
Trade and other receivables	14	3,450.0	3,621.4	**4,487.1**
Cash and cash equivalents	31	2,370.1	3,990.1	**3,146.1**
Total assets		20,174.0	22,594.8	**24,767.8**
EQUITY AND LIABILITIES				
Equity		7,604.2	7,887.9	**8,672.3**
Ordinary share capital	15	*	*	*
Retained earnings		7,836.1	8,057.2	**8,567.3**
Non-distributable reserves	16	(324.9)	(298.0)	**(178.3)**
Minority interests	17	93.0	128.7	**283.3**
Non-current liabilities		2,317.5	3,233.1	**2,236.6**
Interest-bearing debt	19	1,216.6	2,213.5	**819.2**
Deferred taxation	12	410.1	472.1	**602.3**
Deferred revenue		403.8	240.7	**320.3**
Provisions	22	178.4	184.4	**372.3**
Operating lease liabilities		108.6	122.4	**122.5**
Current liabilities		10,252.3	11,473.8	**13,858.9**
Trade and other payables	20	3,862.1	4,830.8	**5,104.7**
Deferred revenue		1,883.4	1,411.4	**1,604.5**
Taxation payable		852.0	632.6	**630.2**
Non interest-bearing debt	21	4.3	4.3	**4.3**
Short-term interest-bearing debt	19	839.9	381.6	**1,645.5**
Short-term provisions	22	473.7	595.0	**623.0**
Dividends payable		1,500.0	1,800.0	**2,800.0**
Derivative financial liabilities	39	64.5	1.0	**60.9**
Bank borrowings	31	772.4	1,817.1	**1,385.8**
Total equity and liabilities		20,174.0	22,594.8	**24,767.8**

** Amounts less than R50 000*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the three years ended March 31, 2006

		Attributable to equity shareholders					
		Share capital	Retained earnings	Non-distributable reserves	Total	Minority interests	Total equity
	Notes	Rm	Rm	Rm	Rm	Rm	Rm
Balance at March 31, 2003 – previously reported		*	6,962.8	(141.0)	6,821.8	88.0	6,909.8
Changes in accounting policies, reclassifications and restatements	23	–	(53.6)	–	(53.6)	–	(53.6)
Balance at March 31, 2003 – restated		*	6,909.2	(141.0)	6,768.2	88.0	6,856.2
Net profit for the year		–	3,026.1	–	3,026.1	26.2	3,052.3
Dividends declared	32	–	(2,100.0)	–	(2,100.0)	–	(2,100.0)
Contingency reserve	16	–	0.8	(0.8)	–	–	–
Net gains and losses not recognised in the consolidated income statement	16,17						
Foreign currency translation reserve		–	–	(194.0)	(194.0)	(21.2)	(215.2)
Foreign currency translation reserve – deferred taxation		–	–	10.9	10.9	–	10.9
Balance at March 31, 2004 – restated		*	7,836.1	(324.9)	7, 511.2	93.0	7,604.2
Net profit for the year		–	3,855.5	–	3,855.5	30.8	3,886.3
Dividends declared	32	–	(3,400.0)	–	(3,400.0)	(3.8)	(3,403.8)
Contingency reserve	16	–	(1.0)	1.0	–	–	–
Acquired reserves from the minorities of Vodacom Congo (RDC) s.p.r.l.	30	–	(233.4)	82.1	(151.3)	–	(151.3)
Acquisition of subsidiary	29	–	–	–	–	10.1	10.1
Revaluation of available-for-sale investments	16	–	–	0.2	0.2	0.1	0.3
Net gains and losses not recognised in the consolidated income statement	16,17						
Foreign currency translation reserve		–	–	(56.4)	(56.4)	(1.5)	(57.9)
Balance at March 31, 2005 – restated		*	8,057.2	(298.0)	7,759.2	128.7	7,887.9
Net profit for the year		–	5,012.3	–	5,012.3	116.7	5,129.0
Dividends declared	32	–	(4,500.0)	–	(4,500.0)	(0.9)	(4,500.9)
Contingency reserve	16	–	(2.2)	2.2	–	–	–
Acquisition of subsidiary	29	–	–	–	–	46.5	46.5
Minority shares of VM, S.A.R.L		–	–	–	–	8.0	8.0
Revaluation of available-for-sale investments	16	–	–	(0.2)	(0.2)	(0.1)	(0.3)
Net gains and losses not recognised in the consolidated income statement	16,17						
Foreign currency translation reserve		–	–	117.7	117.7	(15.6)	102.1
Balance at March 31, 2006		*	**8,567.3**	**(178.3)**	**8,389.0**	**283.3**	**8,672.3**

** Amounts less than R50 000*

CONSOLIDATED CASH FLOW STATEMENTS

for the three years ended March 31, 2006

	Notes	2004 Restated Rm	2005 Restated Rm	**2006 Rm**
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		22,175.5	27,078.8	**33,132.7**
Cash paid to suppliers and employees		(14,578.8)	(17,066.8)	**(22,042.4)**
Cash generated from operations	24	7,596.7	10,012.0	**11,090.3**
Finance costs paid	25	(512.3)	(259.2)	**(446.4)**
Interest, dividends and other financial income received	26	368.7	246.8	**338.6**
Taxation paid	27	(1,463.3)	(2,744.4)	**(2,980.3)**
Dividends paid – equity shareholders		(1,200.0)	(3,100.0)	**(3,500.0)**
Dividends paid – minority shareholders		–	(5.2)	**(0.9)**
Net cash flows from operating activities		4,789.8	4,150.0	**4,501.3**
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	28	(2,813.8)	(3,048.0)	**(4,346.3)**
Proceeds on disposal of property, plant and equipment		5.0	20.1	**29.6**
Acquisition of intangible assets	10	(121.1)	(205.4)	**(442.1)**
Proceeds on disposal of intangible assets		–	–	**1.6**
Acquisition of subsidiaries	29	149.6	(289.8)	**(0.4)**
Change in business combinations	29	–	–	**0.3**
Acquired cash from Vodacom Congo (RDC) s.p.r.l.	30	–	12.9	**–**
Other investing activities		(219.5)	136.0	**(33.5)**
Net cash flows utilised in investing activities		(2,999.8)	(3,374.2)	**(4,790.8)**
CASH FLOW FROM FINANCING ACTIVITIES				
Shareholder loans repaid		(920.0)	–	**–**
Interest-bearing debt incurred		186.9	1,165.3	**32.3**
Interest-bearing debt repaid		(55.6)	(1,332.3)	**(89.7)**
Finance lease capital repaid		(9.6)	(28.1)	**(50.2)**
Net cash flows utilised in financing activities		(798.3)	(195.1)	**(107.6)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		991.7	580.7	**(397.1)**
Cash and cash equivalents at the beginning of the year		647.5	1,597.7	**2,173.0**
Effect of foreign exchange rate changes		(41.5)	(5.4)	**(15.6)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	1,597.7	2,173.0	**1,760.3**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

March 31, 2006

BASIS OF PREPARATION

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

The principal accounting policies are consistent in all material respects with those applied in the previous period, except where disclosed elsewhere (Note 23).

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

ACCOUNTING POLICIES

A. Consolidation

A.1 Basis of consolidation

The consolidated annual financial statements include the consolidated financial position, results of operations and cash flows of Vodacom Group (Proprietary) Limited and its subsidiaries, both foreign and domestic, up to March 31, 2006.

Joint ventures are included using the proportionate consolidation method, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5: Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"). The Group's share of the assets, liabilities, income, expenses and cash flows of joint ventures are combined on a line-by-line basis with similar items in the consolidated annual financial statements.

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

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

A.2 Business combinations

- Acquisition of a business

  Business combination acquisitions are accounted for using the purchase method of accounting, whereby the acquisition is accounted for at its cost plus any costs directly attributable to the acquisition. Cost represents the cash or cash equivalents paid or the fair value or other consideration given, at the date of the acquisition. Business combinations include the acquisition of subsidiaries and joint ventures.

  On acquisition, the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries or joint ventures, are measured based upon the Group's interest in their fair value at the date of acquisition, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with 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 fair value of the identifiable assets, liabilities and contingent liabilities. Subsequently, any losses attributable to minority shareholders in excess of their interest, is allocated against the interest of the Group.

- Disposals

  On subsequent disposal, the profit or loss on disposal is the difference between the selling price and the fair value of net assets and liabilities disposed of, adjusted for any related carrying amount of goodwill in accordance with the Group's accounting policies.

A.3 Subsidiaries

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

A. Consolidation (continued)

A.3 Subsidiaries (continued)

Intercompany 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.

A.4 Joint ventures

Joint ventures, for the purpose of these consolidated annual financial statements, are those entities in which the Group has joint control through a contractual arrangement with one or more other venturers.

Investments in joint ventures are proportionately consolidated from the date on which the Group has power to exercise joint control, up to the date on which power to exercise joint control ceases.

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

B. Property, plant and equipment

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

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 and residual values are reviewed on an annual 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.

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

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

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.

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

D.2 Intangible assets with a finite useful life

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

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

- Customer bases
  Cost of contract customer bases and prepaid customer bases represents the fair value at the acquisition date of mobile 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 and brands
  Purchased trademarks and brands are capitalised at cost and amortised over their estimated useful lives. Expenditure incurred to develop, maintain and renew trademarks and brands internally is recognised as an expense in the period incurred.

- 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.

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 finance costs and finance income 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 translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit and loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

F.2 Foreign operations

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

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

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

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

G. Taxation

G.1 Current taxation

The charge for current taxation is based on the results for the period and is adjusted for items that are non-assessable or disallowed. Current taxation is measured at the amount expected to be paid, using taxation rates and laws that have been enacted or substantively enacted by the balance sheet date.

G.2 Deferred taxation

Deferred taxation is provided using the balance sheet liability method for all temporary differences arising between the carrying amounts of assets and liabilities, on the consolidated balance sheet, and their respective taxation bases. Deferred taxation is not provided on differences relating to goodwill for which amortisation is not deductible for taxation purposes nor on the initial recognition of assets or liabilities, which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss.

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

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

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

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 Secondary taxation on companies

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

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

H. Employee benefits

H.1 Post-employment benefits

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

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

H.2 Short-term and long-term benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised during the period in which the employee renders the related service. The Group recognises the expected cost of bonuses only when the Group has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

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

H. Employee benefits (continued)

H.3 Accumulative termination benefits

Accumulative termination benefits are payable whenever:

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

The Group recognises termination benefits when it is constructively obliged to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits fall due more than 12 months after balance sheet date, they are discounted to present value. If the amount can be reasonably estimated, the measurement of termination benefits is based on the number of employees expected to accept the offer.

H.4 Compensation benefits

Employees of wholly owned subsidiaries, including executive directors, are eligible for compensation benefits in the form of a deferred bonus incentive scheme. The benefit is recorded at the present value of the expected future cash outflows.

I. Revenue recognition

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

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

The recognition of revenue involves estimates and assumptions with regard to the useful life of the customer base. The estimates and assumptions are based on past experience.

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

I.1 Contract products

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

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

I. Revenue recognition (continued)

I.2 Prepaid products

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

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

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

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

I.3 Data revenue

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

I.4 Equipment sales

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

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

I.5 Other revenue and income

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

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

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

J. Leases

J.1 Lease classification

Leases involving property, plant and equipment whereby the lessor provides finance to the lessee with the asset as security, and where the lessee assumes the significant risks and rewards of ownership of those leased assets, are classified as finance leases.

Leases of property, plant and equipment to the lessee, under which the lessor effectively retains the significant risks and rewards of ownership of those leased assets, are classified as operating leases.

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 land and leasehold buildings elements of the lease.

J. Leases (continued)

J.2 Group as lessee

- Finance leases

  Lessee finance leases are capitalised as property, plant and equipment at their cash equivalent cost and a corresponding finance lease liability is raised. The cash equivalent cost is the lower of fair value or the present value of the minimum lease payments, at inception of the lease. Such assets are depreciated in 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 the consolidated income statement over the term of the lease using the effective interest rate method, so as to produce a constant periodic rate of return on the remaining balance of the liability for each period.

- Operating leases

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

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

J.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 the consolidated income statement 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.

K. Derivative instruments

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

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

Where the fair value of derivatives cannot be reliably estimated, the derivatives are recorded at cost.

The Group does not use derivatives for trading or speculative purposes. However, derivatives that are not accounted for as hedges are classified as trading instruments in current assets.

L. Financial instruments – other than derivatives

L.1 Initial recognition and measurement

All financial instruments, other than derivatives which are dealt with above, are recognised in the consolidated balance sheet. Financial instruments are initially recognised when the Group becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it.

Financial liabilities and equity instruments issued by the Group are classified at initial recognition as debt or equity or compounded instruments in terms of IAS 32: Financial Instruments: Disclosure and Presentation ("IAS 32") on the basis of the contractual terms.

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

L. **Financial instruments – other than derivatives (continued)**

L.2 **Financial assets**

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

- Investments

  All financial assets not carried at fair value through profit or loss are initially recognised at fair value including directly attributable transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

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

  Investments acquired principally for the purpose of generating a profit from the short-term fluctuations in price, are classified as financial assets at fair value through profit and loss and are recorded and measured at fair value. Financial assets at fair value through profit or loss consists of financial assets held-for-trading or those designated at fair value through profit or loss at inception. Gains and losses on these investments are recorded in the consolidated income statement. These investments are classified as current assets if they are either held-for-trading or are expected to be realised within 12 months of the balance sheet date.

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

- Receivables

  Receivables that include interest-bearing investments, investments in finance leases, trade and other receivables, and other loans are stated at original investment less principal payments, amortisations, and less accumulated impairment losses. Receivables originated by the Group by providing goods or services directly to the customer are carried at original invoice amount less provision for doubtful receivables. A provision for doubtful receivables is established when there is objective evidence that the Group has incurred a loss and will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount.

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

- Bank and cash balances

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

L.3 **Financial liabilities**

The Group's principal financial liabilities other than derivatives are interest-bearing debt, trade and other payables, non-interest-bearing debt, dividends payable, provisions, bank borrowings and other short-term debt:

- Interest-bearing debt

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

L. Financial instruments – other than derivatives (continued)

L.3 Financial liabilities (continued)

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

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

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

- Dividends payable
  Dividends payable are stated at amounts declared.

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

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

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

L.4 Equity instruments

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

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

L.5 Derecognition

Financial assets (or a portion thereof) are derecognised when the Group's rights to the cash flow expire or when the Group transfers substantially all the risks and rewards related to the financial asset or when the entity loses control of the financial asset. On 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 the consolidated income statement.

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 the consolidated income statement.

L.6 Fair value methods and assumptions

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

The fair value of financial instruments not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risks existing at balance sheet date, including independent appraisals and discounted cash flow methods.

The carrying amounts of financial assets and liabilities with a maturity of less than six months are assumed to approximate their fair value.

L. Financial instruments – other than derivatives (continued)

L.7 Offset

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

M. Impairment of assets

Goodwill 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 the consolidated income statement 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.

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 pretax 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. 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 is not reduced below the higher of its value in use, zero or fair value less cost of disposal.

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

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

N. Insurance contracts

N.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 tax. 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.

N. Insurance contracts (continued)

N.2 Unearned premium provision

The provision for unearned premiums 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.

N.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.

N.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 income.

O. 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 receivable by the Group and carried at amortised cost. Due to the short-term nature of these, the amortised cost approximates its fair value.

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

P. Borrowing costs

Borrowing costs are expensed as they are incurred.

Q. 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.

R. 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 in the period that the related revenue is recognised.

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

S. 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.

T. 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

U. Comparatives

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

March 31, 2006

		2004 Rm	2005 Rm	**2006 Rm**
1.	**REVENUE**			
	Airtime and access	12,738.0	16,190.8	**20,085.8**
	Data revenue	1,039.2	1,340.5	**2,037.6**
	Interconnect revenue	5,784.8	5,923.6	**6,696.8**
	Equipment sales	2,274.6	2,687.3	**3,985.6**
	International airtime	659.2	886.8	**971.2**
	Other	359.4	286.3	**265.5**
		22,855.2	27,315.3	**34,042.5**
2.	**AMORTISATION OF INTANGIBLE ASSETS**			
	Goodwill	(93.6)	–	**–**
	Licences	(14.8)	(17.1)	**(8.5)**
	Trademarks	(7.3)	(42.6)	**(52.3)**
	Customer bases	(99.1)	(172.4)	**(106.9)**
	Computer software	*	(197.5)	**(176.5)**
		(214.8)	(429.6)	**(344.2)**

* *Refer Note 10 regarding information on the software reclassification.*

		2004 Rm	2005 Rm	**2006 Rm**
3.	**IMPAIRMENT OF ASSETS**			
	Intangible assets	–	(97.5)	**(0.1)**
	Licences	–	(97.5)	**–**
	Software	–	–	**(0.1)**
	Property, plant and equipment	–	(170.9)	**52.9**
	Infrastructure	–	(142.3)	**59.9**
	Information services	–	(23.3)	**(5.6)**
	Motor vehicles	–	(2.4)	**(0.3)**
	Furniture	–	(1.3)	**(0.4)**
	Office equipment	–	(0.3)	**(0.1)**
	Leasehold improvements	–	(0.6)	**(0.3)**
	Other assets	–	(0.7)	**(0.3)**
	Impairment reversal/(loss recognised)	–	(268.4)	**52.8**

Due to the competitive and economic environment in which VM, S.A.R.L. operates in Mozambique, the Group assessed the assets for impairment in accordance with the requirements of IAS 36: Impairment of Assets. The recoverable amount of these assets was based on the fair value less cost of disposal at March 31, 2006 and 2005. The fair value of the assets was obtained from a knowledgeable, willing party on an arm's length basis, based on the assumption that the assets would be disposed of on an item by item basis. The amount with which the carrying amount exceeded the recoverable amount is recognised as an impairment loss. The reversal of the impairment loss related to an increase in the fair value of infrastructure assets.

	2004 Rm	2005 Rm	**2006 Rm**
4. PROFIT FROM OPERATIONS			
The profit from operations is arrived at after taking the following income/(expenditure) into account:			
Net (loss)/profit on disposal of property, plant and equipment	(6.8)	1.8	**(26.8)**
Loss on disposal of property, plant and equipment	(7.9)	(6.7)	**(27.5)**
Profit on disposal of property, plant and equipment	1.1	8.5	**0.7**
Depreciation of property, plant and equipment (Note 8)	(2,316.9)	(2,413.6)	**(2,651.6)**
Buildings	(17.6)	(18.7)	**(17.6)**
Infrastructure	(1,840.1)	(1,952.5)	**(2,530.0)**
Information services	(350.5)	(326.7)	**(41.9)**
Community services	(12.8)	(10.8)	**6.9**
Motor vehicles	(20.2)	(21.8)	**(13.6)**
Furniture	(17.7)	(15.6)	**(14.6)**
Office equipment	(11.3)	(11.2)	**(10.3)**
Leasehold improvements	(36.4)	(40.0)	**(22.0)**
Other assets	(10.3)	(16.3)	**(8.5)**
Auditors' remuneration – audit fees	(5.6)	(8.3)	**(14.9)**
Current year audit fees	(5.7)	(7.8)	**(14.0)**
Prior year (under)/over provision of audit fees	0.3	(0.1)	**(0.8)**
Telkom SA Limited foreign issuer costs	(6.8)	(4.6)	**(4.8)**
Recovered from Telkom SA Limited	6.8	4.6	**4.8**
Expenses	(0.2)	(0.4)	**(0.1)**
Auditors' remuneration – other services	(6.8)	(2.5)	**(2.1)**
For other services	(7.4)	(2.5)	**(2.1)**
Capitalised	0.6	–	**–**
Professional fees for consultancy services	(117.3)	(78.4)	**(112.2)**
Operating lease rentals	(532.8)	(613.1)	**(870.7)**
GSM transmission and data lines	(465.6)	(544.3)	**(787.9)**
Office accommodation	(35.6)	(43.4)	**(47.6)**
Other accommodation	(29.6)	(24.5)	**(33.0)**
Office equipment	(2.0)	(0.9)	**(1.1)**
Motor vehicles	–	–	**(1.1)**
Payment to other operators	(2,990.3)	(3,652.5)	**(4,634.3)**
Regulatory fees	(550.1)	(670.3)	**(812.2)**

	2004 Rm	2005 Rm	**2006 Rm**
4. PROFIT FROM OPERATIONS (continued)			
Staff expenses – pension and provident fund contributions	(71.8)	(74.9)	**(89.3)**
Pension fund contributions	(65.9)	(70.7)	**(76.4)**
Provident fund contributions	(5.9)	(4.2)	**(12.9)**
(Increase)/Decrease in provision for obsolete inventory (Note 13)	(30.9)	17.5	**(15.9)**
Decrease/(Increase) in provision for doubtful receivables (Note 14)	0.8	(11.3)	**6.0**
Bad debts written off	(48.8)	(52.2)	**(42.3)**
Impairment of assets (Note 3)	–	(268.4)	**52.8**

Insurance activities

The Group offers a range of insurance contracts to its customers providing protection against specified risks associated with the ownership of a cellphone. These products are offered through a cell captive facility maintained with Nova Risk Partners Limited, a South African registered short-term insurance company. The cell facility is further used to issue insurance contracts to Group companies to provide cover against a variety of insurable risks including assets own risk and the extended warranty provided to customers. These intercompany transactions are eliminated on consolidation of the cell captive.

