As filed with the Securities and Exchange Commission on October 22, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F/A
Amendment No. 1

(Mark One)

☐**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

Or

☒**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2008

Or

☐**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Or

☐**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring the shell company report

Commission File Number: 001 31609

TELKOM SA LIMITED
(Exact name of Registrant as specified in its charter)

THE REPUBLIC OF SOUTH AFRICA
(Jurisdiction of incorporation or organization)

Telkom Towers North,152 Proes Street, Pretoria 0002, The Republic of South Africa
(27)(12) 311-3566
(Address of principal executive offices)

Company Secretary: Sandi Linford; (T) (27)(12) 311-7743; (F) (27)(12) 311-4777; Telkom SA Limited, Private Bag X881, Pretoria 0001
(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing four (4) Ordinary Shares, par value R10 per share	New York Stock Exchange, Inc.
Ordinary Shares, par value R10 per share	New York Stock Exchange, Inc.*

*Listed, not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.
NONE

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
NONE

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares, par value R10 per share	499,441,985
Class A Ordinary Share, par value RIO per share	1
Class B Ordinary Share, par value RIO per share	1

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☒**Yes** ☐**No**

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
☐**Yes** ☒**No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
☒**Yes** ☐**No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer☒**Accelerated filer** ☐**Non-accelerated filer** ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:
U.S. GAAP ☐ **International Financing Standards as issued by the International Accounting Standards Board**☒ **Other** ☐

If "other" has been checked in response to this previous question indicate by check mark which financial statement item the registrant has elected to follow.
☐**Item 17** ☐**Item 18**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐**Yes** ☒**No**

EXPLANATORY NOTE

Telkom SA Limited ("Telkom") is filing this Amendment No. 1 to its Annual Report on Form 20-F/A (the "Form 20-F/A") for its fiscal year ended March 31, 2008, in order to (i) include a revised audit report of Ernst & Young Inc., Registered Auditors, Chartered Accountants (SA), and the related consolidated financial statements of the Telkom Group as of and for each of the years ended March 31, 2008, 2007 and 2006, to state in the audit report that the financial statements are in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, which statement was inadvertently omitted in the original Annual Report on Form 20-F for the fiscal year ended March 31, 2008, filed with the Securities and Exchange Commission on July 21, 2008 (the "Original 20-F") and (ii) include revised consolidated financial statements of Vodacom Group (Proprietary) Limited ("Vodacom") as of and for each of the years ended March 31, 2008, 2007 and 2006, together with the audit report of Deloitte & Touche, Registered Auditors, Chartered Accountants (SA), to state in the notes to Vodacom's consolidated annual financial statements that the consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, which statement was inadvertently omitted in the Original 20-F. In addition, Exhibits 12.1, 12.2 and 13.1 are being revised and resubmitted to reflect the change from Form 20-F to Form 20-F/A.

Except as described herein, the Original Form 20-F is not being amended in any other manner. As a result, this Form 20-F/A does not reflect events occurring after the filing of the Original 20-F, and does not modify or update the disclosures therein in any way other than as required to reflect the amendments described herein. The filing of this Form 20-F/A should not be understood to mean that any statements contained in this document are true or complete as of any date subsequent to July 21, 2008 or earlier. You should not consider this amendment to be a reaffirmation or reiteration of any forward looking statements from the Original Form 20-F that may be reproduced in this Form 20-F/A.

Item 18. Consolidated financial statements

See Index to Consolidated Annual Financial Statements beginning on page F-1 for a list of all financial statements filed as a part of this Form 20-F/A.

Item 19. Exhibits

The following exhibits are filed as part of this Amendment No. 1 to the Annual Report on Form 20-F/A:

12.1 Certification of chief executive officer pursuant to 17 CFR 240.13a 14(a), promulgated under Section 302 of the Sarbanes-Oxley Act of 2002 (1)

12.2 Certification of chief financial officer pursuant to 17 CFR 240.13a 14(a), promulgated under Section 302 of the Sarbanes-Oxley Act of 2002 (1)

13.1 Certification of chief executive officer and chief financial officer pursuant to Rule 13a 14(b) (17 CFR 240.13a 14(b)), or Rule 15d 14(b) (17 CFR 240.15d 14(b)), and Section 1350 or Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), promulgated under Section 906 of the Sarbanes-Oxley Act of 2002 (1)

[1]Filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

TELKOM SA LIMITED

	By:	/s/ Reuben Joseph September
	Name:	Reuben Joseph September
Dated: October 23, 2008	Title	Chief Executive Officer
		(principal executive officer)

Telkom SA Limited

Content to the consolidated annual financial statements for the three years ended March 31, 2008

Ernst & Young Inc.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TELKOM SA LIMITED

We have audited the accompanying consolidated balance sheets of Telkom SA Limited ('Telkom') and its subsidiaries (together 'the Group') as of March 31, 2008, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended set out on pages F3 to F98. These financial statements are the responsibility of the Group's directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of Vodacom Group (Proprietary) Limited, a 50% joint venture proportionally consolidated, which statements reflect total assets constituting 24%, 24% and 22% at March 31, 2008, 2007 and 2006, respectively, and total revenues constituting 43%, 32% and 36% for the years ended March 31, 2008, 2007 and 2006, respectively of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Vodacom Group (Proprietary) Limited, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits, and the report of the other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Telkom SA Limited and its subsidiaries at March 31, 2008, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As described in Note 2 to the consolidated annual financial statements, in 2008 the Group adopted new and amended accounting standards, IAS 1 Presentation of Financial Statements (Revised) and IFRS 7 Financial Instruments: Disclosures

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Telkom SA Limited's internal control over financial reporting as of March 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated July 11, 2008 expressed an unqualified opinion thereon.

ERNST & YOUNG Inc.
Pretoria
Republic of South Africa
July 11, 2008

Consolidated income statement

for the three years ended March 31, 2008

	Notes	2006 Rm	2007 Rm	**2008 Rm**
Total revenue	3.1	48,260	52,157	**56,865**
Operating revenue	3.2	47,625	51,619	**56,285**
Other income	4	480	384	**534**
Operating expenses		33,428	37,533	**42,337**
Employee expenses	5.1	7,489	8,454	**9,220**
Payments to other operators	5.2	6,826	7,590	**9,169**
Selling, general and administrative expenses	5.3	10,273	12,902	**14,409**
Service fees	5.4	2,114	2,291	**2,571**
Operating leases	5.5	850	981	**838**
Depreciation, amortisation, impairment and write-offs	5.6	5,876	5,315	**6,130**
Operating profit		14,677	14,470	**14,482**
Investment income	6	397	235	**197**
Finance charges and fair value movements	7	1,223	1,125	**1,803**
Interest		1,346	1,327	**1,885**
Foreign exchange and fair value movement		(123)	(202)	**(82)**
Profit before taxation		13,851	13,580	**12,876**
Taxation	8	4,523	4,731	**4,704**
Profit for the year		9,328	8,849	**8,172**
Attributable to:				
Equity holders of Telkom		9,189	8,646	**7,975**
Minority interest		139	203	**197**
		9,328	8,849	**8,172**
Basic earnings per share (cents)	9	1,746.1	1,681.0	**1,565.0**
Diluted earnings per share (cents)	9	1,736.6	1,676.3	**1,546.9**
Dividend per share (cents)	9	900.0	900.0	**1,100.0**

Consolidated balance sheet

at March 31, 2008

	Notes	2006 Rm	2007 Rm	2008 Rm
Assets				
Non-current assets		44,813	48,770	57,763
Property, plant and equipment	10	37,274	41,254	46,815
Intangible assets	11	3,910	5,111	8,468
Investments	13	2,894	1,384	1,448
Deferred expenses	14	254	270	221
Finance lease receivables	15	–	158	206
Deferred taxation	16	481	593	605
Current assets		12,731	10,376	12,609
Short-term investments	13	69	77	51
Inventories	17	814	1,093	1,287
Income tax receivable	33	–	520	9
Current portion of deferred expenses	14	226	287	362
Current portion of finance lease receivables	15	–	88	166
Trade and other receivables	18	6,399	7,303	8,986
Other financial assets	19	275	259	614
Cash and cash equivalents	20	4,948	749	1,134
Total assets		57,544	59,146	70,372
Equity and liabilities				
Equity attributable to equity holders of Telkom		29,165	31,724	32,815
Share capital and premium	21	6,791	5,329	5,208
Treasury shares	22	(1,809)	(1,774)	(1,638)
Share-based compensation reserve	23	151	257	643
Non-distributable reserves	24	1,128	1,413	1,292
Retained earnings	25	22,904	26,499	27,310
Minority interest	26	301	284	522
Total equity		29,466	32,008	33,337
Non-current liabilities		12,391	8,554	15,104
Interest-bearing debt	27	7,655	4,338	9,403
Other financial liabilities	19	–	36	919
Provisions	28	2,677	1,443	1,675
Deferred revenue	14	991	1,021	1,128
Deferred taxation	16	1,068	1,716	1,979
Current liabilities		15,687	18,584	21,931
Trade and other payables	30	6,103	7,237	8,771
Shareholders for dividend	34	4	15	20
Current portion of interest-bearing debt	27	3,468	6,026	6,330
Current portion of provisions	28	1,660	2,095	2,181
Current portion of deferred revenue	14	1,975	1,983	2,593
Income tax payable	33	1,549	594	323
Other financial liabilities	19	235	193	371
Credit facilities utilised	20	693	441	1,342
Total liabilities		28,078	27,138	37,035
Total equity and liabilities		57,544	59,146	70,372

Consolidated statement of changes in equity

for the three years ended March 31, 2008

	Share capital Rm	Share premium Rm	Treasury shares Rm	Share-based compensation reserve Rm	Non-distributable reserves Rm	Retained earnings Rm	Total Rm	Minority interest Rm	Total equity Rm
	Attributable to equity holders of Telkom								
Balance at April 1, 2005	5,570	2,723	(1,812)	68	360	19,232	26,141	220	26,361
Total income and expense for the year					52	9,189	9,241	132	9,373
Profit for the year						9,189	9,189	139	9,328
Foreign currency translation reserve (net of tax of RNil) (refer to note 24)					52		52	(7)	45
Dividend declared (refer to note 34)						(4,801)	(4,801)	(78)	(4,879)
Transfer to non-distributable reserves (refer to note 24)					716	(716)	–		–
Shares vested and re-issued (refer to note 23)			3	(3)			–		–
Increase in share-based compensation reserve (refer to note 23)				86			86		86
Acquisition of subsidiaries and minorities (refer to note 35)							–	27	27
Shares bought back and cancelled (refer to note 21)	(121)	(1,381)					(1,502)		(1,502)
Balance at March 31, 2006	5,449	1,342	(1,809)	151	1,128	22,904	29,165	301	29,466
Total income and expense for the year					46	8,646	8,692	217	8,909
Profit for the year						8,646	8,646	203	8,849
Foreign currency translation reserve (net of tax of R4 million) (refer to note 24)					46		46	14	60
Dividend declared (refer to note 34)						(4,678)	(4,678)	(166)	(4,844)
Transfer to non-distributable reserves (refer to note 24)					239	(239)	–		–
Increase in share-based compensation reserve (refer to note 23)				141			141		141
Shares vested and re-issued (refer to note 23)			35	(35)			–		–
Acquisition of subsidiaries and minorities (refer to note 35)							–	(68)	(68)
Shares bought back and cancelled (refer to note 21)	(120)	(1,342)				(134)	(1,596)		(1,596)
Balance at March 31, 2007	5,329	–	(1,774)	257	1,413	26,499	31,724	284	32,008
Total income and expense for the year					529	7,975	8,504	226	8,730
Profit for the year						7,975	7,975	197	8,172
Revaluation of available-for-sale investment (net of tax of R1 million)					8		8		8
Foreign currency translation reserve (net of tax of R6 million) (refer to note 24)					521		521	29	550
Dividend declared (refer to note 34)						(5,627)	(5,627)	(65)	(5,692)
Transfer to non-distributable reserves (refer to note 24)					11	(11)	–		–
Increase in share-based compensation reserve (refer to note 23)				522			522		522
Shares vested and re-issued (refer to note 23)			136	(136)			–		–
Acquisition of subsidiaries and minorities (refer to note 35)							–	77	77
Shares bought back and cancelled (refer to note 21)	(121)					(1,526)	(1,647)		(1,647)
Minority put option (refer to notes 19 and 24)					(661)		(661)		(661)
Balance at March 31, 2008	5,208	–	(1,638)	643	1,292	27,310	32,815	522	33,337

Consolidated cash flow statement

for the three years ended March 31, 2008

	Notes	2006 Rm	2007 Rm	2008 Rm
Cash flows from operating activities		9,506	9,356	10,603
Cash receipts from customers		46,958	50,979	55,627
Cash paid to suppliers and employees		(27,234)	(30,459)	(34,371)
Cash generated from operations	31	19,724	20,520	21,256
Interest received		482	422	433
Dividends received	6	50	3	–
Finance charges paid	32	(1,316)	(1,115)	(1,077)
Taxation paid	33	(4,550)	(5,690)	(4,277)
Cash generated from operations before dividend paid		14,390	14,140	16,335
Dividend paid	34	(4,884)	(4,784)	(5,732)
Cash flows from investing activities		(7,286)	(10,412)	(14,106)
Proceeds on disposal of property, plant and equipment and intangible assets		92	54	169
Proceeds on disposal of investments		493	77	8
Additions to property, plant and equipment and intangible assets		(7,396)	(10,037)	(11,657)
Acquisition of subsidiaries and minorities	35	–	(445)	(2,462)
Additions to other investments		(475)	(61)	(164)
Cash flows from financing activities		(258)	(2,920)	2,943
Loans raised		4,123	5,624	23,877
Loans repaid		(7,399)	(6,922)	(19,315)
Shares bought back and cancelled		(1,502)	(1,596)	(1,647)
Finance lease obligation repaid		(24)	(37)	(61)
Decrease in net financial assets		4,544	11	89
Net increase/(decrease) in cash and cash equivalents		1,962	(3,976)	(560)
Net cash and cash equivalents at beginning of the year		2,301	4,255	308
Effect of foreign exchange rate differences		(8)	29	44
Net cash and cash equivalents at end of the year	20	4,255	308	(208)

Notes to the consolidated annual financial statements

1. Corporate information

Telkom SA Limited ('Telkom') is a company incorporated and domiciled in the Republic of South Africa ('South Africa') whose shares are publicly traded. The main objective of Telkom, its subsidiaries and joint ventures ('the Group') is to supply telecommunication, broadcasting, multimedia, technology, information and other related information technology services to the general public, as well as mobile communication services through the Vodacom Group (Proprietary) Limited ('Vodacom') in South Africa and certain other African countries. The Group's services and products include:

- fixed-line subscription and connection services to postpaid, prepaid and private payphone customers using PSTN lines, including ISDN lines, and the sale of subscription based value-added voice services and customer premises equipment rental and sales;
- fixed-line traffic services to postpaid, prepaid and payphone customers, including local, long distance, fixed-to-mobile, international outgoing and international voice-over-internet protocol traffic services;
- interconnection services, including terminating and transiting traffic from South African mobile operators, as well as from international operators and transiting traffic from mobile to international destinations;
- fixed-line data services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL services, packet-based services, managed data networking services and internet access and related information technology services;
- e-commerce, including internet access service provider, application service provider, hosting, data storage, e-mail and security services;
- mobile communications services, including voice services, data services, value-added services and handset sales through Vodacom; and
- other services including directory services, through our TDS Directory Operations Group, wireless data services, through our Swiftnet (Proprietary) Limited subsidiary, television media services through our Telkom Media Group, internet services outside South Africa, through our Africa Online Limited subsidiary and information, communication and telecommunication operating services in Nigeria, through our newly acquired Multi-Links Telecommunications Limited subsidiary.

2. Significant accounting policies

Basis of preparation

The consolidated annual financial statements comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the Companies Act of South Africa, 1973.

The financial statements are prepared on the historical cost basis, with the exception of certain financial instruments and share-based payments which are measured at grant date fair value.

Details of the Group's significant accounting policies are set out below, and are consistent with those applied in the previous financial year except for the following:

- adoption of amendment to IAS1;
- adoption of IFRS7, IFRIC8, IFRIC9, IFRIC10, IFRIC11 and Circular 8/2007; and
- identification of a new segment.

The principal effects of these changes are discussed below.

Adoption of amendments to standards and new interpretations

The following revised standards and interpretations have been adopted during the year under review:

Amendment to IAS1 Presentation of Financial Statements

This amendment is effective for annual periods beginning on or after January 1, 2007. As a result of the pronouncement of IFRS7 Financial Instruments: Disclosures, IAS1 has been amended to require the disclosure of the entity's objective, 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. The impact of this amendment has been disclosed under note 12.

IFRS7 Financial Instruments: Disclosures

This standard is effective for annual periods beginning on or after January 1, 2007. IFRS7 supersedes disclosure in IAS32. All financial instruments disclosures will now be provided in terms of IFRS7. One of the main disclosure requirements added by IFRS7 is that an entity must group its financial instruments into classes of similar instruments, and when disclosures are required, make disclosures by class. IFRS7 also requires information about the significance of financial instruments and information about the nature and extent of risks arising from financial instruments. The impact of this standard is to expand on certain disclosures relating to financial instruments and requires certain additional disclosures (refer to note 12).

IFRIC8 Scope of IFRS2

The interpretation is effective for annual periods beginning on or after May 1, 2006. The interpretation clarifies that IFRS2 applies to transactions in which an entity receives goods or services as consideration for equity instruments of the entity. This includes transactions in which the entity cannot identify specifically some or all of the goods or services received. The impact of the interpretation on the consolidated annual financial statements is not material since the Group has not transacted with other parties using equity as a purchase consideration for the transaction, other than those paid to employees in share-based payment transactions.

IFRIC9 Reassessment of Embedded Derivatives

The interpretation is effective for annual periods beginning on or after June 1, 2006. The interpretation clarifies that an entity should assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. It further clarifies that reassessment is only allowed when there is a change in the terms of the contract which significantly modifies the cash flows that would otherwise be required under the contract. The interpretation does not have a material impact on the consolidated annual financial statements.

2. Significant accounting policies (continued)

Adoption of amendments to standards and new interpretations (continued)

IFRIC10 Interim Financial Reporting and Impairment

The interpretation is effective for annual periods beginning on or after November 1, 2006. The interpretation clarifies that an entity should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or financial asset carried at cost. The interpretation does not have a material impact on the consolidated annual financial statements.

IFRIC11 IFRS2 – Group and Treasury Share Transactions

The interpretation is effective for annual periods beginning on or after March 1, 2007. The interpretation clarifies that regardless of whether the entity chooses or is required to buy equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement by delivery of its own shares, the transaction should be accounted for as equity settled. This interpretation also applies regardless of whether the employee's rights to the equity instruments were granted by the entity itself or by its shareholders or was settled by the entity itself or its shareholders. Share-based payments involving the Group's own equity instruments in which the Group chooses or is required to buy its own equity instruments to settle the share-based payment obligation are currently accounted for as equity-settled share-based payment transactions under IFRS2. The interpretation has had no impact on the consolidated annual financial statements.

Circular 8/2007 Headline earnings

The circular was issued by the South African Institute of Chartered Accountants (SAICA) and is applicable for financial periods ending on or after August 31, 2007. Circular 8/2007 supersedes Circular 7/2002 and it defines rules for calculating headline earnings per share, which is an additional per share measure permitted by IAS33 Earnings per Share. It further requires a disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share in accordance with the requirements of IAS33. The Group adopted the provisions of Circular 8/2007 in the reporting period beginning on April 1, 2007 and the adoption has had no impact other than additional disclosure as required by the Circular.

Accounting pronouncements not yet adopted

The Group has not early adopted the following standards, interpretations and amendments that have been issued and are not yet effective:

IFRS2 Vesting Conditions and Cancellations.

This amendment is effective for annual periods beginning on or after January 1, 2009. The amendments to IFRS2 Share-based Payment clarifies the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based arrangement. All features of a share-based payment arrangement other than service conditions and performance conditions will be considered to be non-vesting conditions. IFRS2 (as revised) specifies that, when estimating the fair value of equity instruments granted, an entity shall take into account all non-vesting conditions (i.e. all conditions other than service and performance conditions) and vesting conditions that are market conditions (i.e. conditions that are related to the market price of the entity's equity instruments – for example, attaining a specified share price). The impact of this amendment is currently being evaluated.

IFRS3 Business Combinations-comprehensive revision on applying the acquisition method

The revised standard is effective for annual periods beginning on or after July 1, 2009. The revised IFRS3 requires the consideration for the acquisition, including the fair value of any contingent consideration payable to be measured at fair value at the acquisition date. The revised standard only permits subsequent changes to the measurement of contingent consideration as a result of additional information about facts and circumstances that existed at the acquisition date. All other changes (e.g. changes resulting from events after the acquisition date such as the acquiree meeting an earnings target, reaching a specified share price, or meeting a milestone on a research and development project) are recognised in profit or loss.

Acquisition-related costs are now required to be expensed.

Business combinations involving only mutual entities and business combinations achieved by contract alone have also been included in IFRS3.

Consequential amendments arising from revisions to IFRS3 on IAS27 Consolidated and separate financial statements

The revised IAS27 specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. No gain or loss is recognised on such transactions and goodwill is not re-measured. Any difference between the change in the Non Controlling Interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Consequential amendments arising from revisions to IFRS3 on IAS28 Investments in Associates; IAS31 Interests in Joint Ventures

Amendments to IAS28 and IAS31 extend the treatment required for loss of control to these standards. For partial disposals of associates and joint ventures, the amended standards stipulate that if an investor loses significant influence over an associate, it derecognises that associate and recognises in profit or loss the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost. A similar treatment is required when an investor loses joint control over a jointly controlled entity. The possible impact of this standard is currently being evaluated.

2. Significant accounting policies (continued)

Accounting pronouncements not yet adopted (continued)

IFRS8 Operating Segments

This standard is effective for annual periods beginning on or after January 1, 2009. The significant change to the standard is that it requires segments to be disclosed based on the information that management uses to make decisions about operating matters. IFRS8 sets out the requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS8 further requires the entity to disclose factors used to identify the entity's operating segments and type of products and services from which each operating segment derives its revenues. The impact of this standard is currently being evaluated.

IAS1 Presentation of Financial Statements (revised)

The revised standard is effective for annual periods beginning on or after January 1, 2009. The changes made to IAS1 require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable users to analyse changes in a Group's equity resulting from transactions with owners in their capacity as owners (such as dividends and share repurchases) separately from 'non-owner' changes (such as transactions with third parties). The revised standard gives preparers of financial statements the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements.

The revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles will be used in accounting standards, but are not mandatory for use in financial statements. The impact of this standard will be that the presentation of the financial statements will change.

IAS23 Borrowing Costs

The revised standard requires all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised. The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009. The Group does not expect the adoption of the standard to have a material impact since the Group has always applied the allowed alternative of capitalising borrowing costs under the current standard.

Amendment to IAS32 Financial Instruments Presentation and IAS1 Presentation of Financial Statements, puttable financial instruments

The amendment is effective for annual periods beginning on or after January 1, 2009. In January 2008, the IASB amended IAS32 and IAS1 Presentation of Financial Statements with respect to the balance sheet classification of puttable financial instruments and obligations arising only on liquidation. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the residual interest in the net assets of the entity. The impact of this amended standard is currently being evaluated.

IFRIC12 Service Concession Arrangements

The interpretation is effective for annual periods beginning on or after January 1, 2008. The interpretation clarifies that contractual service arrangements do not convey the right to control the use of the public service infrastructure to the operator, instead the operator acts as a service provider. The infrastructure under these arrangements shall therefore not be recognised as the property, plant and equipment of the operator. The operator shall recognise and measure revenue in accordance with IAS11 and IAS18 for the services it performs. The operator should recognise the asset as an intangible asset for the right (or licence) it receives to charge the users of the public service or as a financial asset when it has the right to receive cash from the grantor for construction services. The interpretation provides guidance on the recognition and measurement of the various aspects of service concession arrangements from an operator's perspective. The impact of this interpretation is currently being evaluated.

IFRIC13 Customer Loyalty Programmes

The interpretation is effective for annual periods beginning on or after July 1, 2008. The interpretation addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. It specifically requires these entities to recognise the obligation to provide free or discounted goods or services ('awards') to customers who redeem award credits. The interpretation requires companies to estimate the value of the points to the customer and defer this amount of revenue and recognise a liability until they have fulfilled their obligations to supply awards. In effect, the award is accounted for as a separate component of the sale transaction. The possible impact of this interpretation is currently being evaluated.

IFRIC14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation is effective for annual periods beginning on or after January 1, 2008. The interpretation addresses the interaction between a minimum funding requirement and the limit placed by paragraph 58 of IAS19 on the measurement of the defined benefit asset. When determining the limit on a defined benefit asset in accordance with IAS19.58, IFRIC14 requires an entity to measure any economic benefits available to them in the form of refunds or reductions in future contributions at the maximum amount that is consistent with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan. The interpretation states that the employer only needs to have an unconditional right to use the surplus at some point during the life of the plan or on its wind up in order for a surplus to be recognised. The Group is currently evaluating the potential impact that the interpretation will have on the financial position or results of operations.

Significant accounting judgements and estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future, actual results may ultimately differ from those estimates.

2. Significant accounting policies (continued)

Significant accounting judgements and estimates (continued)

The presentation of the results of operations, financial position and cash flows in the financial statements of the Group is dependent upon and sensitive to the accounting policies, assumptions and estimates that are used as a basis for the preparation of these financial statements. Management has made certain judgements in the process of applying the Group's accounting policies. These, together with the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, are as follows:

Revenue recognition

To reflect the substance of each transaction, revenue recognition criteria are applied to each separately identifiable component of a transaction. In order to account for multiple-element revenue arrangements in developing its accounting policies, the Group considered the guidance contained in the United States Financial Accounting Standards Board ('FASB') Emerging Issues Task Force No 00-21 Revenue Arrangements with Multiple Deliverables. Judgement is required to separate those revenue arrangements that contain the delivery of bundled products or services into individual units of accounting, each with its own earnings process, when the delivered item has stand-alone value and the undelivered item has fair value. Further judgement is required to determine the relative fair values of each separate unit of accounting to be allocated to the total arrangement consideration. Changes in the relative fair values could affect the allocation of arrangement consideration between the various revenue streams.

Judgement is also required to determine the expected customer relationship period. Any changes in these assessments may have a significant impact on revenue and deferred revenue.

Property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation for each of the individual categories of property, plant, equipment and intangible assets. Due to the rapid technological advancement in the telecommunications industry as well as Telkom's plan to migrate to a next generation network over the next few years, the estimation of useful lives could differ significantly on an annual basis due to unexpected changes in the roll-out strategy. The impact of the change in the expected useful life of property, plant and equipment is described more fully in note 5.6. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives and what their condition will be like at that time.

For intangible assets that incorporate both a tangible and intangible portion, management uses judgement to assess which element is more significant to determine whether it should be treated as property, plant and equipment or intangible assets.

Asset retirement obligations

Management judgement is exercised when determining whether an asset retirement obligation exists, and in determining the present value of expected future cash flows and discount rate when the obligation to dismantle or restore the site arises, as well as the estimated useful life of the related asset.

Impairments of property, plant and equipment and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that an impairment exists. The Group applies the impairment assessment to its separate cash-generating units. This requires management to make significant judgements concerning the existence of impairment indicators, identification of separate cash-generating units, remaining useful lives of assets and estimates of projected cash flows and fair value less costs to sell. Management judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount of a cash-generating unit requires management to make assumptions to determine the fair value less costs to sell and value in use. Key assumptions on which management has based its determination of fair value less costs to sell include the existence of binding sale agreements, and for the determination of value in use include projected revenues, gross margins, average revenue per asset component, capital expenditure, expected customer bases and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of any impairment.

Impairment of other financial assets

At each balance sheet date management assesses whether there are indicators of impairment of financial assets, including equity investments. If such evidence exists, the estimated present value of the future cash flows of that asset is determined. Management judgement is required when determining the expected future cash flows. To determine whether the decline in fair value is prolonged, reliance is placed on an assessment by management regarding the future prospects of the investee. In measuring impairments, quoted market prices are used, if available, or projected business plan information from the investee is used for those financial assets not carried at fair value.

Impairment of receivables

An impairment is recognised on trade receivables that are assessed to be impaired. The impairment is based on an assessment of the extent to which customers have defaulted on payments already due and an assessment on their ability to make payments based on their credit worthiness and historical write-offs experience. Should the assumptions regarding the financial condition of the customer change, actual write-offs could differ significantly from the impaired amount.

2. Significant accounting policies (continued)

Significant accounting judgements and estimates (continued)

Leases

The determination of whether an arrangement is, or contains a lease is based on whether, at the date of inception, the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership.

Deferred taxation asset

Management judgement is exercised when determining the probability of future taxable profits which will determine whether deferred tax assets should be recognised or derecognised. The realisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income, taking into account any legal restrictions on the length and nature of the taxation asset. When deciding whether to recognise unutilised taxation credits, management needs to determine the extent that future payments are likely to be available for set-off. In the event that the assessment of future payments and future utilisation changes, the change in the recognised deferred tax asset must be recognised in profit or loss.

Taxation

The tax rules and regulations in South Africa as well as the other African countries within which the Group operates are highly complex and subject to interpretation. Additionally, for the foreseeable future, management expects South African tax laws to further develop through changes in South Africa's existing tax structure as well as clarification of the existing tax laws through published interpretations and the resolution of actual tax cases.

Management has made a judgement that all outstanding tax credits will be available for utilisation before the tax regime change is effective, despite the change of "secondary tax on companies" to withholding tax.

The growth of the Group, following its geographical expansion into other African countries over the past few years, has made the estimation and judgement required in recognising and measuring deferred taxation balances more challenging. The resolution of taxation issues is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxation jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of taxation liabilities for an accounting period result 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 the current taxation payments.

Group entities are regularly subject to evaluation, by the relevant tax authorities, of its historical tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain tax rules to the business of the relevant Group entities. 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 that exceeds management's estimate. The Group has historically filed, and continues to file, all required income tax returns. Management believes that the principles applied in determining the Group's tax obligations are consistent with the principles and interpretations of the relevant countries' tax laws.

Deferred taxation rate

Management makes judgements on the tax rate applicable based on the Group's expectations at balance sheet date on how the asset is expected to be recovered or the liability is expected to be settled.

Employee benefits

The Group provides defined benefit plans for certain post-employment benefits. The Group's net obligation in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits earned in return for services rendered. The obligation and assets related to each of the post-retirement benefits are determined through an actuarial valuation. The actuarial valuation relies heavily on assumptions as disclosed in note 29. The assumptions determined by management make use of information obtained from the Group's employment agreements with staff and pensioners, market related returns on similar investments, market related discount rates and other available information. The assumptions concerning the expected return on assets and expected change in liabilities are determined on a uniform basis, considering long-term historical returns and future estimates of returns and medical inflation expectations. In the event that further changes in assumptions are required, the future amounts of post-retirement benefits may be affected materially.

The discount rate reflects the average timing of the estimated defined benefit payments. The discount rate is based on long term South African government bonds with the longest maturity period as reported by the Bond Exchange of South Africa. The discount rate is expected to follow the trend of inflation.

The overall expected rate of return on assets is determined based on the market prices prevailing at that date, applicable to the period over which the obligation is to be settled.

Telkom provides equity compensation in the form of the Telkom Conditional Share Plan to its employees. The related expense and reserve are determined through an actuarial valuation which relies heavily on assumptions. The assumptions include employee turnover percentages and whether specified performance criteria will be met. Changes to these assumptions could affect the amount of expense ultimately recognised in the financial statements.

2. Significant accounting policies (continued)

Significant accounting judgements and estimates (continued)

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes 28 and 38 respectively. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Provisions are discounted where the effect of discounting is material based on management's judgement. 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. The Group is required to recognise provisions for claims arising from litigation when the occurrence of the claim is probable 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.

Held-to-maturity financial assets

Management have reviewed the Group's held-to-maturity financial assets in the light of its capital management and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity.

Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements include those of Telkom, its foreign and domestic subsidiaries and joint ventures. Subsidiaries are those entities over which financial and operating policies the Group has the ability to exercise control, so as to obtain majority of the benefits from their activities. Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement. Joint ventures are accounted for using the proportionate consolidation method on a line by line basis. Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Transactions with jointly controlled entities together with related unrealised gains and losses and resulting balances are eliminated to the extent of the Group's interest in the entities. Consolidation commences from the date that effective control passes to the Group.

Business combinations

On acquisition of a subsidiary or joint venture, any excess of the purchase price over the fair value of the Group's interest in the net assets is recognised as goodwill. Minority interests are calculated on the fair value of assets and liabilities. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group has control.

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

Operating revenue

The Group provides fixed-line communication services, mobile communication services and other services. Other includes data services, directory services and communication related products. The Group provides such services to business, residential, payphone and mobile customers. Revenue represents the fair value of fixed or determinable consideration that has been received or is receivable.

Revenue for services is measured at amounts invoiced to customers and excludes Value Added Tax.

Revenue is recognised when there is evidence of an arrangement, collectability is reasonably assured, and the delivery of the product or service has occurred. In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The value of components is determined using verifiable objective evidence. The Group does not provide customers with the right to a refund.

Fixed-line and Other

Subscriptions, connections and other usage

The Group provides telephone and data communication services under post paid and prepaid payment arrangements. Revenue includes fees for installation and activation, which are deferred over the expected customer relationship period. Costs incurred on first time installations that form an integral part of the network are capitalised and depreciated over the expected average customer relationship period. All other installation and activation costs are expensed as incurred.

Post paid and prepaid service arrangements include subscription fees, typically monthly fees, which are recognised over the subscription period.

Revenue related to sale of communication equipment, products and value-added services is recognised upon delivery and acceptance of the product or service by the customer.

Traffic (Domestic, Fixed-to-mobile and International)

Prepaid

Prepaid traffic service revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period, whichever comes first. The terms and conditions of certain prepaid products allow the carry over of unused minutes. Revenue related to the carry over of unused minutes is deferred until usage or expiration.

2. Significant accounting policies (continued)

Operating revenue (continued)

Fixed-line and Other (continued)

Traffic (Domestic, Fixed-to-mobile and International) (continued)

Payphones

Payphone service coin revenue is recognised when the service is provided.

Payphone service card revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period, whichever comes first.

Telkom provides incentives to its retail payphone card distributors as trade discounts. Revenue for retail payphone cards is recorded as traffic revenue, net of these discounts as the cards are used.

Postpaid

Revenue related to local, long distance, network-to-network, roaming and international call connection services is recognised when the call is placed or the connection provided.

Interconnection

Interconnection revenue for call termination, call transit, and network usage is recognised as the traffic flow occurs.

Data

The Group provides data communication services under post paid and prepaid payment arrangements. Revenue includes fees for installation and activation, which are deferred over the expected average customer relationship period. Costs incurred on first time installations that form an integral part of the network are capitalised and depreciated over the life of the expected average customer relationship period. All other installation and activation costs are expensed as incurred. Post paid and prepaid service arrangements include subscription fees, typically monthly fees, which are recognised over the subscription period.

Directory services

Included in other are directory services. Revenue is recognised when paper directories are released for distribution, as the significant risks and rewards of ownership have been transferred to the buyer. Electronic directories' revenue is recognised on a monthly basis, as earned.

Sundry revenue

Sundry revenue is recognised when the economic benefit flows to the Group and the earnings process is complete.

Dealer incentives

Telkom provides incentives to its retail payphone card distributors as trade discounts. Incentives are based on sales volume and value. Revenue for retail payphone cards is recorded as traffic revenue, net of these discounts as the cards are used.

Mobile

The Vodacom 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.

Contract products

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

Vodacom revenue from the handset is recognised when the product is delivered limited to the amount of cash received. Monthly service revenue received from the customer is recognised in the period in which the service is delivered. Airtime revenue is recognised on the usage basis. The terms and conditions of the bundled airtime products, where applicable, allow the carry over of unused airtime. 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.

Prepaid products

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

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

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

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

2. Significant accounting policies (continued)
Operating revenue (continued)
Mobile (continued)
Data

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 amounts billed to the customer or the amount receivable by the Group as commission for facilitating the service.

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 sales to third party service providers.

Mobile number portability

Revenue transactions from mobile number portability are accounted for in terms of current business rules and revenue recognition policies above.

Interest on debtors' accounts

Interest is raised on overdue accounts on an effective interest rate method and recognised in the income statement.

Marketing

Marketing costs are recognised as an expense as incurred.

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.

Investment income

Dividends from investments are recognised on the date that the Group is entitled to the dividend. Interest is recognised on a time proportionate basis taking into account the principal amount outstanding and the effective interest rate.

Taxation

Current taxation

The charge for current taxation is based on the results for the year and is adjusted for non-taxable income and non-deductible expenditure. Current taxation is measured at the amount expected to be paid to the taxation authorities, using taxation rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred taxation is accounted for using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is not provided on the initial recognition of goodwill or 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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses, unused tax credits and deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised, except in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures. Deferred income tax assets are recognised only to the extent that it is probable that temporary differences will reverse in the foreseeable future and taxable profit will be available against which temporary differences can be utilised.

Deferred tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Exchange differences arising from the translation of foreign deferred 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.

Secondary taxation on companies

Secondary taxation on companies ('STC') is provided for at a rate of 10% (12.5% before October 1, 2007) on the amount by which dividends declared by the Group exceeds dividends received. Deferred tax on unutilised STC credits is recognised to the extent that STC payable on future dividend payments is likely to be available for set-off.

Property, plant and equipment

At initial recognition acquired property, plant and equipment are recognised at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. The recognised cost includes any directly attributable costs for preparing the asset for its intended use. The cost of an item of property, plant and equipment is recognised as an asset if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is charged from the date the asset is available for use on a straight-line basis over the estimated useful life and ceases at the earlier of the date that the asset is classified as held for sale and the date the asset is derecognised. Idle assets continue to attract depreciation.

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

The estimated useful life of individual assets and the depreciation method thereof are reviewed on an annual basis at balance sheet date. The depreciable amount is determined after taking into account the residual value of the asset. The residual value is the estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual values of assets are reviewed on an annual basis at balance sheet date.

Assets under construction represents freehold buildings, integral operating software, network and support equipment and includes all direct expenditure as well as related borrowing costs capitalised, but excludes the costs of abnormal amounts of waste material, labour, or other resources incurred in the production of self-constructed assets.

Freehold land is stated at cost and is not depreciated. Amounts paid by the Group on improvements to assets which are held in terms of operating lease agreements are depreciated on a straight-line basis over the shorter of the remaining useful life of the applicable asset or the remainder of the lease period. Where it is reasonably certain that the lease agreement will be renewed, the lease period equals the period of the initial agreement plus the renewal periods.

The estimated useful lives assigned to groups of property, plant and equipment are:

	Years
Freehold buildings	15 to 40
Leasehold buildings	7 to 25
Network equipment	
Cables	20 to 40
Switching equipment	2 to 18
Transmission equipment	5 to 18
Other	1 to 20
Support equipment	5 to 13
Furniture and office equipment	2 to 15
Data processing equipment and software	3 to 10
Other	2 to 15

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

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.

Intangible assets

Goodwill

Goodwill on acquisition is initially measured as being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, allocated to cash-generating units where relevant. Goodwill on the acquisition of subsidiaries and joint ventures is included in intangible assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses, once the impairment is recognised it is not reversed. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Licences, software, trademarks, copyrights and other

At initial recognition acquired intangible assets are recognised at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. The recognised cost includes any directly attributable costs for preparing the asset for its intended use. Internally generated intangible assets are recognised at cost comprising all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by management. Licences, software, trademarks, copyrights and other intangible assets are carried at cost less accumulated amortisation and any accumulated impairmentlosses. Amortisation commences when the intangible assets are available for their intended use and is recognised on a straight-line basis over the assets' expected useful lives. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The residual value of intangible assets is the estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Due to the nature of the asset the residual value is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or when there is an active market that is likely to exist at the end of the asset's useful life, which can be used to estimate the residual values. The residual values of intangible assets, amortisation methods and their useful lives are reviewed on an annual basis at balance sheet date.

Intangible assets with indefinite useful lives and intangible assets not yet available for use, are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

2. Significant accounting policies (continued)

Intangible assets (continued)

Licences, software, trademarks, copyrights and other (continued)

Assets under construction represent application and other non integral software and includes all direct expenditure as well as related borrowing costs capitalised, but excludes the costs of abnormal amounts of waste material, labour, or other resources incurred in the production of self-constructed assets.

Intangible assets are derecognised when they have been disposed of or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of assets are recognised in the income statement in the year in which they arise.

The expected useful lives assigned to intangible assets are:

	Years
Licences	5 to 30
Software	2 to 10
Trademarks, copyrights and other	3 to 15

Asset retirement obligations

Asset retirement obligations related to property, plant and equipment and intangible assets are recognised at the present value of expected future cash flows when the obligation to dismantle or restore the site arises. The increase in the related asset's carrying value is depreciated over its estimated useful life. The unwinding of the discount is included in finance charges and fair value movements. 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 increases or decreases to the original cost of the recognised assets. If the amount deducted exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.

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. Assets are no longer depreciated when they are classified into the category.

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.

Impairment of property, plant and equipment and intangible assets

The Group regularly reviews its assets, other than financial instruments, and cash-generating units for any indication of impairment. When indicators, including changes in technology, market, economic, legal and operating environments occur and could result in changes of the asset's or cash-generating unit's estimated recoverable amount, an impairment test is performed.

The recoverable amount of assets or cash-generating units is measured using the higher of the fair value less costs to sell and its value in use, which is the present value of projected cash flows covering the remaining useful lives of the assets. Impairment losses are recognised when the asset's carrying value exceeds its estimated recoverable amount. Where applicable, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Previously recognised impairment losses, other than goodwill, are reviewed annually for any indication that it may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. Such impairment losses are reversed through the income statement if the recoverable amount has increased as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. Impairment on goodwill is not reversed.

Repairs and maintenance

The Group expenses all costs associated with repairs and maintenance, unless it is probable that such costs would result in increased future economic benefits flowing to the Group, and the costs can be reliably measured.

Borrowing costs

Financing costs directly associated with the acquisition or construction of assets that require more than three months to complete and place in service are capitalised at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of Group borrowings was utilised. Other borrowing costs are expensed as incurred.

Deferred revenue and expenses

Activation revenue and costs are recognised in accordance with the principles contained in Emerging Issues Task Force Issue No 00-21, Revenue Arrangements with Multiple Deliverables ('EITF 00-21'), issued in the United States. This results in activation revenue and costs up to the amount of the deferred revenue being deferred and recognised systematically over the expected duration of the customer relationship because it is considered to be part of the customers' ongoing rights to telecommunication services and the operator's continuing involvement. The excess of the costs over revenues is expensed immediately.

Inventories

Installation material, maintenance and network equipment inventories are stated at the lower of cost, determined on a weighted average basis, or estimated net realisable value. Merchandise inventories are stated at the lower of cost, determined on a first-in first-out ('FIFO') basis, or estimated net realisable value. Write-down of inventories arises when, for example, goods are damaged or when net realisable value is lower than carrying value.

2. Significant accounting policies (continued)

Financial instruments

Recognition and initial measurement

All financial instruments are initially recognised at fair value, plus, in the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue. Financial instruments are recognised when the Group becomes a party to their contractual arrangements. All regular way transactions are accounted for on settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Subsequent to initial recognition, the Group classifies financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables', or 'available-for-sale'. The measurement of each is set out below and presented in a table in note 12.

The fair value of financial assets and liabilities that are actively traded in financial markets is determined by reference to quoted market prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques such as discounted cash flow analysis.

Financial assets at fair value through profit or loss

The Group classifies financial assets that are held for trading in the category 'financial assets at fair value through profit or loss'. This category includes bills of exchange and promissory notes. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the future. Derivatives not designated as hedges are also classified as held for trading. On remeasurement to fair value the gains or losses on held for trading financial assets are recognised in net finance charges and fair value movements for the year.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'finance charges and fair value movements' in the period which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payment is established.

Held-to-maturity financial assets

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity dates as held-to-maturity when the Group has the positive intention and ability to hold to maturity. This category includes bills of exchange and promissory notes. These assets are subsequently measured at amortised cost. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method. This calculation includes all fees paid or received between parties to the contract. For investments carried at amortised cost, gains and losses are recognised in net profit or loss when the investments are sold or impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Trade receivables are subsequently measured at the original invoice amount where the effect of discounting is not material.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative assets that are designated as available-for-sale, or are not classified in any of the three preceding categories. Equity instruments are all treated as available-for-sale financial instruments. After initial recognition, available-for-sale financial assets are measured at fair value, with gains and losses being recognised as a separate component of equity.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised directly in equity. When an investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss ('FVTPL') where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading:

- if it is acquired for the purpose of settling in the near term; or
- if it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at a FVTPL are stated at fair value, with any resultant gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised in finance charges and fair value movements, on an effective yield basis.

The effective interest rate is the rate that accurately discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial guarantee contracts

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less, when appropriate, cumulative amortisation, recognised in accordance with IAS18 Revenue.

2. Significant accounting policies (continued)

Financial instruments (continued)

Put option

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

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. This comprise cash on hand, deposits held on call and term deposits with an initial maturity of less than three months when entered into.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents defined above, net of credit facilities utilised.

Capital and money market transactions

New bonds and commercial paper bills issued are subsequently measured at amortised cost using the effective interest rate method.

Bonds issued where Telkom is a buyer and seller of last resort are carried at fair value. The Group does not actively trade in bonds.

Derecognition

A financial instrument or a portion of a financial instrument will be derecognised and a gain or loss recognised when the Group's contractual rights expire, financial assets are transferred or financial liabilities are extinguished. On derecognition of a financial asset or liability, the difference between the consideration and the carrying amount on the settlement date is included in finance charges and fair value movements for the year. For available-for-sale assets, the fair value adjustment relating to prior revaluations of assets is transferred from equity and recognised in finance charges and fair value movements for the year.

Bonds and commercial paper bills are derecognised when the obligation specified in the contract is discharged. The difference between the carrying value of the bond and the amount paid to extinguish the obligation is included in finance charges and fair value movements for the year.

Impairment of financial assets

At each balance sheet date an assessment is made of whether there are any indicators of impairment of a financial asset or a group of financial assets based on observable data about one or more loss events that occurred after the initial recognition of the asset or the group of assets. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. The recoverable amount of financial assets carries at amortised cost is calculated as the present value of expected future cash flows discounted at the original effective interest rate of the asset.

If, in a subsequent period, the amount of the impairment loss for financial assets decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed except for those financial assets classified as available-for-sale and carried at cost that are not reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of equity instruments classified as available-for-sale are not recognised. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised through the income statement.

Foreign currencies

Each entity within the Group determines its functional currency. The Group's presentation currency is the South African Rand ('ZAR').

Transactions denominated in foreign currencies are measured at the rate of exchange at transaction date. Monetary items denominated in foreign currencies are remeasured at the rate of exchange at settlement date or balance sheet date whichever occurs first. Exchange differences on the settlement or translation of monetary assets and liabilities are included in finance charges and fair value movements in the period in which they arise.

The annual financial statements of foreign operations are translated into South African Rand, the Group's presentation currency, for incorporation into the consolidated annual financial statements. Assets and liabilities are translated at the foreign exchange rates ruling at the balance sheet date. Income, expenditure and cash flow items are measured 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.

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

Goodwill and intangible assets 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.

Treasury shares

Where the Group acquires, or in substance acquires, Telkom shares, such shares are measured at cost and disclosed as a reduction of equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Such shares are not remeasured for changes in fair value.

2. Significant accounting policies (continued)

Insurance contracts

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.

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.

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.

A reserve in equity is made for the full amount of the contingency reserve as required by the regulatory authorities in South Africa. Transfers to and from this reserve are treated as appropriations of retained earnings.

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Where the Group enters into a service agreement as a supplier or a customer that depends on the use of a specific asset, and conveys the right to control the use of the specific asset, the arrangement is assessed to determine whether it contains a lease. Once it has been concluded that an arrangement contains a lease, it is assessed against the criteria in IAS17 to determine if the arrangement should be recognised as a finance lease or operating lease.

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification unless it is impracticable to do so.

Lessee

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Assets acquired in terms of finance leases are capitalised at the lower of fair value or the present value of the minimum lease payments at inception of the lease and depreciated over the lesser of the useful life of the asset or the lease term. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease finance costs are amortised in the income statement over the lease term using a constant periodic rate of interest. Where a sale and leaseback transaction results in a finance lease, any excess of sale proceeds over the carrying amount is deferred and recognised in the income statement over the term of the lease.

Lessor

Operating lease revenue is recognised in the income statement on a straight-line basis over the lease term.

Assets held under a finance lease are recognised in the balance sheet and presented as a receivable at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

Employee benefits

Post-employment benefits

The Group provides defined benefit and defined contribution plans for the benefit of employees. These plans are funded by the employees and the Group, taking into account recommendations of the independent actuaries. The post-retirement telephone rebate liability is unfunded.

Defined contribution plans

The Group's funding of the defined contribution plans is charged to employee expenses in the same year as the related service is provided.

Defined benefit plans

The Group provides defined benefit plans for pension, retirement, post-retirement medical aid benefits and telephone rebates to qualifying employees. The Group's net obligation in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits earned in return for services rendered.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations, calculated by using the projected unit credit method, as adjusted for unrecognised actuarial gains and losses, unrecognised past service costs and reduced by the fair value of the related plan assets. The amount of any surplus recognised and reflected as deferred expenses is limited to unrecognised actuarial losses and past service costs plus the present value of available refunds and reductions in future contributions to the plan. To the extent that there is uncertainty as to the entitlement to the surplus, no asset is recognised. No gain is recognised solely as a result of an actuarial loss or past service cost in the current period and no loss is recognised solely as a result of an actuarial gain or past service cost in the current period.

Actuarial gains and losses are recognised as employee expenses when the cumulative unrecognised gains and losses for each individual plan exceed 10% of the greater of the present value of the Group's obligation and the fair value of plan assets at the beginning of the year. These gains or losses are amortised on a straight-line basis over ten years for all the defined benefit plans, except gains or losses related to the pensioners in the Telkom Retirement Fund or unless the standard required faster recognition. For the Telkom Retirement Fund pensioners, the cumulative unrecognised actuarial gains and losses in excess of the 10% corridor at the beginning of the year are recognised immediately.

2. Significant accounting policies (continued)

Employee benefits (continued)

Defined benefit plans (continued)

Past service costs are recognised immediately to the extent that the benefits are vested, otherwise they are recognised on a straight-line basis over the average period the benefits become vested.

Leave benefits

Annual leave is provided for over the period that the leave accrues and is subject to a cap of 22 days.

Workforce reduction

Workforce reduction expenses are payable when employment is terminated before the normal retirement age or when an employee accepts voluntary redundancy in exchange for benefits. Workforce reduction benefits are recognised when the entity is demonstrably committed and it is probable that the expenses will be incurred. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

Deferred bonus incentives

Employees of the wholly owned subsidiaries of Vodacom, 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.

Share-based compensation

The grants of equity instruments, made to employees in terms of the Telkom Conditional Share Plan, are classified as equity-settled share-based payment transactions. The expense relating to the services rendered by the employees, and the corresponding increase in equity, is measured at the fair value of the equity instruments at their date of grant based on the market price at grant date, adjusted for the lack of entitlement to dividends during the vesting period. This compensation cost is recognised over the vesting period, based on the best available estimate at each balance sheet date of the number of equity instruments that are expected to vest.

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the year the employees render services, unless the Group uses the services of employees in the construction of an asset and the benefits received meet the recognition criteria of an asset, at which stage it is included as part of the related property, plant and equipment or intangible asset item.

Long-term incentive provision

The Vodacom 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 are recognised as employee expenses.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

Segmental reporting

As of the beginning of the year the Group identified a new segment called 'Other', and is now managed in three business segments, which form the primary segment reporting basis: Fixed-line, Mobile and Other. The Other business segment includes newly acquired Multi-Links Telecommunications Limited and Africa Online Limited, as well as the Telkom Media Group. It also includes TDS Directory Operations Group and Swiftnet (Proprietary) Limited, which were previously included in the Fixed-line segment. The corporate information has also been updated to reflect the above changes.

The Group's three segments operate in South Africa, and other African countries. The geographical location of the Group's customers has been identified as the secondary basis for segment reporting.

The Fixed-line business segment provides local telephony and data, domestic and international long-distance services as well as leased lines, data transmission and internet access.

The Mobile business segment provides mobile telephony services as well as the sale of mobile equipment.

The Other business segment provides directory services, fixed, mobile, data and international telecommunication services throughout other African countries.

Inter-segment transactions are accounted for in the same way as transactions to third parties at current market prices.

	2006 Rm	2007 Rm	2008 Rm
3. Revenue			
3.1 Total revenue	48,260	52,157	56,865
Operating revenue	47,625	51,619	56,285
Other income (excluding profit on disposal of property, plant and equipment, intangible assets and investments, refer to note 4)	238	303	383
Investment income (refer to note 6)	397	235	197
3.2 Operating revenue	47,625	51,619	56,285
Fixed-line	31,832	32,345	32,572
Mobile	17,021	20,573	24,089
Other	952	979	1,993
Eliminations	(2,180)	(2,278)	(2,369)
Fixed-line	31,832	32,345	32,572
Subscriptions, connections and other usage	5,803	6,286	6,330
Traffic	17,563	16,740	15,950
Domestic (local and long distance)	8,915	7,563	6,328
Fixed-to-mobile	7,647	7,646	7,557
International (outgoing)	1,001	988	986
Subscription based calling plans *	–	543	1,079
Interconnection	1,654	1,639	1,757
Data	6,674	7,489	8,308
Sundry revenue	138	191	227
Mobile	17,021	20,573	24,089
Airtime and access	10,043	11,854	13,548
Data revenue	1,019	1,671	2,501
Interconnect revenue	3,348	3,918	4,443
Equipment sales	1,993	2,350	2,526
International airtime	486	653	918
Other	132	127	153

*The Group has reclassified calling plans from domestic traffic into a separate revenue line item to disclose revenue earned from subscription based calling plans. Amounts for the year ended March 31, 2006 were not restated as they were considered to be immaterial.

Fixed-line revenue has been restated as a result of changes in the segment structure.

	2006 Rm	2007 Rm	2008 Rm
4. Other income	480	384	534
Other income (included in Total revenue, refer to note 3)	238	303	383
Interest received from trade receivables	136	190	257
Sundry income	102	113	126
Profit on disposal of property, plant and equipment and intangible assets	79	29	147
Profit on disposal of investment and subsidiary	163	52	4

The increase in profit on disposal of property, plant and equipment and intangible assets is due to the increased volumes and values on the sale of Telkom properties in alignment with Telkom's strategy of disposing of non-core assets.

		2006 Rm	2007 Rm	2008 Rm
5.	**Operating expenses**			
	Operating expenses comprise:			
5.1	Employee expenses	7,489	8,454	9,220
	Salaries and wages	5,566	6,362	7,144
	Medical aid contributions	371	385	417
	Retirement contributions	435	496	598
	Post-retirement pension and retirement fund (refer to note 29)	(58)	33	5
	Current service cost	4	5	5
	Interest cost	364	329	509
	Expected return on plan assets	(454)	(508)	(713)
	Actuarial loss/(gain)	78	(136)	(16)
	Settlement loss	–	21	(2)
	Asset limitation	(50)	322	222
	Post-retirement medical aid (refer to note 28 and 29)	361	330	278
	Current service cost	48	83	84
	Interest cost	249	286	322
	Expected return on plan asset	–	(188)	(257)
	Actuarial loss	63	149	129
	Settlement loss	7	–	–
	Curtailment gain	(6)	–	–
	Telephone rebates (refer to note 28 and 29)	19	104	27
	Current service cost	3	4	3
	Interest cost	16	19	22
	Past service cost	–	76	2
	Actuarial loss	–	5	–
	Share-based compensation expense (refer to note 23)	127	141	522
	Other benefits*	1,288	1,299	1,015
	Employee expenses capitalised	(620)	(696)	(786)

*Other benefits
Other benefits include skills development, annual leave, performance incentive and service bonuses.

		2006 Rm	2007 Rm	2008 Rm
5.2	Payments to other operators	6,826	7,590	9,169

Payments to other network operators consist of expenses in respect of interconnection with other network operators.

		2006 Rm	2007 Rm	2008 Rm
5.3	Selling, general and administrative expenses	10,273	12,902	14,409
	Selling and administrative expenses	7,240	9,248	10,352
	Maintenance	1,928	2,286	2,508
	Marketing	899	1,215	1,249
	Bad debts (refer to note 18)	206	153	300

	2006 Rm	2007 Rm	2008 Rm
5. Operating expenses (continued)			
5.4 Service fees	2,114	2,291	2,571
Facilities and property management	1,110	1,142	1,228
Consultancy services	182	266	291
Security and other	772	821	982
Auditors' remuneration	50	62	70
Audit services	38	61	69
Company auditors	28	48	46
Current year	26	47	43
Prior year underprovision	2	1	3
Other auditors – current year	10	13	23
Audit related services	9	–	1
Company auditors – current year	6	–	–
Other auditors	3	–	1
Other services	3	1	–

The increase in security costs is mainly attributable to Telkom's drive to minimise cable theft.

	2006 Rm	2007 Rm	2008 Rm
5.5 Operating leases	850	981	838
Land and buildings	221	284	170
Transmission and data lines	42	63	187
Equipment	78	80	50
Vehicles	509	554	431
5.6 Depreciation, amortisation, impairment and write-offs	5,876	5,315	6,130
Depreciation of property, plant and equipment (refer to note 10)	5,154	4,483	4,855
Amortisation of intangible assets (refer to note 11)	560	536	746
Impairment of property, plant and equipment and intangible assets (refer to note 10 and 11)	–	12	244
Reversal of impairment of property, plant and equipment (refer to note 10)	(26)	–	–
Write-offs of property, plant and equipment and intangible assets (refer to note 10 and 11)	188	284	285

In recognition of the changed usage patterns of certain items of property, plant and equipment and intangible assets, the Group reviewed their remaining useful lives as at March 31. The assets affected were certain items included in Network equipment, Support equipment, Furniture and office equipment, Data processing equipment and software and Intangible assets. The revised estimated useful lives of these assets as set out below, resulted in a decrease of the current year depreciation and amortisation charges of R198 million (2007: R983 million).

	Previous life Years	Revised life Years
5. Operating expenses (continued)		
5.6 Depreciation, amortisation, impairment and write-offs (continued)		
Property, plant and equipment		
Network equipment		
Switching equipment	5 – 18	2 – 18
Other	2 – 20	1 – 20
Support equipment	8 – 13	5 – 13
Furniture and office equipment	4 – 15	2 – 15
Data processing equipment and software	5 – 10	3 – 10
Intangible assets		
Subscriber bases	3 – 8	4 – 10
Software	5 –10	2 – 10

	2006 Rm	2007 Rm	2008 Rm
6. Investment income	397	235	197
Interest received	347	232	197
Dividends received from investments	50	3	–

Included in investment income is an amount of R169 million (2007: R222 million; 2006: R347 million) which relates to interest earned from financial assets not measured at fair value through profit or loss.

	2006 Rm	2007 Rm	2008 Rm
7. Finance charges and fair value movements	1,223	1,125	1,803
Finance charges on interest-bearing debt	1,346	1,327	1,885
Local debt	1,506	1,488	2,041
Foreign debt	9	–	19
Less: Finance costs capitalised	(169)	(161)	(175)
Foreign exchange gains and losses and fair value movement	(123)	(202)	(82)
Foreign exchange losses	47	246	114
Fair value adjustments on derivative instruments	(170)	(448)	(196)
Capitalisation rate	13.91%	14.77%	12.60%

During the year gains of R8 million (2007: RNil; 2006: RNil) from available-for-sale instruments were recognised directly in equity.

Included in finance charges is an amount of R1,831 million (2007: R1,321 million; 2006: R1,341 million) which relates to interest paid on financial liabilities not measured at fair value through profit or loss.

		2006 Rm	2007 Rm	2008 Rm
8.	**Taxation**	4,523	4,731	4,704
	South African normal company taxation	3,763	3,528	3,756
	Current tax	3,754	3,564	3,764
	Underprovision/(overprovision) for prior year	9	(36)	(8)
	Deferred taxation	173	516	219
	Temporary differences – normal company taxation	229	584	141
	Temporary difference – Secondary Taxation on Companies (‘STC’) tax credits utilised/(raised)	51	(69)	190
	Change in tax rate	–	–	(59)
	(Overprovision)/underprovision for prior year	(107)	1	(53)
	Secondary Taxation on Companies	585	670	678
	Foreign taxation	2	17	51

The net deferred taxation expense results mainly from the extension of useful lives, offset slightly by an increase in the STC tax credits.

The STC expense was provided for at a rate of 10% (12.5% before October 1, 2007) on the amount by which dividends declared exceeded dividends received. Deferred tax expense relating to STC credits are provided for at a rate of 10%.

Reconciliation of taxation rate	%	%	%
Effective rate	32.7	34.9	36.5
South African normal rate of taxation	29.0	29.0	29.0
Adjusted for:	3.7	5.8	7.5
Change in tax rate	–	–	(0.5)
Exempt income	(1.3)	(0.2)	(0.5)
Disallowable expenditure	0.9	1.2	2.9
Tax losses not utilised	0.6	–	(0.7)
STC tax credits utilised/(raised)	0.4	(0.3)	1.5
STC tax charge	4.2	4.9	5.3
Capital gains tax	–	0.8	–
Net overprovision for prior year	(1.1)	(0.5)	(0.5)
Utilisation of assessed loss	–	(0.1)	–

Where required, provisions have been made or adjusted for anticipated obligations related to various ongoing investigations by tax authorities on indirect taxes. The provisions made include estimates of anticipated interest and penalties where appropriate. As of March 31, 2008, the Group has accrued for tax obligations in the amount of RNil million (2007: RNil; 2006: R199 million). These amounts represent what management believes will be the probable outcome of such disputes for all tax years for which additional taxes can be assessed.

	2006	2007	2008
9. Earnings per share			
Basic earnings per share (cents)	1,746.1	1,681.0	1,565.0
The calculation of earnings per share is based on profit attributable to equity holders of Telkom for the year of R7,975 million (2007: R8,646 million; 2006: R9,189 million) and 509,595,092 (2007: 514,341,284; 2006: 526,271,095) weighted average number of ordinary shares in issue.			
Diluted earnings per share (cents)	1,736.6	1,676.3	1,546.9
The calculation of diluted earnings per share is based on earnings for the year of R7,975 million (2007: R8,646 million; 2006: R9,189 million) and 515,541,968 diluted weighted average number of ordinary shares (2007: 515,763,581; 2006: 529,152,320). The adjustment in the weighted average number of shares is as a result of the expected future vesting of shares already allocated to employees under the Telkom Conditional Share Plan.			
Headline earnings per share (cents)*	1,728.6	1,710.7	1,634.8
The calculation of headline earnings per share is based on headline earnings of R8,331 million (2007: R8,799 million; 2006: R9,097 million) and 509,595,092 (2007: 514,341,284; 2006: 526,271,095) weighted average number of ordinary shares in issue.			
Diluted headline earnings per share (cents)*	1,719.2	1,706.0	1,616.0
The calculation of diluted headline earnings per share is based on headline earnings of R8,331 million (2007: R8,799 million; 2006: R9,097 million) and 515,541,968 (2007: 515,763,581; 2006: 529,152,320) diluted weighted average number of ordinary shares in issue. The adjustment in the weighted average number of shares is as a result of the expected future vesting of shares already allocated to employees under the Telkom Conditional Share Plan.			
Reconciliation of weighted average number of ordinary shares:			
Ordinary shares in issue (refer to note 21)	557,031,821	544,944,901	532,855,530
Weighted average number of shares bought back	(7,211,710)	(7,442,253)	(1,594,241)
Weighted average number of treasury shares	(23,549,016)	(23,161,364)	(21,666,197)
Weighted average number of shares outstanding	526,271,095	514,341,284	509,595,092

*The disclosure of headline earnings is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with the South African Institute of Chartered Accountants' circular issued in this regard.

The effect of the increase in the interest expense as a result of the increase in borrowings is a reduction in the basic earnings per share of 63.4 cents and a reduction in headline earnings per share of 62.7 cents.

	Gross* Rm	Net Rm
9. Earnings per share (continued)		
2008		
Reconciliation between earnings and headline earnings:		
Earnings as reported		7,975
Profit on disposal of investments (Available-for-sale)	(4)	(3)
Profit on disposal of property, plant and equipment and intangible assets	(147)	(104)
Impairment loss on property, plant and equipment and intangible assets	248	244
Write-offs of property, plant and equipment and intangible assets	285	219
Headline earnings		8,331
2007		
Reconciliation between earnings and headline earnings:		
Earnings as reported		8,646
Profit on disposal of investments (Available-for-sale)	(52)	(37)
Profit on disposal of property, plant and equipment and intangible assets	(29)	(21)
Impairment loss on property, plant and equipment and intangible assets	12	9
Write-offs of property, plant and equipment and intangible assets	284	202
Headline earnings		8,799
2006		
Reconciliation between earnings and headline earnings:		
Earnings as reported		9,189
Profit on disposal of investments (Available-for-sale)	(163)	(116)
Profit on disposal of property, plant and equipment and intangible assets	(79)	(56)
Reversal of impairment loss on property, plant and equipment and intangible assets	(26)	(18)
Write-offs of property, plant and equipment and intangible assets	188	133
Acquisition of subsidiary	(35)	(35)
Headline earnings		9,097

*These are the gross amounts, before deducting taxation and minority interests.

	2006	2007	2008
Reconciliation of diluted weighted average number of ordinary shares:			
Weighted average number of share outstanding	526,271,095	514,341,284	509,595,092
Expected future vesting of shares	2,881,225	1,422,297	5,946,876
Diluted weighted average number of shares outstanding	529,152,320	515,763,581	515,541,968
Dividend per share (cents)	900.0	900.0	1,100.0

The calculation of dividend per share is based on dividends of R5,627 million (2007: R4,678 million; 2006: R4,801 million) declared on June 8, 2007 and 511,513,239 (2007: 519,711,238; 2006: 533,465,573) number of ordinary shares outstanding on the date of dividend declaration. The reduction in the number of shares represents the number of treasury shares held on date of payment.

	2006 Cost Rm	2006 Accumulated depreciation Rm	2006 Carrying value Rm	2007 Cost Rm	2007 Accumulated depreciation Rm	2007 Carrying value Rm	2008 Cost Rm	2008 Accumulated depreciation Rm	2008 Carrying value Rm
10. Property, plant and equipment									
Freehold land and buildings	4,510	(1,811)	2,699	4,594	(1,837)	2,757	4,931	(2,010)	2,921
Leasehold buildings	940	(322)	618	926	(362)	564	1,052	(418)	634
Network equipment	59,418	(30,477)	28,941	63,003	(31,820)	31,183	69,572	(35,214)	34,358
Support equipment	3,740	(2,419)	1,321	4,045	(2,436)	1,609	4,355	(2,635)	1,720
Furniture and office equipment	469	(335)	134	536	(366)	170	568	(377)	191
Data processing equipment and software	5,612	(3,530)	2,082	5,836	(3,707)	2,129	6,279	(3,904)	2,375
Under construction	1,320	–	1,320	2,536	–	2,536	4,200	–	4,200
Other	552	(393)	159	860	(554)	306	1,046	(630)	416
	76,561	(39,287)	37,274	82,336	(41,082)	41,254	92,003	(45,188)	46,815

A major portion of this capital expenditure relates to the expansion of existing networks and services. An extensive build program with focus on Next Generation Network technologies has resulted in an increase in property, plant and equipment additions which is expected to continue over the next few years.

Fully depreciated assets with a cost of R498 million (2007: R1,225 million; 2006: R3,724 million) were derecognised in the 2008 financial year. This has reduced both the cost price and accumulated depreciation of property, plant and equipment.

Property, plant and equipment with a carrying value of R681 million (2007: R575 million; 2006: R624 million) are pledged as security. Details of the loans are disclosed in note 27.

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year Rm	Additions Rm	Business combi-nations Rm	Transfers Rm	Foreign currency trans-lation Rm	Impair-ment, write-offs and reversals Rm	Disposals Rm	Depre-ciation Rm	Carrying value at end of year Rm
2008									
Freehold land and buildings	2,757	300	22	27	2	(3)	(8)	(176)	2,921
Leasehold buildings	564	136	26	32	1	(67)	(1)	(57)	634
Network equipment	31,183	5,167	404	1,301	272	(136)	(107)	(3,726)	34,358
Support equipment	1,609	316	1	116	3	(8)	–	(317)	1,720
Furniture and office equipment	170	78	3	1	1	(8)	(1)	(53)	191
Data processing equipment and software	2,129	525	31	150	6	(19)	(2)	(445)	2,375
Under construction	2,536	3,416	135	(1,737)	2	(152)	–	–	4,200
Other	306	170	8	11	7	(2)	(3)	(81)	416
	41,254	10,108	630	(99)	294	(395)	(122)	(4,855)	46,815

	Carrying value at beginning of year Rm	Additions Rm	Business combi-nations Rm	Transfers Rm	Foreign currency trans-lation Rm	Impair-ment, write-offs and reversals Rm	Disposals Rm	Depre-ciation Rm	Carrying value at end of year Rm
10. Property, plant and equipment (continued)									
2007									
Freehold land and buildings	2,699	209	–	–	2	17	(1)	(169)	2,757
Leasehold buildings	618	–	–	1	–	–	(14)	(41)	564
Network equipment	28,941	5,154	1	849	240	(199)	(270)	(3,533)	31,183
Support equipment	1,321	442	–	109	2	(15)	–	(250)	1,609
Furniture and office equipment	134	51	3	8	1	–	–	(27)	170
Data processing equipment and software	2,082	466	12	(36)	8	(10)	(2)	(391)	2,129
Under construction	1,320	2,165	–	(912)	–	(37)	–	–	2,536
Other	159	161	–	58	4	(1)	(3)	(72)	306
	37,274	8,648	16	77	257	(245)	(290)	(4,483)	41,254
2006									
Freehold land and buildings	2,665	105	–	174	–	(22)	(21)	(202)	2,699
Leasehold buildings	618	75	–	(1)	–	–	–	(74)	618
Network equipment	28,336	2,622	–	2,228	(122)	(49)	(21)	(4,053)	28,941
Support equipment	1,355	130	–	106	(1)	(6)	(5)	(258)	1,321
Furniture and office equipment	155	19	–	4	–	–	–	(44)	134
Data processing equipment and software	2,035	381	1	153	(2)	(10)	(1)	(475)	2,082
Under construction	1,084	2,933	–	(2,622)	–	(75)	–	–	1,320
Other	200	45	–	(29)	(1)	–	(8)	(48)	159
	36,448	6,310	1	13	(126)	(162)	(56)	(5,154)	37,274

Full details of land and buildings are available for inspection at the registered offices of the Group.

In March 2006 the Group started a process of determining whether an asset which incorporates both a tangible and an intangible element, should be recognised as tangible or intangible assets, based on management judgement and on facts available and the significance of each element to the total value of the asset. This ongoing process has resulted in further assets with a carrying value to the net amount of R99 million (2007: R77 million ; 2006: R13 million) being reclassified between intangible assets and property, plant and equipment in the current year.

The Group does not have temporary idle property, plant and equipment.

During the current year, the Group recognised an impairment loss relating to Telkom Media assets. The recoverable amount for certain items of property, plant and equipment and intangible assets were estimated, and an impairment loss of R217 million was recognised in order to reduce the carrying amount of those assets to their recoverable amount. The impairment has been included in impairment, write-offs and reversals.

	2006 Cost Rm	2006 Accumulated amortisation Rm	2006 Carrying value Rm	2007 Cost Rm	2007 Accumulated amortisation Rm	2007 Carrying value Rm	2008 Cost Rm	2008 Accumulated amortisation Rm	2008 Carrying value Rm
11. Intangible assets									
Goodwill	305	–	305	673	–	673	3,255	–	3,255
Trademarks, copyrights and other	685	(472)	213	761	(521)	240	1,127	(633)	494
Licences	155	(95)	60	222	(116)	106	311	(140)	171
Software	5,607	(3,338)	2,269	6,720	(3,737)	2,983	8,106	(4,298)	3,808
Under construction	1,063	–	1,063	1,109	–	1,109	740	–	740
	7,815	(3,905)	3,910	9,485	(4,374)	5,111	13,539	(5,071)	8,468

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year Rm	Additions Rm	Business combi-nations Rm	Transfers Rm	Foreign currency trans-lation Rm	Impair-ment and write-offs Rm	Dis-posals Rm	Amorti-sation Rm	Carrying value at end of year Rm
2008									
Goodwill	673	492	1,727	–	375	(12)	–	–	3,255
Trademarks, copyrights and other	240	174	165	–	20	–	–	(105)	494
Licences	106	32	36	–	15	(3)	–	(15)	171
Software	2,983	739	–	713	9	(10)	–	(626)	3,808
Under construction	1,109	354	–	(614)	–	(109)	–	–	740
	5,111	1,791	1,928	99	419	(134)	–	(746)	8,468
2007									
Goodwill	305	186	173	–	9	–	–	–	673
Trademarks, copyrights and other	213	8	69	–	–	–	–	(50)	240
Licences	60	47	1	–	8	–	–	(10)	106
Software	2,269	628	–	559	7	(4)	–	(476)	2,983
Under construction	1,063	729	–	(636)	–	(47)	–	–	1,109
	3,910	1,598	243	(77)	24	(51)	–	(536)	5,111
2006									
Goodwill	269	–	37	–	(1)	–	–	–	305
Trademarks, copyrights and other	199	2	91	2	–	–	–	(81)	213
Licences	64	1	–	–	(1)	–	–	(4)	60
Software	1,745	219	–	801	(2)	–	(19)	(475)	2,269
Under construction	905	974	–	(816)	–	–	–	–	1,063
	3,182	1,196	128	(13)	(4)	–	(19)	(560)	3,910

Intangible assets that are material to the Group consist of Software and Goodwill. The average remaining amortisation period for Software is between 2 and 10 years.