In terms of the shareholder 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 R52.5 million (2005: R19.5 million; 2004: R32.6 million) underwriting profit included in profit from operations:

	2004 Rm	2005 Rm	**2006 Rm**
Gross earned premiums	94.4	89.7	**112.7**
Gross claims incurred	(32.9)	(45.6)	**(51.7)**
Net reinsurance income/(expense)	(16.2)	(11.6)	**10.7**
Net operating expenses	(12.7)	(13.0)	**(19.2)**
Underwriting profit	32.6	19.5	**52.5**

	2004 Rm	2005 Rm	**2006 Rm**
5. INTEREST, DIVIDENDS AND OTHER FINANCIAL INCOME			
Banks and loans	68.4	93.6	**89.4**
Dividends received – unlisted investments	5.4	–	**–**
Guarantee fees	26.4	–	**–**
Income from investments at fair value through profit and loss	11.2	8.0	**7.8**
Other interest income	6.2	15.8	**19.7**
Gain on foreign exchange contract revaluation	269.6	155.1	**211.2**
Gain on foreign liability and asset revaluation	238.0	358.3	**314.0**
Interest rate swap interest	5.1	11.6	**13.0**
Interest rate swap revaluation	26.3	20.4	**4.2**
	656.6	662.8	**659.3**

		2004 Rm	2005 Rm	**2006 Rm**
6.	**FINANCE COSTS**			
	Bank overdraft	(27.3)	(39.1)	**(15.2)**
	Finance leases	(130.1)	(127.3)	**(121.6)**
	Funding loans	(64.4)	(32.2)	**(73.8)**
	Interest on minority shareholder loan*	(7.6)	(7.2)	**(8.1)**
	Leasehold property	(5.2)	–	**–**
	Other finance costs	(13.3)	(24.2)	**(30.6)**
	Shareholder loans	(47.2)	–	**–**
	Interest rate swap interest	(1.1)	(5.5)	**–**
	Interest rate swap revaluation	(18.9)	(11.3)	**(10.8)**
	Loss on foreign exchange contract revaluation	(479.1)	(143.4)	**(471.8)**
	Loss on foreign liability and asset revaluation	(313.3)	(251.5)	**(586.3)**
		(1,107.5)	(641.7)	**(1,318.2)**

** This amount of R8.1 million (2005: R7.2 million; 2004: R7.6 million) relates to notional interest on the loan from Caspian Construction Company Limited and Planetel Communications Limited, that was remeasured at amortised cost, at an effective interest rate of LIBOR plus 5%, for which no consideration has been recorded.*

		2004 Rm	2005 Rm	**2006 Rm**
7.	**TAXATION**			
	South African normal taxation	(1,702.6)	(2,082.6)	**(2,375.6)**
	Current year	(1,716.4)	(2,091.3)	**(2,337.9)**
	Prior year (under)/over provision	13.8	8.7	**(37.7)**
	Deferred taxation	146.9	35.9	**(135.5)**
	Current year	159.4	35.1	**(176.3)**
	Prior year over/(under) provision	(12.5)	(6.3)	**40.8**
	Taxation rate change*	–	7.1	**–**
	Secondary taxation on companies – current year	(262.5)	(429.4)	**(562.5)**
	Foreign taxation	(5.4)	(13.0)	**(24.6)**
	Current year	(4.3)	(12.9)	**(24.2)**
	Prior year under provision	(1.1)	(0.1)	**(0.4)**
	Foreign deferred taxation	101.6	(123.9)	**20.4**
	Current year	109.8	(75.2)	**43.5**
	Prior year under provision	(8.2)	(48.7)	**(22.0)**
	Taxation rate change#	–	–	**(1.1)**
		(1,722.0)	(2,613.0)	**(3,077.8)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

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	2004 Rm	2004 %	2005 Rm	2005 %	**2006 Rm**	**2006 %**
7. TAXATION (continued)						
Reconciliation of rate of taxation						
Normal taxation on profit before taxation	1,432.3	30.0	1,949.8	30.0	**2,380.0**	**29.0**
Adjusted for:						
Exempt income	(0.8)	–	(0.1)	–	**(1.1)**	**–**
Disallowed expenditure	33.9	0.8	131.3	2.0	**135.6**	**1.7**
Goodwill	27.2	0.6	–	–	**–**	**–**
Prior year under/(over) provision	(8.0)	(0.2)	46.4	0.7	**19.3**	**0.2**
Unrecognised taxation asset	24.8	0.5	40.5	0.6	**162.8**	**2.0**
Utilisation of taxation loss	(75.3)	(1.6)	(12.6)	(0.1)	**(6.9)**	**(0.1)**
Foreign taxation rate differences	78.2	1.6	(30.8)	(0.5)	**(15.6)**	**(0.2)**
Taxation rate change*#	–	–	(7.1)	(0.1)	**1.1**	**–**
Foreign taxation	–	–	5.7	0.1	**8.7**	**0.1**
Unrealised foreign exchange differences	–	–	(153.2)	(2.4)	**45.1**	**0.5**
Capital expenditure adjustment	–	–	80.7	1.2	**(181.6)**	**(2.2)**
Translation to US$	–	–	61.8	1.0	**(16.8)**	**(0.2)**
Impairment of assets	–	–	78.3	1.2	**(12.9)**	**(0.2)**
Secondary taxation on companies	262.5	5.5	429.4	6.6	**562.5**	**6.9**
Secondary taxation on companies credits	–	–	(3.8)	–	**–**	**–**
Utilisation of investment deductions	(24.1)	(0.5)	(10.2)	(0.2)	**0.2**	**–**
Utilisation of cumulative taxation differences	(28.7)	(0.6)	–	–	**–**	**–**
Other adjustments	–	–	6.9	0.1	**(2.6)**	**–**
	1,722.0	36.1	2,613.0	40.2	**3,077.8**	**37.5**

** Deferred taxation was calculated at 29% for all South African entities at March 31, 2005 following a change in the corporate taxation rate. The revised taxation rate was applicable to normal taxation from the 2006 financial year.*

 # Deferred taxation was calculated at 25% for Vodacom Lesotho (Proprietary) Limited at March 31, 2006 following a change in the corporate taxation rate. The revised taxation rate is applicable to normal taxation from the 2007 financial year.

	Cost Rm	Accumulated depreciation and impairment Rm	Net book value Rm
8. PROPERTY, PLANT AND EQUIPMENT			
2004			
Land and buildings	899.8	(68.4)	831.4
Infrastructure	16,738.5	(7,678.4)	9,060.1
Information services	2,359.6	(1,599.2)	760.4
Community services	90.7	(62.3)	28.4
Motor vehicles	128.9	(77.7)	51.2
Furniture	122.6	(84.4)	38.2
Office equipment	89.0	(66.6)	22.4
Leasehold improvements	247.3	(150.1)	97.2
Other assets	55.0	(31.8)	23.2
	20,731.4	(9,818.9)	10,912.5
2005			
Land and buildings	936.2	(87.4)	848.8
Infrastructure	18,902.5	(9,012.8)	9,889.7
Information services	1,678.0	(1,106.0)	572.0
Community services	91.9	(73.0)	18.9
Motor vehicles	158.1	(93.7)	64.4
Furniture	138.2	(102.2)	36.0
Office equipment	96.3	(78.1)	18.2
Leasehold improvements	294.6	(192.6)	102.0
Other assets	64.2	(37.3)	26.9
	22,360.0	(10,783.1)	11,576.9
2006			
Land and buildings	**1,033.9**	**(105.0)**	**928.9**
Infrastructure	**22,556.3**	**(10,925.7)**	**11,630.6**
Information services	**1,623.9**	**(1,100.4)**	**523.5**
Community services	**107.8**	**(65.9)**	**41.9**
Motor vehicles	**154.4**	**(90.8)**	**63.6**
Furniture	**142.5**	**(115.0)**	**27.5**
Office equipment	**108.8**	**(88.0)**	**20.8**
Leasehold improvements	**361.4**	**(214.9)**	**146.5**
Other assets	**33.2**	**(29.9)**	**3.3**
	26,122.2	**(12,735.6)**	**13,386.6**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

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	Land and buildings Rm	Infra-structure Rm	Infor-mation services Rm	Com-munity services Rm	Motor vehicles Rm	Furniture Rm	Office equip-ment Rm	Leasehold improve-ments Rm	Other assets Rm	Total Rm
8. PROPERTY, PLANT AND EQUIPMENT (continued)										
Reconciliation 2004										
Opening balance	828.6	8,895.9	680.7	28.5	41.5	47.2	20.5	97.0	35.1	10,675.0
Additions	16.8	2,345.0	421.1	12.7	31.3	9.3	10.4	34.2	9.9	2,890.7
Disposals	0.1	(7.4)	(2.5)	–	(1.2)	(0.2)	(0.1)	(0.2)	(0.3)	(11.8)
Foreign currency translation	(1.6)	(295.6)	(27.5)	–	(2.0)	(1.3)	(0.5)	(1.9)	(0.3)	(330.7)
Depreciation	(17.6)	(1,840.1)	(350.5)	(12.8)	(20.2)	(17.7)	(11.3)	(36.4)	(10.3)	(2,316.9)
Business combinations	5.1	–	0.7	–	–	0.3	0.1	–	–	6.2
Asset category transfer	–	(37.7)	38.4	–	1.8	0.6	3.3	4.5	(10.9)	–
Closing balance	831.4	9,060.1	760.4	28.4	51.2	38.2	22.4	97.2	23.2	10,912.5
Reconciliation 2005										
Opening balance	831.4	9,060.1	760.4	28.4	51.2	38.2	22.4	97.2	23.2	10,912.5
Transfer to intangible assets (Note 10)	–	(371.0)	(324.6)	–	–	–	–	–	–	(695.6)
Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l.	4.5	457.9	115.4	–	4.0	2.9	1.9	7.7	2.0	596.3
Transfer from investment properties (Note 9)	9.9	–	–	–	–	–	–	–	–	9.9
Additions	21.7	2,781.7	371.5	1.3	35.2	11.8	5.6	37.9	21.7	3,288.4
Disposals	–	(10.8)	(3.0)	–	(2.2)	(0.3)	(0.3)	(0.2)	(1.5)	(18.3)
Foreign currency translation	–	60.5	3.5	–	0.4	0.3	–	–	(1.5)	63.2
Depreciation	(18.7)	(1,952.5)	(326.7)	(10.8)	(21.8)	(15.6)	(11.2)	(40.0)	(16.3)	(2,413.6)
Business combinations	–	–	4.9	–	–	–	0.1	–	–	5.0
Impairments (Note 3)	–	(142.3)	(23.3)	–	(2.4)	(1.3)	(0.3)	(0.6)	(0.7)	(170.9)
Asset category transfer	–	6.1	(6.1)	–	–	–	–	–	–	–
Closing balance	848.8	9,889.7	572.0	18.9	64.4	36.0	18.2	102.0	26.9	11,576.9
Reconciliation 2006										
Opening balance	**848.8**	**9,889.7**	**572.0**	**18.9**	**64.4**	**36.0**	**18.2**	**102.0**	**26.9**	**11,576.9**
Reclassified to finance lease receivables (Note 14)	**–**	**–**	**–**	**–**	**(12.0)**	**–**	**–**	**–**	**–**	**(12.0)**
Additions	**98.2**	**4,237.9**	**237.2**	**16.1**	**27.1**	**8.9**	**14.1**	**55.3**	**4.6**	**4,699.4**
Disposals	**–**	**(51.0)**	**(1.7)**	**–**	**(0.2)**	**–**	**(0.4)**	**(0.1)**	**(3.0)**	**(56.4)**
Foreign currency translation	**(0.5)**	**(246.0)**	**(3.8)**	**–**	**(1.8)**	**(0.9)**	**–**	**(0.9)**	**–**	**(253.9)**
Depreciation	**(17.6)**	**(2,530.0)**	**(41.9)**	**6.9**	**(13.6)**	**(14.6)**	**(10.3)**	**(22.0)**	**(8.5)**	**(2,651.6)**
Business combinations	**–**	**–**	**1.7**	**–**	**–**	**–**	**–**	**–**	**–**	**1.7**
Impairments (Note 3)	**–**	**59.9**	**(5.6)**	**–**	**(0.3)**	**(0.4)**	**(0.1)**	**(0.3)**	**(0.3)**	**52.9**
Transfer from intangible assets/asset category transfer (Note 10)	**–**	**270.1**	**(234.4)**	**–**	**–**	**(1.5)**	**(0.7)**	**12.5**	**(16.4)**	**29.6**
Closing balance	**928.9**	**11,630.6**	**523.5**	**41.9**	**63.6**	**27.5**	**20.8**	**146.5**	**3.3**	**13,386.6**

	2004 Net book value Rm	2005 Net book value Rm	**2006 Net book value Rm**
8. PROPERTY, PLANT AND EQUIPMENT (continued)			
Freehold land and buildings			
Portions 859, 847, 839 and 828 of the farm Randjesfontein No. 405, Gauteng Province, RSA	35.0	37.5	**37.5**
Holding 182, Erand Agricultural Holdings Ext 1, RSA	1.6	1.6	**1.6**
Erf 200, Chelmsfordville, Pietermaritzburg, RSA	0.1	0.1	**0.1**
Erf 1606, New Germany, Pietermaritzburg, RSA	0.5	0.5	**0.5**
1046 Mama Yemo Avenue, Lubumbashi, Province De Katanga, Democratic Republic of Congo	0.5	0.9	**1.0**
Kinshasa Building (Justice), 292 Justice Avenue, Gombe, Kinshasa, Democratic Republic of Congo	4.2	8.6	**8.3**
MSC Building, Maseru West, Lesotho	0.7	0.7	**0.6**
Stands 13, 14 and 15, Eastwood Road, Dunkeld West, RSA	5.0	14.4	**14.1**
6195 Boulevard du 30 Juin, Kinshasa, Democratic Republic of Congo	–	7.6	**7.4**
Portions 878 and 879 of the farm Randjesfontein No. 405, Gauteng Province, RSA	–	10.7	**52.5**
Erf 2102, Silverton, Ext 54, RSA	–	–	**33.9**
Portion 751 of the farm Randjesfontein No. 405, Gauteng Province, RSA	–	–	**14.6**
Holding 191, Erand Agricultural Holdings Ext 1, RSA	–	–	**7.6**
	47.6	82.6	**179.7**
Leasehold land and buildings			
Portions 839, 828, 847 and 859 of the farm Randjesfontein No. 405, Gauteng Province, RSA	268.0	262.4	**256.8**
Portion 769 of the farm Randjesfontein No. 405, RSA	159.5	156.8	**154.3**
Stand 34083, Bellville, City of Tygerberg, RSA	106.3	104.7	**103.3**
Erf 5259 and 5260, Montague Gardens, RSA	94.9	93.3	**91.8**
Portion 748 of the farm Randjesfontein No. 405, Gauteng Province, RSA	87.2	85.5	**83.9**
Portion 791 of the farm Randjesfontein No. 405, Gauteng Province, RSA	53.9	49.7	**45.9**
Erf 33153 Bellville, Cape Town, RSA	10.3	10.1	**9.9**
43 Kwale Road, Dar es Salaam, Tanzania	3.7	3.7	**3.3**
	783.8	766.2	**749.2**
Total freehold and leasehold land and buildings	831.4	848.8	**928.9**

Debt is collateralised over leasehold land and buildings and the fair value of the lease liability is R911.5 million (2005: R956.8 million; 2004: R955.4 million).

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

Land and buildings in which the Group occupies more than 25% of the floor space or when the primary purpose is the service and connection of Vodacom customers, are classified as property, plant and equipment.

The Group adopted the revised IAS 16: Property, Plant and Equipment on April 1, 2005. The total adjustment was processed in the current year with the reversal in depreciation resulting in certain asset categories having negative depreciation charges in the current year. Refer Note 23.

During the current financial year, the Group reclassified Portion 791 of the farm Randjesfontein, No. 405, Gauteng Province, RSA, from investment property to property, plant and equipment. The property's primary purpose was deemed to have always been for the service and connection of Vodacom customers and not for capital appreciation or rental income. The restatement was processed retrospectively. Refer to Note 9 for information on investment properties.

8. PROPERTY, PLANT AND EQUIPMENT (continued)

In the 2006 financial year asset category transfers include transfers from software included in intangible assets to property, plant and equipment in Note 10 of R29.6 million. Refer to Note 23 for more information about the restatements relating to investment property and software.

The estimated useful lives of depreciable property, plant and equipment are as follows:

General purpose buildings	50 years
Special purpose buildings	15 years
Infrastructure	
– Radio	1 – 10 years
– Intelligent Networks	5 – 8 years
– Switching	5 – 10 years
– Transmission	8 years
– Billing	5 – 6 years
– Value-added services equipment	3 – 8 years
Community services	
– Containers	2 – 10 years
– Cellular equipment	2 years
Information services	3 – 5 years
SIM centre	3 – 8 years
Office automation	3 – 5 years
Other assets	
– Motor vehicles	4 years
– Furniture and fittings	5 years
– Office equipment	4 years

	2004 Rm	2005 Rm	**2006 Rm**
9. INVESTMENT PROPERTIES			
Reconciliation			
Opening balance	–	9.9	**–**
Transfer to property, plant and equipment (Note 8)	–	(9.9)	**–**
Business combination	9.9	–	**–**
Closing balance	9.9	–	**–**

	Cost Rm	Accumulated depreciation Rm	Net book value Rm
2004			
Stands 13 and 14 Dunkeld West, RSA (Note 9.1)	9.9	–	9.9

9.1 Stands 13 and 14 Dunkeld West, RSA

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

During the March 31, 2005 financial year the properties were transferred to property, plant and equipment as the majority of the premises were no longer being leased to third parties.

9.2 Other

Refer Note 8 for information regarding the investment property reclassification to property, plant and equipment during the current financial year.

	Cost Rm	Accumulated amortisation and impairment Rm	Net book value Rm
10. INTANGIBLE ASSETS			
2004			
Goodwill	855.7	(511.4)	344.3
Licences	262.0	(80.4)	181.6
Trademarks	209.7	(36.2)	173.5
Customer bases	724.3	(421.0)	303.3
Computer software	*	*	*
	2,051.7	(1,049.0)	1,002.7
2005			
Goodwill	932.1	(518.6)	413.5
Licences	338.0	(211.4)	126.6
Trademarks	209.7	(78.8)	130.9
Customer bases	863.2	(593.4)	269.8
Computer software	2,123.3	(1,419.8)	703.5
	4,466.3	(2,822.0)	1,644.3
2006			
Goodwill	**1,002.0**	**(518.1)**	**483.9**
Licences	**306.3**	**(186.6)**	**119.7**
Trademarks	**390.4**	**(132.5)**	**257.9**
Customer bases	**863.2**	**(700.3)**	**162.9**
Computer software	**2,375.6**	**(1,445.1)**	**930.5**
	4,937.5	**(2,982.6)**	**1,954.9**

** Refer Note 10 regarding information on the software reclassification.*

	Goodwill Rm	Licences Rm	Trademarks Rm	Customer bases Rm	Computer software Rm	Total Rm
10. INTANGIBLE ASSETS (continued)						
Reconciliation 2004						
Opening balance	230.9	117.0	22.6	165.0	–	535.5
Additions	–	114.1	–	7.0	–	121.1
Foreign currency translation	(17.0)	(34.7)	–	–	–	(51.7)
Amortisation	(93.6)	(14.8)	(7.3)	(99.1)	–	(214.8)
Business combinations	224.0	–	158.2	230.4	–	612.6
Closing balance	344.3	181.6	173.5	303.3	–	1,002.7
Reconciliation 2005						
Opening balance	344.3	181.6	173.5	303.3	–	1,002.7
Transfer from property, plant and equipment (Note 8)	–	–	–	–	695.6	695.6
Additions	–	–	–	–	205.4	205.4
Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l. (Note 30)	51.3	50.6	–	–	–	101.9
Foreign currency translation	(0.8)	9.0	–	–	–	8.2
Amortisation	–	(17.1)	(42.6)	(172.4)	(197.5)	(429.6)
Business combinations	18.7	–	–	138.9	–	157.6
Impairments (Note 3)	–	(97.5)	–	–	–	(97.5)
Closing balance	413.5	126.6	130.9	269.8	703.5	1,644.3
Reconciliation 2006						
Opening balance	**413.5**	**126.6**	**130.9**	**269.8**	**703.5**	**1,644.3**
Additions	**–**	**3.3**	**–**	**–**	**438.8**	**442.1**
Contingent purchase consideration (Note 29.1)	**36.2**	**–**	**–**	**–**	**–**	**36.2**
Transfer to property, plant and equipment (Note 8)	**–**	**–**	**–**	**–**	**(29.6)**	**(29.6)**
Disposals	**–**	**–**	**–**	**–**	**(1.6)**	**(1.6)**
Foreign currency translation	**(1.4)**	**(1.7)**	**–**	**–**	**(4.0)**	**(7.1)**
Amortisation	**–**	**(8.5)**	**(52.3)**	**(106.9)**	**(176.5)**	**(344.2)**
Business combinations	**35.6**	**–**	**179.3**	**–**	**–**	**214.9**
Impairments (Note 3)	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Closing balance	**483.9**	**119.7**	**257.9**	**162.9**	**930.5**	**1,954.9**

10. INTANGIBLE ASSETS (continued)

Software that does not form an integral part of hardware was previously included in property, plant and equipment. The Group reclassified this software to intangible assets under the requirements of IAS 38: Intangible Assets during the 2006 financial year when the Group adopted the revised IAS 16: Property, Plant and Equipment. The reclassification was done retrospectively from April 1, 2004. The composition of the 2004 amounts has not been restated by the Group, after making every reasonable effort to determine these amounts. Also refer Note 23 regarding change in accounting policies, reclassifications and restatements.

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

– Mobile licences	5 – 30 years
– Contract mobile customers	5 years
– Prepaid mobile customers	36 – 43 months
– Trademarks	5 – 15 years
– Computer software	2 – 8 years

	2004 Short-term portion Rm	2004 Long-term portion Rm	2004 Total Rm	2005 Short-term portion Rm	2005 Long-term portion Rm	2005 Total Rm
11. FINANCIAL ASSETS						
Loans and receivables (Note 11.1)	229.2	94.0	323.2	–	93.3	93.3
Investments at fair value through profit and loss (Note 11.2)	70.8	9.3	80.1	101.1	–	101.1
Available-for-sale investments (Note 11.3)	16.5	119.1	135.6	16.8	–	16.8
Derivative financial assets (Note 11.4)	37.8	–	37.8	69.2	–	69.2
	354.3	222.4	576.7	187.1	93.3	280.4

	2006 Short-term portion Rm	**2006 Long-term portion Rm**	**2006 Total Rm**
Loans and receivables (Note 11.1)	**–**	**92.1**	**92.1**
Investments at fair value through profit and loss (Note 11.2)	**111.7**	**–**	**111.7**
Derivative financial assets (Note 11.4)	**37.6**	**–**	**37.6**
	149.3	**92.1**	**241.4**

	2004 Rm	2005 Rm	**2006 Rm**
11. FINANCIAL ASSETS (continued)			
11.1 Loans and receivables			
Planetel Communications Limited	43.0	42.7	**42.1**
The loan with a nominal value of US$6.8 million issued during the 2003 year, bears interest at LIBOR plus 5%. Planetel Communications Limited utilised this loan to ensure sufficient shareholder loan funding by itself as a shareholder of Vodacom Tanzania Limited. The loans and capitalised interest are collateralised by cession over all shareholder distributions and a pledge over their shares of Vodacom Tanzania Limited. All the shareholders subordinated their loans to Vodacom Tanzania Limited for the duration of the project finance funding (Note 19).			
Caspian Construction Company Limited	51.0	50.6	**50.0**
The loan with a nominal value of US$8.1 million issued during the 2003 year, bears interest at LIBOR plus 5%. Caspian Construction Company Limited utilised this loan to ensure sufficient shareholder loan funding by itself as a shareholder of Vodacom Tanzania Limited. The loans and capitalised interest are collateralised by cession over all shareholder distributions and a pledge over their shares of Vodacom Tanzania Limited. All the shareholders subordinated their loans to Vodacom Tanzania Limited for the duration of the project finance funding (Note 19).			
ABSA Bank Limited	78.3	–	**–**
The Group's share of Vodacom Congo (RDC) s.p.r.l.'s deposit account amounted to €10.1 million at March 31, 2004, which was charged as security for the extended credit facility of Vodacom Congo (RDC) s.p.r.l. The deposit bore interest at EURIBOR less 0.2%. The deposit was refunded when the facility was replaced by a medium-term loan from Standard Bank London and RMB International (Dublin) Limited on July 30, 2004 (Note 19).			
Vodacom Congo (RDC) s.p.r.l.	150.9	–	**–**
The joint venture partner's share of the loan issued by Vodacom International Limited to Vodacom Congo (RDC) s.p.r.l. amounted to US$23.9 million at March 31, 2004. The loan bore interest at LIBOR plus 6.5%. With effect from April 1, 2004 the Group's effective control over the company changed resulting in Vodacom Congo (RDC) s.p.r.l. being accounted for as a subsidiary from this date.			
	323.2	93.3	**92.1**
Less: Short-term portion of loans and receivables			
ABSA Bank Limited	(78.3)	–	**–**
Vodacom Congo (RDC) s.p.r.l.	(150.9)	–	**–**
Short-term portion of loans and receivables	(229.2)	–	**–**
Long-term portion of loans and receivables	94.0	93.3	**92.1**

11. FINANCIAL ASSETS (continued)

11.2 Investments at fair value through profit and loss

11.2.1 Investments held for trading

	Maturity period	Interest rate (%)	Market value Rm
2004			
Details of the maturity periods and interest rates of the money market investments at year-end are as follows:	0 – 6 months	7.2 – 12.1	70.8
	Over 12 months	8.1 – 8.8	9.3
			80.1
Less: Short-term portion of investments held for trading			(70.8)
Long-term portion of investments held for trading			9.3
2005			
Details of the maturity periods and interest rates of the money market investments at year-end are as follows:	0 – 12 months	7.3 – 8.5	101.1
Less: Short-term portion of investments held for trading			(101.1)
Long-term portion of investments held for trading			–
2006			
Details of the maturity periods and interest rates of the money market investments at year-end are as follows:	0 – 12 months	5.6 – 7.3	**111.7**
Less: Short-term portion of investments held for trading			**(111.7)**
Long-term portion of investments held for trading			**–**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

March 31, 2006

	2004 Rm	2005 Rm	**2006 Rm**
11. FINANCIAL ASSETS (continued)			
11.3 Available-for-sale investments			
Listed investment – SAGE shares	16.5	16.8	**–**
9 090 909 ordinary shares of R0.01 each.			
Unlisted preference shares in Vodacom Congo (RDC) s.p.r.l.	119.1	–	**–**
18 860 100 preference shares of US$1.0 each totalling US$18.9 million at March 31, 2004. The preference shares bore interest at a rate of 4% per annum and are redeemable, but only after the first three years from date of inception and only on the basis that the shareholders are repaid simultaneously and in proportion to their shareholding. With effect from April 1, 2004 the Group's control over the company changed resulting in Vodacom Congo (RDC) s.p.r.l. being accounted for as a subsidiary from this date.			
	135.6	16.8	**–**
Short-term portion of available-for-sale			
Listed investment – SAGE shares	(16.5)	(16.8)	**–**
Short-term portion of available-for-sale	(16.5)	(16.8)	**–**
Long-term portion of available-for-sale	119.1	–	**–**
11.4 Derivative financial assets			
Interest rate swap asset (Note 39)	35.9	44.2	**37.6**
Foreign currency derivative asset (Note 39)	1.9	25.0	**–**
	37.8	69.2	**37.6**

	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 Rm	2012 onwards Rm	Total Rm
11.5 Maturity of financial assets							
Loans and receivables	–	–	–	–	–	92.1	92.1
Investments at fair value through profit and loss	111.7	–	–	–	–	–	111.7
Derivative financial assets	37.6	–	–	–	–	–	37.6
	149.3	–	–	–	–	92.1	241.4

The fair value of the Group's investments is R241.4 million (2005: R280.4 million; 2004: R576.7 million).

		2004 Rm	2005 Rm	**2006 Rm**
12.	**DEFERRED TAXATION**			
	Deferred taxation assets	277.8	308.1	**297.6**
	Deferred taxation liabilities	(410.1)	(472.1)	**(602.3)**
		(132.3)	(164.0)	**(304.7)**
12.1	**Components**			
	Capital allowances	(959.6)	(1,086.6)	**(1,243.6)**
	Foreign equity revaluation reserve	12.0	12.0	**12.0**
	Remeasurement of shareholder loans liability	(33.0)	(21.7)	**(19.5)**
	Remeasurement of shareholder loans asset	42.1	36.4	**32.5**
	Taxation losses	323.5	278.8	**223.1**
	Provisions and deferred income	861.5	634.1	**797.2**
	Prepayments and other allowances	(255.8)	(24.2)	**10.8**
	Customer base	(88.9)	(77.0)	**(46.7)**
	Trademark and patent	(46.5)	(33.4)	**(56.4)**
	Fair value adjustment of property	(2.2)	(2.2)	**(2.0)**
	Foreign exchange	22.2	88.9	**(22.3)**
	Secondary taxation on companies credits	–	3.8	**3.8**
	Other	(7.6)	27.1	**6.4**
		(132.3)	(164.0)	**(304.7)**
12.2	**Reconciliation**			
	Balance at the beginning of the year	(265.5)	(132.3)	**(164.0)**
	Deferred taxation – Income statement (expense)/income (Note 8)	248.5	(88.0)	**(115.1)**
	Foreign equity revaluation reserve	10.9	–	**–**
	Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	96.3	**–**
	Business combinations			
	Acquisition of customer base	(69.1)	(41.7)	**–**
	Acquisition of trademark and patents	(47.5)	–	**(35.8)**
	Acquisition of subsidiary	–	1.7	**–**
	Fair value adjustment of property	(2.2)	–	**–**
	Foreign exchange differences on consolidation of foreign subsidiaries	(7.4)	–	**10.2**
	Balance at the end of the year	(132.3)	(164.0)	**(304.7)**

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

	2004 Rm	2005 Rm	**2006 Rm**
12. DEFERRED TAXATION (continued)			
12.3 Utilisation of taxation losses			
Opening taxation loss	1,119.3	1,187.1	**1,194.8**
Foreign exchange movement on opening taxation loss	(231.6)	(8.1)	**(142.3)**
Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	158.0	**–**
Prior year over/(under) statement	(134.5)	72.9	**24.3**
Current year taxation loss created/(utilised)	433.9	(215.1)	**461.9**
Closing taxation loss	1,187.1	1,194.8	**1,538.7**
Utilised to reduce net deferred taxation liability	(1,022.1)	(839.6)	**(662.3)**
Deferred taxation at 40%	(165.6)	(268.7)	**(244.1)**
Deferred taxation at 35%	(6.6)	–	**–**
Deferred taxation at 30%	(849.9)	(570.9)	**(418.2)**
Taxation losses available to reduce deferred taxation	165.0	355.2	**876.4**

There are unused taxation losses to the value of R876.4 million (2005: R355.2 million; 2004: R165.0 million) available to reduce the net deferred taxation liability. The effect of this would be a R279.4 million (2005: R109.3 million; 2004: R24.8 million) reduction in the net deferred taxation liability for the year to R25.3 million (2005: R54.7 million; 2004: R107.5 million). During 2003 uncertainty existed as to whether the accumulated losses incurred by Vodacom Congo (RDC) s.p.r.l. during their taxation holiday period will be available to reduce future taxable profits after expiry of the taxation holiday period, and therefore no deferred taxation asset was raised. During the 2004 financial year it was confirmed by the local taxation authority that the accumulated taxation losses will still be available after expiry of the taxation holiday, resulting in the accumulated taxation asset being recognised. Vodacom Congo (RDC) s.p.r.l. has recorded a deferred taxation asset as the company is generating taxable income. The Group has performed a detailed calculation of future taxable income to support the recognition of the deferred taxation asset.

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

		2004 Rm	2005 Rm	**2006 Rm**
13.	**INVENTORY**			
	Merchandise	260.4	438.4	**397.5**
	Other inventory	28.1	41.1	**56.8**
		288.5	479.5	**454.3**
	Inventory carried at net realisable value	202.7	289.8	**215.1**
13.1	**Inventory valuation allowance included above**			
	Balance at the beginning of the year	(48.3)	(78.9)	**(62.8)**
	Foreign exchange movement on opening balance	0.3	–	**0.7**
	(Charged to)/Reversed from costs and expenses	(30.9)	17.5	**(15.9)**
	Business combinations	–	(1.4)	**–**
	Balance at the end of the year	(78.9)	(62.8)	**(78.0)**
14.	**TRADE AND OTHER RECEIVABLES**			
	Trade receivables	3,072.4	3,316.5	**4,097.2**
	Prepayments	240.6	185.3	**205.2**
	Value added taxation	58.5	69.0	**88.1**
	Interest income receivable	18.9	35.7	**41.5**
	Guarantee fees receivable	13.1	–	**–**
	Finance leases	–	–	**13.1**
	Other	46.5	14.9	**42.0**
		3,450.0	3,621.4	**4,487.1**
14.1	**Doubtful receivable allowance included above**			
	Balance at the beginning of the year	(82.6)	(75.6)	**(94.0)**
	Foreign exchange movement on opening balance	6.2	(0.2)	**2.9**
	Reversed from/(Charged to) costs and expenses	0.8	(11.3)	**6.0**
	Business combinations	–	(6.9)	**–**
	Balance at the end of the year	(75.6)	(94.0)	**(85.1)**

		Within one year Rm	Between two and five years Rm	After five years Rm	Total Rm
14.2	**Finance leases**				
	Staff benefits	7.5	2.9	–	10.4
	Computers	5.6	3.3	–	8.9
		13.1	6.2	–	19.3

14. TRADE AND OTHER RECEIVABLES (continued)

14.2 Finance leases (continued)

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 19: Employee benefits, 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 use agreement to employee cost. The implicit interest rate is zero. The Group reclassified these assets from property, plant and equipment in terms of IFRIC 4: Determining whether an arrangement contains a lease. Prior years have not been restated due to amounts being insignificant.

The Group provides laptop or desktop computers to certain subscribers who enter into contract agreements. The customer retain these computers at the end of the contract period. In terms of IAS 17: Leases, these arrangements are regarded as finance leases and accounted for, using the effective interest rate method.

The long-term portion of R6.2 million is reflected as part of lease assets on the face of the consolidated balance sheet.

	2004 R	2005 R	**2006** **R**
15. ORDINARY SHARE CAPITAL			
Authorised			
100,000 ordinary shares of 1 cent each	1,000	1,000	**1,000**
Issued			
10,000 ordinary shares of 1 cent each	100	100	**100**

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

	2004 Rm	2005 Rm	**2006** **Rm**
16. NON-DISTRIBUTABLE RESERVES			
Foreign currency translation reserve (Note 16.1)	(347.2)	(321.5)	**(203.8)**
Deferred taxation on foreign currency translation reserve (Note 16.1)	12.0	12.0	**12.0**
Contingency reserve (Note 16.2)	10.3	11.3	**13.5**
Revaluation of available-for-sale investments (Note 16.3)	–	0.2	**–**
	(324.9)	(298.0)	**(178.3)**
Reconciliation			
Balance at the beginning of the year	(141.0)	(324.9)	**(298.0)**
Foreign currency translation reserve	(183.1)	25.7	**117.7**
Acquisition of Vodacom Congo (RDC) s.p.r.l. (Note 30)	–	82.1	**–**
Foreign currency translation for the year	(194.0)	(56.4)	**117.7**
Deferred taxation for the year	10.9	–	**–**
Other non-distributable reserves			
Transferred from distributable reserves – contingency reserve	(0.8)	1.0	**2.2**
Revaluation of available-for-sale investments	–	0.2	**(0.2)**
Balance at the end of the year	(324.9)	(298.0)	**(178.3)**

16. NON-DISTRIBUTABLE RESERVES (continued)

16.1 Foreign currency translation reserve and deferred taxation

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

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

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

16.2 Contingency reserve

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

16.3 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 (Note 11.3).

	2004 Rm	2005 Rm	**2006 Rm**
17. MINORITY INTERESTS			
Distributable reserves	150.7	187.8	**358.1**
Non-distributable reserves	(57.7)	(59.1)	**(74.8)**
	93.0	128.7	**283.3**
Reconciliation			
Balance at the beginning of the year	88.0	93.0	**128.7**
Profit transferred from distributable reserves	26.2	30.8	**116.7**
Foreign currency translation reserve	(21.2)	(1.5)	**(15.6)**
Revaluation of available-for-sale investments	–	0.1	**(0.1)**
Acquisition of subsidiary	–	10.1	**46.5**
Minority shares of VM, S.A.R.L.	–	–	**8.0**
Dividend	–	(3.8)	**(0.9)**
Balance at the end of the year	93.0	128.7	**283.3**

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	2004 Rm	2005 Rm	**2006 Rm**
18. STATEMENT OF RECOGNISED INCOME AND EXPENSES			
(Loss)/Gain on revaluation of available-for-sale investment	–	0.3	**(0.3)**
Foreign currency translation reserve	(215.2)	(57.9)	**102.1**
Tax on items taken directly to equity	10.9	–	**–**
Net profit/(loss) recognised directly in equity	(204.3)	(57.6)	**101.8**
Net profit for the year	3,052.3	3,886.3	**5,129.0**
Total recognised income and expense for the year	2,848.0	3,828.7	**5,230.8**
Attributable to:			
Equity shareholders	2,843.0	3,799.3	**5,129.8**
Minority interests	5.0	29.4	**101.0**

	2004 Short-term portion Rm	2004 Long-term portion Rm	2004 Total Rm	2005 Short-term portion Rm	2005 Long-term portion Rm	2005 Total Rm
19. INTEREST-BEARING DEBT						
Finance leases (Note 19.1)	29.0	856.7	885.7	50.5	807.2	857.7
Funding loans (Note 19.2)	807.7	359.9	1,167.6	323.7	1,406.3	1,730.0
Other short-term loans (Note 19.3)	3.2	–	3.2	7.4	–	7.4
	839.9	1,216.6	2,056.5	381.6	2,213.5	2,595.1

	2006 Short-term portion Rm	**2006 Long-term portion Rm**	**2006 Total Rm**
Finance leases (Note 19.1)	**79.2**	**728.3**	**807.5**
Funding loans (Note 19.2)	**1,527.3**	**90.9**	**1,618.2**
Other short-term loans (Note 19.3)	**39.0**	**–**	**39.0**
	1,645.5	**819.2**	**2,464.7**

	2004 Rm	2005 Rm	**2006 Rm**
19. INTEREST-BEARING DEBT (continued)			
19.1 Finance leases			
Vodacom (Proprietary) Limited	596.4	574.9	**537.7**
The finance leases are collateralised by various land and buildings with a book value of R489.1 million (2005: R500.1 million; 2004: R512.1 million), bearing interest at fixed effective interest rates of between 12.1% and 16.9% per annum and are repayable between 2 and 7 years.			
Vodacom Service Provider Company (Proprietary) Limited	289.3	282.8	**269.8**
The finance lease is collateralised by land and buildings with a book value of R256.8 million (2005: R262.4 million; 2004: R268.0 million), and bearing interest at a fixed effective interest rate of 14.8% per annum. Payments are made every six months in arrears and commenced on March 1, 2002. The finance lease expires on September 1, 2011.			
	885.7	857.7	**807.5**
Less: Short-term portion of finance leases			
Vodacom (Proprietary) Limited	(22.5)	(37.6)	**(58.3)**
Vodacom Service Provider Company (Proprietary) Limited	(6.5)	(12.9)	**(20.9)**
Short-term portion of finance leases	(29.0)	(50.5)	**(79.2)**
Long-term portion of finance leases	856.7	807.2	**728.3**

The fair value of the Group's finance lease liability is R911.5 million (2005: R956.8 million; 2004: R955.4 million).

Repayment of finance leases:

	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 Rm	2012 onwards Rm	Total Rm
Future minimum lease payments	190.7	211.7	269.2	153.6	200.6	180.4	1,206.2
Finance costs	(111.5)	(98.2)	(77.0)	(55.0)	(38.9)	(18.1)	(398.7)
Net present value	79.2	113.5	192.2	98.6	161.7	162.3	807.5

	2004 Rm	2005 Rm	**2006 Rm**
19. INTEREST-BEARING DEBT (continued)			
19.2 Funding loans			
Planetel Communications Limited	35.4	38.5	**41.6**
The shareholder loan of US$8.4 million (2005: US$8.4 million; 2004: US$8.4 million) is subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, bears no interest from April 1, 2002 and is thereafter available for repayment, by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. The loan became non interest-bearing and was remeasured at amortised cost at an effective interest rate of LIBOR plus 5% (Note 11) during the 2003 financial year. The gain on re-measurement was included in equity.			
Caspian Construction Company Limited	42.1	45.7	**49.3**
The shareholder loan of US$10.0 million (2005: US$10.0 million; 2004: US$10.0 million) is subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, bears no interest from April 1, 2002 and is thereafter available for repayment, by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. This loan became non interest-bearing and was remeasured at amortised cost at an effective interest rate of LIBOR plus 5% (Note 11) during the 2003 financial year. The gain on remeasurement was included in equity.			
Project finance funding to Vodacom Tanzania Limited	348.7	285.1	**184.0**
The drawn down portions of the project finance funding from external parties include the following: (a) Netherlands Development Finance Company of US$7.6 million (2005: US$10.1 million; 2004: US$11.3 million); (b) Deutsche Investitions- und Entwicklungsgesellschaft mbH of €7.8 million (2005: €10.4 million; 2004: €11.5 million); (c) Standard Corporate and Merchant Bank of US$8.0 million (2005: US$12.0 million; 2004: US$16.0 million); (d) Barclays Bank (Local Syndicate Tanzania) of TSH5,703.8 million (2005: TSH10,968.8 million; 2004: TSH15,356.3 million).			
The funding is collateralised by a charge over 51% of the shares, the licence and Vodacom Tanzania Limited's tangible and intangible assets. The loans bear interest based upon the foreign currency denomination of the project financing between 6.0% and 14.5% per annum and will be fully repaid by March 2008. The full amount of R184.0 million has been classified as current liabilities due to the Group not having an unconditional right to defer its settlement for at least 12 months after the balance sheet date.			
Balance carried forward	426.2	369.3	**274.9**

	2004 Rm	2005 Rm	**2006 Rm**
19. INTEREST-BEARING DEBT (continued)			
19.2 Funding loans (continued)			
Balance brought forward	426.2	369.3	**274.9**
Extended credit facility to Vodacom Congo (RDC) s.p.r.l.	310.1	–	**–**
The Group's share of Vodacom Congo (RDC) s.p.r.l.'s extended credit facility amounted to €38.8 million at March 31, 2004 which was partially collateralised by guarantees (Note 41) and a cash deposit (Note 11), and bore interest at a rate of between EURIBOR plus 1.5% and EURIBOR plus 1.75%. The facility was replaced by a medium-term loan from Standard Bank London Limited and RMB International (Dublin) Limited on July 30, 2004.			
Revolving credit facilities to Vodacom Congo (RDC) s.p.r.l.	312.2	–	**–**
The Group's share of the short-term revolving credit facility provided by ABSA amounted to US$16.3 million at March 31, 2004. The credit facility was collateralised by guarantees (Note 41) provided by the Group, which bore interest at an effective interest rate of LIBOR plus 1.5%. The facility was replaced by a medium-term loan from Standard Bank London Limited and RMB International (Dublin) Limited on July 30, 2004.			
The Group's share of the short-term Euro revolving credit facility provided by Standard Finance (Isle of Man) Limited amounted to €11.5 million at March 31, 2004. The credit facility was collateralised by guarantees (Note 41) provided by the Group and bore interest at an effective interest rate of EURIBOR plus 1.5%. The facility was replaced by a medium-term loan from Standard Bank London Limited and RMB International (Dublin) Limited on July 30, 2004.			
The Group's share of the short-term Dollar revolving credit facility provided by Standard Finance (Isle of Man) Limited amounted to US$19.1 million at March 31, 2004. The credit facility was collateralised by guarantees (Note 41) provided by the Group and bore interest at an effective interest rate of LIBOR plus 1.5%. The facility was replaced by a medium-term loan from Standard Bank London Limited and RMB International (Dublin) Limited on July 30, 2004.			
Medium-term loan to Vodacom International Limited	–	1,128.8	**1,114.4**
The medium-term loan provided by Standard Bank London Limited and RMB International (Dublin) Limited that amounts to US$180.0 million (2005: US$180.0 million) is collateralised by guarantees provided by the Group. The loan is repayable on July 19, 2006 and bears interest at an effective interest rate of LIBOR plus 0.6%.			
Balance carried forward	1,048.5	1,498.1	**1,389.3**

	2004 Rm	2005 Rm	**2006 Rm**
19. INTEREST-BEARING DEBT (continued)			
19.2 Funding loans (continued)			
Balance brought forward	1,048.5	1,498.1	**1,389.3**
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	119.1	231.9	**228.9**
The preference shares of US$37.0 million (2005: US$37.0 million; 2004: US$18.9 million) bear interest at a rate of 4% per annum. The preference shares are redeemable, but only after the first three years from date of inception and only on the basis that the shareholders are repaid simultaneously and in proportion to their shareholding.			
	1,167.6	1,730.0	**1,618.2**
Less: Short-term portion of funding loans			
Project finance funding to Vodacom Tanzania Limited	(66.3)	(91.8)	**(184.0)**
Extended credit facility to Vodacom Congo (RDC) s.p.r.l.	(310.1)	–	**–**
Revolving credit facilities to Vodacom Congo (RDC) s.p.r.l.	(312.2)	–	**–**
Medium-term loan to Vodacom International Limited	–	–	**(1,114.4)**
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	(119.1)	(231.9)	**(228.9)**
Short-term portion of funding loans	(807.7)	(323.7)	**(1,527.3)**
Long-term portion of funding loans	359.9	1,406.3	**90.9**

The fair value of the Group's funding loan liability is R1,618.2 million (2005: R1,730.0 million; 2004: R1,167.6 million).