Telkom

Goodwill has been allocated for impairment testing purposes to twelve cash-generating units of which one in South Africa, one in Nigeria being Multi-Links Telecommunications Limited and ten being Africa Online Limited in Cote d'Ivoire, Ghana, Kenya, Namibia, Swaziland, Tanzania, Uganda, Zambia, operations (Mauritius) and Zimbabwe.

11. Intangible assets (continued)

Nigeria

The carrying amount of goodwill is R2,072 million.

The recoverable amount for Multi-Links Telecommunications Limited ('Multi-Links') has been determined on the basis of a value in use calculation. The value in use calculation uses cash flow projections and a discount rate of 18.43%. It was concluded that Multi-Links is not impaired. The valuation was based on cash flow projections based on financial budgets approved by management covering a ten year period and a 1% terminal growth rate was used. A ten year period was used as the expected growth rates are in excess of the long-term average growth rates beyond a five year period.

Kenya

The carrying amount of goodwill is R155 million.

The recoverable amounts of goodwill relating to Africa Online Limited have been determined on the basis of value in use calculations. Goodwill was only tested against the three cash-generating units namely; Kenya, Tanzania and Ghana, which amongst them share 82% of the total goodwill per the allocation. The value in use calculations use cash flow projections and a discount at a rate of 11.59% in US Dollar terms. It was determined that goodwill associated with two cash-generating units; Tanzania and Ghana was impaired. The value in use calculations use cash flow projections based on financial budgets covering a three year period and a terminal growth rate of 0% was used.

By the Group's 50% joint venture, Vodacom

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 carrying amount of goodwill is R1,739 million (Group share: R870 million).

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 ten year period and discount rates of between 12.0% and 15.0% in South African Rand terms. The terminal growth rate applicable is between 4.0% and 6.0%. 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 carrying amount of goodwill is R148 million (Group share: R74 million).

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 ten year period and a discount rate which ranged between 16.0% and 19.0% in US Dollar terms. Cash flows beyond this period have been extrapolated using annual nominal growth rates which ranged between 2.0% and 5.0%. A ten year period is used where expected growth rates are in excess of the long-term average growth rates beyond an initial five year period, for the markets in which they operate. 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.

Key assumptions used in the testing of goodwill for impairment:

Applicable to all cash-generating units

Expected customer base: The basis for determining value(s) assigned to key assumptions is based on the closing customer base in the period immediately preceding the budget period and increased for expected growth. The value assigned to key assumptions reflects past experience, and has an element of potential growth. The growth is based on market assumptions.

Gross Margin: The basis for determining value(s) assigned to key assumptions is based on the average gross margin achieved in the period immediately before the budget period and increased to expected efficiencies. The value assigned reflects past experience and efficiency improvements.

Capital expenditure: The basis for determining value(s) assigned to key assumptions is based on the total capital expenditure achieved in the period immediately before the budget period and adjusted for expected network coverage roll out. The value assigned is based on management's expected network coverage roll out.

Applicable to all cash-generating units except for the Africa Online cash-generating units

ARPU: The basis for determining value(s) assigned to key assumptions is based on past experience and expected growth which is based on market forces and external sources of information.

Applicable to all non South African cash-generating units

Exchange rates: The basis for determining value(s) assigned to key assumptions is based on the average market forward exchange rate over the budget period in respect of the ZAR/USD. The value assigned to the key assumption is consistent with external sources of information.

12. Financial instruments and risk management

Exposure to continuously changing market conditions has made management of financial risk critical for the Group. Treasury policies, risk limits and control procedures are continuously monitored by the Board of Directors through its audit and risk management committee.

The Group holds or issues financial instruments to finance its operations, for the temporary investment of short-term funds and to manage currency and interest rate risks. In addition, financial instruments for example trade receivables and payables arise directly from the Group's operations.

The Group finances its operations primarily by a mixture of issued share capital, retained earnings, long-term and short-term loans. The Group uses derivative financial instruments to manage its exposure to market risks from changes in interest and foreign exchange rates. The derivatives used for this purpose are principally interest rate swaps, currency swaps and forward exchange contracts. The Group does not speculate in derivative instruments.

The table below sets out the Group's classification of financial assets and liabilities

	Notes	At fair value through profit or loss held for trading Rm	Financial liabilities at amortised cost Rm	Held-to-maturity Rm	Available-for-sale Rm	Loans and receivables Rm	Total carrying value Rm	Fair value Rm
2008								
Classes of financial instruments per Balance Sheet								
Assets		1,991	–	372	55	9,783	12,201	12,201
Investments	13	1,377	–	–	55	67	1,499	1,499
Trade and other receivables*	18	–	–	–	–	8,582	8,582	8,582
Other financial assets	19	614	–	–	–	–	614	614
Interest rate swaps	19	9	–	–	–	–	9	9
Other financial assets	19	16	–	–	–	–	16	16
Forward exchange contracts	19	589	–	–	–	–	589	589
Finance lease receivables	15	–	–	372	–	–	372	372
Cash and cash equivalents	20	–	–	–	–	1,134	1,134	1,134
Liabilities		(1,290)	(25,846)	–	–	–	(27,136)	(27,672)
Interest-bearing debt	27	–	(15,733)	–	–	–	(15,733)	(16,296)
Trade and other payables	30	–	(8,771)	–	–	–	(8,771)	(8,771)
Other financial liabilities	19	(1,290)	–	–	–	–	(1,290)	(1,290)
Put option (Multi-Links)	19	(919)	–	–	–	–	(919)	(919)
Put option (Vodacom DRC)	19	(198)	–	–	–	–	(198)	(198)
Forward exchange contracts	19	(173)	–	–	–	–	(173)	(173)
Credit facilities utilised	20	–	(1,342)	–	–	–	(1,342)	(1,342)

12. Financial instruments and risk management (continued)

2007

	Notes	At fair value through profit or loss held for trading Rm	Financial liabilities at amortised cost Rm	Held-to-maturity Rm	Available-for-sale Rm	Loans and receivables Rm	Total carrying value Rm	Fair value Rm
Classes of financial instruments per Balance Sheet								
Assets		1,608	–	246	47	7,861	9,762	9,762
Investments	13	1,349	–	–	47	65	1,461	1,461
Trade and other receivables*	18					7,047	7,047	7,047
Other financial assets	19	259	–	–	–	–	259	259
Bills of exchange	19	98	–	–	–	–	98	98
Interest rate swaps	19	16	–	–	–	–	16	16
Forward exchange contracts	19	145	–	–	–	–	145	145
Finance lease receivables	15	–	–	246	–	–	246	246
Cash and cash equivalents	20					749	749	749
Liabilities		(327)	(17,944)	–	–	–	(18,271)	(19,661)
Interest-bearing debt	27	(98)	(10,266)	–	–	–	(10,364)	(11,754)
Trade and other payables	30	–	(7,237)	–	–	–	(7,237)	(7,237)
Other financial liabilities	19	(229)	–	–	–	–	(229)	(229)
Put option (Vodacom DRC)	19	(125)	–	–	–	–	(125)	(125)
Other financial liabilities	19	(36)	–	–	–	–	(36)	(36)
Forward exchange contracts	19	(42)	–	–	–	–	(42)	(42)
Interest rate swaps	19	(26)	–	–	–	–	(26)	(26)
Credit facilities utilised	20	–	(441)	–	–	–	(441)	(441)

2006

	Notes	At fair value through profit or loss held for trading Rm	Financial liabilities at amortised cost Rm	Held-to-maturity Rm	Available-for-sale Rm	Loans and receivables Rm	Total carrying value Rm	Fair value Rm
Classes of financial instruments per Balance Sheet								
Assets		3,149	–	–	–	11,269	14,418	14,418
Investments	13	2,874	–	–	–	89	2,963	2,963
Trade and other receivables*	18	–	–	–	–	6,232	6,232	6,232
Other financial assets	19	275	–	–	–	–	275	275
Bills of exchange	19	107	–	–	–	–	107	107
Interest rate swaps	19	19	–	–	–	–	19	19
Forward exchange contracts	19	149	–	–	–	–	149	149
Cash and cash equivalents	20	–	–	–	–	4,948	4,948	4,948
Liabilities		(343)	(17,811)	–	–	–	(18,154)	(20,180)
Interest-bearing debt	27	(108)	(11,015)	–	–	–	(11,123)	(13,149)
Trade and other payables	30	–	(6,103)	–	–	–	(6,103)	(6,103)
Other financial liabilities	19	(235)	–	–	–	–	(235)	(235)
Forward exchange contracts	19	(130)	–	–	–	–	(130)	(130)
Interest rate swaps	19	(105)	–	–	–	–	(105)	(105)
Credit facilities utilised	20	–	(693)	–	–	—	(693)	(693)

* Trade and other receivables are disclosed net of prepayments of R404 million (2007: R256 million; 2006: R167 million).

12. Financial instruments and risk management (continued)

12.1 Fair value of financial instruments

Fair value of all financial instruments noted in the balance sheet approximates carrying value except as disclosed below.

The estimated net fair values as at March 31, 2008, have been determined using available market information and appropriate valuation methodologies as outlined below. This value is not necessarily indicative of the amounts that the Group could realise in the normal course of business.

Derivates are recognised at fair value. The fair value of derivatives approximate their carrying amounts.

The fair value of receivables, bank balances, repurchase agreements and other liquid funds, payables and accruals, approximate their carrying amount due to the short-term maturities of these instruments.

The fair values of the borrowings disclosed above are based on quoted prices or, where such prices are not available, the expected future payments discounted at market interest rates.

The fair values of derivatives are determined using quoted prices or, where such prices are not available, discounted cash flow analysis is used. These amounts reflect the approximate values of the net derivative position at the balance sheet date. The fair values of listed investments are based on quoted market prices.

12.2 Interest rate risk management

Interest rate risk arises from the repricing of the Group's forward cover and floating rate debt as well as incremental funding or new borrowings and the refinancing of existing borrowings.

The Group's policy is to manage interest cost through the utilisation of a mix of fixed and floating rate debt. In order to manage this mix in a cost efficient manner and to hedge specific exposure in the interest rate repricing profile of the existing borrowings and anticipated peak additional borrowings, the Group makes use of interest rate derivatives as approved in terms of the Group policy limits. Fixed rate debt represents approximately 51.88% (2007: 90.37%; 2006: 92.04%) of the total debt. There were no material changes in the policies and processes for managing and measuring interest rate risk in the 2008 financial year.

The table below summarises the interest rate swaps outstanding as at March 31:

	Average maturity	Currency	Notional amount Rm	Weighted average coupon rate
2008				
Interest rate swaps outstanding				
Receive fixed	<1 year	ZAR	27	13.62%
	1-5 years	ZAR	58	13.30%
	>5 years	ZAR	–	–
2007				
Interest rate swaps outstanding				
Pay fixed	< 1 year	ZAR	1,000	14.67%
Receive fixed	1-5 years	ZAR	38	11.45%
	>5 years	ZAR	61	11.44%
2006				
Interest rate swaps outstanding				
Pay fixed	< 1 year	ZAR	1,000	14.67%
Receive fixed	1-5 years	ZAR	47	9.15%
	>5 years	ZAR	62	9.43%

Pay fixed

The floating rate is based on the three month JIBAR, and is settled quarterly in arrears. The interest rate swaps are used to manage interest rate risk on debt instruments.

Receive fixed

The Group swapped its fixed rate for a floating rate linked to the BA (Banker's Acceptance) rate plus a margin of between 2% and 2.25%.

12. Financial instruments and risk management (continued)

12.3 Credit risk management

Credit risk arises from derivative contracts entered into with financial institutions with a range of A1 or better. The Group is not exposed to significant concentrations of credit risk. Credit limits are set on an individual basis. The maximum exposure to the Group from counterparties is a net favourable position of R438 million (2007:R144 million; 2006: R158 million). No collateral is required when entering into derivative contracts. Credit limits are reviewed on an annual basis or when information becomes available in the market. The Group limits the exposure to any counterparty and exposures are monitored daily. The Group expects that all counterparties will meet their obligations.

With respect to credit risk arising from other financial assets of the Group, which comprises held-to-maturity investments, financial assets held at fair value through profit or loss, loans and receivables and available-for-sale assets, the Group's exposure to credit risk arises from a potential default by counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each type of customer. Management seeks to reduce the risk of irrecoverable debt by improving credit management through credit checks and limits. To reduce the risk of counter party failure, limits are set based on the individual ratings of counterparties by well-known ratings agencies. Trade receivables comprise a large widespread customer base, covering residential, business, government, wholesale, global and corporate customer profiles.

Credit checks are performed on all customers, other than prepaid customers, on application for new services on an ongoing basis where appropriate.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets as well as expected future cash flows.

The Group has provided a financial guarantee to Africa Online Limited for bank loans. At March 31, 2008 there was R23 million (2007: RNil) outstanding. For Vodacom's exposure to guarantees refer to note 36.

Telkom guarantees a certain portion of employees's housing loans. The amount guaranteed differs depending on facts such as employment period and salary rates. When an employee leaves the employment of Telkom, any housing debt guaranteed by Telkom is settled before any pension payout can be made to the employee. There is no provsision outstanding in respect of these contingencies. The fair value of the guarantee at March 31, 2008 was RNil (2007: RNil; 2006: RNil).

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the 2008 financial year.

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

		Carrying	amount
	2006	2007	2008
	Rm	Rm	Rm
Business and residential	1,955	1,924	1,824
Global, corporate and wholesale	1,381	1,643	1,875
Government	369	318	368
Other customers	35	41	334
Fixed-line	3,740	3,926	4,401
Mobile	1,834	2,299	2,880
Other	514	567	704
Impairment of trade receivables	(290)	(235)	(290)
Subtotal for trade receivables	5,798	6,557	7,695
Other receivables*	434	490	887
Investments and loans receivable	2,963	1,461	1,499
Other financial assets	275	259	614
	9,470	8,767	10,695
The ageing of trade receivables at the reporting date was:			
Not past due/current	5,342	5,829	6,840
Ageing of past due but not impaired			
21 to 60 days	217	331	384
61 to 90 days	42	80	110
91 to 120 days	24	59	71
120+ days	173	258	290
	5,798	6,557	7,695

* Other receivables are disclosed net of prepayments of R404 million (2007: R256 million; 2006: R167 million)

	2006 Rm	2007 Rm	2008 Rm
12. Financial instruments and risk management (continued)			
12.3 Credit risk management (continued)			
The ageing in the allowance for the impairment of trade receivables at reporting date was:			
Fixed-line and Other			
Current defaulted trade	25	24	53
21 to 60 days	43	21	25
61 to 90 days	23	19	31
91 to 120 days	19	15	19
120+ days	138	118	121
	248	197	249
Mobile	42	38	41
	290	235	290

The average credit period for March 2008, 2007 and 2006 on sales of goods and services is between 30 and 60 days from date of invoice for the South African operations and between 20 and 75 days from the date of invoice for the non-South African operations. Generally no interest is charged on trade receivables. Mobile operations have provided fully for all receivables over 120 days due for their South African operations and 90 days due for their non-South African operations because historical experience is such that receivables that are due beyond these days are generally not recoverable. Trade receivables of the South African operations due between 60 and 120 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

The movement in the allowance for impairment in respect of trade receivables during the year is disclosed in note 18.

Included in the allowance for doubtful debts, for fixed-line are individually impaired receivables with a balance of R32 million (2007: R49 million; 2006: R55 million) which have been identified as being unable to service their debt obligation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances except for Mobile which holds collateral for financial assets past due but not impared to the value of R1,086 million (2007: R796 million; 2006: R433 million) (Group share: R543 million; 2007: R398 million; 2006: R217 million).

12.4 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is exposed to liquidity risk as a result of uncertain trade receivable related to cash flows as well as capital commitments of the Group. Liquidity risk is managed by the Group's various Corporate Finance divisions in accordance with policies and guidelines formulated by the Group's Executive Committees. In terms of its borrowing requirements the Group ensures that sufficient facilities exist to meet its immediate obligations. In terms of its long-term liquidity risk, the Group maintains a reasonable balance between the period over which assets generate funds and the period over which the respective assets are funded. Short-term liquidity gaps may be funded through repurchase agreements and commercial paper bills.

There were no material changes in the exposure to liquidity risk and its objectives, policies and processes for managing and measuring the risk during the 2008 financial year.

12. Financial instruments and risk management (continued)

12.4 Liquidity risk management (continued)

The table below analyses the Group's financial liabilities which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Note	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	> 5 years Rm
2008							
Non-derivative financial liabilities							
Finance lease liabilities*	27	1,167	2,198	165	294	589	1,150
Interest -bearing debt (excluding finance leases)	27	14,566	16,672	6,350	4,835	2,733	2,754
Trade and other payables	30	8,771	8,771	8,771	–	–	–
Bank borrowings	20	1,342	1,342	1,342	–	–	–
Derivative financial liabilities							
Put option (Multi-Links)	19	919	919	–	919	–	–
Put option (Vodacom DRC)	19	198	198	198	–	–	–
Forward exchange contracts	19	173	173	173	–	–	–
		27,136	30,273	16,999	6,048	3,322	3,904
2007							
Non-derivative financial liabilities							
Finance lease liabilities*	27	1,220	2,424	231	276	585	1,332
Interest -bearing debt (excluding finance leases)	27	9,144	11,329	6,133	1	2,551	2,644
Trade and other payables	30	7,237	7,237	7,237	–	–	–
Bank borrowings	20	441	441	441	–	–	–
Derivative financial liabilities							
Put option (Vodacom DRC)	19	125	125	125	–	–	–
Interest rate swaps	19	26	26	26	–	–	–
Forward exchange contracts	19	42	42	42	–	–	–
Other financial liability	19	36	36	36	–	–	–
		18,271	21,660	14,271	277	3,136	3,976
2006							
Non-derivative financial liabilities							
Finance lease liabilities*	27	1,272	2,644	217	236	672	1,519
Interest -bearing debt (excluding finance leases)	27	9,851	12,415	3,425	4,581	1,792	2,617
Trade and other payables	30	6,103	6,103	6,103	–	–	–
Bank borrowings	20	693	693	693	–	–	–
Derivative financial liabilities							
Forward exchange contracts	19	130	130	130	–	–	–
Interest rate swaps	19	105	105	–	105	–	–
		18,154	22,090	10,568	4,922	2,464	4,136

*For details on minimum lease payments refer to note 37

12. Financial instruments and risk management (continued)

12.4 Liquidity risk management continued)

Put and call options

In terms of various shareholders' agreements, put and call options exist for the acquisition of shares in the following companies:

Call options	Period
VM, S.A.R.L call option	Four years from August 23, 2003. Replaced with a new option for a period of 5 years after April 1, 2007.
The Somnium Family Trust	The Trust granted Vodacom Ventures (Proprietary) Limited a call option to purchase such number of shares in Gogga Tracking Solutions (Proprietary) Limited from the Trust totalling 23% of the issued share capital of the company on the date upon which the option is exercised. The option will lapse after 36 months following the month in which the triggering events, as stipulated in the option agreement, occurs. The option price is specified in the option agreement.
WBS Holdings (Proprietary) Limited	Until February 27, 2009, subject to fulfilment of conditions, which will result in the Group holding and beneficially owning in aggregate 25.5% of the total issued ordinary share capital.
G-Mobile Holdings Limited	Irrevocable call option to subscribe for such number of further shares as specified in the agreement. The option was exercised on September 20, 2007.
Put Options	
Multi-Links Telecommunications Limited	The minorities have been granted a put option that requires Telkom to purchase all of the minorities' shares. The put option is exercisable within 90 days of the second anniversary of signing of the sale agreement, being May 1, 2009. A liability of R919 million has been recognised in this regard and is included in other non-current financial liabilities. R661 million was initially recognised in equity and R258 million subsequent re-measurement through finance charges and fair value movements.
Smartphone SP (Proprietary) Limited	This put option was cancelled with the acquisition of the minorities of Smartphone SP (Proprietary) Limited.
Smartcom (Proprietary) Limited	This put option was cancelled with the acquisition of the minorities of Smartcom (Proprietary) Limited.
Congolese Wireless Network s.p.r.l.	Maximum 8 years after December 1, 2001. The option liability had a value of R397 million (2007: R249 million; 2006: RNil) (Group share: R198 million; 2007: R125 million; 2006: RNil) as at March 31, 2008.

Except as separately disclosed, none of the above put and call options have any value at any of the periods presented.

12.5 Insurance risk management

Vodacom is exposed to insurance risk as a result of its asset base as well as its customer commitments. In terms of its insurance risk profile the company ensures that there is adequate insurance cover through the utilisation of a special purpose insurance vehicle.

12. Financial instruments and risk management (continued)

12.6 Foreign currency exchange rate risk management

The Group manages its foreign currency exchange rate risk by economically hedging all identifiable exposures via various financial instruments suitable to the Group's risk exposure.

Forward exchange contracts have been entered into to reduce the foreign currency exposure on the Group's operations and liabilities. The Group also enters into forward foreign exchange contracts to economically hedge interest expense and purchase and sale commitments denominated in foreign currencies (primarily United States Dollars and Euros). The purpose of the Group's foreign currency hedging activities is to protect the Group from the risk that the eventual net flows will be adversely affected by changes in exchange rates.

There were no material changes in the exposure to foreign currency exchange rate risk and its objectives, policies and processes for managing and measuring the risk during the 2008 financial year.

The following table details the foreign exchange forward contracts outstanding at year end:

To buy	Foreign contract value m	Forward value Rm	Fair value Rm
2008			
Currency			
USD	139	1,042	109
Euro	252	2,826	444
Pound Sterling	19	281	30
Other	31	32	6
		4,181	
2007			
Currency			
USD	181	1,329	(1)
Euro	196	1,899	23
Pound Sterling	19	261	6
Other	66	49	(1)
		3,538	
2006			
Currency			
USD	178	1,157	(51)
Euro	156	1,235	(46)
Pound Sterling	28	321	(21)
Other	89	48	(1)
		2,761	

12. Financial instruments and risk management (continued)

12.6 Foreign currency exchange rate risk management (continued)

To sell	Foreign contract value m	Forward value Rm	Fair value Rm
2008			
Currency			
USD	78	596	(68)
Euro	73	848	(103)
Pound Sterling	5	89	(1)
Other	17	22	(1)
		1,555	
2007			
Currency			
USD	122	994	88
Euro	52	505	(5)
Pound Sterling	4	51	(1)
Other	29	17	–
		1,567	
2006			
Currency			
USD	128	954	140
Euro	41	309	(3)
Pound Sterling	5	56	2
Other	54	23	–
		1,342	

12. Financial instruments and risk management (continued)

12.6 Foreign currency exchange rate risk management (continued)

The Group has various monetary assets and liabilities in currencies other than the Group's functional currency. The following table represents the net currency exposure (net carrying amount of foreign denominated monetary assets and liabilities) of the Group according to the different foreign currencies.

	South African Rand Rm	Euro Rm	Pound Sterling Rm	United States Dollar Rm	Other Rm
2008					
Net foreign currency monetary assets/(liabilities)					
Functional currency of company operation					
ZAR	–	481	(133)	224	(13)
USD	–	8	–	–	(17)
Naira	–	–	–	(446)	–
2007					
Net foreign currency monetary assets/(liabilities)					
Functional currency of company operation					
ZAR	–	475	(166)	159	32
USD	26	(25)	–	–	(17)
2006					
Net foreign currency monetary assets/(liabilities)					
Functional currency of company operation					
ZAR	–	376	(165)	42	99
USD	(28)	(13)	–	–	13

Currency swaps

There were no currency swaps in place at March 31, 2008, 2007 and 2006.

12.7 Sensitivity analysis

Interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for derivatives and other financial liabilities at the balance sheet date. A 100 basis point increase or decrease is used when reporting interest rate risk and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, Telkom's profit for the year ended March 31, 2008 would decrease/increase by R3 million (2007: decrease/increase by RNil; 2006: decrease/increase by R9 million). This is attributable to the fixed-line's segment exposure to interest rates on its derivative and floating rate debt portfolio.

12. Financial instruments and risk management (continued)

12.7 Sensitivity analysis (continued)

Interest rate risk (continued)

The table below illustrates Mobile's sensitivity (Group share) to a 100 basis point increase/decrease in the interest rate.

	2006	2007	2008
RSA prime rates, JIBAR rates, Money market rates, and RSA BA rates			
Basis points increase	100	100	100
Profit/(loss) before tax (Rm)	37	24	(12)
LIBOR			
Basis points increase	100	100	100
Profit/(loss) before tax (Rm)	0	0	(5)
EURIBOR			
Basis points increase	100	100	100
Profit/(loss) before tax (Rm)	0	0	1
Lesotho prime rates			
Basis points increase	100	100	100
Profit/(loss) before tax (Rm)	0	0	1

Foreign exchange currency risk

The following table illustrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, to the Group's profit before tax (excluding the Mobile segment).

	Increase/decrease in foreign exchange currency %	Effect on profit before tax increase/(decrease) Rm
2008		
Rand appreciates		
USD	+10	(25)
EURO	+10	(42)
Rand depreciates		
USD	–10	25
EURO	–10	42
2007		
Rand appreciates		
USD	+10	(18)
EURO	+10	(27)
Rand depreciates		
USD	–10	18
EURO	–10	27
2006		
Rand appreciates		
USD	+10	(11)
EURO	+10	(17)
Rand depreciates		
USD	–10	11
EURO	–10	17

12. Financial instruments and risk management (continued)

12.7 Sensitivity analysis (continued)

Foreign exchange currency risk (continued)

The following table details Mobile's sensitivity to the below-mentioned percentage strengthening and weakening in the functional currency against the relevant foreign currencies.

A positive number indicates an increase in profit before taxation where the functional currency is expected to strengthen against the relevant currency in a net financial liability position. A negative number indicates a decrease in profit before taxation where the functional currency is expected to strengthen against the relevant currency in a net financial asset position.

The Group is exposed to 50% of the following:

	South African Rand %	Euro %	Pound Sterling %	United States Dollar %
2008				
South African Rands	–	7.6	6.5	9.5
United States Dollar	9.5	5.1	2.6	–
Tanzanian Shilling	11	7.5	5	2.5
Mozambican Meticals	0.1	3.8	6.5	9.4
Profit before tax (Rm)	2	(54.4)	(1.0)	(7.7)
2007				
South African Rands	–	31.9	13.1	11.5
United States Dollar	11.5	18.3	1.4	–
Tanzanian Shilling	11	17.4	0.6	0.8
Mozambican Meticals	17.7	8.6	6.9	8.2
Profit before tax (Rm)	6.3	(36.8)	(2.6)	2.1
2006				
South African Rands	–	29.3	32.5	17.7
United States Dollar	17.7	9.8	12.5	–
Tanzanian Shilling	13.7	11.5	14.3	1.5
Mozambican Meticals	17	7.4	10	2.2
Profit before tax (Rm)	3.2	(16.9)	(38.3)	4.1

	2006 Rm	2007 Rm	2008 Rm

12. Financial instruments and risk management (continued)

12.7 Sensitivity analysis (continued)

Exchange rate table (closing rate)

	2006	2007	2008
USD	6.180	7.248	8.132
Euro	7.482	9.649	12.854
Pound Sterling	10.737	14.189	16.166
Swedish Krona	0.793	1.033	1.370
Japanese Yen	0.052	0.061	0.082

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors capital using net debt to equity ratio. Telkom's policy is to keep the net debt to equity ratio between 50% and 70%. Vodacom's strategy is to maintain a net debt to adjusted equity ratio of below 150%. Included in net debt are interest bearing loans and borrowings, credit facilities and other financial liabilities, less cash and cash equivalents and other financial assets.

Telkom plans on continuing its share buy back strategy based on certain criteria, including market conditions, availability of cash and other investments opportunities and needs.

All of Telkom's issued and outstanding ordinary shares, including the class A ordinary share and the class B ordinary share, rank equal for dividends. No dividend may be declared to a holder of the class A ordinary share or class B ordinary share, unless the same dividend is declared to holders of all ordinary shares. Telkom's current dividend policy aims to provide shareholders with a competitive return on their investment, while assuring sufficient reinvestment of profits to enable us to achieve our strategy. Telkom may revise its dividend policy from time to time. The determination to pay dividends, and the amount of the dividends, will depend upon, among other things the earnings, financial position, capital requirements, general business conditions, cash flows, net debt levels and share buy back plans.

The Group has access to financing facilities, the total unused amount which is R7,565 million at the balance sheet date. Capital comprises equity attributable to equity holders of Telkom.

There were no changes in the Group's approach to capital management during the year.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

The net debt to equity ratio at year end was as follows:

	2006 Rm	2007 Rm	2008 Rm
Non-current portion of interest-bearing debt	7,655	4,338	9,403
Current portion of interest -bearing debt	3,468	6,026	6,330
Credit facilities utilised	693	441	1,342
Non-curremt portion of other financial liabilities	–	36	919
Current portion of other financial liabilities	235	193	371
Less: Cash and cash equivalents	(4,948)	(749)	(1,134)
Less: Other financial assets	(275)	(259)	(614)
Net debt	6,828	10,026	16,617
Equity attributable to equity holders of Telkom	29,165	31,724	32,815
Net debt to equity ratio	23.4%	31.6%	50.6%

	2006 Rm	2007 Rm	2008 Rm
13. Investments	2,894	1,384	1,448
Available-for-sale	–	47	55
Unlisted investments			
Rascom	–	–	–
0.69% (2007: 0.69%, 2006: 0.70%) interest in Regional African Satellite Communications Organisation, headquartered in Abidjan, Ivory Coast, at cost.			
Cost	1	1	1
Impairment	(1)	(1)	(1)
The fair value of this unlisted investment cannot be practicably determined. The directors' valuation is based on the Group's interest in the entity's net asset value converted at year-end exchange rates. The directors' valuation of the above unlisted investment is RNil (2007: RNil; 2006: RNil).			
WBS Holdings (Proprietary) Limited	–	40	23
2,500 ordinary shares at R0.01 each			
The directors' valuation of this unlisted investment is not materially different from the carrying amount as it is recognised at fair value. The investee company also granted the Group an option to subscribe for additional shares (refer to note 12) from the 10% currently held up to an aggregate of 25.5%.			
Other investments	–	7	32
The Group purchased a 10% equity stake in G-Mobile Holdings Limited and a 25.93% equity stake in Gogga Tracking Solutions (Proprietary) Limited. The investee companies also granted the Group an option to increase the investments (refer to note 27). During 2008 the Group purchased a 50% equity stake in Waterberg Lodge (Proprietary) Limited, a 35% equity stake in X-Link Communications (Proprietary) Limited and increased its interest in G-Mobile Holdings Limited from 10% to 26% by exercising the call option granted in 2007.			
Loans and receivables	89	65	67
Mirambo Limited	–	–	60
Mirambo Limited bought the 16% and 19% equity stake of Planetel Communications Limited and Caspian Limited respectively in Vodacom Tanzania Limited on November 30, 2007. The shareholder loans with a combined nominal value of USD14.9 million, were transferred to Mirambo Limited in order to meet its obligations to Vodacom Tanzania Limited in respect of shareholder contributions. The loan bears interest at LIBOR plus 5% and shall be repaid from any cash distributions by Vodacom Tanzania Limited to Mirambo Limited. The loan and capitalised interest are collateralised by cession over all shareholder distributions and a pledge over the shares of Vodacom Tanzania Limited.			

	2006 Rm	2007 Rm	2008 Rm
13. Investments (continued)			
Loans and receivables (continued)			
Planetel Communications Limited	21	25	–
The loan with a nominal value of USD7 million (Group share: USD3,5 million) issued during the 2003 year, bore 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 were 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 period, which expired at the end of the current financial year (refer to note 27). On November 30, 2007, Planetel Communications sold it's 16% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Caspian Limited	25	29	–
The loan with a nominal value of USD8 million (Group share: USD4 million) issued during the 2003 year, bore interest at LIBOR plus 5%. Caspian Limited utilised this loan to ensure sufficient shareholder loan funding by itself as a shareholder of Vodacom Tanzania Limited. The loans and capitalised interest were collateralised by cession over all shareholder distributions and a pledge over the shares of Vodacom Tanzania Limited. All the shareholders subordinated their loans to Vodacom Tanzania Limited for the duration of the project finance funding period, which expired at the end of the current financial year (refer to note 27). On November 30, 2007, Caspian sold its 19% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Number Portability Company (Proprietary) Limited	–	3	3
The shareholder loan made to Number Portability Company (Proprietary) Limited ('NPC') for an amount of R6 million (Group share: R3 million) at March 2007, is subordinated and ranks behind the claims of all creditors of NPC for repayment until such time as the assets of NPC fairly valued exceed its liabilities and in such case, the loan shall cease to be subordinated to the extent that the assets of NPC exceed its liabilities from time to time. The shareholder loan bears no interest and has no fixed repayment terms.			
Sekha-Metsi Investment Consortium Limited	–	8	–
The loan was advanced to Sekha-Metsi Investment Consortium Limited and bore interest at South African overdraft interest rates plus a margin of 2%. Interest was payable monthly in arrears. The loan was repayable on demand, should Sekha-Metsi Investment Consortium Limited be able to obtain a loan externally. Sekha-Metsi Investment Consortium Limited pledged their shares in Sekha-Metsi Enterprises (Proprietary) Limited as security for the loan. During the current financial year the loan was repaid.			

	2006 Rm	2007 Rm	2008 Rm
13. Investments (continued)			
Loans and receivables (continued)			
Empresa Moçambicana de Telecommuniç˜acoes S.A.R.L. (‘Emotel’)	–	–	4
The loan with a nominal value of USD0.9 million issued during the 2008 financial year bears interest at LIBOR plus 2%. Interest is capitalised on a monthly basis. The loan and capitalised interest are repayable upon the expiry of 5 years following the advance date, being March 31, 2012. Emotel utilised this loan to meet its obligations to V.M, S.A.R.L. in respect of its 2% shareholding in V.M, S.A.R.L. The loan and capitalised interest are collateralised by cession over all cash distributions and a pledge over their shares in V.M, S.A.R.L.			
Tel.One (Pvt) Limited	32	–	–
The loan to Tel.One (Pvt) Limited was unsecured, interest-free and was repayable through traffic revenue from June 2004 over 5 years. R41 million traffic was set off against the loan in the 2007 financial year, hence settling the full amount of the loan in advance.			
Other receivables	11	–	–
Held for trading	2,874	1,349	1,377
Linked insurance policies – Coronation	1,182	1,280	1,291
Linked insurance policies – Investec	24	–	–
Ordinary shares – listed	1,059	–	–
Cash	229	–	–
Other money market investments	284	69	51
Government stock	44	–	–
Other unlisted investments	52	–	35
Less: Short-term investments	(69)	(77)	(51)
Tel.One (Pvt) Limited	(13)	–	–
Sekha-Metsi Investment Consortium Limited	–	(8)	–
WBS Holdings (Proprietary) Limited (included in Other unlisted investments)	–	–	(13)
Other money market investments	(56)	(69)	(38)

Included in held for trading investments is R1,290 million (2007: R1,279 million, 2006: R2,819 million) that will be used to fund the post-retirement medical aid liability. These investments are made through a cell captive, in which Telkom holds 100% of the preference shares of the cell captive, and represent the fair value of the underlying investments of the cell captive. The initial cost of the investment amounts to R535 million (2007: R535 million; 2006: R1,891 million). Telkom bears all the risks and rewards of the investment, as the returns/losses on the preference shares are dependant on the performance of the underlying investments made by the cell captive. On this basis Telkom as the preference shareholder, receives any residual gains or losses made by the cell captive. The ordinary shareholders of the cell captive do not bear any of the risks and rewards. The cell captive has been consolidated in full.

The cell captive has an investment in a sinking fund and an annuity policy. In the financial year ended March 31, 2007 an addendum to the cell captive annuity policy was signed, which resulted in the annuity policy qualifying as a plan asset. This resulted in a reduction in the investment of R1,961 million in the financial year ended March 31, 2007 (refer to note 29).

	2006 Rm	2007 Rm	2008 Rm
14. Deferred revenue and Deferred expenses			
Deferred expenses	480	557	583
Deferred expenses	254	270	221
Current portion of deferred expenses	226	287	362
Included in long-term deferred expenses and revenue is Vodacom unactivated starter packs.			
The current portion of deferred expenses represents the deferral of connection costs.			
Deferred revenue	2,966	3,004	3,721
Deferred revenue	991	1,021	1,128
Current portion of deferred revenue	1,975	1,983	2,593

Included in deferred revenue is profit on the sale and lease-back of certain Telkom buildings of R118 million, consisting of a long-term portion of R107 million and a short-term portion of R11 million (2007: R129 million; 2006: R140 million). A profit of R11 million per annum is recognised in income on a straight-line basis, over the period of the lease ending 2019 (refer to note 37).

15. Finance lease receivables

	Total Rm	< 1 year Rm	1 – 5 years Rm	> 5 years Rm

The Group provides voice and non-voice services to its customers, which make use of router and PABX equipment that is dedicated to specific customers. The disclosed information relates to certain customer arrangements which were assessed to be finance leases in terms of IAS17.