	2004 Rm	2005 Rm	**2006 Rm**
19.3 Other short-term loans			
Vodacom Congo (RDC) s.p.r.l.	3.2	6.3	**37.1**
The short-term facilities amounts to US$6.0 million (2005: US$1.0 million; 2004: US$0.5 million). US$1.0 million of these facilities bears interest at 18% per annum with no fixed repayment terms. US$5.0 million of these facilities is repayable on May 20, 2006 and bears interest at LIBOR plus 6% per annum.			
Other	–	1.1	**1.9**
	3.2	7.4	**39.0**

The fair value of the Group's short-term loans is R39.0 million (2005: R7.4 million; 2004: R3.2 million).

19. INTEREST-BEARING DEBT (continued)

19.4 Repayment of interest-bearing debt

	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 Rm	2012 onwards Rm	Total Rm
Finance leases							
Vodacom (Proprietary) Limited	58.3	82.9	149.6	41.5	86.9	118.5	537.7
Vodacom Service Provider Company (Proprietary) Limited	20.9	30.6	42.6	57.1	74.8	43.8	269.8
Funding loans							
Planetel Communications Limited	–	–	–	–	–	41.6	41.6
Caspian Construction Company Limited	–	–	–	–	–	49.3	49.3
Project finance funding to Vodacom Tanzania Limited	184.0	–	–	–	–	–	184.0
Medium-term loan to Vodacom International Limited	1,114.4	–	–	–	–	–	1,114.4
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	228.9	–	–	–	–	–	228.9
Other short-term loans	39.0	–	–	–	–	–	39.0
	1,645.5	113.5	192.2	98.6	161.7	253.2	2,464.7

	2004 Rm	2005 Rm	**2006** **Rm**
20. TRADE AND OTHER PAYABLES			
Trade payables	2,900.9	3,466.8	**3,315.4**
Capital expenditure creditors	774.4	1,089.9	**1,478.7**
Value added taxation	101.6	91.6	**100.3**
Sundry accruals	43.0	75.4	**89.4**
Revenue charged in advance	28.0	67.2	**64.2**
Interest accrual	14.2	39.9	**56.7**
	3,862.1	4,830.8	**5,104.7**

	2004 Rm	2005 Rm	**2006 Rm**
21. NON INTEREST-BEARING DEBT			
Sekhametsi Investment Consortium	4.3	4.3	**4.3**
The minority shareholders' loan is uncollateralised and no repayment terms have been determined.			
	4.3	4.3	**4.3**

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

	2004 Rm	2005 Rm	**2006 Rm**
22. PROVISIONS			
Deferred bonus incentive provision (Note 22.1)	359.5	423.9	**452.4**
Bonus provision (Note 22.2)	149.1	203.1	**279.8**
Leave pay provision (Note 22.3)	53.9	58.3	**70.8**
Warranty provision (Note 22.4)	34.3	28.2	**32.8**
Long-term incentive provision (Note 22.5)	–	–	**122.1**
Other (Note 22.6)	55.3	65.9	**37.4**
	652.1	779.4	**995.3**

	Deferred bonus incentive provision Rm	Bonus provision Rm	Leave pay provision Rm	Warranty provision Rm	Long-term incentive provision Rm	Other Rm
Reconciliation 2004						
Balance at the beginning of the year	231.7	128.8	52.4	9.5	–	58.3
Provision created	169.5	165.7	10.1	28.9	–	67.5
Provision utilised	(41.7)	(145.4)	(8.6)	(4.1)	–	(70.5)
Balance at the end of the year	359.5	149.1	53.9	34.3	–	55.3
Reconciliation 2005						
Balance at the beginning of the year	359.5	149.1	53.9	34.3	–	55.3
Provision created	207.1	240.0	15.7	11.3	–	65.5
Provision utilised	(142.7)	(186.0)	(11.3)	(17.4)	–	(54.9)
Balance at the end of the year	423.9	203.1	58.3	28.2	–	65.9
Reconciliation 2006						
Balance at the beginning of the year	**423.9**	**203.1**	**58.3**	**28.2**	**–**	**65.9**
Provision created	**188.0**	**321.1**	**25.1**	**38.5**	**139.0**	**25.3**
Provision utilised	**(159.5)**	**(244.4)**	**(12.6)**	**(33.9)**	**(16.9)**	**(53.8)**
Balance at the end of the year	**452.4**	**279.8**	**70.8**	**32.8**	**122.1**	**37.4**

	2004 Rm	2005 Rm	**2006 Rm**
22. PROVISIONS (continued)			
Timing of provisions			
Within one year	473.7	595.0	**623.0**
After one year	178.4	184.4	**372.3**
	652.1	779.4	**995.3**

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 is required to record 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.

22.1 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 one year after the participating rights have vested. The provision is utilised when eligible employees receive the value of vested entitlements.

22.2 Bonus provision

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

22.3 Leave pay provision

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

22.4 Warranty provision

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

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22. PROVISIONS (continued)

22.5 Long-term incentive provision

The long-term incentive provision represents the present value of the expected future cash outflows to eligible employees who qualify. The amount of the liability is based on an actuarial valuation. The provision is utilised when eligible employees receive the value of vested benefits.

	2004 Rm	2005 Rm	**2006 Rm**
Net liability at the beginning of the year	–	–	**–**
Interest cost	–	–	**6.5**
Current service cost	–	–	**9.1**
Recognised actuarial losses	–	–	**123.4**
Net cost	–	–	**139.0**
Total benefit payments	–	–	**(16.9)**
Net liability at the end of the year	–	–	**122.1**
Key assumptions:			
General inflation rate (%)	–	–	**4.7**
Discount rate (%)	–	–	**7.4**
Salary inflation (%)	–	–	**5.7**
Valuation date	–	–	**March 31, 2006**

22.6 Other

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

23. CHANGE IN ACCOUNTING POLICIES, RECLASSIFICATIONS AND RESTATEMENTS

	Balance as previously reported Rm	Operating leases Rm	Investment property Rm	Interest rate swap Rm	Software reclassification Rm	Balance as restated Rm
Reconciliation 2004						
Income statement						
Direct network operating cost	12,430.1	5.0	–	–	–	12,435.1
General administration expenses	682.3	4.9	–	–	–	687.2
Taxation	1,725.0	(3.0)	–	–	–	1,722.0
Net profit (Profit after taxation)	(3,059.2)	6.9	–	–	–	(3,052.3)
Retained earnings (Opening balance)	(6,962.8)	53.6	–	–	–	(6,909.2)
Balance sheet						
Non-current assets						
Property, plant and equipment	10,858.6	–	53.9	–	–	10,912.5
Investment properties	63.8	–	(53.9)	–	–	9.9
Financial assets	258.3	–	–	(35.9)	–	222.4
Lease assets	–	22.2	–	–	–	22.2
Current assets						
Short-term financial assets	318.4	–	–	35.9	–	354.3
Equity						
Retained earnings	(7,896.6)	60.5	–	–	–	(7,836.1)
Non-current liabilities						
Deferred taxation	(436.0)	25.9	–	–	–	(410.1)
Operating lease liabilities	–	(108.6)	–	–	–	(108.6)
Reconciliation 2005						
Income statement						
Direct network operating cost	14,614.1	3.7	–	–	–	14,617.8
Depreciation	2,611.1	–	–	–	(197.5)	2,413.6
General administration expenses	747.9	3.4	–	–	–	751.3
Amortisation of intangible assets	232.1	–	–	–	197.5	429.6
Taxation	2,614.2	(1.2)	–	–	–	2,613.0
Net profit (Profit after taxation)	(3,892.2)	5.9	–	–	–	(3,886.3)
Retained earnings (Opening balance)	(7,896.6)	60.5	–	–	–	(7,836.1)
Balance sheet						
Non-current assets						
Property, plant and equipment	12,230.7	–	49.7	–	(703.5)	11,576.9
Investment properties	49.7	–	(49.7)	–	–	–
Intangible assets	940.8	–	–	–	703.5	1,644.3
Financial assets	137.5	–	–	(44.2)	–	93.3
Lease assets	–	28.9	–	–	–	28.9
Current assets						
Short-term financial assets	142.9	–	–	44.2	–	187.1
Equity						
Retained earnings	(8,123.6)	66.4	–	–	–	(8,057.2)
Non-current liabilities						
Deferred taxation	(499.2)	27.1	–	–	–	(472.1)
Operating lease liabilities	–	(122.4)	–	–	–	(122.4)

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

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

- IAS 16 (revised): Property, Plant and Equipment ("IAS 16")
- IAS 17 (revised): Leases ("IAS 17")

The tables above reflect the changes that were made to the 2005 and 2004 years as a result of certain restatements and balance sheet reclassifications.

Change in accounting policies

23.1 Property, plant and equipment

The Group adopted IAS 16 on April 1, 2005. Each significant component included in an item of property, plant and equipment is now separately recorded and depreciated. Useful lives and residual values are now reviewed on an annual basis. The impact of the adoption is not material and therefore has no impact on prior year numbers.

23.2 Leases

The Group adopted IAS 17 on April 1, 2005. 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. With regards to finance leases, initial direct costs are added to the amount recognised as an asset. The adoption does not impact the Group's results or cash flow information for the years ended March 31, 2005 and 2004.

Restatements impacting net profit

23.3 Operating leases

The Group restated lease payments and receipts under operating leases in order to recognise the expenses and income on a straight-line basis over the lease terms. This ensures that the income statement charge/income is more representative of the time pattern of the operating lease benefit to the Group. The Group previously recognised the expenses and the income based on the amount paid or payable and received or receivable for each period. The restatement impacts the Group's results for the years ended March 31, 2005 and 2004.

Restatements resulting in balance sheet reclassifications

23.4 Investment properties

The Group previously classified its Vodaworld property as an investment property. However, the property's primary purpose is to service and connect Vodacom customers. The property, therefore, does not meet the criteria of IAS 40: Investment Property, i.e. to earn rentals or for capital appreciation. Accordingly, a restatement was processed retrospectively to classify the Vodaworld property as property, plant and equipment.

23.5 Interest rate swap

Derivatives not accounted for as hedges are classified as trading instruments under IAS 39: Financial Instruments: Recognition and Measurement. Furthermore, IAS 1: Presentation of Financial Statements requires that all trading instruments be classified as short term and therefore current assets. The Group previously classified its derivatives based on maturity date, and therefore, restated its interest rate swaps retrospectively. The change in classification does not impact the Group's results or cash flow information for the years ended March 31, 2005 and 2004.

23.6 Software reclassification

The Group previously classified computer software as property, plant and equipment. Under IAS 38: Intangible Assets ("IAS 38"), computer software that is not considered integral to the related hardware should be classified as an intangible asset. Accordingly, the Group reclassified computer software cost and accumulated depreciation that are not considered integral to the related hardware to intangible assets. The Group also reclassified software depreciation to amortisation of intangible assets. The restatement was performed retrospective from April 1, 2004, the date at which the Group adopted IAS 38. The change in classification does not impact the Group's results or cash flow information for the year ended March 31, 2005.

		2004 Rm	2005 Rm	**2006 Rm**
24.	**CASH GENERATED FROM OPERATIONS**			
	Profit from operations	5,225.2	6,478.2	**8,865.7**
	Adjusted for:			
	Depreciation of property, plant and equipment	2,316.9	2,413.6	**2,651.6**
	Net loss/(profit) on disposal of property, plant and equipment	6.8	(1.8)	**26.8**
	Bad debts written off	48.8	52.2	**42.3**
	Impairment of assets	–	268.4	**(52.8)**
	Amortisation of intangible assets	214.8	429.6	**344.2**
	Cash flow from operations before working capital changes	7,812.5	9,640.2	**11,877.8**
	Increase in trade and other receivables	(937.8)	(330.1)	**(1,035.0)**
	Decrease/(Increase) in inventory	(32.2)	(161.1)	**16.8**
	Increase in trade and other payables and provisions	754.2	863.0	**230.7**
	Cash generated from operations	7,596.7	10,012.0	**11,090.3**
25.	**FINANCE COSTS PAID**			
	Bank overdraft	(27.3)	(39.1)	**(15.2)**
	Finance leases	(130.1)	(127.3)	**(121.6)**
	Funding loans	(64.4)	(32.2)	**(73.8)**
	Interest on minority shareholder loan	(7.6)	(7.2)	**(8.1)**
	Leasehold property	(5.2)	–	**–**
	Other finance costs	(13.3)	(24.2)	**(30.6)**
	Interest on shareholder loans	(47.2)	–	**–**
	Interest accrual at the beginning of the year	–	(14.2)	**(39.9)**
	Interest accrual at the end of the year	14.2	39.9	**56.7**
		(280.9)	(204.3)	**(232.5)**
	Interest rate swap interest	(1.1)	(5.5)	**–**
	Interest rate swap revaluation	(18.9)	(11.3)	**(10.8)**
	Loss on foreign exchange contract revaluation	(479.1)	(143.4)	**(471.8)**
	Loss on foreign liability and asset revaluation	(313.3)	(251.5)	**(586.3)**
	Unrealised losses on foreign exchange contract revaluation	393.2	126.8	**411.7**
	Unrealised losses on foreign liability and asset revaluation	155.9	211.5	**417.6**
	Unrealised losses on interest rate swap	18.9	11.3	**10.8**
	Other non-cash flow items	13.0	7.2	**14.9**
		(512.3)	(259.2)	**(446.4)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

March 31, 2006

		2004 Rm	2005 Rm	**2006** **Rm**
26.	**INTEREST, DIVIDENDS AND OTHER FINANCIAL INCOME RECEIVED**			
	Banks and loans	68.4	93.6	**89.4**
	Dividends received	5.4	–	**–**
	Guarantee fees	26.4	–	**–**
	Income from investments at fair value through profit and loss	11.2	8.0	**7.8**
	Other interest income	6.2	15.8	**19.7**
	Interest income receivable at the beginning of the year	10.3	18.9	**35.7**
	Interest income receivable at the end of the year	(18.9)	(35.7)	**(41.5)**
	Guarantee fees accrual at the beginning of the year	14.7	13.1	**–**
	Guarantee fees accrual at the end of the year	(13.1)	–	**–**
	Elimination on consolidation of Vodacom Congo (RDC) s.p.r.l.	–	(13.1)	**–**
		110.6	100.6	**111.1**
	Gain on foreign exchange contract revaluation	269.6	155.1	**211.2**
	Gain on foreign liability and asset revaluation	238.0	358.3	**314.0**
	Interest rate swap interest	5.1	11.6	**13.0**
	Interest rate swap revaluation	26.3	20.4	**4.2**
	Unrealised gain on foreign exchange contract revaluation	(210.3)	(120.5)	**(117.1)**
	Unrealised gain on foreign liability and asset revaluation	(38.9)	(258.2)	**(193.6)**
	Unrealised gain on interest rate swap revaluation	(26.3)	(20.5)	**(4.2)**
	Other non-cash flow items	(5.4)	–	**–**
		368.7	246.8	**338.6**
27.	**TAXATION PAID**			
	Taxation per the consolidated income statement	(1,722.0)	(2,613.0)	**(3,077.8)**
	Taxation payable at the beginning of the year	(315.2)	(852.0)	**(632.6)**
	Taxation payable at the end of the year	852.0	632.6	**630.2**
	Deferred taxation at the beginning of the year	(265.5)	(132.3)	**(164.0)**
	Deferred taxation at the end of the year	132.3	164.0	**304.7**
	Business combination – deferred taxation	(118.8)	(40.0)	**(35.8)**
	Business combination – taxation payable	(29.6)	–	**(15.2)**
	Movement due to foreign equity revaluation reserve	10.9	–	**10.2**
	Exchange difference on consolidation of foreign subsidiary	(7.4)	–	**–**
	Acquired from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	96.3	**–**
		(1,463.3)	(2,744.4)	**(2,980.3)**
28.	**ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**			
	Additions to property, plant and equipment (Note 8)	(2,890.7)	(3,288.4)	**(4,699.4)**
	Less: Vodacom (Proprietary) Limited finance leases	10.4	–	**–**
	Increase in capital expenditure related creditors	66.5	240.4	**353.1**
		(2,813.8)	(3,048.0)	**(4,346.3)**

	2004 Rm	2005 Rm	**2006 Rm**
29. ACQUISITION OF SUBSIDIARIES			
Acquisition of subsidiaries			
Smartphone SP (Proprietary) Limited and subsidiaries (Note 29.1)	149.6	(233.8)	**–**
Smartcom (Proprietary) Limited (Note 29.2)	–	(15.9)	**–**
Customer base of Tiscali (Proprietary) Limited (Note 29.3)	–	(40.1)	**0.3**
Vodacom Properties No. 1 (Proprietary) Limited (Note 29.4)	–	–	**–**
Cointel VAS (Proprietary) Limited (Note 29.5)	–	–	**(0.4)**
Cash (outflow)/inflow from acquisitions	149.6	(289.8)	**(0.1)**

29.1 Smartphone SP (Proprietary) Limited and subsidiaries

On March 1, 2004, the Group acquired a 51% interest in the equity of Smartphone SP (Proprietary) Limited, which has a 100% shareholding in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited and 52% in Ithuba Smartcall (Proprietary) Limited. The fair value of the assets and liabilities acquired were determined by the Group and are as follows:

	2004 Rm	2005 Rm	**2006 Rm**
Fair value of net assets acquired	(9.8)	–	**–**
Property, plant and equipment	6.2	–	**–**
Investment properties	9.9	–	**–**
Prepaid customer base	230.4	–	**–**
Trademark	158.2	–	**–**
Investments	16.4	–	**–**
Deferred taxation asset	0.2	–	**–**
Inventory	31.0	–	**–**
Accounts receivable	115.8	–	**–**
Cash and cash equivalents	149.6	–	**–**
Deferred taxation liability (including taxation effect on intangibles)	(119.0)	–	**–**
Accounts payable	(558.8)	–	**–**
Taxation payable	(29.6)	–	**–**
Long-term loan	(0.3)	–	**–**
Provision	(0.2)	–	**–**
Goodwill	(224.0)	–	**–**
Purchase price (including capitalised costs)	(233.8)	–	**–**
Cash and cash equivalents	149.6	–	**–**
Cash consideration	(84.2)	–	**–**
Less: Amount payable	233.8	–	**–**
	149.6	–	**–**

The purchase price of R231.2 million together with capitalised costs of R2.6 million totalling R233.8 million, was paid on April 7, 2004. The outstanding amount accrued interest at prime less 2% per annum from March 1, 2004 up to the date of payment.

The company had a contingent asset of R70.9 million at the date of acquisition. The Group valued the asset at Rnil. The contingent asset realised during the current financial year. The Group had an obligation under the shareholders agreement to pay the company an additional amount should the asset realise. The additional amount paid by the Group qualified as a contingent purchase consideration and resulted in an adjustment of R36.2 million to goodwill. The recognition of the contingent asset therefore resulted in a profit of R70.9 million in the consolidated income statement for the year ended March 31, 2006 with R34.7 million being allocated to minority interest.

29. ACQUISITION OF SUBSIDIARIES (continued)

29.2 Smartcom (Proprietary) Limited

On April 16, 2004, the Group acquired an 85.75% interest in the equity of Smartcom (Proprietary) Limited through its 51% owned subsidiary, Smartphone SP (Proprietary) Limited. The fair value of the assets and liabilities acquired were determined by the Group and are as follows:

	2004 Rm	2005 Rm	**2006 Rm**
Fair value of net assets acquired	–	(70.5)	–
Property, plant and equipment	–	5.0	–
Contract customer base	–	95.6	–
Deferred taxation asset	–	1.7	–
Inventory	–	3.9	–
Accounts receivable	–	55.4	–
Cash and cash equivalents	–	61.5	–
Deferred taxation liability (including taxation effect on intangibles)	–	(28.7)	–
Accounts payable	–	(113.6)	–
Dividends payable	–	(10.0)	–
Provision	–	(0.3)	–
Minority interest	–	10.1	–
Goodwill	–	(8.9)	–
Purchase price (including capitalised costs)	–	(69.3)	–
Cash and cash equivalents	–	61.5	–
Cash consideration	–	(7.8)	–
Less: Capitalised costs paid in previous financial year	–	0.5	–
Plus: Smartphone SP (Proprietary) Limited's share of the dividend paid by Smartcom (Proprietary) Limited	–	(8.6)	–
	–	(15.9)	–
The carrying value of the assets and liabilities at acquisition was as follows:	–	3.2	–
Non-current assets	–	6.7	–
Current assets	–	120.4	–
Current liabilities	–	(123.9)	–

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

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

Revenue amounting to R173.3 million and net profit before allocation to minorities of R26.6 million is included in the March 31, 2005 results.

	2004 Rm	2005 Rm	**2006 Rm**
29. ACQUISITION OF SUBSIDIARIES (continued)			
29.3 Customer base of Tiscali (Proprietary) Limited			
Effective February 1, 2005 the Group acquired the cellular business of Tiscali (Proprietary) Limited. The fair value of the assets and liabilities acquired were determined as follows:			
Fair value of net assets acquired	–	(30.3)	**–**
Contract customer base	–	43.3	**–**
Deferred taxation liability	–	(13.0)	**–**
Goodwill	–	(9.8)	**0.3**
Purchase price	–	(40.1)	**0.3**

The customer base was not previously recorded in the accounting records of Tiscali (Proprietary) Limited as it was an internally generated intangible asset. The goodwill related to the acquisition represents future synergies and the ability to directly control the Group's customers. It is impracticable to disclose the revenue and profit of the business that is included in the prior years results as the customer base was integrated into Vodacom Service Provider Company (Proprietary) Limited. The profit and revenue related to these customers were not separately recorded. For the same reason stated above it would not be practicable to determine the impact on revenue and profits of the Group for a full year.

29.4 Vodacom Properties No. 1 (Proprietary) Limited

During the 2003 financial year the Group exercised its option included in the finance lease agreement and acquired 100% of Skyprops 157 (Proprietary) Limited. The name of the company was subsequently changed to Vodacom Properties No. 1 (Proprietary) Limited.

	2004 Rm	2005 Rm	**2006 Rm**
The fair value of the net assets acquired are as follows:	–	–	**–**
Property, plant and equipment	1.6	–	**–**
Long-term loan	(1.6)	–	**–**
Purchase price	–	–	**–**

29. ACQUISITION OF SUBSIDIARIES (continued)

29.5 Cointel VAS (Proprietary) Limited

On August 1, 2005, the Group acquired a 51% interest in the equity of Cointel VAS (Proprietary) Limited. The fair values of the assets and liabilities acquired were preliminary determined by the Group and are as follows:

	2004 Rm	2005 Rm	**2006 Rm**
Fair value of net assets acquired	–	–	**(94.9)**
Property, plant and equipment	–	–	**1.7**
Intangible assets	–	–	**179.3**
Trade and other receivables	–	–	**7.4**
Cash and cash equivalents	–	–	**83.9**
Deferred taxation liability (including taxation effect on intangibles)	–	–	**(35.8)**
Trade and other payables	–	–	**(114.2)**
Taxation payable	–	–	**(15.2)**
Provisions	–	–	**(1.2)**
Dividends payable	–	–	**(11.0)**
Minority interest	–	–	**46.5**
Goodwill	–	–	**(35.9)**
Purchase price (including capitalised costs)	–	–	**(84.3)**
Cash and cash equivalents	–	–	**83.9**
Cash consideration	–	–	**(0.4)**
The carrying value of the assets and liabilities at acquisition was as follows:	–	–	**6.3**
Non-current assets	–	–	**56.7**
Current assets	–	–	**91.3**
Current liabilities	–	–	**(140.5)**
Non-current liabilities	–	–	**(1.2)**

The purchase price of R83.6 million (excluding capitalised costs) was paid on August 23, 2005.

Revenue amounting to R89.9 million and net profit of R17.8 million are included in the current year results. Consolidated revenue would have amounted to R34,062.5 million and consolidated net profit to R5,139.4 million if the entity had been consolidated for the full year ended March 31, 2006.

The goodwill related to the acquisition represents future synergies and are allocated to the South African cash-generating unit.

30. ACQUIRED RESERVES FROM THE MINORITIES OF VODACOM CONGO (RDC) S.P.R.L.

Vodacom Congo (RDC) s.p.r.l. ("Vodacom Congo") was prior to April 1, 2004 accounted for as a joint venture (Note 35). During the previous financial year the shareholders' agreement was amended to remove some of the participative rights of the minorities, resulting in Vodacom Congo now being controlled and considered to be a 51% owned subsidiary of the Group from April 1, 2004. The Group's interest in the company was consolidated from this date in accordance with IAS 27: Consolidated and Separate Financial Statements.

The 49% portion of the assets, liabilities and losses attributable to the joint venture partner as at March 31, 2004 that had not been consolidated at that date, were as follows:

	As at March 31, 2004 Rm
Net loss for the year after taxation	(13.7)
Total liabilities (including preference shares)	(1,133.2)
Total assets	981.9
The following assets and liabilities were consolidated on April 1, 2004 to account for Vodacom Congo (RDC) s.p.r.l. as a subsidiary:	
Total assets	981.9
Property, plant and equipment	596.3
Intangible assets	101.9
Deferred taxation asset	96.3
Inventory	26.1
Accounts receivable	64.9
Short-term investments and loans	75.2
Cash and cash equivalents	21.2
Total liabilities	(1,133.2)
Accounts payable	(138.7)
Short-term interest-bearing debt	(985.8)
Provision	(0.4)
Bank overdraft	(8.3)
Non-distributable reserve	(82.1)
Distributable reserves	(233.4)

No portion was allocated to the minorities as a result of the negative net equity position of the company. The negative net equity was recorded directly in reserves on April 1, 2004.

	2004 Rm	2005 Rm	**2006 Rm**
31. CASH AND CASH EQUIVALENTS AT END OF YEAR			
Bank and cash balances	2,370.1	2,990.1	**3,146.1**
Short-term bank deposits	–	1,000.0	**–**
Bank borrowings	(772.4)	(1,817.1)	**(1,385.8)**
	1,597.7	2,173.0	**1,760.3**

The short-term bank deposits at the end of March 31, 2005 bore interest at an effective interest rate of 7.4% and matured on April 1, 2005.

	2004 R	2005 R	**2006 R**
32. EARNINGS AND DIVIDEND PER SHARE			
32.1 Basic and diluted earnings per share			
The calculation of basic earnings per ordinary share before adjustments for changes in accounting policies, reclassifications and restatements (Note 23) was based on earnings of R3,861.4 million (2004: R3,033.0 million) at March 31, 2005 and 10,000 issued ordinary shares (2004: 10,000) at March 31, 2005. The following adjustments were made:	303,300	386,140	
Operating leases	(690)	(590)	
Earnings per share – restated	302,610	385,550	
The calculation of basic earnings per ordinary share is based on earnings of R5,012.3 million (2005: R3,855.5 million; 2004: R3,026.1 million) and 10,000 issued ordinary shares (2005: 10,000; 2004: 10,000).	302,610	385,550	**501,230**
Due to no dilution factors being present, basic earnings per share equals diluted earnings per share.			
32.2 Dividend per share			
The calculation of the dividend per ordinary share is based on a declared ordinary dividend of R4,500.0 million (2005: R3,400.0 million; 2004: R2,100.0 million) and 10,000 issued ordinary shares (2005: 10,000; 2004: 10,000). The dividends were declared as follows:			
Declared March 9, 2006 to shareholders registered on April 3, 2006 and paid on April 5, 2006 (Final)	–	–	**280,000**
Declared September 9, 2005 to all shareholders registered on October 1, 2005 and paid on October 3, 2005 (Interim)	–	–	**170,000**
Declared March 10, 2005 to shareholders registered on March 31, 2005 and paid on April 1, 2005 (Final)	–	180,000	**–**
Declared September 10, 2004 to all shareholders registered on October 1, 2004 and paid on October 1, 2004 (Interim)	–	160,000	**–**
Declared March 11, 2004 to shareholders registered on May 28, 2004 and paid on May 31, 2004 (Final)	150,000	–	**–**
Declared September 11, 2003 to shareholders registered on September 11, 2003 and paid on September 30, 2003 (Interim)	60,000	–	**–**
	210,000	340,000	450,000

	2004 Rm	2005 Rm	**2006 Rm**
33. CAPITAL COMMITMENTS			
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:			
Vodacom (Proprietary) Limited	448.4	1,272.2	**709.1**
Vodacom Congo (RDC) s.p.r.l.	42.5	62.2	**99.5**
Vodacom Tanzania Limited	169.8	37.1	**201.2**
Vodacom Service Provider Company (Proprietary) Limited	39.7	18.0	**16.9**
Vodacom Group (Proprietary) Limited	0.2	0.3	**222.9**
VM, S.A.R.L.	–	78.0	**34.2**
	700.6	1,467.8	**1,283.8**
Capital expenditure commitments approved by the Board of Directors but not yet contracted for at the balance sheet date are as follows:			
Vodacom (Proprietary) Limited	3,875.7	3,268.0	**4,872.3**
Vodacom Tanzania Limited	118.8	332.1	**650.6**
Vodacom Congo (RDC) s.p.r.l.	102.7	283.8	**293.4**
Vodacom Service Provider Company (Proprietary) Limited	71.1	138.8	**164.7**
Vodacom Lesotho (Proprietary) Limited	12.2	16.2	**24.9**
Vodacom Group (Proprietary) Limited	9.2	88.8	**111.7**
VM, S.A.R.L.	277.8	281.4	**71.7**
Smartphone SP (Proprietary) Limited	0.1	3.7	**15.2**
Cointel VAS (Proprietary) Limited	–	–	**2.2**
	4,467.6	4,412.8	**6,206.7**
The capital expenditure of the Group will be financed through internal cash generation, extended supplier credit and bank credit.			
34. OTHER COMMITMENTS			
Operating leases (Note 34.1)	3,180.0	5,841.7	**6,277.8**
Sport and marketing contracts (Note 34.2)	727.4	624.9	**1,133.7**
Site rentals (Note 34.3)	713.5	811.6	**567.8**
	4,620.9	7,278.2	**7,979.3**

	Within one year Rm	Between two and five years Rm	After five years Rm	Total Rm
34.1 Operating leases				
Transmission and data lines GSM	1,145.1	4,554.3	3.4	5,702.8
Accommodation	132.9	435.9	2.9	571.7
Other operating leases	0.8	2.2	0.3	3.3
	1,278.8	4,992.4	6.6	6,277.8
34.2 Sport and marketing contracts	298.1	835.6	–	1,133.7
34.3 Site rentals	132.8	433.6	1.4	567.8

34. OTHER COMMITMENTS (continued)

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

The Act was proclaimed in the *Government Gazette* and has been made effective September 30, 2005 with the exception of the provisions dealing with customer registration which comes into effect on June 30, 2006. The cellular operators have succeeded in obtaining in principle support by the Department of Justice for an electronic registration process. The legislative amendments necessary to allow for such an electronic registration process have not yet been effected, but are anticipated prior to the effective date of June 30, 2006. The Group has until May 28, 2006 to acquire and implement the monitoring and interception facilities as per the technical specifications of the facilities agreed upon between the Group and the Department of Justice and promulgated on November 28, 2005. A reliable estimate of capital and operating costs that will potentially be incurred in order to comply with the provisions of the Act cannot be determined at this stage.

34.5 Service providers

Service provider agreements with the Group's independent service providers were extended for a further period of five years during the current financial year.

34.6 Cellular licence fees

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

34.7 Global alliance fees

The Group pays annual fees from February 18, 2005 for services provided to the Group by Vodafone Group Plc. The fee is calculated as a percentage of revenue and amounted to R175.2 million (2005: R17.0 million).

34.8 Retention incentives

The Group has committed a maximum of R456.0 million (2005: R373.1 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 provided for the liability, as no legal obligation exists, since the customers have not yet entered into new contracts.

34.9 Activation bonuses

The Group has a potential liability in respect of activation bonuses payable related to starterpacks sold which have not yet been validated. The exposure is estimated at approximately R8.9 million (2005: R6.0 million).

34.10 Other

An offer to acquire the cellular business of Africell Cellular Services (Proprietary) Limited ("Africell") was made and accepted. The suspensive conditions as well as Competition Commission approval, is currently being attended to.

	2004 Rm	2005 Rm	**2006 Rm**
35. CONTINGENT LIABILITIES			
Various other legal matters	9.2	4.9	**5.0**

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

The Group has a 51% equity interest in Vodacom Congo (RDC) s.p.r.l. ("Vodacom Congo"), which commenced business on December 11, 2001. This investment is governed by a shareholders' agreement, which previously provided the minority shareholder with certain protective and participative rights and therefore, in terms of IAS 31: Interest in Joint Ventures, Vodacom Congo was considered to be a joint venture resulting in it being proportionally consolidated in the annual financial statements for the year ended March 31, 2004.

The Group, in terms of the previous shareholders' agreement was, however, ultimately responsible for the funding of the operations of Vodacom Congo. The shareholders' agreement also gave the Group the right to appoint management and the majority of the Board of the company. The Group also had a management agreement to manage the company on a day-to-day basis.

During the previous financial year the shareholders' agreement was amended to remove some of the participative rights, resulting in Vodacom Congo now being controlled and considered to be a 51%-owned subsidiary of the Group from April 1, 2004. The Group's interest in the company is consolidated from this date in accordance with IAS 27: Consolidated and Separate Financial Statements (Note 30).

The 49% portion attributable to the joint venture partner of the liabilities and losses as at March 31, 2004 was as follows:

Net loss for the year after taxation	(13.7)
Total liabilities (including preference shares)	(1,133.2)
Total assets	981.9

All guarantees issued are disclosed in Note 41.

35.2 Negative working capital ratio

For financial years ended 2006, 2005 and 2004 the Group had a negative working capital ratio. A negative working capital ratio arises when the Group's current liabilities are greater than the current assets. The Group's management believes that based on its operating cash flow, it will be able to meet liabilities as they arise and that it is in compliance with all covenants contained in the borrowing agreements.

35.3 Other

The Group is regularly subject to an evaluation, by the taxation authorities, of its direct and indirect taxation filings and in connection with such reviews, disputes can arise with the taxation authorities over the interpretation or application of certain taxation rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable for the Group. Additionally the resolution of the disputes could result in an obligation for the Group.

During each of the years presented, provisions have been made or adjusted for anticipated obligations related to these taxation matters under review. The provisions made include estimates of anticipated interest and penalties where appropriate. Where no reliable assessment could be made, no provisions have been raised.

The Group is in discussions with relevant taxation authorities on specific matters regarding the application and interpretation of taxation legislation affecting the Group and the industry in which it operates. No reliable assessment can be made at this time of any exposure, if any, that the Group may incur.

36. RETIREMENT BENEFITS

All eligible employees of the Group are members of the Vodacom Group pension fund, a defined contribution pension scheme. Certain executive employees of the Group are also members of the Vodacom executive provident fund, a defined contribution provident scheme. Both schemes are administered by ABSA Consultants and Actuaries (Proprietary) Limited. Current contributions to the pension fund amounted to R76.4 million (2005: R70.7 million; 2004: R65.9 million). Current contributions to the provident fund amounted to R12.9 million (2004: R4.2 million; 2004: R5.9 million). South African funds are governed by the Pension Funds Act of 1956.

37. EVENTS SUBSEQUENT TO YEAR-END

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

	2004 Rm	2005 Rm	**2006** **Rm**
38. RELATED PARTY TRANSACTIONS			
38.1 Balances with related parties			
Included in accounts receivable			
Telkom SA Limited – Interconnect	491.1	487.9	**509.7**
Telkom SA Limited – Other	8.4	11.7	**6.3**
Vodafone Group Plc and subsidiaries	8.0	22.7	**12.7**
Included in accounts payable			
Telkom SA Limited – Interconnect	(78.9)	(74.0)	**(85.3)**
Telkom SA Limited – Other	(4.1)	(9.6)	**(16.5)**
Vodafone Group Plc and subsidiaries	(2.6)	(20.3)	**(3.7)**
VenFin Telecommunication Investments Limited	–	–	**(0.1)**
Dividends payable			
Telkom SA Limited	(750.0)	(900.0)	**(1,400.0)**
Vodafone Holdings (SA) (Proprietary) Limited	(525.0)	(630.0)	**(980.0)**
VenFin Telecommunication Investments Limited	(225.0)	(270.0)	**(420.0)**

These outstanding balances are unsecured and will be settled in cash in the ordinary course of business. No guarantees have been provided.

During the current financial year, shareholding changed. Vodafone Holdings (SA) (Proprietary) Limited increased its effective shareholding in the Group from 35% to 50%. This was achieved by acquiring a 100% shareholding in VenFin Limited, who ultimately owns 15% in the Group.

	2004 Rm	2005 Rm	**2006 Rm**
38. RELATED PARTY TRANSACTIONS (continued)			
38.2 Transactions with related parties			
Telkom SA Limited (entity with joint control over the Group)	304.0	(82.0)	**(798.5)**
Audit fees recovered	6.8	4.6	**4.8**
Cellular usage	31.1	33.1	**37.0**
Installation of transmission lines	(28.1)	(49.9)	**(93.4)**
Interconnect expense	(417.2)	(465.3)	**(464.3)**
Interconnect income	2,732.8	2,728.2	**2,817.8**
Interest paid – commercial	(0.1)	–	**(0.1)**
Lease of transmission lines	(438.0)	(511.9)	**(752.1)**
Other	(3.2)	–	**4.8**
Site costs	(18.3)	(19.9)	**(26.3)**
Telephone landline usage	(30.2)	(33.6)	**(26.7)**
Site costs	–	7.6	**10.8**
Telkom prepaid vouchers	–	(74.9)	**(60.8)**
Interest payments on shareholder loan	(21.6)	–	**–**
Shareholder loan repayment	(460.0)	–	**–**
Dividend payable	(750.0)	(900.0)	**(1,400.0)**
Dividend paid	(300.0)	(800.0)	**(850.0)**
Vodafone Group Plc and subsidiaries	(127.7)	(14.9)	**(192.0)**
Roaming income	54.9	65.5	**73.6**
Roaming expense	(50.9)	(63.4)	**(90.6)**
Global alliance agreement	–	(17.0)	**(175.2)**
Secondee cost recovery	–	–	**0.2**
Interest payments on shareholder loan	(7.4)	–	**–**
Shareholder loan repayment	(124.3)	–	**–**
Vodafone Holdings (SA) (Proprietary) Limited (entity with joint control over the Group)	(944.5)	(1,190.0)	**(1,575.0)**
Interest payments on shareholder loan	(11.8)	–	**–**
Shareholder loan repayment	(197.7)	–	**–**
Dividend payable	(525.0)	(630.0)	**(980.0)**
Dividend paid	(210.0)	(560.0)	**(595.0)**
VenFin Finance Corporation (Proprietary) Limited	(156.2)	(5.1)	**(4.8)**
Interest payments	(11.0)	(4.3)	**(1.9)**
Facility fees	(0.7)	(0.8)	**(0.9)**
Aircraft charter fees	–	–	**(2.0)**
Interest payments on shareholder loan	(6.5)	–	**–**
Shareholder loan repayment	(138.0)	–	**–**
VenFin Telecommunication Investments Limited (entity with joint control over the Group)	(315.0)	(510.0)	**(675.0)**
Dividend payable	(225.0)	(270.0)	**(420.0)**
Dividend paid	(90.0)	(240.0)	**(255.0)**
Transactions with entities in which related parties have an interest	–	–	**(20.3)**

	2004 Rm	2005 Rm	**2006 Rm**
38. RELATED PARTY TRANSACTIONS (continued)			
38.3 Key management personnel compensation (excluding directors' emoluments)			
Key management personnel remuneration	(13.5)	(29.7)	**(56.0)**
Salaries	(4.4)	(9.9)	**(17.1)**
Fringe benefits	(0.3)	(0.8)	**(0.6)**
Bonuses and incentives	(8.8)	(16.7)	**(38.2)**
Other	–	(2.3)	**(0.1)**
Included in key management personnel's remuneration	(0.9)	(1.4)	**(2.2)**
Pension fund employer contributions	(0.3)	(0.7)	**(1.2)**
Provident fund employer contributions	(0.4)	(0.3)	**(0.6)**
Medical aid employer contributions	(0.2)	(0.4)	**(0.4)**
38.4 Directors' emoluments			
Directors' remuneration	(27.3)	(52.8)	**(96.7)**
Executive directors – fees as directors: salaries and restraint of trade payments	(8.7)	(21.4)	**(35.6)**
Executive directors – fees as directors: fringe benefits	(0.7)	(0.8)	**(0.7)**
Executive directors – fees as directors: bonuses and incentives	(17.2)	(30.0)	**(59.8)**
Non-executive directors – fees as directors	(0.7)	(0.6)	**(0.6)**
Included in directors' remuneration	(2.1)	(2.2)	**(4.2)**
Pension fund employer contributions	(0.7)	(0.8)	**(0.5)**
Provident fund employer contributions	(1.2)	(1.2)	**(3.5)**
Medical aid employer contributions	(0.2)	(0.2)	**(0.2)**
Directors' remuneration and emoluments paid and accrued by:	(27.3)	(52.8)	**(96.7)**
Vodacom Group (Proprietary) Limited	(21.4)	(37.0)	**(77.1)**
Subsidiaries	(5.9)	(15.8)	**(19.6)**

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

39.1 Foreign currency management

The Group enters into foreign exchange contracts to buy specified amounts of various foreign currencies in the future at a predetermined exchange rate. The contracts are entered into in order to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions. The contracts are matched with anticipated future cash flows in foreign currencies primarily from purchases of capital equipment. The Group's policy is to enter into foreign exchange contracts for 100% of the committed net foreign currency payments from South Africa.