	Total Rm	< 1 year Rm	1 – 5 years Rm	> 5 years Rm
2008				
Minimum lease payments				
Lease payments receivable	452	196	256	–
Unearned finance income	(80)	(30)	(50)	–
Present value of minimum lease payments	372	166	206	–
Lease receivables	372	166	206	–
2007				
Minimum lease payments				
Lease payments receivable	312	110	202	–
Unearned finance income	(66)	(22)	(44)	–
Present value of minimum lease payments	246	88	158	–
Lease receivables	246	88	158	–

	2006 Rm	2007 Rm	2008 Rm
16. Deferred taxation	(587)	(1,123)	(1,374)
Opening balance	(435)	(587)	(1,123)
Income statement movements	(173)	(516)	(219)
Temporary differences	(280)	(515)	(331)
Over provision/(under provision) prior year	107	(1)	53
Change in tax rate	–	–	59
Business combinations	21	(16)	(65)
Foreign currency translation reserve and foreign equity revaluation	–	(4)	33
The balance comprises:	(587)	(1,123)	(1,374)
Capital allowances	(2,682)	(3,325)	(3,841)
Provisions and other allowances	1,682	1,719	2,008
Tax losses	112	113	276
STC tax credits	301	370	183
Deferred tax balance is made up as follows:	(587)	(1,123)	(1,374)
Deferred tax assets	481	593	605
Deferred tax liabilities	(1,068)	(1,716)	(1,979)
Unutilised STC credits	2,393	2,958	1,830

Under South African tax legislation, tax losses for companies continuing to do business do not expire. The unused taxation losses available to reduce the net deferred taxation liability is R1,615 million of which R1,456 relates to Vodacom (2007: R1,134 million; 2006: R876 million) (Group share: R728 million; 2007: R567 million; 2006: R438 million). The full effect of this would be a R511 million of which R466 million relates to Vodacom (2007: R363 million; 2006: R279 million) (Group share: R233 million; 2007: R182 million; 2006: R140 million) reduction in the net deferred taxation liability.

The deferred tax asset represents amongst other items STC credits on past dividends received. The deferred tax asset for the current period is calculated using the revised STC rate of 10% (previously 12,5%) as announced by the Minister of Finance. The deferred tax asset is recognised as it is considered probable that it will be utilised in the future, given Telkom's dividend policy. The asset will be released as a tax expense when dividends are declared.

The deferred tax liability increased mainly due to the increase in the difference between the carrying value and tax base of assets, resulting from the change in the estimate of useful lives of the assets as well as from the acquisition of Multi-Links Telecommunications (Proprietary) Limited.

	2006 Rm	2007 Rm	2008 Rm
17. Inventories	814	1,093	1,287
Gross inventories	916	1,275	1,535
Write-down of inventories to net realisable value	(102)	(182)	(248)
Inventories consist of the following categories:	814	1,093	1,287
Installation material, maintenance material and network equipment	487	811	895
Merchandise	327	282	392
Write-down of inventories to net realisable value	102	182	248
Opening balance	67	102	182
Charged to selling, general and administrative expenses	64	154	164
Inventories written-off	(29)	(74)	(98)

Inventory levels as at March 31, 2008 and 2007 have increased due to the roll-out of the Next Generation Network and increased inventory levels, required to improve customer service.

The increase in merchandise in the current year is due to the accelerated acquisition of merchandise to limit the Group's exposure to foreign currency fluctuations.

	2006 Rm	2007 Rm	2008 Rm
18. Trade and other receivables	6,399	7,303	8,986
Trade receivables	5,798	6,557	7,695
Gross trade receivables	6,088	6,792	7,985
Impairment of receivables	(290)	(235)	(290)
Prepayments and other receivables	601	746	1,291
Impairment of receivables	290	235	290
Opening balance	285	290	235
Charged to selling, general and administrative expenses	206	153	300
Receivables written-off	(201)	(208)	(245)

Refer to note 12 for detailed credit risk analysis.

The increase in the charged to selling, general and administrative expenses is as a result of increased revenues which resulted in a higher provision for doubtful debts.

	2006 Rm	2007 Rm	2008 Rm
19. Other financial assets and liabilities			
Other financial assets consist of:			
At fair value through profit or loss	275	259	614
Bills of exchange	107	98	–
Interest rate swaps	19	16	9
Other financial assets	–	–	16
Forward exchange contracts	149	145	589

Bills of exchange

The fair value of bills of exchange has been derived at with reference to BESA quoted prices.

	2006 Rm	2007 Rm	2008 Rm
Other financial liabilities consist of:	(235)	(229)	(1,290)
Long-term portion of other financial liabilities			
Other (refer to note 12)	–	(36)	–
Put option at fair value through profit or loss (refer to note 12)	–	–	(919)
Current portion of other financial liabilities At fair value through profit or loss	(235)	(193)	(371)
Put option at fair value through profit or loss (refer to note 12)	–	(125)	(198)
Forward exchange contracts	(130)	(42)	(173)
Interest rate swaps	(105)	(26)	–

Change in comparative
Derivative instruments in other financial liabilities category increased by R125 million in 2007 (2006: RNil) due to the reclassification of the Vodacom DRC put option from trade and other payables.

	2006 Rm	2007 Rm	2008 Rm
20. Net cash and cash equivalents	4,255	308	(208)
Cash shown as current assets	4,948	749	1,134
Cash and bank balances	1,853	649	664
Short-term deposits	3,095	100	470
Credit facilities utilised	(693)	(441)	(1,342)
Undrawn borrowing facilities	9,519	8,658	7,565

The undrawn borrowing facilities are unsecured, when drawn bear interest at a rate that will be mutually agreed between the borrower and lender at the time of drawdown, have no specific maturity date and are subject to annual review. The facilities are in place to ensure liquidity. At March 31, 2008, R2,000 million of these undrawn facilities were committed.

Borrowing powers

To borrow money, Telkom's directors may mortgage or encumber Telkom's property or any part thereof and issue debentures, whether secured or unsecured, whether outright or as security for debt, liability or obligation of Telkom or any third party. For this purpose the borrowing powers of Telkom are unlimited, but are subject to the restrictive financial covenants of the TL20 loan and the conditions, and covenants of the Bridge Loan facility indicated on note 27.

21. Share capital and premium

Authorised and issued share capital and share premium are made up as follows:

	2006 Rm	2007 Rm	2008 Rm
Authorised	10,000	10,000	10,000
999,999,998 ordinary shares of R10 each	10,000	10,000	10,000
1 Class A ordinary share of R10	–	–	–
1 Class B ordinary share of R10	–	–	–
Issued and fully paid	6,791	5,329	5,208
520,784,184 (2007: 532,855,528; 2006: 544,944,899) ordinary shares of R10 each	5,449	5,329	5,208
1 (2007: 1; 2006: 1) Class A ordinary share of R10	–	–	–
1 (2007: 1; 2006: 1) Class B ordinary share of R10	–	–	–
Share premium	1,342	–	–

The following table illustrates the movement in the number of shares issued:

	Number of shares	Number of shares	Number of shares
Shares in issue at beginning of year	557,031,821	544,944,901	532,855,530
Shares bought back and cancelled*	(12,086,920)	(12,089,371)	(12,071,344)
Shares in issue at end of year	544,944,901	532,855,530	520,784,186

Full details of the voting rights of ordinary, class A and class B shares are documented in the Articles of Association of Telkom.

** As of March 31, 2008, 4,444,138 of these shares had not yet been cancelled from the issued share capital by the Registrar of Companies.*

	2006 Rm	2007 Rm	2008 Rm
21. Share capital and premium (continued)			
Share buy-back			
During the financial year Telkom bought back 12,071,344 ordinary shares at a total consideration of R1,647 million. This reduced Share capital by R121 million and Retained earnings by R1,526 million.			
During the financial year ended March 31, 2007, Telkom bought back 12,089,371 ordinary shares at a total consideration of R1,596 million. This reduced Share capital by R120 million, Share premium by R1,342 million and Retained earnings by R134 million.			
During the financial year ended March 31, 2006, Telkom bought back 12,086,920 ordinary shares at a total consideration of R1,502 million. This reduced the Share capital by R121 million and Share premium by R1,381 million.			
Capital Management			
Refer to note 12 for a detailed capital management disclosure.			
22. Treasury shares	(1,809)	(1,774)	(1,638)
At March 31, 2008, 10,493,141 (2007: 12,237,016; 2006: 12,687,521) and 10,849,058 (2007: 10,849,058; 2006: 10,849,058) ordinary shares in Telkom, with a fair value of R1,377 million (2007: R2,031 million; 2006: R2,038 million) and R1,423 million (2007: R1,801 million; 2006: R1,743 million) are held as treasury shares by its subsidiaries Rossal No 65 (Proprietary) Limited and Acajou Investments (Proprietary) Limited, respectively.			
The shares held by Rossal No 65 (Proprietary) Limited are reserved for issue in terms of the Telkom Conditional Share Plan ('TCSP'). In addition, the Board of directors agreed that, subject to the JSE Listing requirements, the treasury shares held by Acajou Investments (Proprietary) Limited be made available to the TCSP to make up for the current shortfall in the share scheme after the additional grants made in the current year (refer to note 23).			
The reduction in the number of treasury shares is due to 1,743,785 shares (2007: 450,505; 2006: 29,669) shares that vested in terms of the TCSP during the year.			
The fair value of these shares at the date of vesting was R301 million (2007: R63 million; 2006: R4 million).			

	2006 Rm	2007 Rm	2008 Rm

23. Share-based compensation reserve

This reserve represents the cumulative fair value of the equity-settled share-based payment transactions recognised in employee expenses over the vesting period of the equity instruments granted to employees in terms of the Telkom Conditional Share Plan (refer to note 29).

The Telkom Board approved the fourth enhanced allocation of shares to employees on September 4, 2007, with a grant date of September 27, 2007, the day that the employees and Telkom shared a common understanding of the terms and conditions of this grant. A total of 6,089,810 shares were granted.

The Board has also approved an enhanced allocation for the November 2006 grant on September 4, 2007, with a grant date of September 27, 2007. The number of additional shares granted with respect to the 2006 allocation is 4,966,860.

No consideration is payable on the shares issued to employees, but performance criteria will have to be met in order for the granted shares to vest. The ultimate number of shares that will vest may differ based on certain individual and Telkom performance conditions being met. The related compensation expense is recognised over the vesting period of shares granted, commencing on the grant date.

The following table illustrates the movement within the Share-based compensation reserve:

	2006 Rm	2007 Rm	2008 Rm
Balance at beginning of year	68	151	257
Net increase in equity	83	106	386
Employee cost*	120	141	522
Accelerated vesting of shares	(37)	–	–
Vesting and transfer of shares	–	(35)	(136)
Balance at end of year	151	257	643

At March 31, 2008 the estimated total compensation expense to be recognised over the vesting period was R2,151 million (2007: R580 million; 2006: R381 million), of which R522 million (2007: R141 million; 2006: R120 million) was recognised in employee expenses for the year.

*The increase in the employee costs in the current financial year is mainly as a result of the additional share allocations (refer to note 29).

	2006 Rm	2007 Rm	2008 Rm
24. Non-distributable reserves	1,128	1,413	1,292
Opening balance	360	1,128	1,413
Movement during the year	768	285	(121)
Foreign currency translation reserve (net of tax of R6 million; 2007: R4 million; 2006: RNil)	52	46	521
Minority put option (refer to note 12)	–	–	(661)
Revaluation of an available-for-sale investment (net of tax of R1 million)	–	–	8
Available-for-sale financial asset Life fund reserve (Cell captive)	716	239	11
The balance comprises:	1,128	1,413	1,292
Foreign currency translation reserve	(104)	(58)	463
Cell Captive reserve	1,232	1,471	1,482
Available-for-sale investment	–	–	8
Minority put option	–	–	(661)

The Group has two consolidated cell captives, one used as an investment to fund Telkom's post-retirement medical aid liability and the other is for Vodacom's short-term insurance obligation in respect of handsets.

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

The earnings from the cell captives are recognised in the income statement and then transferred to Non-distributable reserves.

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.

	2006 Rm	2007 Rm	2008 Rm
25. Retained earnings	22,904	26,499	27,310
Opening balance	19,232	22,904	26,499
Movement during year	3,672	3,729	2,337
Net profit for the year	9,189	8,646	7,975
Transfer to non-distributable reserves (refer to note 24)	(716)	(239)	(11)
Dividend declared (refer to note 34)	(4,801)	(4,678)	(5,627)
Shares bought back (refer to note 21)	–	(134)	(1,526)
The balance comprises:	22,904	26,499	27,310
Company	18,534	21,906	22,484
Joint venture	4,293	4,762	5,697
Subsidiaries	568	786	428
Eliminations	(491)	(955)	(1,299)

		2006 Rm	2007 Rm	2008 Rm
26.	**Minority interest**	301	284	522
	Opening balance	220	301	284
	Movement during the year	81	(17)	238
	Reconciliation:	301	284	522
	Balance at beginning of year	220	301	284
	Share of earnings	139	203	197
	Acquisition of subsidiaries and minorities	27	(68)	77
	Foreign currency translation reserves	(7)	14	29
	Dividend declared	(78)	(166)	(65)
27.	**Interest-bearing debt**			
	Long-term interest-bearing debt	7,655	4,338	9,403
	Total interest-bearing debt	11,123	10,364	15,733
	Gross interest-bearing debt	13,686	12,549	17,839
	Discount on debt instruments issued	(2,563)	(2,185)	(2,106)
	Less: Current portion of interest-bearing debt	(3,468)	(6,026)	(6,330)
	Local debt	(2,642)	(5,772)	(6,001)
	Locally registered Telkom debt instruments	(2,211)	(4,432)	–
	Commercial paper bills	(429)	(1,339)	(3,401)
	Short-term interest-free loans	(2)	(1)	–
	Call borrowings	–	–	(2,600)
	Foreign debt	(786)	(193)	(202)
	Finance leases	(40)	(61)	(124)
	Licence obligation	–	–	(3)
	Total interest-bearing debt is made up as follows:	11,123	10,364	15,733
	(a) Local debt	8,938	8,131	12,923
	Locally registered Telkom debt instruments	8,507	6,786	8,164
	Name, maturity, rate p.a., nominal value			
	TK01, 2008, 10%, RNil (2007: R4,680 million; 2006: R4,689 million)	4,230	4,432	–
	TL06, 2006, 10.5%, RNil (2007: RNil; 2006: R2,100 million)	2,103	–	–
	TL20, 2020, 6%, R2,500 million (2007: R2,500 million; 2006: R2,500 million)	1,214	1,246	1,283
	PP02, 2010, 0%, R430 million (2007: R430 million; 2006: R430 million)	230	264	304
	PP03, 2010, 0%, R1,350 million (2007: R1,350 million; 2006: R1,350 million)	730	844	977
	Call borrowings, 2009, 11.58%, R2,600 million (2007: RNil; 2006: RNil)	–	–	2,600
	Term loans, 2010, 12.22%, R3,000 million (2007: RNil; 2006: RNil)	–	–	3,000

Local bonds

The local Telkom bonds are unsecured, but a side letter to the subscription agreement (as amended) of the TL20 bond, and the R1,600 million Bridge Loan facility, included in call borrowings contain a number of restrictive financial covenants to be maintained by the Group at the following ratios: EBITDA to net interest expense ratio of no less than 3.5:1 and net interest bearing debt to EBITDA ratio of no greater than 3.0:1 which, if not met, could result in the early redemption of the loan. The R1,600 million Bridge Loan facility and R2,000 million Term loan agreement agreements limit the Group's ability to encumber, cede, assign, sell or otherwise dispose of a material portion of its assets without the prior written consent of the Lenders, which will not be unreasonably withheld. The TL20, PP02, and PP03 local bonds limit Telkom's ability to create encumbrances on revenues or assets, and secure any indebtedness without securing the outstanding bonds equally and rateably with such indebtedness.

	2006 Rm	2007 Rm	2008 Rm
27. Interest-bearing debt (continued)			
(a) Local debt (continued)			
Commercial paper bills	429	1,339	4,202
Rate p.a., nominal value			
2008, 11.71% (2007: 9.04%; 2006: 7%), R4,383 million (2007: R1,350 million; 2006: R430 million)			
Asset Backed Arbitraged Securities (Proprietary) Limited	–	–	500
On December 5, 2007 Vodacom (Proprietary) Limited entered into a subscription agreement with Asset Backed Arbitraged Securities (Proprietary) Limited ('ABACAS'). In terms of the agreement Vodacom (Proprietary) Limited issued debt instruments in the form of two promissory notes with a nominal value of R500 million (Group shares: R250 million) each to which ABACAS subscribed. The debt instrument will bear interest based on JIBAR plus credit margin and funding margin. The repayment term is three years with interest being paid quarterly. The credit margin is 0.4% and the funding margin is 0.18% and 0.15% respectively.			
Licence Obligation	–	–	47
On December 9, 2004, ICASA amended the Vodacom South Africa licence to allow for access to the 1800 Megahertz frequency spectrum band and the 3G radio spectrum band. The costs to the Group for the 1800 Megahertz frequency band obligations is estimated at R68.8 million (Group share R34.4 million). The net present value, at a discount rate of 8%, over three years amounts to R64 million (Group share: R32 million). The cost to the Group for the 3G radio sprectrum band obligation is estimated at R36.8 million (Group share: R18.4 million). The net present value, at a discount rate of 8%, over three year amounts to R32.2 million (Group share: R16.1 million).			
Other debt	2	6	10
Other debt includes Vodacom Group shareholders' loans with variable payment terms. Group share is 50% on the respective balances.			
	913	1,013	1,643
(b) Foreign debt			
Maturity, rate p.a., nominal value	85	106	141
Euro: 2010 – 2025, 0.1% – 0.14% (2007: 0.10% – 0.14%; 2006: 0.10% – 6.81%), € 11 million (2007: € 11 million; 2006: € 11 million)			
Mirambo Limited	–	–	72
Mirambo Limited bought the 16% and 19% equity stake of Planetel Communications Limited and Caspian Limited respectively in Vodacom Tanzania Limited on November 30, 2007. The shareholder loans with a combined nominal value of USD18 million (Group share: USD9 million), were transferred to Mirambo Limited in order to meet its obligations to Vodacom Tanzania Limited in respect of shareholder contributions. The loan bears interest at LIBOR plus 5% and shall be repaid by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. The loan and capitalised interest are unsecured and surbordinated.			

	2006 Rm	2007 Rm	2008 Rm
27. Interest-bearing debt (continued)			
(b) Foreign debt (continued)			
Planetel Communications Limited	21	27	–
The shareholder loan of USD8 million (2007: USD8 million; 2006: USD8 million) (Group share: USD4 million; 2007: USD4 million; 2006: USD4 million) was subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, which expired at the end of the current financial year, bore no interest from April 1, 2002, and was thereafter available for repayment, by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. The loan became non-interest bearing and was remeasured at amortised cost at an effective interest rate of LIBOR plus 5%. The gain on remeasurement was included in equity. On November 30, 2007 Planetel Communications Limited sold its 16% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Caspian Limited	25	32	–
The shareholder loan of USD10 million (2007: USD10 million; 2006: USD10 million) (Group share: USD5 million; 2007: USD5 million; 2006: USD5 million) was subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, bears no interest from April 1, 2002, and was thereafter available for repayment, by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. The loan became non-interest bearing and was remeasured at amortised cost at an effective interest rate of LIBOR plus 5%. The gain on remeasurement was included in equity. On November 30, 2007 Caspian Limited sold its 19% shareholding in Vodacom Tanzania Limited to Mirambo LImited.			
Loan to Vodacom International Limited	557	655	731
The loan provided by Standard Bank Plc and RMB International (Dublin) Limited that amounts to USD180 million (2007: USD180 million; 2006: USD180 million) (Group share: USD90 million; 2007: USD90 million 2006; USD90 million)) is collateralised by guarantees provided by the Vodacom Group. The loan originally repayable on July 19, 2006, was refinanced during the 2007 financial year. The loan is now repayable on July 26, 2009 and bears interest at an effective interest rate of LIBOR plus 0.35%.			
Project finance funding for Vodacom Tanzania Limited	92	47	–
The drawn down portions of the project finance funding from external parties include the following: (a) Netherlands Development Finance Company USDNil (2007: USD4 million; 2006: USD8 million) (Group share: USDNil; 2007: USD2 million; 2006: USD4 million) (b) Deutsche Investitions – und Entwicklungsgesellschaft mbH € Nil (2007: € 4 million; 2006: € 8 million) (Group share: € Nil; 2007: € 2 million; 2006: € 4 million) (c) Standard Corporate and Merchant Bank USDNil (2007: USD4 million; 2006: USD8 million) (Group share: USDNil; 2007: USD2 million; 2006: USD4 million) (d) Barclays Bank (Local Syndicate Tanzania) TSHNil (2007: TSHNil; 2006: TSH5,704 million) (Group share: TSHNil; 2007: TSHNil; 2006: TSH2,852 million). The funding was collateralised by a charge over 51% of the shares, the license and Vodacom Tanzania Limited's tangible assets and intangible assets. The loans bore interest based upon the foreign currency denomination of the project financing between 6% and 14.4% per annum and was fully repaid in the 2008 financial year.			

	2006 Rm	2007 Rm	2008 Rm
27. Interest-bearing debt (continued)			
(b) Foreign debt (continued)			
Vodacom Congo (RDC) s.p.r.l.	19	11	4
Vodacom's share of the short-term facilities amount to USD1 million (2007: USD3 million; 2006: USD6 million) (Group share: USD1 million; 2007: USD2 million; 2006: USD3 million) bears interest at 18% per annum with no fixed repayment terms. USD2 million (Group share: USD1 million) of these facilities was repaid on June 30, 2007 and bore interest at LIBOR plus 6% per annum.			
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	114	135	150
The preference shares of USD37 million (2007: USD37 million; 2006: USD37 million) (Group share: USD19 million; 2007: USD19 million; 2006: USD19 million) bear interest at a rate of 4% per annum. The preference shares are redeemable at the discretion of the shareholders and on the basis that the shareholders are repaid simultaneously and in proportion to their shareholding.			
Zenith Bank	–	–	45
Multi-Links Telecommunications Limited has taken out a loan from Zenith Bank. The original loan amounted to USD14 million against which repayments amounting to USD8.4 million have already been made. The loan bears interest at LIBOR plus 3.5% and will be repaid during 2008.			
FCMB Loan	–	–	87
Multi-Links Telecommunications Limited has taken out a FCMB loan.The original loan amounted to Naira 1,500 million against which repayments amounting to Naira 250 million have already been made. The loan bears interest at 13% and will be fully repaid during 2010. This loan is secured by a charge of assets valued at N520 million.			
Export Development Bank of Canada	–	–	82
Multi-Links Telecommunications Limited has a long-term funding facility in place with Export Development Bank of Canada (EDC), through First Bank of Nigeria Plc. The original funding amounted to USD18 million against which USD8 million repayments have already been made. The loan bears interest at LIBOR plus 2.5%, and will be fully repaid during 2014.			
Huawei Vendor Financing Facility VFF	–	–	319
Multi-Links Telecommunications Limited entered into a Bridge Financing agreement with Huawei Tech Investment Co. Limited for the supply of telecommunications equipment and services. The original funding amounted to USD41.6 million against which repayments of USD2 million have already been made. The loan bears interest at LIBOR plus 2% and will be repaid by 2010. The above arrangement is temporary until financing facilities are obtained from China Development Bank.			
PTA Bank and Barclays Bank	–	–	12
Africa Online Group has taken out a loan from PTA Bank and Barclays Bank that in total amounts to USD1,5 million. Of this amount USD0.8 million bears interest at LIBOR plus 6% and the remaining USD0.4 million bears interest at 11.5%.			
(c) Finance leases	1,272	1,220	1,167
The finance leases are secured by buildings with a carrying value of R634 million (2007: R564 million; 2006: R618 million) and office equipment with a book value of R14 million (2007: R10 million; 2006: R6 million) (refer to note 10). These amounts are repayable within periods ranging from 1 to 12 years. Interest rates vary between 13% and 38%.			

	2006 Rm	2007 Rm	2008 Rm
27. Interest-bearing debt (continued)			
Included in long-term and short-term debt is:			
Debt guaranteed by the South African Government	4,315	4,537	141

A major portion of the guaranteed debt for the years ended March 31, 2007 and 2006 relates to the TK01 debt instrument, however, this instrument has been redeemed in full during the year ended March 31, 2008.

Telkom may issue or re-issue locally registered debt instruments in terms of the Post Office Amendment Act 85 of 1991. The borrowing powers of Telkom are set out as per note 20.

Repayments/refinancing of current portion of interest-bearing debt
The repayment/refinancing of R6,330 million of the current portion of interest-bearing debt will depend on the market circumstances at the time of repayment.

Management believes that sufficient funding facilities will be available at the date of repayment/refinancing.

Loans raised and loans repaid on the cash flow statement increased due to raising and redemption of the Commercial Paper Bills in Telkom, as well as newly acquired Asset Backing finance in Vodacom.

	2006 Rm	2007 Rm	2008 Rm
28. Provisions	2,677	1,443	1,675
Employee related	4,293	3,005	3,186
Annual leave	356	413	438
Balance at beginning of year	337	356	413
Charged to employee expenses	88	66	44
Leave paid	(69)	(9)	(19)
Post-retirement medical aid (refer to note 29)	2,607	1,139	1,356
Balance at beginning of year	2,430	2,607	1,139
Interest cost	249	286	322
Current service cost	48	83	84
Expected return on plan asset	–	(188)	(257)
Actuarial loss	63	149	129
Curtailment gain	(8)	–	–
Settlement loss	7	–	–
Termination settlement	(29)	–	–
Plan asset – initial recognition	–	(1,720)	–
Contributions paid	(153)	(78)	(61)
Telephone rebates (refer to note 29)	198	282	287
Balance at beginning of year	179	198	282
Interest cost	16	19	22
Current service cost	3	4	3
Past service cost	–	76	2
Actuarial loss	–	5	–
Benefits paid	–	(20)	(22)
Bonus	1,071	1,090	992
Balance at beginning of year	826	1,071	1,090
Charged to employee expenses	965	965	797
Payments made	(720)	(946)	(895)
Long-term incentive provision*	61	81	113
Balance at beginning of year	–	61	81
Charged to employee expenses	69	21	41
Payment	(8)	(1)	(9)

	2006 Rm	2007 Rm	2008 Rm
28. Provisions			
Non-employee related	44	533	670
Supplier dispute (refer to note 38)	–	527	569
Balance at beginning of year	–	–	527
Net movements	–	527	42
Warranty provision	16	–	–
Balance at beginning of year	14	16	–
Charged to expenses	20	–	–
Provision utilised	(18)	(16)	–
Other	28	6	101
Less: Current portion of provisions	(1,660)	(2,095)	(2,181)
Annual leave	(356)	(402)	(417)
Post-retirement medical aid	(159)	(186)	(186)
Telephone rebates	(17)	(26)	(26)
Bonus	(1,071)	(911)	(921)
Supplier dispute	–	(527)	(569)
Warranty provision	(16)	–	–
Other	(41)	(43)	(62)

Annual leave

In terms of Telkom's policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle, to a cap of 22 days (previously 25 days) which must be taken within an 18 month leave cycle. The leave cycle is reviewed annually and is in accordance with legislation.

Bonus

The Telkom bonus scheme consists of performance bonuses which are dependent on achievement of certain financial and non-financial targets. The bonus is payable bi-annually to all qualifying employees after Telkom's results have been made public.

Vodacom's bonus provision consists of a performance bonus based on the achievement of the predetermined financial targets payable to all levels of staff.

Deferred bonus incentive

Vodacom's 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.

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.

Supplier dispute

Telkom provided R569 million (2007: R527 million; 2006: RNil) for its estimate of the probable liability as discussed in note 38. The net movement in the provision of R42 million (2007: R17 million; 2006: R Nil) consists of Finance charges and fair value movements offset by provisional payments made during the current year.

Warranty provision

The warranty provision in Vodacom covers manufacturing defects in the second year of warranty on handsets sold to customers. The estimate is based on claims notified and past experience. The suppliers of the various handsets assumed responsibility for the second year warranty subsequent to March 31, 2007 and accordingly there is no remaining provision.

Other

Included in other provisions is an amount provided for asset retirement obligations.
Other provisions also include advertising received from suppliers of handsets and various other smaller provisions.

*In the previous year the long-term incentive provision was included in other provisions.

29. Employee benefits

The Group provides benefits for all its permanent employees through the Telkom Pension Fund and the Telkom Retirement Fund and the Vodacom Group Pension Fund. Membership of one of the funds is compulsory. In addition, certain retired employees receive medical aid benefits and a telephone rebate. The liabilities for all of the benefits are actuarially determined in accordance with accounting requirements each year. In addition, statutory funding valuations for the retirement and pension funds are performed at intervals not exceeding three years.

At March 31, 2008, the Group employed 33,616 employees (2007: 33,047; 2006: 31,458).

Actuarial valuations were performed by qualified actuaries to determine the benefit obligation, plan asset and service costs for the pension and retirement funds for each of the financial periods presented.

The Telkom Pension Fund

The latest actuarial valuation performed at March 31, 2008 indicates that the pension fund is in a surplus position of R84 million after unrecognised gains. The recognition of the surplus is limited due to the application of the asset limitation criteria in IAS19 (revised).

The last statutory funding valuation of the fund performed in March 2007, indicated that the fund is fully funded. The current contributions (plus an annual top-up lump sum if necessary) are based on that valuation. Management expects to complete the next statutory valuation in November 2008.

With effect from July 1, 1995, the Telkom Pension Fund was closed to new members. During the financial year ended March 31, 2007, a settlement event occurred in the Telkom Pension Fund whereby 106 members were transferred to the Telkom Retirement Fund.

The funded status of the Telkom Pension Fund is disclosed below.

	2006 Rm	2007 Rm	2008 Rm
The Telkom Pension Fund			
The net periodic pension costs includes the following components:			
Interest and service cost on projected benefit obligations	22	22	21
Expected return on plan assets	(24)	(19)	(27)
Recognised actuarial loss/(gain)	78	9	(16)
Settlement loss/(gain)	–	21	(2)
Asset Limitation	–	–	29
Net periodic pension expense recognised	76	33	5
Pension fund contributions (refer to note 5.1)	22	8	5
The status of the pension plan obligation is as follows:			
At beginning of year	186	281	205
Interest and service cost	22	22	21
Employee contributions	4	2	2
Benefits paid	(20)	(2)	(3)
Settlements	–	(70)	(15)
Actuarial loss/(gain)	89	(28)	(6)
Benefit obligation at end of year	281	205	204
Plan assets at fair value:			
At beginning of year	231	243	284
Expected return on plan assets	24	19	27
Benefits paid	(20)	(2)	(3)
Contributions	26	10	8
Settlements	–	(61)	(15)
Actuarial (loss)/gain	(18)	75	10
Plan assets at end of year	243	284	311

	2006 Rm	2007 Rm	2008 Rm
29. Employee benefits (continued)			
The Telkom Pension Fund (continued)			
Present value of funded obligation	281	205	204
Fair value of plan assets	(243)	(284)	(311)
Fund status	38	(79)	(107)
Unrecognised net actuarial (loss)/gain	(118)	25	23
Net surplus	(80)	(54)	(84)
Asset Limitation	–	–	29
Recognised net asset	(80)	(54)	(55)
Expected return on plan assets	24	19	27
Actuarial (loss)/return on plan assets	(18)	75	10
Actual return on plan assets	6	94	37
Principal actuarial assumptions were as follows:			
Discount rate (%)	7.5	7.5	9.0
Yield on government bonds (%)	7.5	7.5	9.0
Long-term return on equities (%)	10.5	10.5	11.0
Long-term return on cash (%)	5.5	5.5	7.0
Expected return on plan assets (%)	9.5	9.7	9.8
Salary inflation rate (%)	6.0	6.0	7.5
Pension increase allowance (%)	2.9	2.9	4.3

The overall long-term expected rate of return on assets is 9.75%. This is based on the portfolio as a whole and not the sum of the returns of individual asset categories. The expected return takes into account the asset allocation of the Telkom pension fund and expected long-term return of these assets, of which South African equities and foreign investments are the largest contributors.

The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.

	2006	2007	2008
Funding level per statutory actuarial valuation (%)	99.8	100.0	100.0
The number of employees registered under the Telkom Pension Fund	255	153	146
The fund portfolio consists of the following:			
Equities (%)	84	74	54
Bonds (%)	9	5	5
Cash (%)	7	3	23
Foreign Investments (%)*	–	16	18
Insurance policies (%)	–	2	–

The total expected contributions payable to the pension fund for the next financial year are R7 million.

*Includes offshore unit trusts.

29. Employee benefits (continued)

The Telkom Retirement Fund

The Telkom Retirement Fund was established on July 1, 1995 as a hybrid defined benefit and defined contribution plan. Existing employees were given the option to either remain in the Telkom Pension Fund or to be transferred to the Telkom Retirement Fund. All pensioners of the Telkom Pension Fund and employees who retired after July 1, 1995 were transferred to the Telkom Retirement Fund. Upon transfer the Government ceased to guarantee the deficit in the Telkom Retirement Fund. Subsequent to July 1, 1995 further transfers of existing employees occurred.

The Telkom Retirement Fund is a defined contribution fund with regards to in-service members. On retirement, an employee is transferred from the defined contribution plan to a defined benefit plan. Telkom, as a guarantor, is contingently liable for any deficit in the Telkom Retirement Fund. Moreover, all of the assets in the Fund, including any potential excess belong to the participants of the scheme. Telkom is unable to benefit from the excess in the form of future reduced contributions.

Telkom guarantees any actuarial shortfall of the pensioner pool in the retirement fund. This liability is initially funded through assets of the retirement fund. The latest actuarial valuation performed at March 31, 2008 indicates that the retirement fund is in a surplus funding position of R1,368 million after unrecognised losses.

The Telkom Retirement Fund is governed by the Pension Funds Act 24 of 1956. In terms of section 37A of this Act, the pension benefits payable to the pensioners cannot be reduced. If therefore the present value of the funded obligation were to exceed the fair value of plan assets, Telkom would be required to fund the statutory deficit.

The information presented below is intended only to comply with the disclosure requirements of IAS19 (revised) and not to suggest that Telkom has a potential asset with regards to this Fund.

The funded status of the Telkom Retirement Fund is disclosed below:

	2006 Rm	2007 Rm	2008 Rm
The Telkom Retirement Fund			
The net periodic retirement costs include the following components:			
Interest and service cost on projected benefit obligations	346	312	493
Expected return on plan assets	(430)	(489)	(686)
Recognised actuarial gain	–	(145)	–
Net periodic pension expense not recognised (Asset limitation)	(84)	(322)	(193)
Retirement fund contributions (refer to note 5.1)	383	439	460
Benefit obligation:			
At beginning of year	4,020	4,377	6,581
Interest and service cost	346	312	493
Benefits paid	(377)	(486)	(488)
Liability for new pensioners	–	44	14
Actuarial loss	388	2,334	501
Benefit obligation at end of year	4,377	6,581	7,101
Plan assets at fair value:			
At beginning of year	4,477	5,973	7,661
Expected return on plan assets	431	489	686
Benefits paid	(377)	(486)	(488)
Asset backing new pensioners' liabilities	–	44	14
Actuarial gain	1,442	1,641	118
Plan assets at end of year	5,973	7,661	7,991

	2006 Rm	2007 Rm	2008 Rm
29. Employee benefits (continued)			
The Telkom Retirement Fund (continued)			
Present value of funded obligation	4,377	6,581	7,101
Fair value of plan assets	(5,973)	(7,661)	(7,991)
Fund Status	(1,596)	(1,080)	(890)
Unrecognised net actuarial gain/(loss)	742	(96)	(478)
Unrecognised net asset	(854)	(1,176)	(1,368)
Expected return on plan assets	430	489	686
Actuarial gain on plan assets	1,442	1,641	118
Actual return on plan assets	1,872	2,130	804
Included in the fair value of plan assets is:			
Office buildings occupied by Telkom	274	371	596
Telkom bonds	56	21	10
Telkom shares	287	284	141

The Telkom Retirement Fund invests its funds in South Africa and internationally. Twelve fund managers invests in South Africa and five of these managers specialise in trades with bonds on behalf of the Retirement Fund. The international investment portfolio consists of global equity and hedged funds.

Principal actuarial assumptions were as follows:

	2006	2007	2008
Discount rate (%)	7.5	7.5	9.0
Yield on government bonds (%)	7.5	7.5	9.0
Long-term return on equities (%)	10.5	10.5	11.0
Long-term return on cash (%)	5.5	5.5	7.0
Expected return on plan assets (%)	8.5	9.3	10.3
Pension increase allowance (%)	2.9	4.5	6.0

The overall long-term expected rate of return on assets is 10.3%. This is based on the portfolio as a whole and not the sum of the returns of individual asset categories. The expected return takes into account the asset allocation of the Retirement Fund and expected long-term return on these assets, of which South African equities, foreign investments and SA fixed interest bonds are the largest contributors.

Experience adjustment

During the March 31, 2007 year end Telkom actuaries have performed a full valuation while for the March 31, 2006 year end a roll forward method was used, as permitted under IAS 19, to determine the present value of the benefit obligation and the fair value of the plan assets using the March 31, 2005 statutory valuation as a base applying the relevant assumptions determined by management to arrive at the present value of the benefit obligation, and the fair value of plan assets.

This change in estimate resulted in a movement to the actuarial loss of R700 million and the fair value of the plan assets of R350 million in the respect of the 31 March 2007 estimates. The remaining R1,291 million is a result of the actual investment returns exceeding the expected return for the March 31, 2007 year end.

The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.

	2006	2007	2008
Funding level per statutory actuarial valuation (%)	100	100	100
The number of pensioners registered under the Telkom Retirement Fund	14,323	14,451	14,255
The number of in-service employees registered under the Telkom Retirement Fund	25,320	25,766	24,939

29. Employee benefits (continued)

The Telkom Retirement Fund (continued)

	2006	2007	2008
The fund portfolio consists of the following:			
Equities (%)	72	59	70
Property (%)	4	2	2
Bonds (%)	21	19	11
Cash (%)	3	7	1
Foreign investments (%)	–	13	16

The total expected contributions payable to the Retirement Fund for the next financial year are R514 million.

Vodacom Group Pension Fund

All eligible employees of the Vodacom 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. The Group's share of the current contributions to the pension fund amounted to R57 million (2007: R42 million; 2006: R38 million). The Group's share of the current contributions to the provident fund amounted to R7 million (2007: R6 million; 2006: R6 milllion). South African funds are governed in terms of the Pension Fund Act of 1956.

Medical benefits

Telkom makes certain contributions to medical funds in respect of current and retired employees. The scheme is a defined benefit plan. The expense in respect of current employees' medical aid is disclosed in note 5.1. The amounts due in respect of post-retirement medical benefits to current and retired employees have been actuarially determined and provided for as set out in note 29. Telkom has terminated future post-retirement medical benefits in respect of employees joining after July 1, 2000.

There are three major categories of members entitled to the post-retirement medical aid: pensioners who retired before 1994 ('Pre-94'); those who retired after 1994 ('Post-94'); and the in-service members. The Post-94 and the in-service members' liability is subject to a Rand cap, which increases annually with the average salary increase.

Eligible employees must be employed by Telkom until retirement age to qualify for the post-retirement medical aid benefit. The most recent actuarial valuation of the benefit was performed as at March 31, 2008.

Telkom has allocated certain investments to fund this liability as set out in note 13. The cell captive annuity policy qualified as a plan asset in terms of IAS19, effective June 1, 2006.

	2006 Rm	2007 Rm	2008 Rm
29. Employee benefits (continued)			
Medical benefits (continued)			
Medical aid			
Benefit obligation:			
At beginning of year	3,079	3,904	4,384
Interest cost	249	286	322
Current service cost	48	83	84
Actuarial loss	712	283	246
Settlement gain	(2)	–	–
Termination settlement	(29)	–	–
Benefits paid from plan assets	–	(94)	(125)
Contributions paid by Telkom	(153)	(78)	(61)
Benefit obligation at end of year	3,904	4,384	4,850
Plan assets at fair value:			
At beginning of year	–	–	1,961
Plan asset – initial recognition	–	1,720	–
Expected return on plan assets	–	188	257
Benefits paid from plan assets	–	(94)	(125)
Actuarial gain/(loss)	–	147	(164)
Plan assets at end of year	–	1,961	1,929
Present value of funded obligation	3,904	4,384	4,850
Fair value of plan assets	–	(1,961)	(1,929)
Funded status	3,904	2,423	2,921
Unrecognised net actuarial loss	(1,297)	(1,284)	(1,565)
Liability as disclosed in the balance sheet (refer to note 28)	2,607	1,139	1,356
Expected return on plan asstes	–	188	257
Actuarial return on plan assets	–	147	(164)
Actual return on plan assets	–	335	93
Principal actuarial assumptions were as follows:			
Discount rate (%)	7.5	7.5	9.0
Expected return on plan assets (%)	–	13.5	12.0
Salary inflation rate (%)	6.0	6.0	7.5
Medical inflation rate (%)	6.5	6.5	8.0

The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.

	2006	2007	2008
Contractual retirement age	65	65	65
Average retirement age	60	60	60
Number of members	17,872	17,119	15,526
Number of pensioners	8,665	8,494	8,430

The valuation results are extremely sensitive to changes in the underlying assumptions. The following table provides an indication of the impact of changing some of the valuation assumptions above:

29. **Employee benefits** (continued)

Medical benefits (continued)

The TDS benefit obligation of R19 million has been excluded from the sensitivity analysis below.

	Current assumption Rm	Decrease Rm	Increase Rm
Medical cost inflation rate	8.0%	(1.0%)	1.0%
Benefit obligation	4,831	(672)	845
Percentage change		(13.9%)	17.5%
Service cost and interest cost 2008/2009	521	(76)	97
Percentage change		(14.6%)	18.6%
Discount rate	9.0%	(1.0%)	1.0%
Benefit obligation	4,831	855	(670)
Percentage change		17.7%	(13.9%)
Service cost and interest cost 2008/2009	521	41	(35)
Percentage change		7.9%	(6.7%)
Post-retirement mortality rate	PA(90) Ultimate-1	(10.0%)	10.0%
Benefit obligation	4,831	196	(173)
Percentage change		4.1%	(3.6%)
Service cost and interest cost 2008/2009	521	19	(17)
Percentage change		3.6%	(3.3%)
The fund portfolio consists of the following:			
Equities (%)		59	56
Bonds (%)		3	2
Cash and money markets investments (%)		21	33
Foreign investments (%)		9	9
Insurance policies (%)		8	–

Telephone rebates

Telkom provides telephone rebates to its pensioners. The most recent actuarial valuation was performed as at March 31, 2008. Eligible employees must be employed by Telkom until retirement age to qualify for the telephone rebates. The scheme is a defined benefit plan.

The status of the telephone rebate liability is disclosed below:

	2006 Rm	2007 Rm	2008 Rm
Present value of unfunded obligation	251	307	443
Unrecognised net actuarial loss*	(53)	(25)	(156)
Liability as disclosed in the balance sheet (refer to note 28)	198	282	287
Principal actuarial assumptions were as follows:			
Discount rate (%)	7.5	7.5	9.0
Rebate inflation rate (%)	0.0	0.0	4.0
Contractual retirement age	65	65	65
Average retirement age	60	60	60

*The major increase is attributable to the change in the Rebate inflation rate.

The assumed rates of mortality are determined by reference to the SA85-90 (Light) Ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.

Number of members	19,164	19,515	18,766
Number of pensioners	11,148	10,918	10,680

29. Employee benefits (continued)

Telkom Conditional Share Plan

Telkom's shareholders approved the Telkom Conditional Share Plan at the January 2004 Annual General Meeting. The scheme covers both operational and management employees and is aimed at giving shares to Telkom employees, at a RNil exercise price, at the end of the vesting period. The vesting period for the operational employees shares awarded in 2004 and 2005 is 0% in year one, 33% in each of the 3 years thereafter, while the shares allocated in 2006 and 2007 together with management shares vest fully after 3 years. Although the number of shares awarded to employees will be communicated at the grant date, the ultimate number of shares that vest may differ based on certain performance conditions being met (Refer note 22).

The weighted average remaining vesting period for the shares outstanding as at March 31, 2008 is 1.25 years (2007: 1.75 years; 2006: 1.75 years).

	2006	2007	2008
The following table illustrates the movement of the maximum number of shares that will vest to employees for the August 2004 grant:			
Outstanding at beginning of the year	2,943,124	2,414,207	1,883,991
Granted during the year	90	1,212	252
Forfeited during the year	(67,573)	(80,923)	(43,790)
Vested during the year	(17,341)	(450,505)	(1,419,863)
Settled during the year	(444,093)	–	–
Outstanding at end of the year	2,414,207	1,883,991	420,590
The following table illustrates the movement of the maximum number of shares that will vest to employees for the June 2005 grant:			
Outstanding at beginning of the year	–	1,930,687	1,864,041
Granted during the year	2,024,465	1,005	3,469
Forfeited during the year	(62,354)	(67,651)	(108,177)
Vested during the year	(12,328)	–	(323,946)
Settled during the year	(19,096)	–	–
Outstanding at end of the year	1,930,687	1,864,041	1,435,387
The following table illustrates the movement of the maximum number of shares that will vest to employees for the November 2006 grant:			
Outstanding at beginning of the year	–	–	1,773,361
Granted during the year	–	1,825,488	833
Forfeited during the year	–	(52,127)	(133,214)
Outstanding at end of the year	–	1,773,361	1,640,980
The following table illustrates the movement of the maximum number of shares that will vest to employees for the additional November 2006 grant:			
Outstanding at beginning of the year	–	–	–
Granted during the year	–	–	4,984,693
Forfeited during the year	–	–	(172,388)
Outstanding at end of the year	–	–	4,812,305
The following table illustrates the movement of the maximum number of shares that will vest to employees for the September 2007 grant:			
Outstanding at beginning of the year	–	–	–
Granted during the year	–	–	6,117,163
Forfeited during the year	–	–	(270,527)
Outstanding at end of the year	–	–	5,846,636

29. Employee benefits (continued)

Telkom Conditional Share Plan

The fair value of the shares granted have been calculated by an actuary using the Black-Scholes-Merton model and the following values at grant date:

	August 8, 2004 Grant	June 23, 2005 Grant	November 2, 2006 Grant	September 4, 2007 Grant*
Market share price (R)	77.50	111.00	141.25	173.00
Dividend yield (%)	2.60	3.60	3.50	3.50

*The same information was used for the November 2006 additional grant.

	2006	2007	2008
The principal assumptions used in calculating the expected number of shares that will vest are as follows:			
Employee turnover (%)	5	5	5
Meeting specified performance criteria (%)	100	100	100

	2006 Rm	2007 Rm	2008 Rm
Long-term incentive provision			
The long-term incentive provision represents the present value of the expected future cash outflows to eligible employees that qualify. The amount of the liability is based on an actuarial valuation. The provision is utilised when eligible employees of the Vodacom Group receive the value of vested benefits.			
The Group exposure is 50% of the following items:			
Net liability at beginning of year	–	122	161
Interest cost	7	10	15
Current service cost	9	18	20
Past service and interest costs	76	–	–
Actuarial loss	47	13	62
Net cost	139	163	258
Total benefit payments	(17)	(2)	(33)
Net liability at end of year	122	161	225

The amounts for the current and previous four years are as follows:

	2004 Rm	2005 Rm	2006 Rm	2007 Rm	2008 Rm
Telkom Pension Fund					
Defined benefit obligation	(190)	(186)	(281)	(205)	(204)
Plan assets	219	231	243	284	311
Surplus/(deficit)	29	45	(38)	79	107
Asset limitation	–	–	–	–	(29)
Unrecognised actuarial loss/(gain)	100	89	118	(25)	(23)
Unrecognised/recognised net asset	129	134	80	54	55
Experience adjustment on assets				75	10
Experience adjustment on liabilities				25	(6)

	2004 Rm	2005 Rm	2006 Rm	2007 Rm	2008 Rm
29. Employee benefits (continued)					
Telkom Retirement Fund					
Defined benefit obligation	(3,162)	(4,020)	(4,377)	(6,581)	(7,101)
Plan assets	3,540	4,477	5,973	7,661	7,991
Surplus	378	457	1,596	1,080	890
Unrecognised actuarial gain/(loss)	382	312	(742)	96	478
Unrecognised net asset	760	769	854	1,176	1,368
Experience adjustment on assets				1,641	118
Experience adjustment on liabilities				1,234	485
Medical benefits					
Defined benefit obligation	(2,378)	(3,079)	(3,904)	(4,384)	(4,850)
Plan assets	–	–	–	1,961	1,929
Deficit	(2,378)	(3,079)	(3,904)	(2,423)	(2,921)
Unrecognised actuarial (gain)/loss	(42)	649	1,297	1,284	1,565
Liability recognised	(2,420)	(2,430)	(2,607)	(1,139)	(1,356)
Experience adjustment on assets				147	(164)
Experience adjustment on liabilities				28	193
Telephone rebates					
Defined benefit obligation	(164)	(177)	(251)	(307)	(443)
Unrecognised actuarial (gain)/loss	–	(2)	53	25	156
Liability recognised	(164)	(179)	(198)	(282)	(287)
Experience adjustment on liabilities				(25)	2

	2006 Rm	2007 Rm	2008 Rm
30. Trade and other payables	6,103	7,237	8,771
Trade payables	4,371	5,511	6,768
Finance cost accrued	141	22	39
Accruals and other payables	1,591	1,704	1,964

Accruals and other payables mainly represent amounts payable for goods received, net of Value-added Tax obligations and licence fees.

Change in comparatives

Trade payables have decreased by R125 million in 2007 (2006: Rnil) due to the reclassification of the Vodacom DRC put option from trade and other payables to other financial liabilities.

	2006 Rm	2007 Rm	2008 Rm
31. Reconciliation of profit for the year to cash generated from operations	19,724	20,520	21,256
Profit for the year	9,328	8,849	8,172
Finance charges and fair value movements	1,223	1,125	1,803
Taxation	4,523	4,731	4,704
Investment income	(397)	(235)	(197)
Interest received from debtors	(136)	(190)	(257)
Non-cash items	6,206	6,582	6,930
Depreciation, amortisation, impairment and write-offs	5,876	5,315	6,130
Cost of equipment disposed when recognising finance leases	–	240	88
Increase in provisions	554	1,107	857
Profit on disposal of property, plant and equipment and intangible assets	(79)	(29)	(147)
Profit on disposal of investment and subsidiaries	(163)	(52)	–
Loss on disposal of property, plant and equipment and intangible assets	18	1	2
(Increase)/decrease in working capital	(1,023)	(342)	101
Inventories	(198)	(393)	(354)
Accounts receivable	(667)	(758)	(784)
Accounts payable	(158)	809	1,239
32. Finance charges paid	(1,316)	(1,115)	(1,077)
Finance charges per income statement	(1,223)	(1,125)	(1,803)
Non-cash items	(93)	10	726
Movements in interest accruals	(276)	(119)	101
Net discount amortised	423	409	568
Fair value adjustment	(312)	(338)	(243)
Unrealised gain	72	58	300
33. Taxation paid	(4,550)	(5,690)	(4,277)
Net liability at beginning of year	(1,711)	(1,549)	(74)
Current taxation (excluding deferred taxation)	(3,795)	(3,545)	(3,807)
Foreign currency translation reserve	–	–	(32)
Business combinations	(8)	–	–
Secondary Taxation on Companies	(585)	(670)	(678)
Net taxation liability at end of year	1,549	74	314
Reconciliation of net taxation liability at end of year	(1,549)	(74)	(314)
Income tax receivable	–	520	9
Income tax payable	(1,549)	(594)	(323)

	2006 Rm	2007 Rm	2008 Rm
34. Dividend paid	(4,884)	(4,784)	(5,732)
Dividend payable at beginning of year	(7)	(4)	(15)
Declared during the year – Dividend on ordinary shares:	(4,801)	(4,678)	(5,627)
Final dividend for 2005: 400 cents	(2,134)	–	–
Special dividend for 2005: 500 cents	(2,667)	–	–
Final dividend for 2006: 500 cents	–	(2,599)	–
Special dividend for 2006: 400 cents	–	(2,079)	–
Final dividend for 2007: 600 cents	–	–	(3,069)
Special dividend for 2007: 500 cents	–	–	(2,558)
Dividends paid to minorities	(80)	(117)	(110)
Dividend payable at end of year	4	15	20

35. Acquisition and disposals of subsidiaries, joint ventures and minority shareholders' interests

35.1 Acquisitions

By Telkom

Africa Online Limited ('Africa Online')

On February 23, 2007 Telkom acquired a 100% shareholding of Africa Online from African Lakes Corporation for a total cost of R150 million, with a resulting goodwill of R145 million.

Africa Online is an internet service provider active in Cote d'Ivoire, Ghana, Kenya, Namibia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Africa Online is incorporated in the Republic of Mauritius.

At acquisition date the company was not IFRS compliant and thus no fair value information based on IFRS was available.

The process of calculating a fair value of the identified assets, liabilities and contingent liabilities continued after the preceding year end and has now been finalised.

The fair value of the assets and liabilities acquired were determined as follows:

		2007 Rm	
Fair value of intangible assets (Licences R1 million, Brand R42 million)		43	
Less: Deferred taxation raised on intangible assets		(12)	
Less: Net liabilities acquired (excluding fair value of intangible assets)		(26)	
Fair value of net assets acquired		5	
Goodwill		145	
Purchase price		150	

The goodwill has been allocated to the various cash-generating units ('CGU') representative of the countries in which Africa Online Limited operates. An impairment loss of R12 million was recognised relating to the Tanzanian and Ghana cash generating units in 2008 in order to write down goodwill to the recoverable amount. The recoverable amount represents the value in use of the CGU's and has been determined using 11.6% discount rate.

	2006 Rm	2007 Rm	2008 Rm
35. Acquisition and disposals of subsidiaries, joint ventures and minority shareholders' interests (continued)			
35.1 Acquisitions (continued)			
By the Group's 50% joint venture, Vodacom			
Smartphone SP (Proprietary) Limited and subsidiaries ('Smartphone SP')			
On August 30, 2006 the Vodacom Group acquired a further 19% interest.			
On August 31, 2007 the Vodacom Group increased its interest in the equity of Smartphone SP from 70% to 100%. The acquisition was accounted for using the parent entity extenstion method.			
Minority interest acquired		11	3
Goodwill		157	466
Purchase price (including capitalised cost)		168	469
Less: Capitalised costs payable		–	(1)
Purchase price		168	468
Smartcom (Proprietary) Limited ('Smartcom')			
On September 13, 2006 the Vodacom Group increased its interest to 88%.			
On September 1, 2007 the Vodacom Group increased its interest in the equity of Smartcom from 88% to 100%. The acquisition was accounted for using the parent entity extension method.			
Minority interest acquired (<R1 million)		–	–
Goodwill		4	9
Purchase price		4	9
The purchase price of R18 million (Group's share: R9 million) was paid on September 6, 2007.			
Africell Cellular Services (Proprietary) Limited			
Effective October 1, 2006 the Vodacom Group acquired the cellular business of Africell Cellular Services (Proprietary) Limited. The fair value of the assets and liabilities acquired were determined as follows:			
Fair value of assets acquired		25	
Less: Deferred taxation liability (including taxation effect on intangible assets)		(7)	
Fair value of net assets acquired		18	
Goodwill		22	
Purchase price		40	

The customer base was not previously recorded in the accounting records of Africell Cellular Services (Proprietary) Limited as it was an internally generated intangible asset. The goodwill related to the acquisition represents future synergies and the ability to directly control Vodacom Group's customers in South Africa.

	2006 Rm	2007 Rm	2008 Rm

35. Acquisition and disposals of subsidiaries, joint ventures and minority shareholders' interests (continued)

35.1 Acquisitions (continued)

By the Group's 50% joint venture, Vodacom InterConnect s.p.r.l

Effective November 1, 2006 the Vodacom Group acquired the internet service provider business of InterConnect s.p.r.l. The fair values of the assets and liabilities acquired were determined as follows:

	2006 Rm	2007 Rm	2008 Rm
Fair value of assets acquired		6	
Less: Deferred taxation liability		(2)	
Fair value of net assets acquired		4	
Goodwill		6	
Purchase price		10	

The initial purchase price of R21 million (USD3 million) (Group share: R10 million) excluding capitalised costs was paid on November 1, 2006.

The goodwill related to the acquisition represents future synergies and are allocated to the Democratic Republic of Congo cash-generating unit.

Cointel V.A.S. (Proprietary) Limited

On August 1, 2005 the Vodacom Group acquired a 51% interest in the equity of Cointel V.A.S. (Proprietary) Limited.

On October 4, 2006 the Vodacom Group increased its interest to 100% by acquiring 49% from the minority shareholders. The acquisition was accounted for using the parent entity extention method. The goodwill related to the acquisition represents future synergies and are allocated to the mobile South African cash-generating unit.

	2006 Rm	2007 Rm	2008 Rm
Fair value of net assets acquired	47	–	
Minority interest	(23)	28	
Goodwill	18	45	
Purchase price (including capitalised costs)	42	73	
Cash and cash equivalents	(42)	–	
Cash consideration	–	73	

On October 9, 2006 Smartphone SP (Proprietary) Limited, acquired a 100% shareholding of Cointel V.A.S. (Proprietary) Limited from Vodacom Group (Proprietary) Limited for R300 million (Group share: R150 million).

As a result of the sale of Cointel V.A.S. (Proprietary) Limited from Vodacom Group (Proprietary) Limited to Smartphone SP (Proprietary) Limited, R38 million (Group share: R19 million) goodwill was realised, which resulted in the realisation of R17.4 million profit (Group share: R8.7 million) on consolidation.

	2006 Rm	2007 Rm	2008 Rm

35. Acquisition and disposals of subsidiaries, joint ventures and minority shareholders' interests (continued)

35.1 Acquisitions (continued)

By the Group's subsidiaries

One Africa Television (Proprietary) Limited ('One Africa Television') and Downlink (Proprietary) Limited ('Downlink')

On August 13, 2007 Telkom Media acquired a 49% shareholding in One Africa Television and Downlink respectively, two companies registered in the Republic of Namibia, for a total cost of R18 million. Telkom Media has management control and therefore the entities are consolidated into Telkom Media Group.

	2006 Rm	2007 Rm	2008 Rm
Purchase price			18

The purchase price allocation will be completed in the 2009 financial year as not all the information was available at year end to finalise it. Goodwill has not been tested for impairment as the accounting is provisional and has not been allocated to the various cash-generating units.

Multi-Links Telecommunications Limited ('Multi-Links Telecommunications')

On May 1, 2007 Telkom acquired a 75% shareholding in Multi-Links Telecommunications through Telkom International, a wholly owned South African subsidiary, for a total cost of R1,985 million.

Multi-Links Telecommunications is a Nigerian Private Telecommunications Operator with a Unified Access License providing fixed, mobile, data, long distance and international telecommunications services throughout Nigeria. Multi-Links is domiciled and incorporated in Nigeria.

At this stage Telkom has not taken a decision to dispose of any operations as a result of the combination.

At acquisition date the company was not IFRS compliant and thus no fair value information based on IFRS was available.

The purchase price allocation has been completed during the current year under review, and has resulted in goodwill being adjusted since the interim results has been released.

The following intangible assets were identified and valued at the end of the year:

	2006 Rm	2007 Rm	2008 Rm
Customer relationship			61
Licence			36
Brand			105
Fair value of intangible assets			202

	2006 Rm	2007 Rm	2008 Rm
35. Acquisition and disposals of subsidiaries, joint ventures and minority shareholders' interests (continued)			
35.1 Acquisitions (continued)			
By the Group's subsidiaries (continued)			
Multi-Links Telecommunications Limited ('Multi-Links Telecommunications') (continued)			
The fair value of the assets and liabilities acquired were determined as follows:			
Net assets acquired (excluding fair value of intangible assets)			236
Fair value of intangible assets			202
Less: Contingencies recognised			(35)
Less: Deferred taxation raised on intangible assets			(65)
Fair value of net assets acquired			338
Less: Minority interest			(80)
Goodwill			1,727
Purchase price*			1,985

*The purchase price was settled in cash.

Revenue amounting to R845 million and a profit of R23 million are included in the consolidated annual financial statements, since acquisition date.

The factors that lead to goodwill recognised is a combination of premium paid and intangible assets not separately identifiable at acquisition.

35.2 Disposals of Subsidiaries

By the Group's 50% joint venture, Vodacom

Ithuba Smartcall (Proprietary) Limited ('Ithuba Smartcall')

On September 3, 2007 the Group disposed of its 52% interest in Ithuba Smartcall. The fair value of the assets and liabilities disposed of was less than R1 million.

Stand 13 Eastwood Road Dunkeld (Proprietary) Limited

On September 3, 2007 the Group disposed of its 100% interest in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited. The fair value of the assets and liabilities disposed were as follows:

	2006 Rm	2007 Rm	2008 Rm
Carrying amount of net assets disposed of:			4
Gain on disposal			4
Selling price			8

The consideration was received on September 6, 2007.

36. Undrawn borrowing facilities and guarantees

36.1 Rand denominated facilities and guarantees

Telkom has general banking facilities of R5,935 million with R41 million utilised at March 31, 2008. The facilities are unsecured. When drawn bear interest at a rate linked to prime, have no specific maturity date and are subject to annual review. R2,000 million of these undrawn facilities were committed

The Group exposure is 50% of the following items:

Vodacom has Rand denominated credit facilities totalling R5,788 million with R2,456 million utilised as at March 31, 2008. The facilities that are uncommitted 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	Currency	2006 Rm	2007 Rm	2008 Rm
Vodacom (Proprietary) Limited	All guarantees individually less than R2 million.	Various		3	3	2
Vodacom Service Provider Company (Proprietary) Limited	All guarantees individually less than R2 million.	Various		3	3	3
Vodacom Service Provider Company (Proprietary) Limited	Guarantee in respect of receipt of independent intermediaries of premiums on behalf of short-term insurers and Lloyd's under-writers, and relating to short-term insurance business carried on in RSA. Renewable annually.	SA Insurance Association for benefit of insurers		21	27	32
Smartcom (Proprietary) Limited	Guarantees for salary bank account and debit orders.	Various		3	3	–
Cointel VAS (Proprietary) Limited	Guarantees for operating lease and debit orders.	Various		–	1	–
Vodacom (Proprietary) Limited	Letter of undertaking in respect of land.	Attorneys		–	7	17
				30	44	54

36.2 Foreign denominated facilities and guarantees

Guarantor	Details	Beneficiary	Currency	2006 Rm	2007 Rm	2008 Rm
Telkom SA Limited	Punctual payment and performance by Africa Online under the Trade Finance Facility. Agreement to various banks.	Various	USD3 million	–	–	23
First Bank of Nigeria Plc (on behalf of Mutli-links Telecommunications Limited)	Guarantee on lending facility from Export Bank of Canada to Nortel Networks for the purchase of Telecommunications equipment phases – 9a, 9b, 9c and 9d.	Nortel Networks Canada	USD18 million	–	–	147
Zenith Bank Plc (on behalf of Mutli-links Telecommunications Limited)	Guarantee payment to Gilat Satcom Limited in respect of interconnect service (standby letter of credit).	Gilat Satcom Limited	USD0.1 million	–	–	1
Zenith Bank Plc (on behalf of Mutli-links Telecommunications Limited)	Support the bid award of the contract for the submission of the proposal to provide wire Nigerian Telecommunications Services.	NCC	USD0.1 million	–	–	1
Zenith Bank Plc (on behalf of Mutli-links Telecommunications Limited)	Issued in favour of Huawei Technology Investment Company Limited for the supply of core telecommunications services.	Huawei Technology Investment Company Limited	USD31 million	–	–	250
Zenith Bank Plc (on behalf of Mutli-links Telecommunications Limited)	Issued in favour of Huawei Technology Investment Company Limited for the supply of core telecommunications services.	Huawei Technology Investment Company Limited	USD11 million	–	–	88
				–	–	510

36. Undrawn borrowing facilities and guarantees (continued)

36.2 Foreign denominated facilities and guarantees (continued)

The Group exposure is 50% of the following items:

Vodacom Congo (RDC) s.p.r.l. has various facilities of USD19 million of which USD9 million was fully utilised as at March 31, 2008. Vodacom International Limited has a revolving term loan of USD180 million which was fully utilised at March 31, 2008. Vodacom Lesotho (Proprietary) Limited has overdraft facilities with various banks of M40 million of which MNil was utilised at March 31, 2008. VM, S.A.R.L. has an overdraft facility of USD0.5 million of which USDNil million was utilised at March 31, 2008. Foreign currency term facilities are predominantly US Dollar based, at various maturities and are utilised for bridging and short-term working capital needs.

Guarantor	Details	Beneficiary	Currency	2006 Rm	2007 Rm	2008 Rm
Nedbank on behalf of Vodacom (Proprietary) Limited	Unsecured standby letters of credit	Alcatel CIT	€Nil (2007: Nil; 2006: €11 million)	86	–	–
Vodacom Group (Proprietary)Limited	Guarantees issued for the obligation of Vodacom International Limited's term loan facility*#	Standard Bank Plc and RMB International (Dublin) Limited	USD180 million (2007: USD180 million; 2006: USD180 million)	1,114	1,312	1,463
Vodacom International Limited	Guarantees issued for the obligation of Vodacom Congo (RDC) s.p.r.l.*	Alcatel CIT	€Nil (2007: €Nil; 2006: €5 million)	38	–	–
				1,238	1,312	1,463

* Foreign denominated guarantees amounting to R1,463 million (2007: R1,312 million; 2006: R1,152 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.

Companies within the Group have provided the following guarantees:

Vodacom (Proprietary) Limited provides an unlimited guarantee for borrowings entered into by Vodacom Group (Proprietary) Limited.

	2006 Rm	2007 Rm	2008 Rm
37. Commitments			
Capital commitments authorised	10,265	11,167	15,198
Fixed-line	6,500	7,000	7,000
Mobile	3,746	4,159	5,211
Other	19	8	2,987
Commitments against authorised capital expenditure	842	1,099	3,504
Fixed-line	197	506	652
Mobile	642	591	800
Other	3	2	2,052
Authorised capital expenditure not yet contracted	9,423	10,068	11,694
Fixed-line	6,302	6,494	6,348
Mobile	3,104	3,568	4,411
Other	17	6	935

Capital commitments comprise of commitments for property, plant and equipment and software included in Intangible assets.

Management expects these commitments to be financed from internally generated cash and other borrowings.

37. Commitments (continued)

2010 FIFA World Cup Commitments

The FIFA World Cup commitments is an executory contract which requires Telkom to develop the fixed-line components of the necessary telecommunications infrastructure needed to broadcast this event to the world. This encompasses the provisioning of the fixed-line telecommunications related products and services and, where applicable, the services of qualified personnel necessary for the planning, management, delivery, installation and de-installation, operation, maintenance and satisfactory functioning of these products and services. Furthermore as a National Supporter, Telkom owns a tier 3 sponsorship that grants Telkom a package of advertising, promotional and marketing rights that are exercisable within the borders of South Africa. The total value of the commitment for the year ended March 31, 2008 amounted to USD35 million.

	Total Rm	<1 year Rm	1 – 5 years Rm	>5 years Rm
Operating lease commitments and receivables				
2008				
Buildings	2,061	341	913	807
Rental receivable on buildings	(266)	(94)	(169)	(3)
Transmission and data lines	709	134	490	85
Vehicles	1,444	233	1,211	–
Equipment	13	10	3	–
Sport and marketing contracts	680	282	395	3
Customer premises equipment receivables	(84)	(45)	(39)	–
Total	4,557	861	2,804	892
2007				
Buildings	1,465	289	771	405
Rental receivable on buildings	(269)	(91)	(174)	(4)
Transmission and data lines	262	68	159	35
Vehicles	573	568	5	–
Equipment	23	6	17	–
Sport and marketing contracts	441	164	275	2
Customer premises equipment receivables	(57)	(30)	(27)	–
Total	2,438	974	1,026	438
2006				
Buildings	890	240	640	10
Rental receivable on buildings	(180)	(56)	(122)	(2)
Transmission and data lines	131	28	102	1
Vehicles	996	498	498	–
Equipment	35	20	15	–
Sport and marketing contracts	567	149	418	–
Total	2,439	879	1,551	9

Customer premises equipment receivable

The disclosed information relates to those arrangements which were assessed to be operating leases in terms of IAS17.

The comparative information for 2006 is not disclosed as it was not considered to be material.

37. Commitments (continued)

Operating leases

The Group leases certain buildings, vehicles and equipment. The majority of the lease terms negotiated for equipment-related premises are ten years with other leases signed for five and three years. The bulk of non-equipment related premises are for leases of three years to ten years. The majority of the leases normally contain an option clause entitling Telkom to renew the lease agreements for a period usually equal to the main lease term.

The minimum lease payments under these agreements are subject to annual escalations, which range from 6% to 15%.

Penalties in terms of the lease agreements are only payable should Telkom vacate a premises and negotiate to terminate the lease agreement prior to the expiry date, in which case the settlement payment will be negotiated in accordance with the market conditions of the premises. Future minimum lease payments under operating leases are included in the above note. Onerous leases for buildings, of which Telkom has no further use, no possibility of sub-lease and no option to cancel, are provided for in full and included in other provisions.

The master lease agreement for vehicles was for a period of five years and then extended for an additional three years which resulted in the lease expiring on March 31, 2008. During August 2007 new terms were negotiated and approved and as a result the operating lease commitments for vehicles are based on the new agreement which expires on March 31, 2013. In accordance with this agreement Telkom is not allowed to lease any similar vehicle as specified in the contract from any other service provider during the five year period except for the rentals at airport which are utilised in cases of subsistence and travel as well as vehicles which are not part of the agreement.

The agreement is structured to have no lease increases on vehicles that are continually leased from the lessor. If a vehicle is, however, replaced by a new similar vehicle, the lease costs of the newest vehicle, will increase by the Consumer Price Index. All leased vehicles are, however, subject to any variance in the interest rate fluctuations and are adjusted as and when the adjustments are announced by the South African Reserve Bank. The leases of individual vehicles are renewed annually.

The increase in the current year transmission and data line is attributable to Vodacom increasing their operating leases.

The master lease agreements for office equipment are with two suppliers with initial periods of 36 months effective from November 25, 2005. In terms of these agreements the leases of individual equipment shall be valid for 36 months at a fixed fee for the entire period.

	Total Rm	<1 year Rm	1 – 5 years Rm	>5 years Rm
Finance lease commitments				
2008				
Building				
Minimum lease payments	2,182	161	871	1,150
Finance charges	(1,029)	(43)	(603)	(383)
Finance lease obligation	1,153	118	268	767
Equipment				
Minimum lease payments	16	4	12	–
Finance charges	(2)	–	(2)	–
Finance lease obligation	14	4	10	–
Vehicles*				
Minimum lease payments	242	48	194	–
Finance charges	(59)	(20)	(39)	–
Finance lease obligation	183	28	155	–
2007				
Building				
Minimum lease payments	2,412	227	853	1,332
Finance charges	(1,198)	(166)	(540)	(492)
Finance lease obligation	1,214	61	313	840
Equipment				
Minimum lease payments	6	–	6	–
Finance charges	–	–	–	–
Finance lease obligation	6	–	6	–

* The finance lease commitments disclosed above are future commitments commencing April 1, 2008. Thus not recognised as interest-bearing debt.

	Total Rm	<1 year Rm	1 – 5 years Rm	>5 years Rm
37. Commitments (continued)				
Finance lease commitments (continued)				
2006				
Building				
Minimum lease payments	2,644	217	908	1,519
Finance charges	(1,372)	(172)	(587)	(613)
Finance lease obligation	1,272	45	321	906

Finance leases

Swap bodies are detactable parts of the vehicle designed according to Telkom specifications, which are used as mobile storage.

Finance leases on vehicles relates to the lease of Swap bodies. The lease term for the Swap bodies which have been classified as finance leases and vehicles which have been classified as operating leases has been renewed from April 2008 to April 2013.

A major portion of the finance leases relates to the sale and lease-back of the Group's office buildings. The lease term negotiated for the buildings is for a period of 25 years ending 2019. The minimum lease payments are subject to an annual escalation of 10% p.a. Telkom has the right to sublet part of the buildings. In case of breach of contract, the lessor is entitled to cancel the lease agreement and claim damages.

Finance charges accruing on one of the Group's building leases exceed the lease payments for the next three years. Minimum lease payments for the next five years do not result in any income accruing to the Group.

Finance leases on equipment relates to the reclassification of operating leases as the result of Telkom adopting IFRIC4, which requires assessment of whether an arrangement contains a lease. These leases are classified as finance leases in terms of IAS17 since they transfer significant risks and rewards of ownership to Telkom.

Finance leases on equipment mainly relates to office equipment. The lease term negotiated for the finance leases is for a period of 3 years ending in 2011.

Other

The group exposure is 50% of the following items:

Global Alliance fees

The Vodacom Group pays annual fees from February 18, 2005 for the services provided by Vodafone Group Plc. The fee is calculated as a percentage of revenue and amounts to R304 million (2007: R250 million; 2006: R175 million).

Retention incentives

The Vodacom Group has committed a maximum of R1,317 million (2007: R652 million; 2006: R456 million) in respect of customers already beyond their normal 24 month contract period, but who have not yet upgraded to new contracts, and therefore have not utilised the incentive available for such upgrades. The Group has not recognised the liability, as no legal obligation exists, since the customers have not yet entered into new contracts.

Activation bonuses

The Vodacom Group has a potential liability in respect of activation bonuses payable related to starter packs sold which have not yet been validated. The exposure is estimated at approximately R14 million (2007: R8 million; 2006: R9 million).

Activation commissions

The Vodacom Group has a commitment to a maximum of R119 million (2007: R116 milllion; 2006: R142 million) in terms of activation commissions on gross prepaid connections in excess of the legal liability recorded in the financial statements.

	2006 Rm	2007 Rm	2008 Rm
38. Contingencies			
Third parties	35	28	27
Fixed-line	27	19	18
Mobile	3	4	4
Other	5	5	5

Third parties

These amounts represent sundry disputes with suppliers that are not individually significant and that the Group does not intend to settle.

Supplier dispute

Expenditure of R594 million was incurred up to March 31, 2002 for the development and installation of an integrated end-to-end customer assurance and activation system to be supplied by Telcordia. In the 2001 financial year, the agreement with Telcordia was terminated and in that year, Telkom wrote off R119 million of this investment. Following an assessment of the viability of the project, the balance of the Telcordia investment was written off in the 2002 financial year. During March 2001, the dispute was taken to arbitration where Telcordia was seeking approximately USD130 million plus interest at a rate of 15.5% per year which was subsequently increased to USD172 million plus interest at a rate of 15.5% per year in the 2007 financial year for money outstanding and damages. The claims have since been revised by Telcordia to USD128 million.