The Group has entered into numerous foreign exchange contracts to cover foreign capital commitments in respect of future imports of GSM infrastructure. The total fair value of foreign exchange contracts at year-end was:

	2004 Rm	2005 Rm	**2006** **Rm**
Foreign currency asset			
To buy	–	25.0	**–**
To sell	1.9	–	**–**
Foreign currency liability			
To buy	(64.5)	–	**(60.9)**
To sell	–	(1.0)	**–**
	(62.6)	24.0	**(60.9)**

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)
39.1 Foreign currency management (continued)

	Foreign contract value Million	Forward value Rm	Fair value Rm
Forward contracts to buy foreign currency			
2004			
United States Dollar	10.6	74.7	(7.0)
Euro	91.7	756.2	(41.4)
Pound Sterling	18.4	230.7	(16.1)
Swiss Franc	0.1	0.5	*
		1,062.1	(64.5)
2005			
United States Dollar	11.8	70.1	3.9
Euro	156.5	1,281.3	14.9
Pound Sterling	45.2	529.1	6.2
Swiss Franc	*	0.1	*
		1,880.6	25.0
2006			
United States Dollar	**7.1**	**45.0**	**(0.7)**
Euro	**154.8**	**1,208.6**	**(34.5)**
Pound Sterling	**41.7**	**477.8**	**(25.7)**
Swiss Franc	*	**0.1**	*
		1,731.5	**(60.9)**
Forward contracts to sell foreign currency			
2004			
United States Dollar	2.2	14.5	0.7
Euro	9.0	70.5	1.2
Pound Sterling	0.2	2.0	*
		87.0	1.9
2005			
United States Dollar	5.5	33.7	(0.7)
Euro	7.1	57.7	(0.3)
Pound Sterling	0.2	2.6	*
		94.0	(1.0)
2006			
United States Dollar	**0.1**	**0.8**	*
Euro	**4.0**	**30.3**	*
Pound Sterling	**0.3**	**3.2**	*
Swiss Franc	*	**0.1**	*
		34.4	*

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

** Amounts less than R50 000*

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

39.1 Foreign currency 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 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	Australian Dollar Rm	Tanzanian Shilling Rm
2004								
Net foreign currency monetary assets/ (liabilities)								
Functional currency of company operation								
South African Rand	–	(145.1)	(0.1)	(30.0)	–	(0.7)	(0.4)	–
United States Dollar	(7.0)	(682.3)	–	–	14.5	–	–	9.8
Mozambican Meticals	(12.5)	–	–	(11.2)	–	–	–	–
	(19.5)	(827.4)	(0.1)	(41.2)	14.5	(0.7)	(0.4)	9.8

	South African Rand Rm	Euro Rm	Pound Sterling Rm	United States Dollar Rm	Congolese Franc Rm	Swiss Franc Rm	Mauritian Rupee Rm	Tanzanian Shilling Rm
2005								
Net foreign currency monetary assets/ (liabilities)								
Functional currency of company operation								
South African Rand	–	(157.0)	(0.4)	(5.3)	–	(0.7)	–	–
United States Dollar	–	(5.0)	–	–	23.8	–	–	–
Tanzanian Shilling	(9.6)	(65.0)	–	45.1	–	(0.1)	–	–
Mozambican Meticals	(12.6)	(1.5)	–	(58.7)	–	–	–	–
	(22.2)	(228.5)	(0.4)	(18.9)	23.8	(0.8)	–	–
2006								
Net foreign currency monetary assets/ (liabilities)								
Functional currency of company operation								
South African Rand	**–**	**(850.5)**	**(330.4)**	**45.0**	**–**	**(0.2)**	**(0.8)**	**–**
United States Dollar	**(55.9)**	**(26.2)**	**–**	**–**	**(11.4)**	**(0.1)**	**0.1**	**37.9**
Tanzanian Shilling	**4.7**	**(13.6)**	**–**	**106.9**	**–**	**–**	**–**	**–**
Mozambican Meticals	**(0.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	(51.4)	**(890.3)**	**(330.4)**	**151.9**	**(11.4)**	**(0.3)**	**(0.7)**	**37.9**

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

39.2 Interest rate risk management

The Group's interest rate profile consisting of fixed and floating rate borrowings which exposes the Group to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

	2004 Rm	2005 Rm	**2006 Rm**
Interest rates			
Financial liabilities			
Loans and bank borrowings at fixed rates of interest	1,205.1	1,283.7	**1,134.5**
Bank borrowings linked to money market rates	0.4	0.2	**–**
Bank borrowings linked to South African prime rates	742.2	1,752.0	**1,361.8**
Bank borrowings linked to Lesotho prime rates	21.2	15.5	**7.5**
Loans linked to LIBOR	371.8	1,276.5	**1,286.2**
Loans linked to EURIBOR	488.2	84.3	**58.6**
	2,828.9	4,412.2	**3,848.6**
Financial assets			
Investments and bank deposits at fixed rates of interest	180.7	1,177.1	**168.1**
Investments and bank deposits linked to money market rates	1,473.8	2,017.5	**471.0**
Investments and bank deposits linked to South African prime rates	703.6	829.1	**2,603.1**
Bank deposits linked to Lesotho prime rates	6.3	6.4	**13.5**
Interest rate swaps linked to BA rate	35.9	44.2	**37.6**
Loans and bank deposits linked to LIBOR	449.8	154.4	**94.2**
Deposits linked to EURIBOR	78.3	–	**–**
	2,928.4	4,228.7	**3,387.5**

Maturity of financial instruments exposed to interest rate risk

	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 Rm	2012 onwards Rm	Total Rm
Financial liabilities							
Linked to fixed rates	406.2	113.5	192.2	98.6	161.7	162.3	1,134.5
Linked to South African prime rates	1,361.8	–	–	–	–	–	1,361.8
Linked to Lesotho prime rates	7.5	–	–	–	–	–	7.5
Loans linked to LIBOR	1,195.3	–	–	–	–	90.9	1,286.2
Linked to EURIBOR	58.6	–	–	–	–	–	58.6
	3,029.4	113.5	192.2	98.6	161.7	253.2	3,848.6

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

39.2 Interest rate risk management (continued)

Maturity of financial instruments exposed to interest rate risk (continued)

	2007 Rm	2008 Rm	2009 Rm	2010 Rm	2011 Rm	2012 onwards Rm	Total Rm
Financial assets							
Linked to fixed rates	168.1	–	–	–	–	–	168.1
Linked to money market rates	471.0	–	–	–	–	–	471.0
Linked to South African prime rates	2,603.1	–	–	–	–	–	2,603.1
Linked to Lesotho prime rates	13.5	–	–	–	–	–	13.5
Interest rate swaps linked to BA rate	37.6	–	–	–	–	–	37.6
Loans linked to LIBOR	2.1	–	–	–	–	92.1	94.2
	3,295.4	–	–	–	–	92.1	3,387.5

The Group has entered into interest rate swap contracts that entitle, or oblige it to receive interest at a fixed rate on notional principal amounts and entitle, or oblige it to pay interest at floating rates on the same notional principal amounts. The interest rate swaps allow the Group to swap long-term debt from fixed rates into floating rates that are lower, or higher, than those available if it had borrowed at floating rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified quarterly intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

At March 31, 2006 the Group had three interest rate swaps:

Vodacom Group (Proprietary) Limited – the company swapped its fixed interest rate of 14.9% NACQ (Nominal Annual Compounded Quarterly) for a floating rate, linked to the BA (Banker's Acceptance) rate plus margin of 2.0%. The termination date of the agreement is January 30, 2009.

Vodacom (Proprietary) Limited – the company swapped its fixed interest rate of 20.1% NACQ for a floating rate linked to the BA rate plus margin of 2.25%. The termination date of the agreement is August 24, 2012.

Vodacom (Proprietary) Limited – the company swapped its fixed interest rate of 13.3% NACM (Nominal Annual Compounded Monthly) for a floating rate linked to the BA rate plus margin of 2.0%. The termination date of the agreement is December 1, 2012.

	2004 Rm	2005 Rm	**2006** **Rm**
Fair value of interest rate swap asset	35.9	44.2	**37.6**

The fair value of the interest rate swap asset is represented by a notional principal amount of R217.7 million (2005: R229.7 million; 2004: R235.0 million) at a weighted average floating interest rate of 9.3% NACM (2005: 10.0%; 2004: 12.9%).

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

39.3 Credit risk management

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash, short-term deposits and trade receivables. The Group's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of an allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and stringent credit approval processes for contracted subscribers. The Group, for its South African operations, spreads its credit risk exposure amongst the high credit quality financial institutions.

The Group does not have any significant exposure to any individual customer or counter-party, except commercially to Telkom SA Limited, Mobile Telecommunications Network (Proprietary) Limited and Cell C (Proprietary) Limited.

With respect to the forward exchange contracts, the Group's exposure is on the full amount of the foreign currency payable on settlement. The Group minimises such risk by limiting the counter-parties to a group of major local and international banks, and does not expect to incur any losses as a result of non-performance by these counter-parties. The positions in respect of these counter-parties are closely monitored.

The carrying amounts of financial assets, excluding foreign currency derivatives and interest rate swaps, included in the consolidated balance sheet represent the Group's exposure to credit risk in relation to these assets. The credit exposure of forward exchange contracts is represented by the fair value of the contracts.

39.4 Price risk management

The Group is exposed to price risk as a result of changes in market prices of financial assets at fair value through profit and loss and market tradable shares available for sale.

39.5 Liquidity risk management

The Group is exposed to liquidity risk as a result of uncertain accounts receivable related cash flows and the capital commitments of the Group. In terms of its borrowing requirements, the Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through utilisation of undrawn borrowing facilities (Note 41). In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded.

39.6 Fair value of financial instruments

At the balance sheet date, the carrying amounts of cash and short-term deposits, trade and other receivables, trade and other payables, short-term provisions, dividends payable, bank borrowings and accrued expenses and short-term debt approximated their fair values due to the short-term maturities of these assets and liabilities.

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

The fair value of long-term loans and finance leases are determined by discounting contractual cash flows at market related interest rates.

39. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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

In terms of the shareholders' agreement, the Group's minority shareholder in VM, S.A.R.L., Empresa Moçambicana De Telecommunicaçòes S.A.R.L. ("Emotel") has a call option for a period of four years following the commencement date, August 23, 2003. In terms of the option, Emotel shall be entitled to call on Vodacom International Limited such numbers of shares in and claims on loan account against VM, S.A.R.L. as constitute 25% of the entire issued share capital of that company. Emotel can exercise this option in full increments of 1%. The option can only be exercised on April 1 or October 1 of each calendar year for the duration of the option. The option price is specified in the shareholders agreement. The call option has a nil value at March 31, 2006 (2005: Rnil; 2004: Rnil).

39.8 Smartphone SP (Proprietary) Limited put option

In terms of the shareholders' agreement, the minority shareholders of Smartphone SP (Proprietary) Limited have a put option against Vodacom Group (Proprietary) Limited, should the Group or the company terminate or fail to renew the Service Provider Agreement for any reason other than the expiry or cancellation of the Group's South African licence. The put option has a nil value at March 31, 2006, 2005 and 2004 as the conditions set out in the agreement have not been met.

39.9 Smartcom (Proprietary) Limited put option

In terms of the agreement between Vodacom Group (Proprietary) Limited ("the Group"), Smartphone SP (Proprietary) Limited ("Smartphone") and the minority shareholders of Smartcom (Proprietary) Limited ("Smartcom"), the minority shareholders of Smartcom have a put option against the Group, should the Group reduce the standard service provider discount below certain percentages as stipulated in the put option agreement. The put option has a nil value at March 31, 2006 (2005: Rnil) as the conditions set out in the agreement have not been met.

39.10 Skyprops 134 (Proprietary) Limited call option

In terms of the call option agreement between Vodacom Group (Proprietary) Limited ("Vodacom Group"), FirstRand Bank Limited ("FirstRand"), Vodacom (Proprietary) Limited ("Vodacom") and Skyprops 134 (Proprietary) Limited ("company"), FirstRand grants to Vodacom Group an irrevocable call option to require FirstRand at any time to sell the shares in and claims against the company to Vodacom Group. Vodacom Group gave notice to exercise the option during the financial year ended March 31, 2006.

39.11 Congolese Wireless Network s.p.r.l. ("CWN") put option

In terms of a shareholders agreement, the Group's joint venture partner in Vodacom Congo (RDC) s.p.r.l., Congolese Wireless Network s.p.r.l. ("CWN") has a put option which comes into effect three years after the commencement date, December 1, 2001, and for a maximum of five years thereafter. In terms of the option, CWN shall be entitled to put to Vodacom International Limited such number of shares in and claims on loan account against Vodacom Congo (RDC) s.p.r.l. as constitute 19% of the entire issued share capital of that company. CWN can exercise this option in a maximum of three tranches and each tranche must consist of at least 5% of the entire issued share capital of Vodacom Congo (RDC) s.p.r.l. The option price will be the fair market value of the related shares at the date the put option is exercised. The option has a nil value at March 31, 2006, 2005 and 2004.

39.12 Cointel VAS (Proprietary) Limited

In terms of the sale of shares agreement between Vodacom Group (Proprietary) Limited ("Vodacom Group") and the sellers of shares in Cointel VAS (Proprietary) Limited ("Cointel"), the sellers have been granted a put option that requires Vodacom Group to purchase all (and not part only) of the sellers' shares in Cointel. The sellers will only be capable to exercise the put option if the recharge agreement with Vodacom (Proprietary) Limited is not continued after August 31, 2008 on terms and conditions reasonably acceptable to the sellers. The put option has a nil value at March 31, 2006 as the conditions set out in the agreement have not been met.

40. GOODWILL IMPAIRMENT TEST

The Group periodically evaluates its non-current assets for impairment, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. 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 tests are performed annually in terms of IFRS 3: Business Combinations ("IFRS 3") to compare the fair value of each of the cash generating units to its carrying amount. 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 fair value 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 fair value of the cash generating unit. Judgements in estimating discounted cash flows also include the selection of the pre-tax 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 fair value of each reporting unit exceeded the carrying value. 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 carrying value may be impacted.

Goodwill has been allocated for impairment testing purposes to six cash generating units of which four are in South Africa, one in the Democratic Republic of the Congo and one in Tanzania.

South Africa

The recoverable amounts of goodwill relating to Vodacom Service Provider Company (Proprietary) Limited, Smartphone SP (Proprietary) Limited, Smartcom (Proprietary) Limited and Cointel VAS (Proprietary) Limited have been determined on the basis of value in use calculations. These companies operate in the same economic environment for which the same key assumptions were used. These value in use calculations use cash flow projections based on financial budgets approved by management covering a four to five year period and discount rates of between 10.6% and 14.9% in Rand terms. None of the cash flows were extrapolated beyond a five year period and therefore no nominal growth rates are applicable. Cash flow projections during the budget period for these companies are also based on the same expected growth in operating profit and earnings before interest, taxation, depreciation and amortisation ("EBITDA"). Management believes that any reasonable change in any of these key assumptions would not cause the aggregate carrying amount of these companies to exceed the aggregate recoverable amount of these units.

Democratic Republic of Congo

The recoverable amount of this cash generating unit was based on a value in use calculation for Vodacom Congo (RDC) s.p.r.l. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 19.3% in US Dollar terms. Cash flows beyond this period have been extrapolated using annual nominal growth rates of between 2.5% and 4.4%. 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.

Tanzania

The recoverable amount of this cash generating unit was based on a value in use calculation for Vodacom Tanzania Limited. The calculation uses cash flow projections based on financial budgets approved by management covering a five year period and a discount rate of 14.6% in US Dollar terms. Cash flows were not extrapolated beyond this initial five year period and therefore no nominal growth rate is applicable. Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

40. GOODWILL IMPAIRMENT TEST (continued)

March 31, 2006	South Africa Rm	Democratic Republic of Congo Rm	Tanzania Rm
Carrying amount of goodwill	374.3	102.6	7.0
Key assumption	**Expected customer base**	**Expected customer base**	**Expected customer base**
Basis for determining value(s) assigned to key assumptions	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience, except for potential growth. Growth is based on market expectation.	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience, except for potential growth. Growth is based on market expectation.	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience, except for potential growth. Growth is based on market expectation.
Key assumption	**ARPU**	**ARPU**	**ARPU**
Basis for determining value(s) assigned to key assumptions	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience. Growth is based on expected market forces and external sources of information.	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience. Growth is based on expected market forces and external sources of information.	Closing customer base in the period immediately preceding the budget period increased for expected growth. Value assigned to key assumption reflects past experience. Growth is based on expected market forces and external sources of information.
Key assumption	**Gross margin**	**Gross margin**	**Gross margin**
Basis for determining value(s) assigned to key assumptions	Average gross margin achieved in period immediately before the budget period, increased for expected efficiency improvements. Value assigned to key assumption reflects past experience, except for efficiency improvements.	Average gross margin achieved in period immediately before the budget period, increased expected efficiency improvements. Value assigned to key assumption reflects past experience, except for efficiency improvements.	Average gross margin achieved in period immediately before the budget period, increased expected efficiency improvements. Value assigned to key assumption reflects past experience, except for efficiency improvements.

40. GOODWILL IMPAIRMENT TEST (continued)

March 31, 2006	South Africa	Democratic Republic of Congo	Tanzania
Key assumption Basis for determining value(s) assigned to key assumptions	**Capital expenditure** Total capital expenditure achieved in period immediately before the budget period, adjusted for expected network coverage roll out. Value assigned based on managements expected network coverage roll out.	**Capital expenditure** Total capital expenditure achieved in period immediately before the budget period, adjusted for expected network coverage roll out. Value assigned based on managements expected network coverage roll out.	**Capital expenditure** Total capital expenditure achieved in period immediately before the budget period, adjusted for expected network coverage roll out. Value assigned based on managements expected network coverage roll out.
Key assumption Basis for determining value(s) assigned to key assumptions		**ZAR/USD exchange rate during the five-year budget period** 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 five-year budget period** Average market forward exchange rate over the budget period. Value assigned to key assumption is consistent with external sources of information.

41. UNDRAWN BORROWING FACILITIES AND GUARANTEES

41.1 Rand denominated facilities and guarantees

The Group has Rand denominated credit facilities totalling R7,083.0 million with R1,114.0 million utilised at March 31, 2006. The facilities are uncommitted and can also be utilised for loans to foreign entities and are subject to review at various dates (usually on an annual basis). Certain of the facilities are still subject to the Group's final acceptance.

Guarantor	Details	Beneficiary	2004 Rm	2005 Rm	**2006 Rm**
Vodacom (Proprietary) Limited	All guarantees less than R2.0 million.	Various	3.0	2.8	**2.6**
Vodacom Service Provider Company (Proprietary) Limited	All guarantees less than R2.0 million.	Various	3.1	3.0	**2.8**
Vodacom Service Provider Company (Proprietary) Limited	Guarantee in respect of receipt by independent intermediaries of premiums on behalf of short-term insurers and Lloyd's underwriters, and relating to short-term insurance business carried on in South Africa. Terminates on May 31, 2006.	SA Insurance Association for benefit of insurers	14.2	17.8	**21.1**
Smartcom (Proprietary) Limited	Guarantees for salary bank account and debit orders.	Various	–	3.0	**2.9**
			20.3	26.6	**29.4**

41.2 Foreign denominated facilities and guarantees

The following foreign denominated facilities are in place:

Company	Details	**As at March 31 2006 Million Total facility**	**As at March 31 2006 Million Utilised**
Vodacom Tanzania Limited	Project finance	**US$29.7**	**US$29.7**
Vodacom International Limited	Revolving term loan	**US$180.0**	**US$180.0**
Vodacom Congo (RDC) s.p.r.l.	Various	**US$5.0**	**US$5.0**
Vodacom Lesotho (Proprietary) Limited	Overdraft facilities with various banks	**M47.0**	**M0.0**
VM, S.A.R.L.	Overdraft facility	**US$0.5**	**US$0.0**

41. UNDRAWN BORROWING FACILITIES AND GUARANTEES (continued)

41.2 Foreign denominated facilities and guarantees (continued)

Guarantor/Issuer	Details	Beneficiary	Currency	2004 Rm	2005 Rm	**2006 Rm**
Nedbank Limited on behalf of Vodacom (Proprietary) Limited	Unsecured standby letters of credit	Alcatel CIT	€11.4 million (2005: €40.7 million; 2004: €25.2 million)	194.6	330.0	**85.7**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of of Vodacom Congo (RDC) s.p.r.l.*	ABSA	€nil (2005: €nil; 2004: €53.8 million)	415.6	–	**–**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.'s revolving credit facility*	ABSA	US$nil (2005: US$nil; 2004: US$32.0 million)	202.1	–	**–**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.*	Standard Finance (Isle of Man) Limited	€nil (2005: €nil; 2004: €22.5 million)	173.8	–	**–**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.*	Standard Finance (Isle of Man) Limited	US$nil (2005: US$nil; 2004: US$37.5 million)	236.8	–	–
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom International Limited's term loan facility*#	Standard Bank London Limited and RMB International (Dublin) Limited	US$180.0 million (2005: US$180.0 million; 2004: US$nil)	–	1,128.8	**1,114.4**
Vodacom International Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.*	Alcatel CIT	€5.0 million (2004 €15.0 million; 2004: €25.0 million)	193.1	121.6	**37.6**
				1,416.0	1,580.4	**1,237.7**

The following foreign denominated guarantees have been issued:

* *Foreign denominated guarantees amounting to R1,152.0 million (2005: R1,189.6 million; 2004: R622.3 million) issued in support of Vodacom Congo (RDC) s.p.r.l. are included as liabilities in the consolidated balance sheet.*

\# *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 (Proprietary) Limited.