The parties have since reached an advanced stage in their preparation to determine the quantum payable by Telkom to Telcordia. Following the ruling by the Constitutional Court, two hearings were held at the International Dispute Resolutions Centre (IDRC). The first hearing was held in London on May 21, 2007 and was a 'directions hearing' in terms of which the parties consented to a ruling by the arbitrator setting out a consolidated list of proposals and issues to form part of the quantum hearing.

In the second hearing in London at the IDRC on June 25 and 26, 2007 the arbitrator set out a list of issues for determination of the damages.

At a subsequent hearing during July 2007 in London the arbitrator ruled that the rate in terms of the Prescribed Rate of Interest will apply on both damages and debt claims, permitted Telcordia to a further amount to Telcordia's existing claims, permitted VAT to be claimed on Telcordia's claim, where applicable, and set out an agreed timetable for the future conduct of proceedings.

A mediation took place, without success, during February and April 2008.

In the interim the parties have agreed to the appointment by the arbitrator of a third party expert to deal with the technical issues in relation to the software that was required to be provided by Telcardia, who will make a recommendation to the arbitrator in dealing with the amount of the claims.

The arbitrator confirmed certain dates for the compliance of precedural steps to be taken by all the parties before final dates could be agreed upon for a hearing of the evidence on the quantum.

A provision has been raised based on management's best estimate of the probable payments in this regard.

	2006 Rm	2007 Rm	2008 Rm
Supplier dispute liability included in current portion of provisions	–	527	569*

For the net increase in the provision refer to note 28.

* USD70 million.

Competition Commission

If found guilty Telkom could be required to cease these practices, divest these businesses and a maximum administrative penalty of up to 10%, calculated with reference to Telkom's annual turnover, excluding the turnover of subsidiaries and joint ventures, for the financial year prior to the complaint date, may be imposed if it is found that Telkom has committed a prohibited practice as set out in the Competition Act, 1998 (as amended). The Competition Commissions has to date not imposed the maximum penalty on any offender.

38. Contingencies (continued)

Competition Commission (continued)

This applies to the following cases:

Independent Cellular Service Provider Association of South Africa ('ICSPA')

This is a complaint in terms of the Competition Act, which was brought in 2002. ICSPA alleged that Telkom had entered into contracts with large corporations, providing large discounts with the effect of the discouraging the corporates from using the 'premicell' device installed by their members. ICSPA alleged various contraventions of the Act. Telkom provided the Competition Commission with certain information requested. Telkom also referred the Competition Commission to it's High Court application in respect of utilisation of the 'premicell' device. The Competition Commission declined to refer the matter to the Competition Tribunal. ICSPA then referred the matter to the Competition Tribunal on September 18, 2003 but has done nothing since, notwithstanding that Telkom filed its answering affidavit on November 28, 2003. ICSPA has taken no further action since then.

The South African Value Added Network Services ('SAVA')

On May 7, 2002 SAVA, an association of Value Added Network Services (VANS) providers, filed complaints against Telkom at the Competition Commission Competition Act, 89 of 1998, alleging, among other things, that Telkom was abusing its dominant position in contravention of the Competition Act, 89 of 1998, and that it was engaged in price discrimination. The Competition Commission determined, among other things, that several aspects of Telkom's conduct contravened the Competition Act, 89 of 1998, and referred certain of the relevant complaints to the Competition Tribunal for adjudication. The referred complaints deal with Telkom's alleged refusal to provide telecommunications facilities to certain VANS providers to construct their networks, refusal to lease access facilities to VANS providers, provision of bundled and cross subsidised competitive services with monopoly services, discriminatory pricing with regard to leased line services and alleged refusal to peer with certain VANS providers.

Telkom brought an application for review against the Competition Commission and the Competition Tribunal in the High Court, in respect of the decision by the Competition Commission to refer the matters to the Competition Tribunal. Telkom is of the view that the Competition Tribunal does not have jurisdiction to adjudicate these matters and argued that the Independant Communications Authority of South Africa ('ICASA') has the requisite jurisdiction. Only the Competition Commission opposed the application and filed an answering affidavit.

The application for review was heard on April 24 and 25, 2008. The High Court Judge agreed with Telkom's arguments and set aside the decision of the Competition Commission to refer the SAVA complaints (and the Omnilink complaint against Telkom discussed below) to the Competition Tribunal. The decision was made based on three grounds:

- The Competition Commission failed to comply with the peremptory provisions of the memorandum of understanding between the Competition Commission and ICASA;
- The referral was out of time;
- The Competition Commission's reliance on a report by the Link Centre created a reasonable apprehension of bias, since some of the complainants contribute financially to the Link Centre and the Link Centre's advisory board includes employees of the complainants in the SAVA complaints.

The Judge did not make a decision on the matter of jurisdiction (whether ICASA or the Competition Tribunal has the right to rule on the competition matters in the communications industry). To date, the Competition Commission has not appealed the High Court ruling.

Omnilink

Omnilink alleged that Telkom was abusing its dominance by discriminating in its price for Diginet services as against those charged to VANS and the price charged to customers who apply for a Telkom IVPN solution. The Competition Commission conducted an enquiry and subsequently referred the complaint, together with the SAVA complaint, to the Competition Tribunal for adjudication. This matter is currently being dealt with together with the SAVA matter discussed above.

Orion/Telkom (Standard Bank and Edcon): Competition Tribunal

In April 2003, Orion filed a complaint against Telkom, Standard Bank, and Edcon at the Competition Commission concerning Telkom offering discounts on public switched telecommunication services to corporate customers. In terms of the rules of the Competition Commission, the Competition Commission, who acts as an investigator, has one year to investigate the complaint. Orion simultaneously with the filing of the complaint, also filed an application against Telkom, Standard Bank and Edcon at the Competition Tribunal, for an interim order interdicting and restraining Telkom from offering Orion's corporate customers reduced rates associated with Telkom's Cellsaver discount plan.

38. Contingencies (continued)

Competition Commission (continued)

Orion/Telkom (Standard Bank and Edcon): Competition Tribunal (continued)

The Competition Commission completed its investigation and decided that there was no prima facie evidence on any contravention of the Competition Act. Orion however referred the matter to the Competition Tribunal in terms of section 51 of the Competition Act, which allows for parties to refer matters to the Competition Tribunal themselves.

Telkom has not yet filed its answering affidavit in the main complaint before the Competition Tribunal. To date there has been no further developments on this matter.

The Internet Service Providers Association ('ISPA')

In December 2005, ISPA, an association of Internet Service Providers ('ISPs'), filed complaints against Telkom at the Competition Commission regarding alleged anti-competitive practices on the part of Telkom. The complaints deal with the cost of access to the South African Internet Exchange ('SAIX'), the prices offered by TelkomInternet, the alleged delay in provision of facilities to ISP's and the alleged favourable installation timelines offered to TelkomInternet customers.

The Competition Commission has formally requested Telkom to provide it with certain records of orders placed for certain services, in an attempt to first investigate the latter aspects of the complaint. Telkom has provided the Competition Commission with the information and is awaiting the Commissions' response.

M-Web and Internet Solutions ('IS')

On June 29, 2005 M-Web and IS jointly lodged a complaint with the Competition Commission against Telkom and also requested interim relief at the Competition Tribunal. The complaint at the Competition Commission mainly deals with Telkom's pricing for ADSL retail products and its IP Connect products, the termination of the peering link between Telkom and IS, the wholesale pricing of SAIX bandwidth for ADSL users of other ISP's, the architecture of the ADSL access route and the manner in which ISP's can only connect to the ESR via IP Connect as well as alleged excessive pricing for bandwidth on the international undersea cable.

The application for interim relief at the Competition Tribunal dealt with allegations that Telkom should maintain the peering link between IS and Telkom in terms of the current peering agreement, and demanded that Telkom treat traffic generated by the ADSL customers of M-Web as traffic destined for the peering link and that Telkom upgrades the peering link to accommodate the increased ADSL traffic emanating from M-Web and maintain a maximum of 65% utilisation.

Telkom filed its answering affidavit, and is awaiting IS/M-Web's replying affidavit. Since then Telkom has entered into a new peering agreement with IS and has responded to numerous documentation and information requests. To date there has been no further movement on this matter, either in the filing of a replying affidavit by IS/M-Web in the interim relief application or in the investigation of the matter by the Competition Commission.

M-Web

On June 5, 2007 M-Web brought an application against Telkom for interim relief at the Competition Tribunal with regard to the manner in which Telkom provides wholesale ADSL internet connections. M-Web requested the Competition Tribunal to grant an order of interim relief against Telkom to charge M-Web a wholesale price for the provision of ADSL internet connections which is not higher than the lowest retail price. M-Web further applied for an order that Telkom implement the migration of end customers from Telkom PSTS (ADSL access) to M-Web without interruption of the service. Although Telkom raised the objection that the Competition Tribunal does not have jurisdiction to hear the matter in its answering affidavit filed at the Competition Tribunal. Telkom still had to 'plead over' as to the merits of the matter. Telkom also filed an application in the Transvaal Provincial Division of the High Court on July 3, 2007 for an order declaring that the Competition Tribunal does not have jurisdiction to hear the application made to it by M-Web.

This application has been set down for hearing during the first quarter of the 2009 financial year. The parties have entered into settlement negotiations, which resulted in the withdrawal of the interim relief application by M-Web as well as the withdrawal of the jurisdictional challenge by Telkom. The parties are in further negotiations.

Salary negotiations

Telkom is a party to a collective agreement on substantive matters covering the terms and conditions of employment of its fixed-line unionised employees and other non-management employees in Telkom's bargaining unit with ATU and CWU for the period from April 1, 2006 to March 31, 2009. The long term substantive agreement provides for the re-opening of negotiations in the event the consumer price index varies from the April 2006 level of 3.7% by more than 3%. Due to inflation increasing beyond this amount, Telkom re-opened the negotiations in December 2007and thus far, we have not managed to reach settlement. Given the current economic conditions, the various Trade Union Federations especially COSATU have requested a double-digit increase. If Telkom's unable to implement workforce reductions as necessary or outsourcing as planned, particularly as a result of increased competition, or experience significant labour disputes, work stoppages, increased employee expenses as a result of collective bargaining or compliance with labour laws, Telkom's business operations could be disrupted and our net profit could be reduced.

38. Contingencies (continued)

Negative working capital ratio

At each of the financial periods ended March 31, 2008, 2007 and 2006 Telkom had a negative working capital ratio. A negative working capital ratio arises when current liabilities are greater than current assets. Current liabilities are intended to be financed from operating cash flows, new borrowings and borrowings available under existing credit facilities.

The Group's exposure is 50% of the following items:

Equity investment

The Vodacom Group through Vodacom Ventures (Proprietary) Limited has acquired a 35% equity stake in a X-Link Communications (Proprietary) Limited R12 million, which is subject to Competition Commission approval. The Board of Vodacom Group (Proprietary) Limited has also approved the exercise of the option to acquire a further 15.5% equity investment in WBS Holdings (Proprietary) Limited should certain suspensive conditions be fulfilled.

Customer registration

The telecommunications industry in the Democratic Republic of the Congo is subject to a recently promulgated ministerial decree requiring the registration of the entire customer base of all network operators. This decree requires prescribed particulars of all customers to be obtained and maintained by June 30, 2008. The sanction for non-compliance by any operator who has not identified its customers in accordance with the requirements of this decree within three months from March 28, 2008 could result in:

- a fine equivalent to between USD5 thousand and USD10 thousand per customer; and
- suspension of the licence for a period not exceeding three months in the event of repetition; and
- suspension of the licence in the event of a likely disturbance of law and order/safety.

The Group is making every effort to obtain the required information but management believes it is unlikely that the Group will meet all the requirements as prescribed in this decree by June 30, 2008. Management is engaging with the relevant ministries on this matter and are presently unable to reliably assess the potential impact on the Group in the event of non-compliance with this decree.

The Group would be entitled to 50% of the following item:

Contingent Asset

Litigation is being instituted for the recovery of certain fees paid by the Vodacom Group. The information usually required by IAS37 Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The directors are of the opinion that a claim may be successful and that the amount recovered could be significant.

39. Directors' interest

DD Tabata, one of Telkom's Board members is a director and shareholder of Vuwa Investments (Proprietary) Limited which acquired a 40% interest in SAIL Group Limited, with effect from October 1, 2006. SAIL Group Limited is a sports marketing company that does business with Telkom. Telkom paid R17,094,884 for the financial year for these goods and services (2007: R18,682,568). The outstanding creditor's balance in Telkom at March 31, 2008 was R855,000 (2007: R151,924). Vodacom paid R592,474,403 for goods and services from the SAIL Group (2007: R599,958,860). The outstanding creditor's balance in Vodacom as at March 31, 2008 was R21,260,584 (2007: R18,951,705). Vuwa Investments is a consortium member of Amandla Omoya, who has bid to acquire a 10% stake in Vodacom.

SL Arnold, RJ Huntley, E Spio-Garbrah, KST Matthews and VB Lawrence, five of Telkom's board members, are the South African Government's representatives on Telkom's Board of Directors. At March 31, 2008 the Government held 39.42% (2007: 38.83%; 2006: 37.99%) of Telkom's shares.

As at March 31, 2008 A Rhoda (B Molefe resigned March 5, 2008; T. Mahloele resigned on January 30, 2008) was the Public Investment Corporation ('PIC') representative on Telkom's Board of Directors. As at March 31, 2008 the PIC held 15.23% (2007: 15.27%; 2006: 15.73%) of Telkom's shares. On July 3, 2008 A Rhoda resigned and was replaced by B Molefe.

	Beneficial		Non-beneficial	
Number of shares	Direct	Indirect	Direct	Indirect
Directors shareholding				
2008				
Executive				
RJ September	7,155	–	–	–
Total	7,155	–	–	–
2007				
Non-executive				
TF Mosololi	455	–	–	–
Total	455	–	–	–

	Beneficial		Non-beneficial	
Number of shares	Direct	Indirect	Direct	Indirect
39. Directors' interest (continued)				
Directors shareholding (continued)				
2006				
Non-executive				
NE Mtshotshisa	–	–	–	88
TF Mosololi	455	–	–	–
Total	455	–	–	88

The directors' shareholding did not change between the balance sheet date and the date of issue of the financial statements.

	2006 Rm	2007 Rm	2008 Rm
Directors' emoluments	15	7	36
Executive			
For other services	12	4	31
Non-executive			
For services as directors	3	3	5

	Fees R	Remuneration R	Performance bonus R	Fringe and other benefits R	Total R
2008					
Emoluments per director:					
Non-executive	4,633,933	–	–	–	4,633,933
SL Arnold	1,124,373	–	–	–	1,124,373
B du Plessis	393,967	–	–	–	393,967
MJ Lamberti	–	–	–	–	–
PSC Luthuli	502,117	–	–	–	502,117
TD Mahloele	357,684	–	–	–	357,684
KST Matthews	501,217	–	–	–	501,217
TF Mosololi	174,960	–	–	–	174,960
M Mostert#	229,433	–	–	–	229,433
DD Tabata	250,583	–	–	–	250,583
YR Tenza	305,633	–	–	–	305,633
PL Zim	5,333	–	–	–	5,333
B Molefe	20,497	–	–	–	20,497
A Rhoda	14,286	–	–	–	14,286
RJ Huntley	193,833	–	–	–	193,833
E Spio-Garbrah**	273,841	–	–	–	273,841
Dr. VB Lawrence**	286,176	–	–	–	286,176
Executive	–	14,489,833	3,436,308	13,244,896	31,171,037
RJ September*	–	2,453,757	3,436,308	13,218,772	19,108,837
CEO		1,016,524	3,436,308	10,438,538	14,891,370
Acting CEO		1,437,233	–	2,780,234	4,217,467
LRR Molotsane*	–	12,036,076	–	26,124	12,062,200
Total emoluments – paid by Telkom	4,633,933	14,489,833	3,436,308	13,244,896	35,804,970

	Fees R	Remuneration R	Performance bonus R	Fringe and other benefits R	Total R
39. Directors' interest (continued)					
Directors' emoluments					
2007					
Emoluments per director:					
Non-executive	2,641,168	–	–	–	2,641,168
NE Mtshotshisa	463,050	–	–	–	463,050
SL Arnold	353,719	–	–	–	353,719
TCP Chikane	32,670	–	–	–	32,670
B du Plessis	213,367	–	–	–	213,367
PSC Luthuli	205,417	–	–	–	205,417
TD Mahloele	166,667	–	–	–	166,667
KST Matthews	109,643	–	–	–	109,643
TF Mosololi	214,417	–	–	–	214,417
M Mostert	232,417	–	–	–	232,417
DD Tabata	175,367	–	–	–	175,367
YR Tenza	321,767	–	–	–	321,767
PL Zim	152,667	–	–	–	152,667
Executive	–	2,272,785	–	1,653,202	3,925,987
LRR Molotsane*	–	2,272,785	–	1,653,202	3,925,987
Total emoluments – paid by Telkom	2,641,168	2,272,785	–	1,653,202	6,567,155
2006					
Emoluments per director:					
Non-executive	2,969,158	–	–	–	2,969,158
NE Mtshotshisa	759,500	–	–	–	759,500
TCP Chikane	181,022	–	–	–	181,022
B du Plessis	254,391	–	–	–	254,391
PSC Luthuli	168,357	–	–	–	168,357
TD Mahloele	223,227	–	–	–	223,227
TF Mosololi	230,809	–	–	–	230,809
M Mostert	308,272	–	–	–	308,272
A Ngwezi	47,727	–	–	–	47,727
DD Tabata	323,022	–	–	–	323,022
YR Tenza	349,022	–	–	–	349,022
PL Zim	123,809	–	–	–	123,809
Executive	–	2,186,460	7,070,262	2,990,865	12,247,587
LRR Molotsane*	–	1,250,747	3,442,573	909,675	5,602,995
SE Nxasana	–	935,713	3,627,689	2,081,190	6,644,592
Total emoluments – paid by Telkom	2,969,158	2,186,460	7,070,262	2,990,865	15,216,745

* Included in fringe and other benefits is a pension contribution for LRR Molotsane of R4,690 (2007: R295,462; 2006: R162,597), as well as a pension contribution for RJ September of R280,261 paid to the Telkom Retirement Fund, and a payment made in terms of a restraint of trade agreement. Included in remuneration for LRR Molotsane is a payment pursuant to a settlement agreement with Telkom.
LRR Molotsane resigned from Telkom in April 2007 and RJ September was appointed CEO during November 2007.

** Foreign Directors.

\# In the absence of an internal corporate finance division, and pending the structuring and staffing thereof, the Telkom Board resolved that it was in the best interest of the company and shareholders to deploy the highest quality skills currently resident in Telkom, to evaluate, structure and make recommendations to the Board on major transactions.

During the year M Mostert led all efforts in this regard and was remunerated accordingly. Moreover in compliance with the principles of good governance, the Board took legal advice and established that there was not conflict of interest arising out of his involvement in the transaction evaluated.

	2006 Rm	2007 Rm	2008 Rm
40. Segment information			
Eliminations represent the inter-segmental transactions that have been eliminated against segment results.			
Business Segment			
Consolidated operating revenue	47,625	51,619	56,285
Fixed-line	31,832	32,345	32,572
Elimination	(737)	(772)	(830)
Mobile	17,021	20,573	24,089
Elimination	(1,435)	(1,494)	(1,519)
Other	952	979	1,993
Elimination	(8)	(12)	(20)
Consolidated other income	480	384	534
Fixed-line	465	334	497
Elimination	(45)	(46)	(86)
Mobile	50	42	56
Elimination	–	–	–
Other	10	54	67
Elimination	–	–	–
Consolidated operating expenses	33,428	37,533	42,337
Fixed-line	22,454	24,083	24,962
Elimination	(1,443)	(1,495)	(1,709)
Mobile	12,635	15,185	17,898
Elimination	(710)	(755)	(805)
Other*	564	589	2,115
Elimination	(72)	(74)	(124)
Consolidated operating profit	14,677	14,470	14,482
Fixed-line	9,843	8,596	8,107
Elimination	661	677	793
Mobile	4,436	5,430	6,247
Elimination	(725)	(739)	(714)
Other	398	444	(55)
Elimination	64	62	104
Consolidated investment income	397	235	197
Fixed-line	2,720	3,041	3,975
Elimination	(2,398)	(2,850)	(3,832)
Mobile	64	36	27
Other	11	8	27
Consolidated finance charges	1,223	1,125	1,803
Fixed-line	839	856	1,277
Mobile	384	269	240
Other	–	–	320
Elimination	–	–	(34)
Consolidated taxation	4,523	4,731	4,704
Fixed-line	2,836	2,652	2,630
Mobile	1,542	1,918	2,055
Other	145	161	19

	2006 Rm	2007 Rm	2008 Rm
40. Segment information (continued)			
Business Segment (continued)			
Minority interests	139	203	197
Mobile	58	109	73
Other	81	94	124
Profit attributable to equity holders of Telkom	9,189	8,646	7,975
Fixed-line	8,888	8,129	8,175
Elimination	(1,737)	(2,173)	(3,039)
Mobile	2,516	3,170	3,906
Elimination	(725)	(739)	(714)
Other	183	197	(491)
Elimination	64	62	138
Operating expenses			
Other			2,115
Prior to consolidation adjustments			1,830
Consolidation adjustments			285
Consolidated assets	54,306	57,426	68,259
Fixed-line	43,121	44,224	47,829
Elimination	(1,598)	(1,547)	(1,604)
Mobile	12,263	14,026	16,743
Elimination	(258)	(353)	(278)
Other	905	1,188	5,734
Elimination	(127)	(112)	(165)
Investments	2,963	1,461	1,499
Fixed-line	3,093	1,621	4,917
Elimination	(232)	(341)	(3,607)
Mobile	102	181	176
Other	–	–	13
Other financial assets	275	259	614
Fixed-line	256	230	445
Mobile	19	28	169
Other	–	1	–
Total assets	57,544	59,146	70,372
Consolidated liabilities	15,171	15,951	19,689
Fixed-line	10,285	10,154	11,892
Elimination	(351)	(458)	(495)
Mobile	6,466	7,416	8,871
Elimination	(1,441)	(1,468)	(1,542)
Other	319	374	971
Elimination	(107)	(67)	(8)
Interest-bearing debt	11,123	10,364	15,733
Fixed-line	9,888	9,082	13,362
Mobile	1,234	1,278	1,815
Other	1	4	556
Other financial liabilities	235	229	1,290
Fixed-line	205	58	167
Mobile	30	158	204
Other	–	13	919

	2006 Rm	2007 Rm	2008 Rm
40. Segment information (continued)			
Business Segment (continued)			
Tax liabilities	1,549	594	323
Fixed-line	1,186	–	7
Mobile	315	556	290
Other	48	38	26
Total liabilities	28,078	27,138	37,035
Other segment information			
Capital expenditure for property, plant and equipment	6,310	8,648	10,108
Fixed-line	3,926	5,545	6,044
Mobile	2,350	3,069	2,475
Other	34	34	1,589
Capital expenditure for intangible assets	1,196	1,598	1,792
Fixed-line	974	1,049	750
Mobile	221	539	985
Other	1	10	57
Depreciation and amortisation	5,714	5,019	5,601
Fixed-line	4,176	3,298	3,470
Mobile	1,498	1,681	1,955
Other	40	40	176
Impairment and asset write-offs	162	296	529
Fixed-line	187	284	262
Mobile	(26)	12	15
Other	1	–	252
Workforce reduction expense – Fixed-line	88	24	3
Geographical segment			
Consolidated operating revenue	47,625	51,619	56,285
South Africa	46,154	49,558	52,668
Other African countries	1,487	2,099	3,653
Eliminations	(16)	(38)	(36)
Consolidated operating profit	14,677	14,470	14,482
South Africa	14,665	14,366	14,343
Other African countries	131	294	245
Eliminations	(119)	(190)	(106)
Consolidated assets	57,544	59,146	70,372
South Africa	56,479	56,797	63,772
Other African countries	2,015	3,489	8,785
Eliminations	(950)	(1,140)	(2,185)
Capital expenditure for property, plant and equipment and intangible assets*	7,506	10,246	11,900
South Africa	7,135	9,459	9,781
Other African countries	371	787	2,119

‘South Africa’, which is also the country of domicile for Telkom, comprises the segment information relating to Telkom and its South African subsidiaries as well as Vodacom’s South African-based mobile communications network, the segment information of its service providers.

Other African countries’ comprises Telkom’s subsidiaries Africa Online Limited and Multi-Links Telecommunications Limited as well as Vodacom’s mobile communications network in Tanzania, Lesotho, the Democratic Republic of the Congo and Mozambique.

* The Geographical segment capital expenditure has been restated to include capital expenditure on intangible assets.

	2006 Rm	2007 Rm	2008 Rm
41. Related parties			
Details of material transactions and balances with related parties not disclosed separately in the consolidated annual financial statements were as follows:			
With joint venture: Vodacom Group (Proprietary) Limited			
Related party balances			
Trade receivables	48	61	51
Trade payables	(256)	(353)	(346)
Related party transactions			
Revenue	(710)	(755)	(816)
Expenses	1,435	1,494	1,525
Audit fees	3	3	3
Revenue includes interconnect fees and lease and installation of transmission lines			
Expenses mostly represent interconnect expenses			
With shareholders: Government			
Related party balances			
Trade receivables	247	271	326
Related party transactions			
Revenue	(2,304)	(2,458)	(2,623)
With entities under common control: Major public entities			
Related party balances			
Trade receivables	39	59	28
Trade payables	(2)	(6)	(25)
The outstanding balances are unsecured and will be settled in cash in the ordinary course of business			
Related party transactions			
Revenue	(370)	(435)	(486)
Expenses	172	238	243
Rent received	(17)	(29)	(21)
Rent paid	56	27	22

	2006 Rm	2007 Rm	2008 Rm

41. Related parties (continued)

Key management personnel compensation:

(Including directors' emoluments)

	2006 Rm	2007 Rm	2008 Rm
Related party transactions			
Short-term employee benefits	157	176	231
Post-employment benefits	7	14	12
Termination benefits	12	–	27
Equity compensation benefits	6	8	29
Other long-term benefits	16	27	16

The fair value of the shares that vested in the current year is R12 million (2007: RNil; 2006: R3 million).

Terms and conditions of transactions with related parties

The sales to and purchases from related parties of telecommunication services are made at arms length prices. Except as indicated above, outstanding balances at the year-end are unsecured, interest free (except for interest charged on overdue telephone accounts) and settlement occurs in cash. Apart from the bank guarantee to the amount not exceeding R23 million (USD3 million) provided to Africa Online, there have been no guarantees provided or received for related party receivables or payables. Except as indicated above for the year ended March 31, 2008 the Group has not made any impairment of amounts owed by related parties (2007: RNil; 2006: RNil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

42. Investments in joint ventures

Vodacom Group (Proprietary) Limited ('Vodacom')

Telkom owns 5,000 shares of 1c each at cost. This amounts to a 50% shareholding in Vodacom. Vodacom is an entity that is jointly controlled by its venturers, Telkom and Vodafone Plc through a contractual agreement. Telkom applies joint venture accounting in recognising its investment in Vodacom since it shares control of Vodacom with Vodafone, as set out in the joint venture agreement between the two parties, and has chosen to proportionately consolidate Vodacom on a line-by-line basis. Some of the provisions in the joint venture agreement that indicate how the venturers jointly control the activities of Vodacom are as follows:

- The venturers have the right to appoint the 8 non-executive directors of Vodacom. A further 4 executive directors are appointed to the Board;
- A Directing committee has been established that holds all powers, functions and authority of the directors to act for and on behalf of the Company. This Directing committee constitutes only the directors as appointed by the venturers;
- All decisions made by the Directing committee are mandatorily ratified by the Board of Directors as the ultimate decision lies with the Directing committee; and
- The Directing committee, which is composed entirely of venturer appointed directors, is the ultimate oversight committee of, and controls the activities of, Vodacom.

	2006 Rm	2007 Rm	2008 Rm
42. Investments in joint ventures (continued)			
Total assets	12,384	14,235	17,087
Non-current assets	8,040	10,422	12,234
Current assets	4,344	3,813	4,853
Total liabilities and reserves	(12,384)	(14,235)	(17,087)
Reserves	(4,196)	(4,713)	(5,703)
Minority interests	(142)	(110)	(202)
Non-current liabilities	(932)	(1,906)	(2,394)
Current liabilities	(7,114)	(7,506)	(8,788)
The Group's proportionate share of revenue and expense is as follows:			
Revenue	17,021	20,573	24,089
Net operating expenses	(12,586)	(15,142)	(17,844)
Profit before net finance charges	4,435	5,431	6,245
Net finance charges	(320)	(233)	(212)
Net income before taxation	4,115	5,198	6,033
Taxation	(1,542)	(1,918)	(2,055)
Profit after taxation	2,573	3,280	3,978
Minority interest	(58)	(109)	(73)
Net profit for the year	2,515	3,171	3,905
The Group's proportionate share of cash flow is as follows:			
Cash flow from operating activities	2,251	2,429	2,562
Cash flow from investing activities	(2,395)	(3,292)	(3,751)
Cash flow from financing activities	(53)	(100)	1,617
Net (decrease)/increase in cash and cash equivalents	(197)	(963)	428
Effect of exchange rate on cash and cash equivalents	(8)	29	44
Cash and cash equivalent at beginning of year	1,085	880	(54)
Cash and cash equivalents at end of year	880	(54)	418

43. Interest in subsidiaries

Country of incorporation: RSA – Republic of South Africa; TZN – Tanzania; LES – Lesotho; MZ – Mozambique; DRC – Democratic Republic of Congo; MAU – Mauritius; NIG – Nigeria
Nature of business: C – Cellular; S – Satellite; MSC – Management services company; PROP – Property company; OTH – Other.

*Dormant at March 31, 2008.

		Issued share capital			Interest in issued ordinary share capital		
	Country of incorporation	2006	2007	2008	2006 %	2007 %	2008 %
Directory advertising (OTH)							
TDS Directory Operations (Proprietary) Limited	RSA	R100,000	R100,000	R100,000	64.9	64.9	64.9
Data application services (OTH)							
Swiftnet (Proprietary) Limited	RSA	R25,000,000	R5,000,000	R5,000,000	100	100	100
Other (OTH)							
Q-Trunk (Proprietary) Limited	RSA	R10,001,000	R10,001,000	R10,001,000	100	100	100
Intekom (Proprietary) Limited	RSA	R10,001,000	R10,001,000	R10,001,000	100	100	100
Rossal No 65 (Proprietary) Limited	RSA	R100	R100	R100	100	100	100
Acajou Investments (Proprietary) Limited	RSA	R100	R100	R100	100	100	100
Telkom Media (Proprietary) Limited	RSA	–	R100	R100	–	75	75
Africa Online Limited	MAU	–	USD1,000	USD1,000	–	100	100
Multi-Links Telecommunications Limited	NIG	–	–	N300,000,000	–	–	75
Telkom International (Proprietary) Limited (MSC)	RSA	R100	R100	R100	100	100	100
The aggregate net (loss)/profit of the subsidiaries is (R186) million (2007: R564 million; 2006: R471 million)							
Vodacom has an interest in the following companies (Group Share: 50% of the interest in ordinary share capital as indicated):							
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	TZS10,000	TZS10,000	TZS10,000	65	65	65
VM, S.A.R.L. (C)	MZ	USD60,000,000	USD60,000,000	USD60,000,000	98	98	90
Vodacom Congo (RDC) s.p.r.l. (C)	DRC	USD1,000,000	USD1,000,000	USD1,000,000	51	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	R 20,000	51	70	100
Smartcom (Proprietary) Limited (C)*	RSA	R1,000	R1,000	R 1,000	43.7	61.7	100
Cointel VAS (Proprietary) Limited (C)*	RSA	R10,204	R10,204	R 10,204	51	70	100

	Country of incorporation	Issued share capital 2006	2007	2008	Interest in issued ordinary share capital 2006 %	2007 %	2008 %
43. Interest in subsidiaries (continued)							
Other subsidiaries ofthe Group's Joint Venture							
Vodacom Service Provider Holdings Company (Proprietary) Limited (MSC)*	RSA	R1,020	R1,020	R1,023	100	100	100
Vodacom Satellite Services (Proprietary) Limited (OTH)*	RSA	R100	R100	R100	100	100	100
GSM Cellular (Proprietary) Limited (OTH)*	RSA	R1,200	R1,200	R1,200	100	100	100
Vodacom Venture No.1 (Proprietary) Limited (OTH)*	RSA	R810	R810	R810	100	100	100
Vodacom Equipment Company (Proprietary) Limited (OTH)*	RSA	R100	R100	R100	100	100	100
Vodacare (Proprietary) Limited (OTH)*	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	USD100	USD100	USD100	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	R1,000	100	100	100
Stand 13 Eastwood Road Dunkeld West (Proprietary) Limited (PROP)	RSA	R100	R100	–	51	70	–
Ithuba Smartcall (Proprietary) Limited (OTH)	RSA	R100	R100	–	26.5	36.4	–
Smartcall Smartlife (Proprietary) Limited (OTH)	RSA	–	R100	–	–	63	–
Vodacom Tanzania Limited (Zanzibar) (OTH)*	TZN	TZS10,000	TZS10,000	TZS10,000	99	99	99
Joycell Shops (Proprietary) Limited (OTH)*	RSA	R100	R100	R100	100	100	100
Marble Gold Investments (Proprietary) Limited (OTH) *	RSA	R100	R100	R100	100	100	100
Vodacom Ventures (Proprietary) Limited (OTH)	RSA	R120	R120	R120	100	100	100
Skyprops 134 (Proprietary) Limited (PROP)	RSA	–	R100	R100	–	100	100

Indebtness of Telkom subsidiary companies		Rm	Rm	Rm
Swiftnet (Proprietary) Limited	RSA	2	–	–
Intekom (Proprietary) Limited	RSA	3	–	–
Q-Trunk (Proprietary) Limited	RSA	34	30	26
Rossal No 65 (Proprietary) Limited	RSA	–	–	30
Acajou Investments (Proprietary) Limited	RSA	–	–	–
Africa Online Limited	MAU	–	–	74
Multi-Links Telecommunications Limited	NIG	–	–	841
Telkom Media (Proprietary) Limited	RSA	–	–	326

44. Significant events

Swiftnet (Proprietary) Limited

Swiftnet is in breach of its license that requires it to have at least 30% of its shares held by black economic empowerment individuals or entities. ICASA has required Switfnet to remedy the breach of its license, which expired on August 24, 2006. On February 14, 2007 Telkom announced that it had entered into an agreement to sell a 30% stakein Swiftnet to the Radio Surveillance Consortium, a group of empowerment investors, for R55 million following a competitive process run by an independent adviser. The transaction would not have required any financial support or facilitation from Telkom. The transaction received Competition Commission approval on May 28, 2007, but was not approved by ICASA. Swiftnet is currently seeking black economic empowered individuals or entitied who would be acceptable to ICASA. Swiftnet met with ICASA on January 28, 2008 to discuss its specific license terms and conditions. Swiftnet has submitted its comments on the draft license terms and conditions to ICASA that ICASA sent to Swiftnet during October 2007. Swiftnet, assisted by Telkon as its sole shareholder, has had a further meeting with ICASA on February 27, 2008. It was decided that the draft amended license that ICASA sent to Swiftnet during October 2007 would not form the basis of the conversion process, but instead the original license issued to Swiftnet in August 1995 would be used as the basis for license conversion.
The transaction is still subject to ICASA approval. With regard to shareholder issues, ICASA indicated that there is currently no agreement within the industry as to acceptable BEE shareholding percentages for all licensees. ICASA indicated that the shareholding issue for the Swiftnet license would need to be in line with BEE values applicable to other similar licensees.

Telkom Media (Proprietary) Limited

On August 31, 2006 Telkom created a new subsidiary, Telkom Media (Proprietary) Limited with a Black Economic Empowerement ('BEE') shareholding. ICASA awarded Telkom Media a commercial satelite and cable subscription broadcast license on September 12, 2007.

The BEE shareholders are Videovision Entertainment, MSG Afrika Media and WDB Investment Holdings (Proprietary) Limited. As at March 31, 2008 Telkom had a 75% shareholding in Telkom Media, however, in a recent clarification and refinement of its strategy the board has taken the decision to substantially reduce its investment in Telkom Media (Proprietary) Limited and will be investigating all opportunities to do this in the best interest of Telkom shareholders and all other stakeholders.

Vodacom BBBEE equity deal

Vodacom is in the process of finalising a R7.5 billion BBBEE (Broad-Based Black Economic Empowerment) equity deal whereby strategic business partners, employees and the black public will have an opportunity to share in the success of Vodacom South Africa going forward. Vodacom announced that transaction agreements were signed on June 20, 2008. Telkom is supportive of this transaction but is not in a position to comment on the impact of the proposed transaction on Telkom as the details relating to the transaction are expected to be announced by Vodacom in the third quarter of this calender year.

Global Telematics SA (Proprietary) Limited

On October 26, 2007 Vodacom Service Provider Company (Proprietary) Limited ('VSPC'), entered into an agreement with Global Telematics SA (Proprietary) Limited ('Global Telematics'). In terms of the agreement Glocell Service Provider Company (Proprietary) Limited ('GSPC'), will cede, transfer and assign its agreements together with all of its obligations and its rights attaching to its customers connected to the Vodacom Network to Global Telematics. GSPC connects all voice contract customers and sells pre-paid packs on behalf of Global Telematics. VSCP will acquire the consolidated customers base from Global Telematics which will consist of active prepaid customers, active contract customers and active telemetry customers, subject to certain suspensive conditions. Once these suspensive conditions are met the transactions will be effective.