42. SEGMENTAL INFORMATION

The Group is primarily an integrated mobile telecommunication and data communication business located in South Africa and other African countries. The primary reporting format therefore comprises the geographic segments of the Group. The Group's two reportable segments are South Africa and other African countries, which represents the aggregate of the various African operating segments.

2004	South Africa Rm	Other African countries Rm	Eliminations Rm	Total Rm
Geographical segments				
Segment revenue	21,369.8	1,496.8	(11.4)	22,855.2
External	21,358.4	1,496.8	–	22,855.2
Inter-segment	11.4	–	(11.4)	–
Segment profit/(loss) from operations	5,296.8	(65.2)	(6.4)	5,225.2
Interest, dividends and other financial income				656.6
Finance costs				(1,107.5)
Profit before taxation				4,774.3
Included in segment profit/(loss) from operations				
Depreciation and amortisation	(2,259.2)	(266.1)	(6.4)	(2,531.7)
Property, plant and equipment	(2,062.6)	(254.3)	–	(2,316.9)
Intangible assets	(196.6)	(11.8)	(6.4)	(214.8)
Bad debts written off	(23.5)	(25.3)	–	(48.8)
Capital expenditure	(1,666.3)	(1,345.5)	–	(3,011.8)
Property, plant and equipment	(1,659.3)	(1,231.4)	–	(2,890.7)
Intangible assets	(7.0)	(114.1)	–	(121.1)
Assets				
Segment assets	18,958.5	3,350.9	(2,413.2)	19,896.2
Deferred taxation assets				277.8
				20,174.0
Liabilities				
Segment liabilities	(8,054.9)	(2,427.4)	674.6	(9,807.7)
Deferred taxation liabilities				(410.1)
Taxation liabilities				(852.0)
Dividends payable				(1,500.0)
				(12,569.8)

42. SEGMENTAL INFORMATION (continued)

2005	South Africa Rm	Other African countries Rm	Eliminations Rm	Total Rm
Geographical segments				
Segment revenue	25,049.4	2,270.5	(4.6)	27,315.3
External	25,044.8	2,270.5	–	27,315.3
Inter-segment	4.6	–	(4.6)	–
Segment profit/(loss) from operations	5,492.1	(175.1)	1,161.2	6,478.2
Interest, dividends and other financial income				662.8
Finance costs				(641.7)
Profit before taxation				6,499.3
Included in segment profit/(loss) from operations				
Depreciation and amortisation	(2,380.5)	(462.7)	–	(2,843.2)
Property, plant and equipment	(1,974.3)	(439.3)	–	(2,413.6)
Intangible assets	(406.2)	(23.4)	–	(429.6)
Bad debts written off	(19.1)	(33.1)	–	(52.2)
Impairment of assets	(1,161.2)	(268.4)	1,161.2	(268.4)
Capital expenditure	(2,799.8)	(694.0)	–	(3,493.8)
Property, plant and equipment	(2,617.1)	(671.3)	–	(3,288.4)
Intangible assets	(182.7)	(22.7)	–	(205.4)
Assets				
Segment assets	20,180.7	3,851.9	(1,745.9)	22,286.7
Deferred taxation assets				308.1
				22,594.8
Liabilities				
Segment liabilities	(9,430.5)	(3,376.7)	1,005.0	(11,802.2)
Deferred taxation liabilities				(472.1)
Taxation liabilities				(632.6)
Dividends payable				(1,800.0)
				(14,706.9)

42. SEGMENTAL INFORMATION (continued)

2006	South Africa Rm	Other African countries Rm	Eliminations Rm	**Total Rm**
Geographical segments				
Segment revenue	31,101.3	2,974.0	(32.8)	**34,042.5**
External	31,081.7	2,960.8	–	**34,042.5**
Inter-segment	19.6	13.2	(32.8)	**–**
Segment profit/(loss) from operations	8,841.6	261.2	(237.1)	**8,865.7**
Interest, dividends and other financial income				**659.3**
Finance costs				**(1,318.2)**
Profit before taxation				**8,206.8**
Included in segment profit/(loss) from operations				
Depreciation and amortisation	(2,454.2)	(541.6)	–	**(2,995.8)**
Property, plant and equipment	(2,128.6)	(523.0)	–	**(2,651.6)**
Intangible assets	(325.6)	(18.6)	–	**(344.2)**
Bad debts written off	(32.4)	(9.9)	–	**(42.3)**
Impairment of assets	(270.0)	52.8	270.0	**52.8**
Capital expenditure	(4,435.6)	(742.1)	–	**(5,177.7)**
Property, plant and equipment	(3,976.9)	(722.5)	–	**(4,699.4)**
Intangible assets	(458.7)	(19.6)	–	**(478.3)**
Assets				
Segment assets	22,340.6	4,030.3	(1,900.7)	**24,470.2**
Deferred taxation assets				**297.6**
				24,767.8
Liabilities				
Segment liabilities	(9,654.7)	(3,558.1)	1,149.8	**(12,063.0)**
Deferred taxation liabilities				**(602.3)**
Taxation liabilities				**(630.2)**
Dividends payable				**(2,800.0)**
				(16,095.5)

42. SEGMENTAL INFORMATION (continued)

2004	Unallocated Rm	Networks Rm	Service providers Rm	Other Rm	Eliminations Rm	Total Rm
Business segments						
Segment revenue	–	20,787.9	5,526.1	174.2	(3,633.0)	22,855.2
External	–	20,787.9	1,939.8	127.5	–	22,855.2
Inter-segment	–	–	3,586.3	46.7	(3,633.0)	–
Segment profit/(loss) from operations	26.7	4,876.1	614.1	(114.8)	(176.9)	5,225.2
Interest, dividends and other financial income						656.6
Finance costs						(1,107.5)
Profit before taxation						4,774.3
Included in segment profit/(loss) from operations						
Depreciation and amortisation	(3.3)	(2,222.9)	(114.0)	(1.4)	(190.1)	(2,531.7)
Property, plant and equipment	(3.3)	(2,204.4)	(108.0)	(1.2)	–	(2,316.9)
Intangible assets	–	(18.5)	(6.0)	(0.2)	(190.1)	(214.8)
Bad debts written off	–	(30.9)	(17.9)	–	–	(48.8)
Capital expenditure	(4.1)	(2,934.1)	(72.3)	(1.3)	–	(3,011.8)
Property, plant and equipment	(4.1)	(2,820.0)	(65.3)	(1.3)	–	(2,890.7)
Intangible assets	–	(114.1)	(7.0)	–	–	(121.1)
Assets						
Segment assets	9,991.1	16,775.5	3,606.5	1,651.1	(12,128.0)	19,896.2
Deferred taxation assets						277.8
						20,174.0
Liabilities						
Segment liabilities	(2,531.2)	(13,332.9)	(3,734.6)	(327.4)	10,118.4	(9,807.7)
Deferred taxation liabilities						(410.1)
Taxation liabilities						(852.0)
Dividends payable						(1,500.0)
						(12,569.8)

42. SEGMENTAL INFORMATION (continued)

2005	Unallocated Rm	Networks Rm	Service providers Rm	Other Rm	Eliminations Rm	Total Rm
Business segments						
Segment revenue	–	24,926.3	6,734.4	135.2	(4,480.6)	27,315.3
External	–	24,950.3	2,274.4	90.6	–	27,315.3
Inter-segment	–	(24.0)	4,460.0	44.6	(4,480.6)	–
Segment profit/(loss) from operations	(1,123.7)	5,749.8	841.4	(318.8)	1,329.5	6,478.2
Interest, dividends and other financial income						662.8
Finance costs						(641.7)
Profit before taxation						6,499.3
Included in segment profit/(loss) from operations						
Depreciation and amortisation	(3.6)	(2,508.7)	(140.9)	(1.2)	(188.8)	(2,843.2)
Property, plant and equipment	(3.6)	(2,335.5)	(73.3)	(1.2)	–	(2,413.6)
Intangible assets	–	(173.2)	(67.6)	–	(188.8)	(429.6)
Bad debts written off	–	(33.1)	(19.1)	–	–	(52.2)
Impairment of assets	(1,161.2)	(268.4)	–	(355.1)	1,516.3	(268.4)
Capital expenditure	(22.9)	(3,385.0)	(85.5)	(0.4)	–	(3,493.8)
Property, plant and equipment	(22.9)	(3,217.4)	(47.7)	(0.4)	–	(3,288.4)
Intangible assets	–	(167.6)	(37.8)	–	–	(205.4)
Assets						
Segment assets	8,624.2	17,530.3	6,854.8	2,399.1	(13,121.7)	22,286.7
Deferred taxation assets						308.1
						22,594.8
Liabilities						
Segment liabilities	(2,160.9)	(13,564.9)	(6,784.7)	(1,481.7)	12,190.0	(11,802.2)
Deferred taxation liabilities						(472.1)
Taxation liabilities						(632.6)
Dividends payable						(1,800.0)
						(14,706.9)

42. SEGMENTAL INFORMATION (continued)

2006	Unallocated Rm	Networks Rm	Service providers Rm	Other Rm	Eliminations Rm	**Total Rm**
Business segments						
Segment revenue	274.2	30,403.9	9,384.5	139.6	(6,159.7)	**34,042.5**
External	–	30,398.9	3,549.2	94.4	–	**34,042.5**
Inter-segment	274.2	5.0	5,835.3	45.2	(6,159.7)	**–**
Segment profit/(loss) from operations	(483.5)	5,731.2	1,428.2	(126.3)	2,316.1	**8,865.7**
Interest, dividends and other financial income						**659.3**
Finance costs						**(1,318.2)**
Profit before taxation						**8,206.8**
Included in segment profit/(loss) from operations						
Depreciation and amortisation	(2.7)	(2,789.6)	(203.2)	(0.3)	–	**(2,995.8)**
Property, plant and equipment	(2.8)	(2,564.3)	(84.2)	(0.3)	–	**(2,651.6)**
Intangible assets	0.1	(225.3)	(119.0)	–	–	**(344.2)**
Bad debts written off	–	(10.0)	(32.1)	(0.2)	–	**(42.3)**
Impairments of assets	270.0	52.8	–	93.8	(363.8)	**52.8**
Capital expenditure	(52.7)	(4,945.2)	(130.4)	(49.4)	–	**(5,177.7)**
Property, plant and equipment	(16.5)	(4,521.0)	(112.5)	(49.4)	–	**(4,699.4)**
Intangible assets	(36.2)	(424.2)	(17.9)	–	–	**(478.3)**
Assets						
Segment assets	5,784.1	20,049.4	5,368.3	2,550.1	(9,281.7)	**24,470.2**
Deferred taxation assets						**297.6**
						24,767.8
Liabilities						
Segment liabilities	(8,156.6)	(12,089.2)	(4,793.0)	(1,395.9)	14,371.7	**(12,063.0)**
Deferred taxation liabilities						**(602.3)**
Taxation liabilities						**(630.2)**
Dividends payable						**(2,800.0)**
						(16,095.5)

"South Africa", which is also the home country of the parent, comprises the segment information relating to the South African-based cellular network as well as all the segment information of the service providers and other business segments.

"Other African countries" comprise only of cellular networks and are located in Tanzania, Lesotho, Democratic Republic of Congo and Mozambique, and it also includes the international holding company situated in Mauritius.

42. SEGMENTAL INFORMATION (continued)

"Unallocated" comprises the reporting relevant to Vodacom Group (Proprietary) Limited, the parent company in the Group. This company is primarily a management services company, that offers combined administrative, advisory and management services to companies within the rest of the Group.

"Networks" comprise services provided by cellular networks within South Africa and other African countries. Services offered by the companies include the standard voice telecommunication services of cellular networks as well as data communication services through the cellular network, including short message servicing ("SMS"), wireless application protocol ("WAP"), general packet radio system ("GPRS") and multimedia messaging services ("MMS").

"Service providers" comprise services provided by cellular telecommunication service providers within South Africa. Cellular telecommunication service providers act as agents for the respective networks and on sells airtime to customers.

"Other" comprises of other companies and business lines of the Group which do not fall within the Group's strategic focus and do not constitute a separately reportable segment.

Accounting policies and basis of preparation

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

Segment revenue excludes Value Added Taxation and includes inter-Group revenue. Net revenue represents segment revenue from which inter-Group revenue has been eliminated. Sales between segments are made on a commercial basis. Segment profit/(loss) from operations represents segment revenue less segment operating expenses. Segment expenses include direct and operating expenses. Integration costs, disposals of operations and impairments, depreciation and amortisation have been allocated to the segments to which they relate.

The segment assets and liabilities comprise all assets and liabilities of the different segments 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. Unallocated assets and liabilities comprise of deferred taxation and other unallocatable balances.

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

Segment results and segment assets have been adjusted for the changes in accounting policies reflected in Note 23.

43. INTEREST IN SUBSIDIARIES

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

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

43. INTEREST IN SUBSIDIARIES (continued)

	Country of incorporation	Issued share capital 2004	Issued share capital 2005	Issued share capital 2006	Interest in issued ordinary share capital 2004 %	2005 %	2006 %
Cellular network operators							
Vodacom (Proprietary) Limited (C)	RSA	R100	R100	**R100**	100	100	**100**
Vodacom Lesotho (Proprietary) Limited (C)	LES	M4,180	M4,180	**M4,180**	88.3	88.3	**88.3**
Vodacom Tanzania Limited (C)	TZN	US$100	TZS10,000	**TZS10,000**	65	65	**65**
VM, S.A.R.L. (C)#	MZ	US$60,000,000	US$60,000,000	**US$60,000,000**	98	98	**98**
Vodacom Congo (RDC) s.p.r.l (C)	DRC	–	US$1,000,000	**US$1,000,000**	–	51	**51**
Service providers							
Vodacom Service Provider Company (Proprietary) Limited (C)	RSA	R20	R20	**R20**	100	100	**100**
Smartphone SP (Proprietary) Limited (C)	RSA	R20,000	R20,000	**R20,000**	51	51	**51**
Smartcom (Proprietary) Limited (C)	RSA	–	R1,000	**R1,000**	–	43.7	**43.7**
Cointel VAS (Proprietary) Limited (C)	RSA	–	–	**R10,204**	–	–	**51**
Other							
VSP Holdings (Proprietary) Limited (MSC)	RSA	R1,020	R1,020	**R1,020**	100	100	**100**
Vodacom Satellite Services (Proprietary) Limited (S)*	RSA	R100	R100	**R100**	100	100	**100**
GSM Cellular (Proprietary) Limited (C)*	RSA	R1,200	R1,200	**R1,200**	100	100	**100**
Vodacom Venture No. 1 (Proprietary) Limited (MSC)*	RSA	R158,999	R810	**R810**	100	100	**100**
Vodacom Equipment Company (Proprietary) Limited*	RSA	R100	R100	**R100**	100	100	**100**
Vodacare (Proprietary) Limited (C)*	RSA	R100	R100	**R100**	100	100	**100**
Vodacom International Holdings (Proprietary) Limited (MSC)	RSA	R100	R100	**R100**	100	100	**100**
Vodacom International Limited (MSC)	MAU	US$100	US$100	**US$100**	100	100	**100**
Vodacom Properties No. 1 (Proprietary) Limited (PROP)	RSA	R100	R100	**R100**	100	100	**100**
Vodacom Properties No. 2 (Proprietary) Limited (PROP)	RSA	–	R1,000	**R1,000**	–	100	**100**
Stand 13 Eastwood Road Dunkeld West (Proprietary) Limited (PROP)	RSA	R100	R100	**R100**	51	51	**51**
Ithuba Smartcall (Proprietary) Limited (OTH)	RSA	R100	R100	**R100**	26.5	26.5	**26.5**
Vodacom Tanzania Limited (Zanzibar)*	TZN	TZS10,000	TZS10,000	**TZS10,000**	100	100	**100**
Joycell Shops (Proprietary) Limited*	RSA	R100	R100	**R100**	100	100	**100**
Vodacom Ventures (Proprietary) Limited (OTH)	RSA	–	–	**R100**	–	–	**100**

** Dormant as at March 31, 2006.*
 # The issued share capital of the prior years have been restated as a result of the shareholders loan to VM, S.A.R.L. being converted retrospectively into share capital.

44. INTEREST IN JOINT VENTURES

The Group's joint ventures during the 2004 financial year consisted of Vodacom Congo (RDC) s.p.r.l. The Group acquired its interest in Vodacom Congo (RDC) s.p.r.l. on December 11, 2001. During the previous financial year the shareholders' agreement was renegotiated resulting in Vodacom Congo (RDC) s.p.r.l. considered to be a 51% owned subsidiary (Note 30).

	2004 Vodacom Congo (RDC) s.p.r.l	2005 Vodacom Congo (RDC) s.p.r.l	**2006 Vodacom Congo (RDC) s.p.r.l**
Interest held	51%	–	**–**
	Rm	Rm	**Rm**
The Group's proportionate share of assets and liabilities:			
Property, plant and equipment	620.6	–	**–**
Intangible assets*	106.0	–	**–**
Deferred taxation asset	100.2	–	**–**
Current assets	195.2	–	**–**
	1,022.0	–	**–**
Long-term liabilities	–	–	**–**
Preference shares	(243.1)	–	**–**
Current liabilities	(936.3)	–	**–**
Net liabilities	(157.4)	–	**–**
The Group's proportionate share of revenue and expenditure:			
Revenue	475.9	–	**–**
Loss before taxation after reclassification of preference share dividends*	(128.1)	–	**–**
Taxation	113.8	–	**–**
Net loss*	(14.3)	–	**–**
The Group's proportionate share of cash flows:			
Net cash flows from operating activities	13.0	–	**–**
Net cash flows utilised in investing activities	(359.4)	–	**–**
Net cash flows from financing activities	365.4	–	**–**
Net cash flow	19.0	–	**–**
The Group's proportionate share of contingent liabilities and capital commitments:			
Contingent liabilities (Note 35)	–	–	**–**
Capital commitments	145.2	–	**–**

* *Goodwill and goodwill amortisation was restated to closing rate and average rate in accordance with the Group's change in accounting policy as a result of the adoption of IAS 21: The Effects of Foreign Exchange Rates ("IAS 21"). Intangible assets have accordingly been restated.*

45. US GAAP INFORMATION

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

	Notes	2004 Restated Rm	2005 Restated Rm	**2006 Rm**
Net profit as reported in accordance with IFRS – restated		3,052.3	3,886.3	**5,129.0**
Attributable to minority interests	(j)	(26.2)	(30.8)	**(116.7)**
Net profit attributable to equity shareholders		3,026.1	3,855.5	**5,012.3**
Adjustments increasing/(decreasing) net profit:				
Deferred bonus incentive scheme	(a)	8.6	15.5	**5.2**
Goodwill – non-amortisation	(b)	93.5	–	**–**
Business combinations	(m)	4.8	(4.8)	**–**
Derivative financial instruments – reclassification of transition adjustments	(e)	7.8	7.8	**7.8**
Income taxation – other differences	(f)	(144.4)	(99.0)	**(199.3)**
Normal income taxation effect of US GAAP adjustments	(g)	(6.3)	(5.9)	**(4.0)**
Foreign exchange translation on net investment in foreign operations	(k)	–	1.0	**2.5**
Impairment reversal		–	–	**(59.9)**
Net profit in accordance with US GAAP – restated		2,990.1	3,770.1	**4,764.6**
Shareholders' equity as reported in accordance with IFRS – restated		7,604.2	7,887.9	**8,672.3**
Adjustments increasing/(decreasing) shareholders' equity:				
Deferred bonus incentive scheme	(a)	35.8	51.3	**56.5**
Goodwill – amortisation of taxation rate difference	(f)	(17.7)	(17.7)	**(17.7)**
Goodwill – non-amortisation	(b)	194.5	194.6	**194.6**
Goodwill – accumulated translation differences	(c)	(7.0)	(10.3)	**(10.6)**
Minority interest	(j)	(93.0)	(128.7)	**(283.3)**
Business combinations	(m)	4.8	–	**–**
Income taxation – other differences	(f)	(981.5)	(1,079.9)	**(1,278.6)**
Normal income taxation effect of US GAAP adjustments	(g)	(12.2)	(15.5)	**(16.5)**
Impairment reversal		–	–	**(59.9)**
Shareholders' equity in accordance with US GAAP – restated		6,727.9	6,881.7	**7,256.8**
Movements in shareholders' equity in accordance with US GAAP				
Balance at the beginning of the year		6,032.6	6,727.9	**6,881.7**
Net profit for the year		2,990.1	3,770.1	**4,764.6**
Dividends declared		(2,100.0)	(3,400.0)	**(4,500.0)**
Foreign currency translation reserve adjustment		(190.0)	(60.2)	**115.4**
Acquired reserves from the minorities of Vodacom Congo (RDC) s.p.r.l.		–	(151.3)	**–**
Gain on derivatives – reclassified to earnings, net of taxation		(4.8)	(4.8)	**(4.9)**
Balance at the end of the year		6,727.9	6,881.7	**7,256.8**

45. US GAAP INFORMATION (continued)

Summary of differences between IFRS and US GAAP

(a) Deferred bonus incentive scheme

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

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

(b) Goodwill – non-amortisation

The Group adopted IFRS 3: Business Combinations ("IFRS 3") from April 1, 2004, under which acquired goodwill is no longer amortised, but tested for impairment at least annually (or more frequently if impairment indicators arise). Accordingly, goodwill arising from the Group's investments is not subject to amortisation as from April 1, 2004.

Under US GAAP, SFAS 142: Goodwill and Other Intangible Assets ("SFAS 142") is consistent with IAS 38: Intangible Assets ("IAS 38") and IFRS 3 which was adopted by the Group from April 1, 2004. From this date goodwill is no longer amortised.

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

Under IFRS and US GAAP, goodwill arising on the acquisition of a foreign entity is treated as an asset of the entity and translated at the foreign exchange rate ruling at the balance sheet date. The resulting foreign exchange transaction gain or loss is recorded in equity. The difference in the carrying values of goodwill under IFRS and US GAAP which are summarised below, results in a difference in the accumulated translation amount recorded in equity

	2004 Rm	2005 Rm	**2006** **Rm**
A reconciliation of goodwill reported under IFRS at the balance sheet date to the amounts determined under US GAAP is as follows:			
Included in total goodwill reported under IFRS – restated	344.3	413.5	**483.9**
Goodwill not amortised under US GAAP	194.5	205.0	**205.0**
Business combination (Note 45 m)	136.0	136.0	**136.0**
Additional goodwill – income taxation rate change (Note 45 f)	35.8	71.5	**50.5**
Translation difference on goodwill balance	(7.0)	(10.3)	**(10.6)**
Goodwill in joint venture (Note 45 i)	(61.2)	–	**–**
As adjusted under US GAAP	642.4	815.7	**864.8**

(d) Income taxes – additional temporary differences

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

Under US GAAP, a deferred taxation liability (and corresponding increase in assets acquired) is recognised for all temporary differences between the assigned values and the taxation bases of intangible assets acquired. The recording of such deferred taxation liability has no net impact on net income or shareholder's equity as determined under US GAAP as the decrease in income taxation expense is offset by a corresponding increase in amortisation (Note 45 g).

45. US GAAP INFORMATION (continued)

(e) Derivative financial instruments

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

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

Under US GAAP, upon adoption of SFAS 133, the difference between previous carrying amounts and fair value of derivatives, which prior to the adoption of SFAS 133 had been cash flow type hedges but do not qualify as hedges under SFAS 133, is recognised as a cumulative effect adjustment of other comprehensive income in the year SFAS 133 is initially applied. This amount is subsequently released into earnings in the same period or periods during which the hedged transaction affects earnings. During the year ended March 31, 2006 R7.8 million (2005: R7.8 million; 2004: R7.8 million) was released into earnings. The difference between previous carrying amounts and fair value of derivatives, which prior to the adoption of SFAS 133 had been fair value type hedges, is recognised as a cumulative effect adjustment in earnings. Changes in fair value of derivatives acquired after April 1, 2001 are recorded in the consolidated income statement.

The Group's interest rate swaps are classified as trading instruments under IFRS. Under US GAAP, such swaps are classified based on the maturity date of the swaps. Accordingly, some swaps are classified as long term under US GAAP.

(f) Income taxation – other differences

Under IFRS, current and deferred taxation assets and liabilities are measured using taxation rates enacted unless announcements of taxation rates by the government have the substantive effect of actual enactment. The Group's deferred taxation assets and liabilities at March 31, 2005 were recorded at the substantially enacted taxation rate of 29%.

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

In conformity with IFRS, the Group reflects the STC as a component of the income taxation charge for the period in which dividends are declared. IFRS also requires that deferred taxation be provided for at the undistributed rate of 29%.

For the purpose of US GAAP, the Group believes that under SFAS 109: Accounting for Income Taxes ("SFAS 109"), measurement of current and deferred taxation liabilities and assets is based on provisions of the enacted taxation law; the effects of future changes in taxation laws or rates are not anticipated. Therefore, the enacted rate of 30% should be used for all taxation amounts (prior to the calculation of STC). Temporary differences should be tax effected using the taxation rate that will apply when income is distributed, i.e. an effective rate of 36.89% (2005: 37.78%; 2004: 37.78%) including STC.

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

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

In addition, SFAS 109 prohibits recognition of deferred taxation assets or liabilities that under SFAS 52 are remeasured from local currency into the functional currency using historical exchange rates and that result from either changes in exchange rates or indexing for taxation purposes. The functional currency of Vodacom Congo (RDC) s.p.r.l. is the US$ and it benefits from indexing for local Democratic Republic of the Congo taxation purposes which gives rise to a deferred taxation benefit for IFRS purposes of R100.9 million at March 31, 2006.

45. US GAAP INFORMATION (continued)

(g) Deferred taxation

The taxation effects of the US GAAP adjustments have been calculated based on the enacted taxation rate of 36.89% (2005: 37.78%; 2004: 37.78%).

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

	2004 Rm	2005 Rm	**2006** **Rm**
Net deferred taxation liabilities:			
As reported under IFRS	132.3	164.0	**304.7**
Additional temporary differences (Note 45 d)	46.0	38.9	**37.7**
Business combination (Note 45 m)	(58.3)	(62.4)	**(41.0)**
Income taxation – other difference (Note 45 f)	1,035.0	1,169.1	**1,346.8**
Taxation effect of US GAAP adjustments	12.2	15.5	**16.5**
Deferred taxation in joint venture (Note 45 i)	100.2	–	**–**
As adjusted under US GAAP	1,267.4	1,325.1	**1,664.7**

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

Under US GAAP, deferred taxation assets are recognised on all temporary differences. A valuation allowance is recognised if it is more likely than not that the asset will not be recovered. For US GAAP purposes, an additional deferred taxation asset and a corresponding valuation adjustment allowance of R279.4 million (2005: R109.3 million; 2004: R24.8 million) have no effect on the net shareholder's equity for the current year.

(h) Capitalised interest

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

Under US GAAP, interest cost incurred during the construction period (i.e. period of time necessary to bring a constructed fixed asset to the condition and location necessary for its intended use) is capitalised. The capitalised interest is recorded as part of the asset to which it relates and is amortised over the asset's estimated useful life. Capitalised interest was nil for the years ended March 31, 2006, 2005 and 2004 as the effect of capitalising interest, as compared with the effect of expensing interest, was not material.

(i) Joint ventures

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

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

45. US GAAP INFORMATION (continued)

(i) Joint ventures (continued)

In 2004 and 2003, the Group also proportionately consolidated Vodacom Congo (RDC) s.p.r.l. The summarised financial statement information for Vodacom Congo (RDC) s.p.r.l. relating to the Group's pro rata interest is set out in Note 44. Under US GAAP, the Group's share of losses of Vodacom Congo (RDC) s.p.r.l. does not exceed the carrying amount of the investment in the joint venture.

	2004 Rm	2005 Rm	**2006 Rm**
Investment in Vodacom Congo (RDC) s.p.r.l. under US GAAP is as follows:			
Initial investment in ordinary shares reported under IFRS	5.1	–	**–**
Initial investment in preference shares reported under IFRS	243.1	–	**–**
Group's share in accumulated losses of the joint venture net of dividends received	(216.6)	–	**–**
Foreign currency translation reserve under IFRS	85.5	–	**–**
Foreign currency translation reserve under US GAAP	(3.2)	–	**–**
Goodwill not amortised under US GAAP	11.2	–	**–**
Investment in associate under US GAAP	125.1	–	**–**

During the previous financial year the shareholders' agreement was amended resulting in Vodacom Congo (RDC) s.p.r.l. being accounted for as a 51% owned subsidiary (Note 30). Accordingly Vodacom Congo (RDC) s.p.r.l. is consolidated under both IFRS and US GAAP.

(j) Minority interest

Under IFRS, net profit attributable for minority interests is included in the Group's net profit. Under US GAAP, net income attributable for minority interest is presented as a single line item between the deduction for income taxes and income from continuing operations.

The Group adopted IAS 27: Consolidated and Separate Financial Statements ("IAS 27"), from April 1, 2004. In accordance with the guidance, the Group has reclassified its minority interest in the consolidated balance sheet from a liability into equity. The Group applied this reclassification retroactively.

Under US GAAP, minority interest is recorded outside of equity. Therefore, the minority interest under US GAAP is reclassified at the end of each fiscal year in the shareholders' equity reconciliation.

In 2003, all the shareholders of Vodacom Tanzania Limited changed the terms of their shareholders loans, which for the Group were effectively long-term investments, to a non interest-bearing loan due to Vodacom Tanzania Limited securing external debt. The change in the interest rate applicable to the loan changed the fair value of the loan on that date that the loan became interest-free. The loan was remeasured to amortised cost and the difference between the nominal amount of the loan and the fair value on remeasurement date was recorded as a gain in earnings. Under both IFRS and US GAAP, upon consolidation the Group's portion of the loan to Vodacom Tanzania Limited was eliminated. Under the revised IFRS accounting in terms of IAS 27, the remaining portion related to the remeasurement of the loan advanced by the minority shareholders of Vodacom Tanzania Limited was recorded as a capital contribution by the minority interest in equity. Under US GAAP, the Group recorded the gain on remeasurement of the minority interest of the loan in "minority interest" and recognised in earnings.

(k) Foreign exchange translation on net investment in foreign operations

Upon the adoption of IAS 21: The Effects of Changes in Foreign Exchange Rates, the Group has reclassified the foreign exchange gains or losses of the monetary item that forms part of the net investment in foreign operations which is denominated in a currency other than the functional currency of either the parent company or the foreign operation through earnings and not as a separate component of equity.

For US GAAP, in accordance with SFAS 52: Foreign Currency Translation, foreign exchange gains or losses related to a monetary item that forms part of the net investment in foreign operations are recognised upon consolidation as a component of equity in other comprehensive income.

45. US GAAP INFORMATION (continued)

(l) Comprehensive income

	2004 Rm	2005 Rm	**2006 Rm**
Comprehensive income under US GAAP and accumulated other comprehensive income balances under US GAAP are summarised as follows:			
Net income under US GAAP	2,990.1	3,770.1	**4,764.6**
Other comprehensive (loss)/income:			
Foreign currency translation adjustment	(190.0)	(59.5)	**117.2**
Gain on derivatives – reclassified to earnings net of tax	(4.8)	(4.8)	**(4.9)**
Other comprehensive (loss)/income	(194.8)	(64.3)	**112.3**
Comprehensive income	2,795.3	3,705.8	**4,876.9**
Accumulated other comprehensive income balances:			
Cumulative foreign currency translation adjustments	(346.8)	(406.3)	**(289.1)**
Cumulative effect adjustment of adoption of SFAS 133	22.8	18.0	**13.1**

(m) Business combinations

Under IFRS, the Group elected to fair value 100% of the assets acquired and liabilities assumed, including minority interests. The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed should be recognised as an asset referred to as goodwill.

Under US GAAP, the Group fair values the percentage of the assets acquired and liabilities assumed, excluding minority interests. Similar to IFRS, the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed should be recognised as an asset referred to as goodwill. As a result, the carrying amount of the goodwill for US GAAP purposes is adjusted to reflect the different values assigned to the intangibles.

Under IFRS and US GAAP, losses are generally only allocated to the minority interest up to the amount of the minority's equity in the subsidiary entity. In 2004, the minority interest allocation was a net profit under US GAAP, and a net loss under IFRS (due to the additional amortisation expense). Therefore, there was no minority interest allocation under IFRS, and thus there was a GAAP difference effecting net income. In 2005, the minority interest allocation under both IFRS and US GAAP was a net profit. Therefore, in accordance with IAS 27, the IFRS allocation to minority interest was net of the loss not allocated to the minority in 2004. No difference in shareholders' equity exists at the end of 2005.

(n) Revenue recognition

Under US GAAP, the Group applies EITF 00-21 to its revenue arrangements with multiple deliverables. This application has not resulted in a difference between the revenue recognised under US GAAP and IFRS.

45. US GAAP INFORMATION (continued)

(o) Recent accounting pronouncements

In December 2004, the FASB issued SFAS 123 (revised 2004), "Share-based Payments" ("SFAS 123R"). This statement eliminates the option to apply the intrinsic value measurement provisions of APB 25, "Accounting for Stock Issued to Employees" to stock compensation awards issued to employees. Rather, SFAS 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognised over the period during which an employee is required to provide services in exchange for the award the requisite service period (usually the vesting period). SFAS 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. For public entities that do not file as small business issuers, the standard is effective for the first annual reporting period that begins after June 15, 2005. The Group is currently evaluating the impact of SFAS 123R on its results of operations, financial position and cash flows.

On November 24, 2004, the FASB issued SFAS 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" ("SFAS 151"). The amendments made by SFAS 151 clarify that "abnormal" amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognised as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. SFAS 151 is the result of a broader effort by the FASB to improve the comparability of cross-border financial reporting by working with the International Accounting Standards Board ("IASB") toward development of a single set of high-quality accounting standards. The FASB and the IASB noted that ARB 43, Chapter 4 and IAS 2, Inventories, are both based on the principle that the primary basis of accounting for inventory is cost. Both of these accounting standards also require that "abnormal" amounts of idle freight, handling costs, and wasted materials be recognised as period costs; however, the Boards noted that differences in the wording of the two standards could have led to the inconsistent application of those similar requirements. The FASB concluded that clarifying the existing requirements in ARB 43 by adopting language similar to that used in IAS 2 is consistent with its goals of improving financial reporting in the United States and promoting convergence of accounting standards internationally. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Group does not expect the adoption of SFAS 151 to have a material impact on its operations, financial position or cash flows.

In December 2004, the FASB issued SFAS 153, "Exchanges of Non-monetary Assets" ("SFAS 153"), which amends APB 29: Accounting for Non-monetary Transactions" to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. SFAS 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Group does not expect the adoption of SFAS 151 to have a material impact on its operations, financial position or cash flows.

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections". SFAS 154 replaces APB 20, "Accounting Changes", and SFAS 3, "Reporting Accounting Changes in Interim Financial Statements", and amends the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 establishes retrospective application, unless impracticable, as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. In many, but not all, aspects under SFAS 154 the accounting for changes and error corrections are converged with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Group is currently evaluating the impact of SFAS 154 on its results of operations, financial position and cash flows.

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments". SFAS 155 amends SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" and resolves issues addressed in SFAS 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitised Financial Assets." SFAS 155 is effective for all financial instruments acquired or issued after the first fiscal year beginning after September 15, 2006. The Group is currently evaluating the impact of SFAS 155 on its results of operations, financial position and cash flows.

45. US GAAP INFORMATION (continued)

(o) Recent accounting pronouncements (continued)

In March 2006, the FASB issued SFAS 156 "Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140". SFAS 156 amends SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", with respect to the accounting for separately recognised servicing assets and servicing liabilities. SFAS 156 requires a company to recognise a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract principally in a transfer of the servicer's financial assets that either meets the requirements for sale accounting, or is to a qualifying special-purpose entity in a guaranteed mortgage securitisation in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities in accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities". SFAS 156 requires all separately recognised servicing assets and servicing liabilities to be initially measured at fair value, if practicable, and permits a company to choose to subsequently measure each class of separately recognised servicing assets and servicing liabilities using either a specified amortisation method or a specified fair value measurement method. SFAS 156 is applicable to all transactions entered into in fiscal years that begin after September 15, 2006. The Group is currently evaluating the impact of SFAS 155 on its results of operations, financial position and cash flows.

46. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements adopted at March 31, 2006

The Group adopted the following revised and new International Financial Reporting Standards prior to their effective dates in the current financial year:

IAS 19	Employee Benefits
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The Group adopted the following revised and new International Financial Reporting Standards in accordance with their effective dates during the current financial year:

IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 40	Investment Property
IFRS 4	Insurance Contracts
IFRIC 1	Changes in the Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Member's Shares in Co-operative Entities and Similar Instruments

The adoption of IFRS 6, IFRIC 1, IFRIC 2, IFRIC 5 and IFRIC 6 had no impact on the Group's results or cash flow information for the year ended March 31, 2006.

Please refer to Note 23: Change in Accounting Policies, Reclassifications and Restatements for the effect of the above adoptions on the financial statements, if any.

Accounting pronouncements not adopted at March 31, 2006

In August 2005 the IASB amended IAS 1: Presentation of Financial Statements ("IAS 1") to add requirements for disclosure about capital. These disclosure requirements include the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance.

These disclosure requirements apply to all entities, effective for annual periods beginning on or after January 1, 2007, with earlier adoption encouraged.

The Group will adopt the revised IAS 1 during the 2007 financial year and is currently evaluating the effects of the standard.

46. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (continued)

Accounting pronouncements not adopted at March 31, 2006 (continued)

In April 2005 the IASB issued an amendment to IAS 39: Financial Instruments: Recognition and Measurement ("IAS 39") to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge in consolidated financial statements – provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect consolidated financial statements. The amendment also specifies that if the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised directly in equity in accordance with the hedge accounting rules in IAS 39 must be reclassified into profit or loss in the same period or periods during which the foreign currency risk of the hedged transaction affects consolidated profit or loss.

In June 2005 the IASB amended IAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss (the "fair value option"). The new revisions limit the use of the option to those financial instruments that meet certain conditions. Those conditions are that:

- The fair value option designation eliminates or significantly reduces an accounting mismatch,
- A group of financial assets, financial liabilities, or both are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy,
- An instrument contains an embedded derivative that meets particular conditions.

The fair value option amendment also provides that if a contract contains an embedded derivative, an entity may generally elect to apply the fair value option to the entire hybrid (combined) contract, thereby eliminating the need to separate out the embedded derivative. The abovementioned conditions are not relevant to this election.

In August 2005 the IASB amended the scope of IAS 39 to include financial guarantee contracts issued. However, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either IAS 39 or IFRS 4: Insurance Contracts ("IFRS 4") to such financial guarantee contracts. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Under IAS 39 as amended, financial guarantee contracts are recognised:

- Initially at fair value.
- Subsequently at the higher of (i) the amount determined in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18: Revenue.

The amendments to IAS 39 and IFRS 4 are effective for annual periods beginning on or after January 1, 2006. The Group will adopt the amended IAS 39 during the 2007 financial year and is currently evaluating the effects of the amended standard.

In December 2005 the IASB amended IAS 21: The Effects of Changes in Foreign Exchange Rates ("IAS 21"). The amendments concluded that the accounting treatment in consolidated financial statements of a monetary item that forms part of an entity's net investment in a foreign operation, should not be dependent on the currency of the monetary item. The accounting should also not depend on which entity within the Group conducts a transaction with the foreign operation.

The amendment to IAS 21 is effective for annual periods beginning on or after January 1, 2006. The Group will adopt the amended IAS 21 during the 2007 financial year and is currently evaluating the effects of the amended standard.

46. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (continued)

Accounting pronouncements not adopted at March 31, 2006 (continued)

In August 2005 the IASB issued IFRS 7: Financial Instruments: Disclosures ("IFRS 7"). The standard is effective for annual periods commencing on or after January 1, 2007. The standard adds certain new disclosures about financial instruments to those currently required by IAS 32: Financial Instruments: Disclosure and Presentation ("IAS 32"). The standard replaces the disclosures currently required by IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions ("IAS 30"). The standard therefore puts all of those financial instruments disclosures together in a new standard.

The Group will adopt IFRS 7 during the 2007 or 2008 financial years and is currently evaluating the effects of the standard.

In November 2005 the IASB issued IFRIC 7: Applying the Restatement Approach under IAS 29 Financial reporting in Hyperinflationary Economies ("IFRIC 7"). The interpretation is effective for annual periods beginning on or after March 1, 2006. IFRIC 7 contains guidance on how an entity would restate its financial statements in the first year it identifies the existence of hyperinflation in the economy of its functional currency.

The Group will adopt IFRIC 7 during the 2007 financial year and does not believe that the adoption of the interpretation will have any effect.

In January 2006 the IASB issued IFRIC 8: Scope of IFRS 2 ("IFRIC 8"). The interpretation is effective for annual periods beginning on or after May 1, 2006. IFRIC 8 clarifies that IFRS 2: Share-based Payments ("IFRS 2") applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 explains that, if the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, this situation typically indicates that other consideration has been or will be received. IFRS 2 therefore applies.

The Group will adopt IFRIC 8 during the 2007 financial year and does not believe that the adoption of the interpretation will have any effect.

In March 2006 the IASB issued IFRIC 9: Reassessment of Embedded Derivatives ("IFRIC 9"). The interpretation is effective for annual periods beginning on or after June 1, 2006. IAS 39: Financial Instruments: Recognition and Measurement ("IAS 39") requires an entity, when it first becomes a party to a hybrid contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as if they were standalone derivatives.

IFRIC 9 addresses:

- Whether IAS 39 requires such an assessment to be made only when the entity first becomes a party to the hybrid contract, or whether the assessment be reconsidered throughout the life of the contract.
- Whether a first-time adopter of IFRSs should make its assessment on the basis of the conditions that existed when the entity first became a party to the contract, or those prevailing when the entity adopts IFRSs for the first time.

The Group will adopt IFRIC 9 during the 2007 or 2008 financial years and is currently evaluating the effects of the standard.

DISCLAIMER

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Vodacom Group (Proprietary) Limited is a private company and as such is not required by the Companies Act 61 of 1973, as amended, to publish its results.

Vodacom Group (Proprietary) Limited makes no guarantee, assurance, representation and/or warranty as to the accuracy of the information contained in this report and will not be held liable for any reliance placed on the information contained in this report.

The information contained in this report is subject to change without notice and may be incomplete or condensed. In addition, this report may not contain all material information pertaining to Vodacom Group (Proprietary) Limited and its subsidiaries.

Without in any way derogating from the generality of the aforegoing, it should be noted that:

- Many of the statements included in this report are forward-looking statements that involve risks and/or uncertainties and caution must be exercised in placing any reliance on these statements. Moreover, Vodacom Group (Proprietary) Limited will not necessarily update any of these statements after the date of this report either to conform them to actual results or to changes in our expectations.

- Insofar as the shareholders of Vodacom Group (Proprietary) Limited are listed and offer their shares publicly for sale on recognised stock exchanges locally and/or internationally, potential investors in the shares of Vodacom Group (Proprietary) Limited's shareholders are cautioned not to place undue reliance on this report.

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