45. Subsequent events

Dividends

The Telkom Board declared an annual dividend of R3,437 million or 660 cents per share on June 6, 2008 payable on July 7, 2008 for shareholders registered on July 4, 2008 which will fully utilise the deferred tax asset on STC credits and result in an additional STC charge of R161 million.

Mobile strategy and unlocking shareholder value

Telkom informed the shareholders that on Friday, May 30, 2008, Telkom received a non-binding proposal from a wholly-owned subsidiary of Vodafone Group Plc ('Vodafone') to acquire a portion of Telkom's stake in Vodacom Group (Proprietary) Limited ('Vodacom') subject to, inter alia, the Company unbundling its remaining stake in Vodacom to Telkom shareholders.

Separately, on Friday, May 30, 2008 Telkom received a letter from a consortium comprising Mvelaphanda Holdings (Proprietary) Limited, affiliated funds of Och-Ziff Capital Management Group and other strategic funders ('the Consortium'), which states that the Consortium is considering making an offer for the entire issued share capital of Telkom. The letter makes it clear that the offer will only be made if a number of pre-conditions are met including, inter alia, confirmation by the Telkom Board that it will unbundle Telkom's entire 50% stake in Vodacom as part of the offer.

The discussions with Vodafone are independent from the approach from the Consortium. The Board of Telkom, in accordance with its fiduciary duties, will evaluate allbona fide offers with a view to maximising shareholder value. No transaction will be entered into without requisite shareholder approvals.

Telkom will advise shareholders of further developments in this regard in due course.

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

Effective May 12, 2008 Vodacom International Limited sold 5% of its 90% owned equity investment in Vodacom Mozambique, leaving Vodacom International Limited with an 85% equity investment in Vodacom Mozambique. Certain suspensive conditions are to be met before the transaction will be effective.

Capability Management

Telkom will seek to manage costs by realigning its structure, employees and resources to better match its transforming information, communications and technology business and to improve customer service. The transformation of the communications industry and increasing market and competitive pressure has put communications companies such as Telkom under increasing revenue and expense constraints while being required to improve customer service. As a result a capability management initiative has been launched which is designed to ensure that the capabilities needed to succeed in a converged communications market are established through the optimal utilisation of external as well as internal capabilities, extracting effiencencies, where possible, through scale of a rapidly maturing retail and wholesale market and better organised functional areas in a more deregulated and liberalised communications market. The capability management initiative includes the internal consolidation of certain functional areas and the selection of strategic long-term partners with proven performance for other functional areas.

The areas which are expected to be impacted are the call centers, operations, ancillary services, network service providers, network field operations, network core operations, information technology operations and retail outlets.

Telkom Management Services

On July 2, 2008, Telkom received confirmation from the Companies and Intellectual Property Registration Office for the approval and reservation of a newly set-up company. The approved and reserved name is 'Telkom Management Services'.

Union action

Telkom has recieved a notice from CWU advising Telkom of its intention to embark on some unspecified industrial action.

Other matters

The directors are not aware of any other matters or circumstances since the consolidated annual financial statements for the financial year ended March 31, 2008 and the date of this report, or otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the Group and the results of it operations.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Telkom Group Limited

We have audited the accompanying consolidated balance sheets of Vodacom Group (Proprietary) Limited and subsidiaries (the "Group") as at March 31, 2008, 2007 and 2006, and the related consolidated income statements, consolidated statements of changes in equity, and consolidated cash flow statements for each of the three years in the period then ended as set out in pages F-101 to F-203.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 audits.

We conducted our audits in accordance with International Standards on Auditing and the standards of the Public Company Accounting Oversight Board (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. An audit includes 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 Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated annual financial statements present fairly, in all material respects, the financial position of Vodacom Group (Proprietary) Limited and subsidiaries at March 31, 2008, 2007 and 2006, and the results of its operations and its cash flows for each of the three years then ended in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Registered Auditors
Per Patrick Smit
Johannesburg, South Africa
10 July 2008

CONSOLIDATED INCOME STATEMENTS

for the three years ended March 31, 2008

	Notes	2006 Rm	2007 Rm	2008 Rm
Revenue	1	34,042.5	41,146.4	48,177.8
Other operating income		125.1	119.8	155.6
Direct network operating cost	2	(18,297.2)	(22,439.8)	(26,299.5)
Depreciation	10	(2,651.6)	(2,901.8)	(3,366.0)
Staff expenses		(2,042.1)	(2,372.5)	(2,975.4)
Marketing and advertising expenses		(976.9)	(1,146.4)	(1,264.3)
Other operating expenses		(1,042.7)	(1,063.6)	(1,362.4)
Amortisation of intangible assets	11	(344.2)	(459.4)	(545.2)
Impairment of assets	3	52.8	(22.9)	(29.9)
Profit from operations	4	8,865.7	10,859.8	12,490.7
Finance income	5	129.9	74.5	72.3
Finance costs	6	(246.0)	(369.3)	(681.3)
Gains/(Losses) on remeasurement and disposal of financial instruments	7	(523.1)	(169.0)	185.1
Profit before taxation		8,226.5	10,396.0	12,066.8
Taxation	9	(3,083.7)	(3,836.0)	(4,109.2)
Net profit		5,142.8	6,560.0	7,957.6
Attributable to:				
Equity shareholders		5,026.1	6,342.4	7,811.4
Minority interests		116.7	217.6	146.2

		2006 R	2007 R	2008 R
Basic and diluted earnings per share	35	502,610	634,240	781,140
Dividend per share	35	450,000	540,000	594,000

CONSOLIDATED BALANCE SHEETS

as at March 31, 2008

	Notes	2006 Rm	2007 Rm	2008 Rm
ASSETS				
Non-current assets		16,079.2	20,844.3	24,468.3
Property, plant and equipment	10	13,386.6	17,073.2	19,119.6
Intangible assets	11	1,954.9	2,700.3	4,224.1
Financial assets	12	92.1	209.5	244.2
Deferred taxation	13	297.6	386.1	455.1
Deferred cost		311.2	396.4	333.3
Lease assets	16	36.8	78.8	92.0
Current assets		8,688.6	7,625.9	9,706.9
Deferred cost		451.8	574.8	705.9
Financial assets	12	149.3	207.5	444.9
Inventory	14	454.3	364.3	636.9
Trade and other receivables	15	4,474.0	5,675.0	6,801.1
Lease assets	16	13.1	32.9	140.5
Cash and cash equivalents	34	3,146.1	771.4	977.6
Total assets		24,767.8	28,470.2	34,175.2
EQUITY AND LIABILITIES				
Ordinary share capital	17	*	*	*
Retained earnings		8,583.0	9,523.2	11,392.9
Non-distributable reserves	18	(194.0)	(97.4)	8.8
Equity attributable to equity holders of the parent		8,389.0	9,425.8	11,401.7
Minority interests	19	283.3	221.2	403.6
Total equity		8,672.3	9,647.0	11,805.3
Non-current liabilities		2,236.6	3,812.1	4,788.2
Interest bearing debt	21	819.2	2,051.4	3,025.8
Non-interest bearing debt	22	-	3.0	6.0
Deferred taxation	13	602.3	757.3	776.5
Deferred revenue		320.3	412.3	358.8
Provisions	23	372.3	377.5	373.7
Other non-current liabilities	24	122.5	210.6	247.4
Current liabilities		13,858.9	15,011.1	17,581.7
Trade and other payables	25	5,104.7	6,874.4	7,561.3
Deferred revenue		1,604.5	1,904.8	2,229.9
Taxation payable		630.2	1,112.7	580.5
Non-interest bearing debt	22	4.3	-	-
Interest bearing debt	21	1,645.5	501.0	502.9
Provisions	23	623.0	741.8	909.5
Dividends payable		2,800.0	2,990.0	3,190.0
Derivative financial liabilities	42	60.9	7.2	10.8
Bank borrowings	34	1,385.8	879.2	2,596.8
Total equity and liabilities		24,767.8	28,470.2	34,175.2

* Share capital R100

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the three years ended March 31, 2008

		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, 2005		*	8,059.1	(299.9)	7,759.2	128.7	7,887.9
Net profit for the period		-	5,026.1	-	5,026.1	116.7	5,142.8
Dividends declared	19,35	-	(4,500.0)	-	(4,500.0)	(0.9)	(4,500.9)
Business combinations and other acquisitions	19,32	-	-	-	-	46.5	46.5
Minority shares of VM, S.A.R.L.		-	-	-	-	8.0	8.0
Contingency reserve	18	-	(2.2)	2.2	-	-	-
Net gains and losses not recognised in the income statement							
Foreign currency translation reserve		-	-	103.9	103.9	(15.6)	88.3
Revaluation of available-for-sale investments	18,19	-	-	(0.2)	(0.2)	(0.1)	(0.3)
Balance at March 31, 2006		*	8,583.0	(194.0)	8,389.0	283.3	8,672.3
Net profit for the period		-	6,342.4	-	6,342.4	217.6	6,560.0
Dividends declared	19,35	-	(5,400.0)	-	(5,400.0)	(170.8)	(5,570.8)
Business combinations and other acquisitions	19,32	-	-	-	-	(136.4)	(136.4)
Contingency reserve	18	-	(2.2)	2.2	-	-	-
Net gains and losses not recognised in the income statement							
Foreign currency translation reserve		-	-	94.4	94.4	27.5	121.9
Balance at March 31, 2007		*	9,523.2	(97.4)	9,425.8	221.2	9,647.0
Net profit for the period		-	7,811.4	-	7,811.4	146.2	7,957.6
Dividends declared	19,35	-	(5,940.0)	-	(5,940.0)	(0.6)	(5,940.6)
Business combinations and other acquisitions	19,32	-	-	-	-	(6.1)	(6.1)
Disposal of subsidiaries	19,33	-	-	-	-	(0.3)	(0.3)
Minority shares of VM, S.A.R.L.		-	-	-	-	0.8	0.8
Contingency reserve	18	-	(1.7)	1.7	-	-	-
Net gains and losses not recognised in the income statement							
Foreign currency translation reserve		-	-	87.7	87.7	42.4	130.1
Revaluation of available-for-sale investments	18,19	-	-	16.8	16.8	-	16.8
Balance at March 31, 2008		*	11,392.9	8.8	11,401.7	403.6	11,805.3

* Share capital R100

CONSOLIDATED CASH FLOW STATEMENTS

for the three years ended March 31, 2008

	Notes	2006 Rm	2007 Rm	2008 Rm
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		33,132.7	40,380.0	47,409.6
Cash paid to suppliers and employees		(22,042.4)	(26,513.9)	(31,076.1)
Cash generated from operations	26	11,090.3	13,866.1	16,333.5
Finance costs paid	27	(214.3)	(326.6)	(669.6)
Finance income received	28	124.1	41.7	74.3
Realised net losses on remeasurement and disposal of financial instruments	29	(17.6)	(38.8)	(151.0)
Taxation paid	30	(2,980.3)	(3,303.3)	(4,721.5)
Dividends paid – equity shareholders		(3,500.0)	(5,300.0)	(5,650.0)
Dividends paid – minority shareholders		(0.9)	(80.8)	(90.6)
Net cash flows from operating activities		4,501.3	4,858.3	5,125.1
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets	31	(4,788.4)	(5,955.3)	(6,540.6)
Proceeds on disposal of property, plant and equipment and intangible assets		31.2	98.3	10.2
Business combinations and other acquisitions	32	(0.1)	(591.2)	(956.5)
Disposal of subsidiaries	33	-	-	15.7
Other investing activities		(33.5)	(135.7)	(31.0)
Net cash flows utilised in investing activities		(4,790.8)	(6,583.9)	(7,502.2)
CASH FLOW FROM FINANCING ACTIVITIES				
Non-interest bearing debt incurred		-	3.0	-
Non-interest bearing debt repaid		-	-	(3.0)
Interest bearing debt incurred		32.3	6.0	1,000.0
Interest bearing debt repaid		(89.7)	(141.3)	(117.5)
Finance lease capital repaid		(50.2)	(67.7)	(108.9)
Bank borrowings		-	-	2,456.0
Share capital and premium movement of minority shareholders		-	-	7.2
Net cash flows from/(utilised) in financing activities		(107.6)	(200.0)	3,233.8
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(397.1)	(1,925.6)	856.7
(Bank borrowings)/cash and cash equivalents at the beginning of the year		2,173.0	1,760.3	(107.8)
Effect of foreign exchange rate changes		(15.6)	57.5	87.9
CASH AND CASH EQUIVALENTS/(BANK BORROWINGS) AT THE END OF THE YEAR	34	1,760.3	(107.8)	836.8

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") as issued by the International Accounting Standards Board and have been prepared on the historical cost basis, except for financial assets and financial liabilities (including derivative instruments) recorded at fair value or at amortised cost. The consolidated annual financial statements have been presented in South African 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.

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 both foreign and domestic entities (subsidiaries, special purpose entities and joint ventures) controlled and jointly controlled by Vodacom Group (Proprietary) Limited, up to March 31, 2008.

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

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

A.2 Business combinations

Acquisition of a business

Business combination acquisitions are accounted for using the purchase method of accounting, whereby the acquisition is accounted for at its cost plus any costs directly attributable to the acquisition. Cost represents the cash or cash equivalents paid or the fair value or other consideration given, at the date of the acquisition, measured as the aggregate of the fair values, at the date of the exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. Business combinations include the acquisition of subsidiaries and joint ventures.

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

Disposals

On subsequent disposal, the profit or loss on disposal is the difference between the selling price and the carrying 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 an entity so as to obtain benefits from its activities. All subsidiaries are consolidated.

Inter-company balances and transactions, and resulting unrealised profits between Group companies, are eliminated in full on consolidation.

A. CONSOLIDATION (CONTINUED)

A.3 Subsidiaries (continued)

Where necessary, accounting policies of subsidiaries are adjusted to ensure that the consolidated annual financial statements are prepared using uniform accounting policies.

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

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

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. Joint control exists when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

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

The Group's share of the assets, liabilities, income, expenses and cash flows of joint ventures are combined on a line by line basis with similar items in the consolidated annual financial statements.

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

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.

B. PROPERTY, PLANT AND EQUIPMENT

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

The cost of property, plant and equipment includes all directly attributable expenditure incurred in the acquisition, establishment and installation of such assets so as to bring them to the location and condition necessary for it to be capable of operating in the manner intended by management. Interest costs are not capitalised.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over the estimated useful lives to the estimated residual value. Useful lives, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis. Residual values are measured as the estimated amount currently receivable for an asset if the asset were already of the age and condition expected at the end of its useful life. Each significant component included in an item of property, plant and equipment is separately recorded and depreciated.

Depreciation commences when the asset is ready for its intended use (in the case of infrastructure assets this is deemed to be the date of acceptance). Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale in accordance with IFRS 5 or the date the asset is derecognised. Depreciation is not ceased when assets are idle.

B. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

General purpose buildings and special purpose buildings are generally classified as owner-occupied. They are therefore held at cost and depreciated as property, plant and equipment and not regarded as investment properties.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Maintenance and repairs, which neither materially add to the value of the assets nor appreciably prolong their useful lives, are recognised as an expense in the period incurred. Minor plant and equipment items are also recognised as an expense during the period incurred.

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

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

Where a network infrastructure site lease contains a restoration clause, or where historical experience indicates that restoration costs will be incurred, a liability for the site restoration costs is recorded. The liability recorded is measured at the present value of the estimated future restoration costs to be incurred. The present value of the liability is capitalised to the underlying infrastructure asset to which the restorations costs relate at the inception of the restoration obligation. These amounts are amortised over the estimated useful life of the related infrastructure asset. The restoration liability is 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.
- adjustments that result in additions to the cost of assets are tested for impairment if it is considered that the new carrying value of the asset is not fully recoverable.

C. INVESTMENT PROPERTIES

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated so as to write off the cost of the investment property on a straight-line basis, over its estimated useful life to its estimated residual value. Depreciation commences when the property is ready for its intended use. The estimated useful lives of depreciable properties are disclosed under property, plant and equipment and can be general purpose buildings or special purpose buildings.

D. INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The following are the main categories of intangible assets:

D.1 Intangible assets with an indefinite useful life

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

Goodwill

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

D.2 Intangible assets with a finite useful life

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

Licences

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

Customer bases

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

Trademarks, patents and other

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

Computer software

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

D.3 Intangible assets not available for use

Intangible assets not available for use are not amortised but tested for impairment on an annual basis, or more frequently when there is an indication that the intangible asset may be impaired.

E. INVENTORY

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

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

F. FOREIGN CURRENCIES

F.1 Transactions and balances

Foreign currency transactions are translated, on initial recognition, at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at settlement date or balance sheet date, whichever occurs first. Exchange differences on the settlement or translation of monetary assets or liabilities are included in gains or losses on remeasurement and disposal of financial instruments in profit or loss in the period in which they arise.

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

F.2 Foreign operations

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

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

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

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

G. TAXATION

G.1 Current taxation

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

G.2 Deferred taxation balances

Deferred taxation is provided using the balance sheet liability method for all temporary differences arising between the carrying amounts of assets and liabilities, on the consolidated balance sheet, and their respective taxation bases.

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

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

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

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

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

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

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

G.3 Current and deferred taxation for the period

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

G.4 Secondary taxation on companies

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

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

H. EMPLOYEE BENEFITS

H.1 Post-employment benefits

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

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

H.2 Short-term and long-term benefits

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

The Group provides 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 through profit and loss in the year in which they arise.

H.3 Accumulative termination benefits

Accumulative termination benefits are payable whenever:

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

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

H.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 applicable, revenue is split into separately identifiable components.

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

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

I. REVENUE RECOGNITION (CONTINUED)

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

I.1 Contract products

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

- Revenue from the handset is recognised when the product is delivered, limited to the amount of cash received.
- Monthly service revenue received from the customer is recognised in the period in which the service is delivered.
- Airtime revenue is recognised on the usage basis. The terms and conditions of the bundled airtime products, where applicable, allow the carry over of unused airtime. 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.2 Prepaid products

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

- Revenue from the activated 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 profit or loss.

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

Revenue from equipment sales is recognised only when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. This is normally achieved with acceptance of the goods on the delivery thereof.

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

I.5 Mobile number portability

Revenue transactions from mobile number portability are accounted for in terms of current business rules and revenue recognition policies above.

I. REVENUE RECOGNITION (CONTINUED)

I.6 Other revenue and income

· Interconnect and international revenue

Interconnect and international revenue is recognised on the usage basis.

· Dividends

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

· Interest

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

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.2 Group as lessee

· Finance leases

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

Lease payments are allocated between lease finance costs and a capital reduction of the finance lease liability. Lease finance costs are allocated to profit or loss over the term of the lease using the effective interest rate method, so as to produce a constant periodic rate of return on the remaining balance of the liability for each period.

· Operating leases

Lessee operating lease rental payments are expensed in profit or loss on a straight-line basis over the lease term.

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

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

K. FINANCIAL INSTRUMENTS

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

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

· Fair value methods and assumptions

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

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

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

· Effective interest rate method

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

· Amortised cost

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

K.1 Financial assets

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

The Group’s principal financial assets, other than derivatives which are dealt with below, are investments, loans and other receivables, finance lease assets, trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables) and cash and cash equivalents.

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

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

K. FINANCIAL INSTRUMENTS (CONTINUED)

K.1 Financial assets (continued)

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

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

· Financial assets at fair value through profit or loss

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

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

Financial assets are designated upon initial recognition at fair value through profit or loss when:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives which do not significantly modify cash flows and can be separated from the hybrid contract.

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

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

· Held-to-maturity investments

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

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

· Available-for-sale financial assets

Investments in equity instruments, excluding those in subsidiaries, joint ventures and those acquired principally for the purpose of generating a profit from the short-term fluctuations in price, are classified as available-for-sale investments and are subsequently measured at fair value. Gains and losses from changes in fair value of available-for-sale investments are recognised directly in equity until the financial asset is disposed of or it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in gains or losses on remeasurement and disposal of financial instruments in profit or loss.

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

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

K. FINANCIAL INSTRUMENTS (CONTINUED)

K.1 Financial assets (continued)

· Loans and receivables

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

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

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

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

· Impairment of financial assets

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

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

· Financial assets carried at amortised cost

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

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

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

K. FINANCIAL INSTRUMENTS (CONTINUED)

K.1 Financial assets (continued)

· Available-for-sale financial assets

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

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

K.2 Financial liabilities and equity instruments

· Classification as equity, debt or compound instruments

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

· Equity instruments

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

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

· Financial liabilities

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

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

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

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

K. FINANCIAL INSTRUMENTS (CONTINUED)

K.2 Financial liabilities and equity instruments (continued)

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

· Financial liabilities at fair value through profit or loss

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

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

Financial liabilities are designated upon initial recognition at fair value through profit or loss when:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the groupings is provided internally on that basis; or
- it forms part of any contract containing one or more embedded derivatives.

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

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

· Financial liabilities held at amortised cost

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

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

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

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

Dividends payable are stated at amounts declared.

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

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

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

K FINANCIAL INSTRUMENTS (CONTINUED)

K.2 Financial liabilities and equity instruments (continued)

- Financial guarantee contract liabilities

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

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

K.3 Derivative financial instruments

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

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

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

The Group does not use derivatives for trading or speculative purposes. Derivatives are not designated into an effective hedge relationship and are classified as current assets or a current liability.

K.4 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 profit or loss.

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

K.5 Offset

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

L. 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.

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 profit or loss immediately. The recoverable amount of an asset is the higher of the asset's fair value less cost of disposal and its value in use.

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

The value in use of an asset represents the expected future cash flows, from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the synergies of the combination. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

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

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

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

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 Taxation. Premiums written include adjustments to premiums written in prior accounting periods.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business assumed.

The net earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

N.2 Unearned premium income

Unearned premium income comprises the proportion of premiums written which is estimated to be earned in subsequent financial years, computed separately for each insurance contract using a time proportionate basis or another suitable basis for uneven risk contracts.

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 earnings.

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

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

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. Restraint of trade payments are made to limit an executive's post employment activities and are expensed as incurred.

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 over the period that the related revenue is recognised.

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

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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

U. COMPARATIVES

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

V. OPERATING SEGMENTS

The Group discloses its operating segments according to the entity components regularly reviewed by the chief operating decision maker. The components comprise of geographical operating segments located in South Africa and non-South African countries.

Segment information is prepared in conformity with the measure that is reported to the chief operating decision maker. These values have been reconciled to the consolidated financial statements. The measure reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment revenue excludes Value Added Taxation and includes intergroup revenue. Net revenue represents segment revenue from which intergroup revenue has been eliminated. Sales between segments are made on a commercial basis. Segment profit or loss from operations represents segment revenue less segment operating expenses. Segment expenses include direct and operating expenses. 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.

Capital expenditure in property, plant and equipment and intangible assets has been allocated to the segments to which it relates.

	2006 Rm	2007 Rm	2008 Rm
1. REVENUE			
Airtime and access	20,085.8	23,707.5	27,095.2
Data revenue	2,037.6	3,341.7	5,002.2
Interconnect revenue	6,696.8	7,835.6	8,887.1
Equipment sales	3,985.6	4,699.1	5,051.4
International airtime	971.2	1,305.8	1,835.9
Other	265.5	256.7	306.0
	34,042.5	41,146.4	48,177.8
2. DIRECT NETWORK OPERATING COST			
Airtime and access	(5,596.0)	(6,929.0)	(7,838.6)
Data expenditure	(320.0)	(531.3)	(757.0)
Interconnect cost	(4,312.2)	(5,179.9)	(6,039.2)
Equipment cost	(4,173.9)	(5,022.8)	(5,519.1)
International airtime cost	(322.1)	(456.2)	(518.1)
Regulatory fees	(812.1)	(979.7)	(1,054.9)
Network operational expenses *	(1,781.0)	(2,248.1)	(2,778.7)
Other	(979.9)	(1,092.8)	(1,793.9)
	(18,297.2)	(22,439.8)	(26,299.5)

* Network operational expenses include transmission rental, site costs and site maintenance.

	2006 Rm	2007 Rm	2008 Rm
3. IMPAIRMENT OF ASSETS			
Intangible asset	(0.1)	(0.3)	-
Goodwill	-	(0.2)	-
Computer software	(0.1)	(0.1)	-
Property, plant and equipment	52.9	(22.6)	(29.9)
Infrastructure	59.9	(17.9)	(23.9)
Information services	(5.6)	(3.7)	(3.2)
Motor vehicles	(0.3)	(0.3)	(0.8)
Furniture and office equipment	(0.5)	(0.3)	(0.6)
Leasehold improvements	(0.3)	(0.1)	(0.7)
Other assets	(0.3)	(0.3)	(0.7)
(Impairment recognised)/impairment reversed	52.8	(22.9)	(29.9)

Due to the competitive and economic environment in which VM, S.A.R.L. operates in Mozambique, the Group assessed the assets for impairment in accordance with the requirements of IAS 36: Impairment of Assets ("IAS 36"). The recoverable amount of these assets was based on the fair value less cost of disposal at March 31, 2008, 2007 and 2006. The amount with which the carrying amount exceeded the recoverable amount is recognised as an impairment loss. The reversal of the impairment loss in the 2006 financial year related to an increase in the fair value of infrastructure assets due to exchange rate fluctuations.

	2006 Rm	2007 Rm	2008 Rm

4. PROFIT FROM OPERATIONS

The profit from operations is arrived at after taking the following income/(expenditure) into account:

	2006 Rm	2007 Rm	2008 Rm
Net (loss)/profit on disposal of property, plant and equipment and intangible assets	(26.8)	26.9	(39.3)
Loss on disposal of property, plant and equipment and intangible assets	(27.5)	(30.3)	(42.2)
Profit on disposal of property, plant and equipment and intangible assets	0.7	57.2	2.9
Profit on disposal of shares in subsidiary	-	17.4	8.0
Auditor's remuneration - audit fees	(14.9)	(16.6)	(23.3)
Current year audit fees	(14.0)	(16.2)	(21.1)
Prior year under-provision of audit fees	(0.8)	(0.2)	(1.4)
Telkom costs	(4.8)	(6.1)	(5.1)
Telkom recovery	4.8	6.1	5.1
Expenses	(0.1)	(0.2)	(0.8)
Auditor's remuneration - other services	(2.1)	(0.6)	(3.0)
Professional fees for consultancy services	(112.2)	(147.1)	(203.7)
Operating lease rentals	(870.7)	(1,259.1)	(1,550.3)
GSM transmission and data lines	(787.9)	(965.8)	(1,224.7)
Office accommodation	(47.6)	(65.1)	(94.0)
Other accommodation	(33.0)	(223.4)	(225.6)
Office equipment	(1.1)	(0.2)	(0.2)
Motor vehicles	(1.1)	(4.6)	(5.8)
Staff expenses - pension and provident fund contributions	(89.3)	(97.4)	(126.9)
Pension fund contributions	(76.4)	(84.7)	(113.4)
Provident fund contributions	(12.9)	(12.7)	(13.5)
Increase in provision for obsolete inventory (Note 14)	(15.9)	(18.3)	(0.2)

	2006 Rm	2007 Rm	2008 Rm
4. PROFIT FROM OPERATIONS (CONTINUED)			
The profit from operations is arrived at after taking the following income/(expenditure) into account:			
(Increase)/Decrease in provision for doubtful receivables (Note 15)	8.9	9.7	(5.8)
Decrease/(Increase) in provision for doubtful receivables - South Africa (Note 15)	1.0	(6.8)	12.6
(Increase)/Decrease in provision for doubtful receivables - non-South African (Note 15)	7.9	16.5	(18.4)

Marketing and advertising expenses include broadcasting, branding, publications and sponsorship expenditure.

Other operating expenses include accommodation costs, auditor's remuneration, consultancy fees, information technology costs, insurance, office administration costs, sales and distribution costs, social economic investment costs, subsistence and travel costs and transport costs.

Insurance activities

The Group offers a range of insurance contracts to its customers providing protection against specified risks associated with the ownership of a cell phone. These products are offered through a cell captive facility maintained with Centriq Insurance Company Limited, a South African registered short-term insurance company. The cell captive facility is further used to issue insurance contracts to Group companies to provide cover against a variety of insurable risks including assets own risk. The extended warranty provided to customers is no longer provided by the Group as the suppliers assumed responsibility for the second year warranty. Inter-company transactions are eliminated on consolidation of the cell captive.

In terms of the shareholders' agreement, the Group carries all the risks and rewards related to the business underwritten in the cell captive facility. The risks are closely monitored by the Group through the ongoing review of the performance of the underlying insurance products. Premium rate adjustments are used to mitigate the associated insurance risks.

Provided below is a summarised underwriting account giving details of the R38.7 million (2007: R28.8 million; 2006: R52.5 million) underwriting profit included in profit from operations:

	2006 Rm	2007 Rm	2008 Rm
Net earned premiums	112.7	131.6	146.6
Gross claims incurred	(51.7)	(67.4)	(76.1)
Net reinsurance (expense)/income	10.7	(11.6)	(4.9)
Net operating expenses	(19.2)	(23.8)	(26.9)
Underwriting profit	52.5	28.8	38.7

	2006 Rm	2007 Rm	2008 Rm
5. FINANCE INCOME			
Interest on financial instruments not at fair value through profit or loss	93.7	52.8	54.6
Banks	89.4	30.6	33.0
Loans	-	20.7	17.7
Other interest income	4.3	1.5	3.9
Interest on financial assets at fair value through profit or loss	20.8	20.6	17.7
Interest rate swap interest	13.0	10.2	5.1
Interest on money market investments	7.8	10.4	12.6
Interest on non-financial instruments	15.4	1.1	-
Interest received from taxation authorities	15.4	1.1	-
	129.9	74.5	72.3

During the year the Group reclassified gains on remeasurement and disposal of financial instruments from finance income to gains or losses on remeasurement and disposal of financial instruments.

	2006 Rm	2007 Rm	2008 Rm
6. FINANCE COSTS			
Finance costs on financial liabilities not at fair value through profit or loss	(237.8)	(358.9)	(666.5)
Bank overdraft	(12.4)	(131.4)	(399.1)
Debt *	(92.0)	(113.9)	(168.8)
Finance leases	(121.6)	(112.3)	(98.2)
Other finance costs	(11.8)	(1.3)	(0.4)
Finance costs on non-financial instruments	(8.2)	(10.4)	(14.8)
Long-term incentive interest	(6.5)	(9.6)	(14.4)
Interest paid to taxation authorities	(1.7)	(0.8)	(0.4)
	(246.0)	(369.3)	(681.3)

* Included in debt is an amount of R11.0 million (2007: R10.0 million; 2006: R8.1 million) which relates to notional interest on the loans from Caspian Limited, Planetel Communications Limited and Mirambo Limited that was remeasured at amortised cost, at an effective interest rate of LIBOR plus 5% and the loan from Sekha-Metsi Investment Consortium Limited that was remeasured at amortised cost, at an effective interest rate of 13.7%, for which no consideration has been recorded.

During the year the Group reclassified losses on remeasurement and disposal of financial instruments from finance costs to gains or losses on remeasurement and disposal of financial instruments.

	2006 Rm	2007 Rm	2008 Rm
7. GAINS/(LOSSES) ON REMEASUREMENT AND DISPOSAL OF FINANCIAL INSTRUMENTS			
Gain/(Loss) on foreign exchange forward contract revaluation	(260.6)	467.7	345.8
Loss on interest rate swap revaluation	(6.6)	(9.9)	(10.3)
Gain on revaluation of foreign denominated cash and cash equivalents	-	6.2	24.3
(Loss)/Gain on revaluation of foreign denominated assets	(27.4)	9.7	(15.2)
Gain/(Loss) on sale of investments	(3.3)	(0.7)	2.2
Loss on revaluation of foreign denominated liabilities	(225.2)	(642.0)	(161.7)
	(523.1)	(169.0)	185.1
8. NET GAINS/(LOSSES)			
Net gains/(losses) on financial instruments analysed by category, are as follows:			
Financial assets and financial liabilities at fair value through profit or loss, classified as held for trading	(246.4)	478.4	353.2
Available-for-sale investments	(3.3)	(0.7)	2.2
Loans and receivables (including cash and bank deposits)	66.3	62.5	63.7
Financial liabilities held at amortised cost	(341.4)	(882.4)	(730.0)
Finance leases	(121.6)	(112.3)	(98.2)
Net losses attributable to financial instruments	(646.4)	(454.5)	(409.1)
Net (losses)/gains attributable to non-financial instruments	7.2	(9.3)	(14.8)
	(639.2)	(463.8)	(423.9)

	2006 Rm	2007 Rm	2008 Rm
9. TAXATION			
South African normal taxation	(2,375.6)	(3,058.7)	(3,472.8)
Current year	(2,337.9)	(3,063.7)	(3,487.2)
Prior year over/(under) provision	(37.7)	5.0	14.4
Deferred taxation	(136.2)	44.0	99.5
Current year	(177.0)	45.3	94.4
Prior year (under)/over provision	40.8	(1.3)	(4.6)
Taxation rate change*	-	-	9.7
Secondary taxation on companies - current year	(562.5)	(692.7)	(594.0)
Foreign taxation	(29.8)	(34.3)	(114.3)
Current year	(29.4)	(34.0)	(113.0)
Prior year under provision	(0.4)	(0.3)	(1.3)
Foreign deferred taxation	20.4	(94.3)	(27.6)
Current year	43.5	(135.4)	(134.0)
Prior year over/(under) over provision	(22.0)	41.1	106.4
Taxation rate change #	(1.1)	-	-
	(3,083.7)	(3,836.0)	(4,109.2)

* Deferred taxation was calculated at 28% for all South African entities at March 31, 2008 following a change in the corporate taxation rate. The revised taxation rate is applicable to normal taxation with effect from the 2009 financial year.

\# 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 with effect from the 2007 financial year.

	2006 Rm	2006 %	2007 Rm	2007 %	2008 Rm	2008 %

9. TAXATION (CONTINUED)

Reconciliation of rate of taxation

	2006 Rm	2006 %	2007 Rm	2007 %	2008 Rm	2008 %
Normal taxation on profit before taxation	(2,385.7)	(29.0)	(3,014.9)	(29.0)	(3,499.4)	(29.0)
Adjusted for:						
Disallowed expenditure	(135.6)	(1.7)	(205.8)	(2.0)	(125.8)	(1.0)
Unrecognised taxation asset	(149.9)	(1.8)	(86.5)	(0.9)	(31.9)	(0.3)
Functional vs local reporting currency	(45.3)	(0.6)	226.8	2.2	23.8	0.2
Revaluation of tax base of qualifying assets	181.6	2.2	(98.6)	(0.9)	(26.6)	(0.2)
Translation of deferred taxation to US$	16.8	0.2	(95.7)	(0.9)	(6.0)	(0.1)
Secondary taxation on companies	(562.5)	(6.9)	(692.7)	(6.7)	(594.0)	(5.0)
Secondary taxation on companies credits	-	-	(3.8)	-	-	-
Prior year over/(under) provision	(19.3)	(0.2)	44.5	0.4	114.8	1.0
Foreign taxation rate differences	15.6	0.2	48.6	0.5	(7.6)	(0.1)
Taxation rate change * #	(1.1)	-	-	-	9.7	0.1
Foreign taxation	(8.7)	(0.1)	(10.4)	(0.1)	(20.6)	(0.2)
Taxation not payable due to tax concession	-	-	81.2	0.8	67.7	0.6
Foreign controlled entity passive income imputed	(17.8)	(0.2)	(27.9)	(0.3)	(21.9)	(0.2)
Exempt income	1.1	-	(0.2)	-	-	-
Other adjustments	(0.4)	-	(0.6)	-	8.0	0.1
Business combination contingent purchase consideration	20.6	0.3	-	-	-	-
Utilisation of taxation losses	6.9	0.1	-	-	0.6	-
	(3,083.7)	(37.5)	(3,836.0)	(36.9)	(4,109.2)	(34.1)

* Deferred taxation was calculated at 28% for all South African entities at March 31, 2008 following a change in the corporate taxation rate. The revised taxation rate is applicable to normal taxation with effect from the 2009 financial year.

\# 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 with effect from the 2007 financial year.

	Cost Rm	Accumulated depreciation and impairment Rm	Net book value Rm
10. PROPERTY, PLANT AND EQUIPMENT			
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 and office equipment	251.3	(203.0)	48.3
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
2007			
Land and buildings	1,277.9	(135.4)	1,142.5
Infrastructure	26,788.9	(12,084.6)	14,704.3
Information services	1,924.0	(1,248.5)	675.5
Community services	127.2	(72.3)	54.9
Motor vehicles	192.7	(103.6)	89.1
Furniture and office equipment	335.9	(233.0)	102.9
Leasehold improvements	538.2	(276.5)	261.7
Other assets	74.3	(32.0)	42.3
	31,259.1	(14,185.9)	17,073.2
2008			
Land and buildings	1,470.2	(163.5)	1,306.7
Infrastructure	31,398.2	(15,131.2)	16,267.0
Information services	2,165.0	(1,426.8)	738.2
Community services	131.6	(76.9)	54.7
Motor vehicles	252.0	(121.2)	130.8
Furniture and office equipment	327.3	(183.4)	143.9
Leasehold improvements	763.4	(320.4)	443.0
Other assets	83.3	(48.0)	35.3
	36,591.0	(17,471.4)	19,119.6

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings Rm	Infra-structure Rm	Information services Rm	Community services Rm	Motor vehicles Rm	Furniture & office equipment Rm	Leasehold improvements Rm	Other assets Rm	Total Rm
Reconciliation 2006									
Opening balance	848.8	9,889.7	572.0	18.9	64.4	54.2	102.0	26.9	11,576.9
Reclassified to finance lease receivables	-	-	-	-	(12.0)	-	-	-	(12.0)
Additions	98.2	4,237.9	237.2	16.1	27.1	23.0	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)	(24.9)	(22.0)	(8.5)	(2,651.6)
Business combinations (Note 32)	-	-	1.7	-	-	-	-	-	1.7
Impairments (Note 3)	-	59.9	(5.6)	-	(0.3)	(0.5)	(0.3)	(0.3)	52.9
Transfer from intangible assets/Asset category transfer (Note 11)	-	270.1	(234.4)	-	-	(2.2)	12.5	(16.4)	29.6
Closing balance	928.9	11,630.6	523.5	41.9	63.6	48.3	146.5	3.3	13,386.6
Reconciliation 2007									
Opening balance	928.9	11,630.6	523.5	41.9	63.6	48.3	146.5	3.3	13,386.6
Additions	214.3	5,239.2	302.3	19.6	41.3	71.9	208.3	40.2	6,137.1
Disposals	(1.3)	(60.5)	(4.0)	(0.1)	(5.1)	(0.2)	-	-	(71.2)
Foreign currency translation	4.0	479.9	12.8	-	3.2	2.0	4.0	0.6	506.5
Depreciation	(21.5)	(2,580.0)	(181.2)	(6.5)	(13.6)	(29.8)	(67.6)	(1.6)	(2,901.8)
Business combinations (Note 32)	-	2.4	-	-	0.2	3.0	-	-	5.6
Impairments (Note 3)	-	(17.9)	(3.7)	-	(0.3)	(0.3)	(0.1)	(0.3)	(22.6)
Transfer from intangible assets/Asset category transfer (Note 11)	18.1	10.6	25.8	-	(0.2)	8.0	(29.4)	0.1	33.0
Closing balance	1,142.5	14,704.3	675.5	54.9	89.1	102.9	261.7	42.3	17,073.2
Reconciliation 2008									
Opening balance	1,142.5	14,704.3	675.5	54.9	89.1	102.9	261.7	42.3	17,073.2
Additions	184.2	4,047.6	309.9	7.9	62.6	83.0	252.5	4.5	4,952.2
Disposals	(1.1)	(37.4)	(4.7)	(0.1)	(3.6)	(2.0)	(0.6)	0.9	(48.6)
Foreign currency translation	5.8	563.7	13.2	-	5.0	2.4	8.0	1.9	600.0
Depreciation	(29.3)	(2,953.0)	(220.3)	(8.0)	(21.2)	(42.0)	(79.1)	(13.1)	(3,366.0)
Disposal of subsidiaries (Note 33)	(13.8)	-	-	-	-	-	-	-	(13.8)
Impairments (Note 3)	-	(23.9)	(3.2)	-	(0.8)	(0.6)	(0.7)	(0.7)	(29.9)
Transfer between property, plant and equipment and finance lease receivables (Note 16)	-	-	-	-	2.0	-	-	-	2.0
Transfer to intangible assets/Asset category transfer (Note 11)	18.4	(34.3)	(32.2)	-	(2.3)	0.2	1.2	(0.5)	(49.5)
Closing balance	1,306.7	16,267.0	738.2	54.7	130.8	143.9	443.0	35.3	19,119.6

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Debt is collateralised over leasehold land and buildings and the fair value of the lease liability is R629.0 million (2007: R786.3 million; 2006: R911.5 million) (Note 21). A register with details of the cost price, cost of improvements and date of acquisition of all land and buildings is available for inspection at the registered office.

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

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

	2006 years	2007 years	2008 years
General purpose buildings	50	50	50
Special purpose buildings	15	15	15 - 17
Infrastructure			
- Radio	1 - 10	1 - 10	1 - 10
- Intelligent Networks	5 - 8	5 - 8	4 - 8
- Switching	5 - 10	5 - 10	2 - 15
- Transmission	8	8	8 - 12
- Billing	5 - 6	5 - 6	3 - 8
- Value added services equipment	3 - 8	3 - 8	3 - 8
Community services	2 - 10	2 - 10	2 - 15
Information services	3 - 5	3 - 5	3 - 6
SIM centre	3 - 8	3 - 8	6 - 8
Office automation	3 - 5	3 - 5	3 - 5
Other assets			
- Motor vehicles	4	4	3 - 5
- Furniture and fittings	5	4 - 5	4 - 5
- Office equipment	4	4	2 - 6

The Group is required to measure the residual value of every item of property, plant and equipment. Management has determined that radio, transmission, switching, sim centres and community services categories of property, plant and equipment have no active market and the value of the asset at the end of its life would therefore be nil or insignificant.

The above categories are not exhaustive and will depend on the existence of an active market for the asset. The Group ensures that proper documentation exists to support the non-existence of an active market. For assets with an active market, confirmation of the residual values is received from third parties where the residuals are more than 10%. For residuals less than 10% the Group uses historical sales and management's best estimate.

During the current financial year the Group reviewed the estimated useful lives and residual values of property, plant and equipment. The review resulted in a increase of R6.7 million (2007: R14.7 million decrease) in the current year's depreciation charge.

The Group uses the following indicators to determine useful lives:
- Expected usage of the asset
- Expected physical wear and tear
- Technical or commercial obsolescence

	Cost Rm	Accumulated amortisation and impairment Rm	Net book value Rm
11. INTANGIBLE ASSETS			
2006			
Goodwill	1,002.0	(518.1)	483.9
Licences	306.3	(186.6)	119.7
Trademark and patents	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
2007			
Goodwill	1,455.8	(524.6)	931.2
Licences	439.0	(229.2)	209.8
Trademark and patents	390.4	(169.8)	220.6
Customer bases	919.3	(760.3)	159.0
Computer software	2,827.5	(1,647.8)	1,179.7
	6,032.0	(3,331.7)	2,700.3
2008			
Goodwill	2,426.0	(529.4)	1,896.6
Licences	478.9	(269.3)	209.6
Trademark, patents and other*	445.3	(195.7)	249.6
Customer bases	920.4	(816.0)	104.4
Computer software	3,734.6	(1,970.7)	1,763.9
	8,005.2	(3,781.1)	4,224.1

* Other includes future benefits from provisioning of infrastructure and supply of non-mobile services.

	Goodwill	Licences	Trademark, patents and other*	Customer bases	Computer software	Total
	Rm	Rm	Rm	Rm	Rm	Rm
11. INTANGIBLE ASSETS (CONTINUED)						
Reconciliation 2006						
Opening balance	413.5	126.6	130.9	269.8	703.5	1,644.3
Contingent purchase consideration	36.2	-	-	-	-	36.2
Additions	-	3.3	-	-	438.8	442.1
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
Impairment of assets (Note 3)	-	-	-	-	(0.1)	(0.1)
Transfer to property, plant and equipment (Note 10)	-	-	-	-	(29.6)	(29.6)
Closing balance	483.9	119.7	257.9	162.9	930.5	1,954.9
Reconciliation 2007						
Opening balance	483.9	119.7	257.9	162.9	930.5	1,954.9
Additions	372.2	93.9	-	-	611.2	1,077.3
Disposals	-	-	-	-	(0.2)	(0.2)
Foreign currency translation	19.0	16.6	-	(0.4)	13.0	48.2
Amortisation	-	(20.4)	(37.3)	(60.0)	(341.7)	(459.4)
Business combinations	56.3	-	-	56.5	-	112.8
Impairment of assets (Note 3)	(0.2)	-	-	-	(0.1)	(0.3)
Transfer to property, plant and equipment (Note 10)	-	-	-	-	(33.0)	(33.0)
Closing balance	931.2	209.8	220.6	159.0	1,179.7	2,700.3
Reconciliation 2008						
Opening balance	931.2	209.8	220.6	159.0	1,179.7	2,700.3
Additions	949.2	3.0	54.9	-	963.9	1,971.0
Disposals	-	-	-	-	(0.9)	(0.9)
Foreign currency translation	16.2	11.1	-	1.0	21.1	49.4
Amortisation	-	(14.3)	(25.9)	(55.6)	(449.4)	(545.2)
Transfer from property, plant and equipment (Note 10)	-	-	-	-	49.5	49.5
Closing balance	1,896.6	209.6	249.6	104.4	1,763.9	4,224.1

* Other includes future benefits from provisioning of infrastructure and supply of non-mobile services.

	2006 years	2007 years	2008 years
11. INTANGIBLE ASSETS (CONTINUED)			
The estimated useful lives of intangible assets are currently as follows:			
- Mobile licences	5 - 30	5 - 30	8 - 30
- Trademarks, patents and other	5 - 15	10 - 15	10 - 14
- Computer software	2 - 8	2 - 8	2 - 8
- Internet service provider customers	-	3	8

	2006 months	2007 months	2008 months
- Contract and prepaid mobile customers	36 - 60	36 - 96	53 - 119

The company uses the following indicators to determine useful lives:
- Expected usage of the asset
- Expected physical wear and tear
- Technical or commercial obsolescence

The largest components of individual material intangibles relates to licences and trademarks and patents of the Group that have estimated remaining useful lives of between 11 to 16 (2007: 12 to 17) years and 8 to 10 (2007: 9 to 11) years respectively as at March 31, 2008. The licence and other intangible assets of Vodacom Tanzania Limited were pledged as security for the project finance funding obtained which expired at the end of the financial year (Note 21).

During the current financial year the Group reviewed the estimated useful lives of intangible assets. The review resulted in a decrease of R10.6 million (2007: R66.5 million decrease) in the current year's amortisation charge.

	2006 Short-term portion Rm	2006 Long-term portion Rm	2006 Total Rm	2007 Short-term portion Rm	2007 Long-Term portion Rm	2007 Total Rm
12. FINANCIAL ASSETS						
Loans and receivables (Note 12.1)	-	92.1	92.1	16.2	114.4	130.6
Financial assets at fair value through profit or loss (Note 12.2)	149.3	-	149.3	191.3	-	191.3
Available-for-sale investments (Note 12.3)	-	-	-	-	95.1	95.1
	149.3	92.1	241.4	207.5	209.5	417.0

	2008 Short-term portion Rm	2008 Long-term portion Rm	2008 Total Rm
Loans and receivables (Note 12.1)	29.7	134.2	163.9
Financial assets at fair value through profit or loss (Note 12.2)	415.2	-	415.2
Available-for-sale investments (Note 12.3)	-	110.0	110.0
	444.9	244.2	689.1

	2006 Rm	2007 Rm	2008 Rm
12. FINANCIAL ASSETS (CONTINUED)			
12.1 Loans and receivables			
Planetel Communications Limited	42.1	49.6	-
The loan with a nominal value of US$6.8 million issued during the 2003 year bore 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 were 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, which expired at the end of the current financial year (Note 21). On November 30, 2007 Planetel Communications Limited sold its 16% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Caspian Limited	50.0	58.8	-
The loan with a nominal value of US$8.1 million issued during the 2003 year bore interest at LIBOR plus 5%. Caspian Limited utilised this loan to ensure sufficient shareholder loan funding by itself as a shareholder of Vodacom Tanzania Limited. The loans and capitalised interest were collateralised by cession over all shareholder distributions and a pledge over their shares of Vodacom Tanzania Limited. All the shareholders subordinated their loans to Vodacom Tanzania Limited for the duration of the project finance funding, which expired at the end of the current financial year (Note 21). On November 30, 2007 Caspian Limited sold its 19% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Sekha-Metsi Investment Consortium Limited	-	16.2	-
The loan was advanced to Sekha-Metsi Investment Consortium Limited and bore interest at South African overdraft interest rates plus a margin of 2%. Interest was payable monthly in arrears. The loan was repayable on demand, should Sekha-Metsi Investment Consortium be able to obtain a loan externally. Sekha-Metsi Investment Consortium Limited pledged their shares in Sekha-Metsi Enterprises (Proprietary) Limited as security for the loan. During the current financial year the loan was repaid.			
Other	-	-	3.9
Balance carried forward	92.1	124.6	3.9

	2006 Rm	2007 Rm	2008 Rm
12. FINANCIAL ASSETS (CONTINUED)			
12.1 Loans and receivables (continued)			
Balance brought forward	92.1	124.6	3.9
Number Portability Company (Proprietary) Limited	-	6.0	6.0
The shareholders loan made to Number Portability Company (Proprietary) Limited ("NPC"), during the 2007 year, for an amount of R6.0 million, is subordinated and ranks behind all the claims of all creditors of NPC for repayment until such time as the assets of NPC fairly valued exceed its liabilities. In such case, the loan shall cease to be subordinated to the extent that the assets of NPC exceed its liabilities from time to time. The shareholder loan bears no interest and has no fixed repayment terms.			
Mirambo Limited	-	-	120.9
Mirambo Limited bought the 16% and 19% equity stake of Planetel Communications Limited and Caspian Limited respectively in Vodacom Tanzania Limited on November 30, 2007. The shareholder loans with a combined nominal value of US$14.9 million, were transferred to Mirambo Limited in order to meet its obligations to Vodacom Tanzania Limited in respect of shareholder contributions. The loan bears interest at LIBOR plus 5% and shall be repaid from any cash distributions by Vodacom Tanzania Limited to Mirambo Limited. The loan and capitalised interest are collateralised by cession over all shareholder distributions and a pledge over the shares of Vodacom Tanzania Limited.			
WBS Holdings (Proprietary) Limited	-	-	25.8
The loan with a nominal value of R25.5 million issued during the 2008 financial year bears interest at RSA prime minus 0.5%. The loan with capitalised interest is repayable from pre-determined cash flows of WBS Holdings (Proprietary) Limited pro rata to the shareholder's respective claims on loan account at the relevant time. WBS Holdings (Proprietary) Limited may not declare and/or pay any dividend or make any capital distribution to shareholders without the prior written consent of the existing shareholders.			
Balance carried forward	92.1	130.6	156.6

	2006 Rm	2007 Rm	2008 Rm
12. FINANCIAL ASSETS (CONTINUED)			
12.1 Loans and receivables (continued)			
Balance brought forward	92.1	130.6	156.6
Empresa Moçambicana de Telecommunuiçãcoes S.A.R.L. ("Emotel")	-	-	7.3
The loan with a nominal value of US$0.9 million issued during the 2008 financial year bears interest at LIBOR plus 2%. Interest is capitalised on a monthly basis. The loan and capitalised interest are repayable upon the expiry of 5 years following the advance date, being March 31, 2012. Emotel utilised this loan to meet its obligations to V.M, S.A.R.L. in respect of its 2% shareholding in VM, S.A.R.L. The loan and capitalised interest are collateralised by cession over all cash distributions and a pledge over their shares in V.M, S.A.R.L.			
	92.1	130.6	163.9
Less: Short-term portion of loans and receivables			
Sekha-Metsi Investment Consortium Limited	-	(16.2)	-
WBS Holdings (Proprietary) Limited	-	-	(25.8)
Other	-	-	(3.9)
Short-term portion of loans and receivables	-	(16.2)	(29.7)
Long-term portion of loans and receivables	92.1	114.4	134.2

The fair value of the short-term portion of loans and receivables are R29.7 million (2007: R16.2 million; 2006: Rnil million). The fair value of the long-term portion of loans and receivables are not determinable due to the lack of repayment dates and/or market prices.

	2006 Rm	2007 Rm	2008 Rm
12. FINANCIAL ASSETS (CONTINUED)			
12.2 Financial assets at fair value through profit or loss			
12.2.1 Financial assets held for trading			
12.2.1.1 Money market investments	111.7	135.7	107.9
The fair value of money market investments are derived from quoted market prices of identical assets.			
12.2.1.2 Derivative financial assets	37.6	55.6	307.3
Interest rate swap asset (Note 42)	37.6	27.7	17.4
Foreign exchange forward contracts assets	-	27.9	289.9
The fair value is determined using quoted market prices. The quoted market prices used to fair value foreign exchange forward contracts are the mid or mid forward rates at year end based on quoted market prices applicable to similar assets. Interest rate swaps are fair valued according to forward rates and discount rates determined from a yield curve derived from similar market traded instruments.			
Total financial assets held for trading	149.3	191.3	415.2
12.3 Available-for-sale investments			
12.3.1 Unlisted investments carried at fair value			
WBS Holdings (Proprietary) Limited 2,500 ordinary shares of R0.01 each	-	80.8	45.4
The fair value was determined by applying the discounted cash flow method. The discount rates and terminal growth rates used ranged between 16.0% and 18.0% (2007: 15.0% and 17.0%) and 3.0% and 5.0% (2007: nil% and 3.0%), respectively.			
During the current financial year, R54.9 million was reclassified to intangible assets (Note 11).			
12.3.2 Unlisted investments carried at cost	-	14.3	64.6
During 2007 the Group purchased a 10% equity stake in G-Mobile Holdings Limited and a 25.93% equity stake in Gogga Tracking Solutions (Proprietary) Limited. The investee companies also granted the Group an option to increase these investments (Note 42). During 2008 the Group purchased a 50% equity stake in Waterberg Lodge (Proprietary) Limited, a 35% equity stake in XLink Communications (Proprietary) Limited and increased its interest in G-Mobile Holdings Limited from 10% to 26% by exercising the call option granted in 2007 (Note 42).			
Total available-for-sale investments	-	95.1	110.0

The carrying value of unlisted investments carried at cost approximate their fair value.

	2006 Rm	2007 Rm	2008 Rm

13. DEFERRED TAXATION

	2006 Rm	2007 Rm	2008 Rm
Deferred taxation assets	297.6	386.1	455.1
Deferred taxation liabilities	(602.3)	(757.3)	(776.5)
	(304.7)	(371.2)	(321.4)

13.1 Components

	2006 Rm	2007 Rm	2008 Rm
Capital allowances	(1,243.6)	(1,418.8)	(1,809.0)
Fair value adjustment of available-for-sale investments	-	-	(2.7)
Fair value adjustment of customer bases	(46.7)	(53.4)	(30.2)
Fair value adjustment of trademarks and patents	(56.4)	(47.9)	(41.8)
Fair value adjustment of properties	(2.0)	(2.0)	-
Foreign exchange	(22.9)	180.9	296.8
Foreign equity revaluation reserve	12.6	4.5	(12.3)
Prepayments and other allowances	10.8	(84.9)	(137.4)
Provisions and deferred income	797.2	1,006.0	1,194.4
Remeasurement of shareholders loans assets	32.5	29.5	3.4
Remeasurement of shareholders loans liabilities	(19.5)	(16.8)	(6.1)
Secondary taxation on companies credits	3.8	-	-
Taxation losses	223.1	25.1	223.5
Other	6.4	6.6	-
	(304.7)	(371.2)	(321.4)

13.2 Reconciliation

	2006 Rm	2007 Rm	2008 Rm
Balance at the beginning of the year	(164.0)	(304.7)	(371.2)
Deferred taxation - income statement expense (Note 9)	(115.8)	(50.3)	71.9
Foreign equity revaluation reserve	0.7	(8.1)	(12.7)
Business combinations			
Acquisition of customer base	-	(17.5)	-
Acquisition of trademark and patents	(35.8)	-	-
Disposal of subsidiaries	-	-	1.8
Fair value adjustment of available-for-sale investments	-	-	(2.7)
Foreign exchange differences on consolidation of foreign subsidiaries	10.2	9.3	(8.6)
Other	-	0.1	0.1
Balance at the end of the year	(304.7)	(371.2)	(321.4)

Provision for taxation which could arise if undistributed retained profits of certain subsidiaries are 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 undistributed earnings which is payable when it declares dividends to its shareholders, as the taxation will only be payable once the dividends are declared.

Deferred tax is not raised at a rate other than the normal taxation rate as the intention of the Group is to hold assets for use and not for resale.

	2006 Rm	2007 Rm	2008 Rm
13. DEFERRED TAXATION (CONTINUED)			
13.3 Utilisation of taxation losses			
Opening taxation loss	1,194.8	1,538.7	1,212.7
Foreign exchange movement on opening taxation loss	(142.3)	104.5	260.0
Prior year under/(over) statement	24.3	(129.7)	693.6
Current year taxation loss created/(utilised)	461.9	(300.8)	107.8
Closing taxation loss	1,538.7	1,212.7	2,274.1
Utilised to reduce net temporary differences	(662.3)	(78.4)	(818.3)
Vodacom Congo (taxation rate of 40%)	(244.1)	-	-
Vodacom Mozambique (taxation rate of 32%)	-	(78.4)	(73.4)
Vodacom Tanzania (taxation rate of 30%)	(418.2)	-	(744.9)
Taxation losses available to reduce deferred taxation	876.4	1,134.3	1,455.8
Taxation credit	-	-	268.1

There are estimated unused taxation losses to the value of R1,455.8 million (2007: R1,134.3 million; 2006: R876.4 million) available to reduce the net deferred taxation liability. If applied, the available R465.9 million (2007: R363.0 million; 2006: R279.4 million) would result in a full reduction of the current year's R318.6 million (2007: reduced to R8.2 million; 2006: reduced to R25.3 million) net deferred taxation liability. The unused taxation losses of Vodacom Mozambique are available for utilisation for a period of five years, after which they expire.

The R268.1 million taxation credit relating to Vodacom Mozambique expires in 2014.

The growth of the Group following its geographical expansion into non-South African countries over the past few years has made the estimation and judgment required in recognising and measuring deferred taxation balances 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 often do, take many years to resolve. Payments in respect of taxation liabilities for an accounting period result 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 current taxation payments.

	2006 Rm	2007 Rm	2008 Rm
14. INVENTORY			
Merchandise	397.5	287.3	507.1
Other inventory	56.8	77.0	129.8
	454.3	364.3	636.9
Inventory carried at net realisable value	215.1	163.1	224.6

	2006 Rm	2007 Rm	2008 Rm

14. INVENTORY (CONTINUED)

14.1 Inventory valuation allowance included above

	2006 Rm	2007 Rm	2008 Rm
Balance at the beginning of the year	(62.8)	(78.0)	(97.6)
Foreign exchange movement on opening balance	0.7	(1.3)	(0.9)
Charged to cost and expenses	(15.9)	(18.3)	(0.2)
Balance at the end of the year	(78.0)	(97.6)	(98.7)

The cost of inventories recognised as an expense during the period is reflected as equipment cost (Note 2).

The cost of inventories recognised as an expense includes R0.3 million (2007: R35.7 million; 2006: R6.9 million) in respect of write downs of inventory to net realisable value, which has not been reduced (2007: R18.6 million; 2006: R2.3 million) in respect of the reversal of such write downs. Previous write downs have been reversed as a result of increased sale prices in certain markets.

15. TRADE AND OTHER RECEIVABLES

	2006 Rm	2007 Rm	2008 Rm
Trade receivables	4,097.2	5,211.5	6,234.2
Prepayments	205.2	192.3	244.1
Value Added Taxation	88.1	147.7	200.3
Interest income receivable	41.5	51.3	76.1
Other	42.0	72.2	46.4
	4,474.0	5,675.0	6,801.1

The average credit period for March 2008, 2007 and 2006 on sales of goods and services is between 30 and 60 days (2007: 30 and 60 days; 2006: 30 and 60 days) from date of invoice for the South African operations and between 20 and 75 days (2007: 20 and 75 days; 2006: 20 and 75 days) from date of invoice for the non-South African operations. Generally no interest is charged on trade receivables. The Group has provided fully for all receivables over 120 days due (2007: 120 days due; 2006: 120 days due) for its South African operations and 90 days due (2007: 90 days due; 2006: 90 days due) for its non-South African operations because historical experience is such that receivables that are due beyond these days are generally not recoverable. Trade receivables of the South African operations due between 60 and 120 days (2007: 60 and 120 days; 2006: 60 and 120 days) are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

Before accepting any new individual customer, the Group uses an internal and external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The Group manually assesses the credit of corporate customers, using credit bureaus, financial standing as well as an internal grading system. Before accepting any new network operator customers, the Group enters into a contractual arrangement. The contractual arrangement is determined by regulatory requirements and industry norms. Of the trade receivable balance at the end of the year R1.3 billion (2007: R0.9 billion; 2006: R0.6 billion) is due from the Group's largest customer. There is no customer who represents more than 21.2% (2007: 17.6%; 2006: 15.7%) of the total balance of trade receivables.

The Group does not have any significant exposure to any individual customer or counter-party, except commercially to Telkom SA Limited, the Group's largest shareholder, Mobile Telecommunications Networks (Proprietary) Limited, the Group's largest competitor, Cell C (Proprietary) Limited, the country's third network operator and Vo-Call Cellular (Proprietary) Limited, the Group's largest dealer.

Trade receivables are stated at their cost which normally approximate their fair value due to short-term maturity.

	2006 Rm	2007 Rm	2008 Rm

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

15.1 Doubtful receivable allowance

The Group's South African trade receivables are stated after allowances for doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:

	2006 Rm	2007 Rm	2008 Rm
Balance at the beginning of the year	(44.7)	(43.7)	(50.5)
Reversed from/(Charged to) profit and loss	1.0	(6.8)	12.6
Balance at the end of the year	(43.7)	(50.5)	(37.9)

The Group's non-South African trade receivables are stated after allowances for doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:

	2006 Rm	2007 Rm	2008 Rm
Balance at the beginning of the year	(49.3)	(41.4)	(24.9)
Foreign exchange movement	2.9	(6.1)	(5.2)
(Charged to)/Reversed from profit and loss	5.0	22.6	(13.2)
Balance at the end of the year	(41.4)	(24.9)	(43.3)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

16. LEASE ASSETS

	2006 Rm	2007 Rm	2008 Rm
Operating leases	30.6	35.1	20.1
Finance lease receivables	19.3	76.6	212.4
	49.9	111.7	232.5
Less: Short-term portion *			
Operating leases (Note 16.1)	-	-	(17.6)
Finance lease receivables (Note 16.2)	(13.1)	(32.9)	(122.9)
Short-term portion	(13.1)	(32.9)	(140.5)
Long-term portion of lease assets	36.8	78.8	92.0

* Short-term lease assets were included under trade and other receivables in prior years.

16.1 Operating leases

Operating lease payments are expensed in profit or loss on a straight-line basis over the lease term and results in the recognition of an operating lease asset.

	Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm

16. LEASE ASSETS (CONTINUED)

16.2 Finance lease receivables

	Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
Staff benefits	3.9	7.5	-	11.4
Computers	119.0	82.0	-	201.0
Present value of minimum lease payments	122.9	89.5	-	212.4

The Group provides motor vehicles to certain of its executives. These executives may retain these assets at the end of the lease period, normally between three and four years. In terms of IAS 17: Leases ("IAS 17"), these arrangements are regarded as finance leases and the cost of the assets are capitalised as finance lease receivables and amortised on a straight-line basis over the period of the agreement to employee cost. The implicit interest rate is zero.

The Group provides laptop or desktop computers to certain customers who enter into contract agreements. The customers retain these computers at the end of the contract period. In terms of IAS 17, these arrangements are regarded as finance leases and accounted for using the effective interest rate method. The interest rate inherent in these leases is currently between nil% and 0.08% per annum.

The long-term portion of R89.5 million (2007: R43.7 million; 2006: R6.2 million) is reflected as part of non-current lease assets on the consolidated balance sheet.

All leases are denominated in South African Rand.

The fair value of the electronic equipment finance lease receivables approximate their carrying value.

17. ORDINARY SHARE CAPITAL

	2006 R	2007 R	2008 R
Authorised			
100,000 ordinary shares of R0.01 each	1,000	1,000	1,000
Issued			
10,000 ordinary shares of R0.01 each	100	100	100

The unissued share capital is under the control of the current shareholders.

	2006 Rm	2007 Rm	2008 Rm
18. NON-DISTRIBUTABLE RESERVES			
Foreign currency translations (Note 18.1)	(225.5)	(123.0)	(22.6)
Taxation on foreign currency translation reserve (Note 18.1)	18.0	9.9	(2.8)
Contingency reserve (Note 18.2)	13.5	15.7	17.4
Revaluation of available-for-sale investments (Note 18.3)	-	-	16.8
	(194.0)	(97.4)	8.8
Reconciliation			
Balance at the beginning of the year	(299.9)	(194.0)	(97.4)
Foreign currency translation reserve	103.9	94.4	87.7
Foreign currency translation for the year	98.2	102.5	100.4
Taxation for the year	5.7	(8.1)	(12.7)
Other non-distributable reserves			
Transferred from distributable reserves – contingency reserve	2.2	2.2	1.7
Revaluation of available-for-sale investments	(0.2)	-	16.8
Revaluation of available-for-sale investments for the year	(0.2)	-	19.5
Taxation for the year	-	-	(2.7)
Balance at the end of the year	(194.0)	(97.4)	8.8

18.1 Foreign currency translation reserve and 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.

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

18.2 Contingency reserve

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

18.3 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 12).

	2006 Rm	2007 Rm	2008 Rm
19. MINORITY INTERESTS			
Distributable reserves	358.1	268.5	408.5
Non-distributable reserves	(74.8)	(47.3)	(4.9)
	283.3	221.2	403.6
Reconciliation			
Balance at the beginning of the year	128.7	283.3	221.2
Profit allocated to minority interest	116.7	217.6	146.2
Foreign currency translation reserve	(15.6)	27.5	42.4
Revaluation of available-for-sale investments	(0.1)	-	-
Business combinations and other acquisitions	46.5	(136.4)	(6.1)
Minority shares of VM, S.A.R.L.	8.0	-	0.8
Disposal of subsidiaries	-	-	(0.3)
Dividend to minority shareholders	(0.9)	(170.8)	(0.6)
Balance at the end of the year	283.3	221.2	403.6
20. ANALYSIS OF RECOGNISED INCOME AND EXPENSES			
Gain/(Loss) on revaluation of available-for-sale investment	(0.3)	-	16.8
Foreign currency translation reserve	88.3	121.9	130.1
Net profit/(loss) recognised directly in equity	88.0	121.9	146.9
Net profit for the year	5,142.8	6,560.0	7,957.6
Total recognised income and expense for the year	5,230.8	6,681.9	8,104.5
Attributable to:			
Equity shareholders	5,129.8	6,436.8	7,915.9
Minority interests	101.0	245.1	188.6

	2006 Short-term portion Rm	2006 Long-term portion Rm	2006 Total Rm	2007 Short-term portion Rm	2007 Long-term portion Rm	2007 Total Rm
21. INTEREST BEARING DEBT						
Finance leases (Note 21.1)	79.2	728.3	807.5	113.6	615.0	728.6
Funding loans (Note 21.2)	1,527.3	90.9	1,618.2	365.5	1,436.4	1,801.9
Other short-term loans (Note 21.3)	39.0	-	39.0	21.9	-	21.9
	1,645.5	819.2	2,464.7	501.0	2,051.4	2,552.4

	2008 Short-term portion Rm	2008 Long-term portion Rm	2008 Total Rm
21. INTEREST BEARING DEBT (CONTINUED)			
Finance leases (Note 21.1)	194.3	420.7	615.0
Funding loans (Note 21.2)	300.5	2,605.1	2,905.6
Other short-term loans (Note 21.3)	8.1	-	8.1
	502.9	3,025.8	3,528.7

	2006 Rm	2007 Rm	2008 Rm
21.1 Finance leases			
Vodacom (Proprietary) Limited	537.7	479.7	396.7
The finance leases are collateralised by various land and buildings with a book value of R464.2 million (2007: R477.3 million; 2006: R489.1 million), bearing interest at fixed effective interest rates of between 12.1% and 16.9% per annum and are repayable between one and five years. The residual payment on settlement date is R144.4 million.			
Vodacom Service Provider Company (Proprietary) Limited	269.8	248.9	218.3
The finance lease is collateralised by land and buildings with a book value of R245.5 million (2007: R251.1 million; 2006: R256.8 million), 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.			
	807.5	728.6	615.0
Less: Short-term portion of finance leases			
Vodacom (Proprietary) Limited	(58.3)	(83.0)	(151.7)
Vodacom Service Provider Company (Proprietary) Limited	(20.9)	(30.6)	(42.6)
Short-term portion of finance leases	(79.2)	(113.6)	(194.3)
Long-term portion of finance leases	728.3	615.0	420.7

All leases are denominated in South African Rand and are held with Rand Merchant Bank and Standard Bank.

The fair value of the Group's finance lease liability is R629.0 million (2007: R786.3 million; 2006: R911.5 million).

The fair value of finance leases are determined as the present value of all future cash flows discounted using market related interest rates. The discount rate used varied between 13.5% and 14.9% (2007: 11.3% and 13.3%; 2006: 10.0% and 13.3%).

The Vodaworld Retail Park is sub-leased to various Telecommunications retail companies. Sublease payments expected to be received under non-cancellable subleases at the balance sheet date amount to R4.0 million.

	2009 Rm	2010 Rm	2011 Rm	2012 Rm	2013 Rm	2014 onwards Rm	Total Rm
21. INTEREST BEARING DEBT (CONTINUED)							
21.1 Finance Leases (continued)							
Repayment of finance leases							
Future minimum lease payments*	271.2	153.6	200.6	98.7	82.1	-	806.2
Finance costs	(76.9)	(55.1)	(39.0)	(15.2)	(5.0)	-	(191.2)
Net present value	194.3	98.5	161.6	83.5	77.1	-	615.0

* Future minimum lease payments include residual payments at the end of the lease term.

	2006 Rm	2007 Rm	2008 Rm
21.2 Funding Loans			
Planetel Communications Limited	41.6	53.5	-
The shareholder loan of US$8.4 million (2007: US$8.4 million; 2006: US$8.4 million) was subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, which expired at the end of the current financial year, bore no interest from April 1, 2002 and was thereafter available for repayment, by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. The loan became non-interest bearing and was remeasured at amortised cost at an effective interest rate of LIBOR plus 5% (Note 12) during the 2003 financial year. The gain on remeasurement was included in equity. On November 30, 2007 Planetel Communications Limited sold its 16% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Caspian Limited	49.3	63.6	-
The shareholder loan of US$10.0 million (2007: US$10.0 million; 2006: US$10.0 million) was subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, bore no interest from April 1, 2002 and was thereafter available for repayment, by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. This loan became non-interest bearing and was remeasured at amortised cost at an effective interest rate of LIBOR plus 5% (Note 12) during the 2003 financial year. The gain on remeasurement was included in equity. On November 30, 2007 Caspian Limited sold its 19% shareholding in Vodacom Tanzania Limited to Mirambo Limited.			
Balance carried forward	90.9	117.1	-

	2006 Rm	2007 Rm	2008 Rm
21. INTEREST BEARING DEBT (CONTINUED)			
21.2 Funding loans (continued)			
Balance brought forward	90.9	117.1	-
Project finance funding to Vodacom Tanzania Limited	184.0	94.9	-
The funding was collateralised by a charge over 51% of the shares, the licence and Vodacom Tanzania Limited's tangible and intangible assets. The loans bore interest based upon the foreign currency denomination of the project financing between 6.0% and 14.4% per annum and was fully repaid by March 2008.			
The drawn down portions of the project finance funding from external parties included the following:			
(a) Netherlands Development Finance Company of US$nil (2007: US$3.8 million; 2006: US$7.6 million);			
(b) Deutsche Investitions- und Entwicklungsgesellschaft mbH of €nil (2007: €3.9 million; 2006: €7.8 million);			
(c) Standard Corporate and Merchant Bank of US$nil (2007: US$4.0 million; 2006: US$8.0 million);			
(d) Barclays Bank (Local Syndicate Tanzania) TSHnil (2007: TSHnil; 2006: TSH5,703.8 million).			
Term loan to Vodacom International Limited	1,114.4	1,311.9	1,462.5
The loan provided by Standard Bank Plc and RMB International (Dublin) Limited that amounts to US$180.0 million (2007: US$180.0 million; 2006: US$180.0 million) is collateralised by guarantees provided by the Group. The loan, originally repayable on July 19, 2006, was refinanced during the 2007 financial year. The loan is now repayable on July 26, 2009 and bears interest at an effective interest rate of LIBOR plus 0.35%.			
Balance carried forward	1,389.3	1,523.9	1,462.5

	2006 Rm	2007 Rm	2008 Rm
21. INTEREST BEARING DEBT (CONTINUED)			
21.2 Funding loans (continued)			
Balance brought forward	1,389.3	1,523.9	1,462.5
Mirambo Limited Mirambo Limited bought the 16% and 19% equity stake of Planetel Communications Limited and Caspian Limited respectively in Vodacom Tanzania Limited on November 30, 2007. The shareholder loans with a combined nominal value of US$18.4 million, were transferred to Mirambo Limited in order to meet its obligations to Vodacom Tanzania Limited in respect of shareholder contributions. The loan bears interest at LIBOR + 5% and shall be repaid by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. The loan and capitalised interest are unsecured and subordinated.	-	-	142.6
Asset Backed Arbitraged Securities (Proprietary) Limited On December 5, 2007 Vodacom (Proprietary) Limited entered into a subscription agreement with Asset Backed Arbitraged Securities (Proprietary) Limited (“ABACAS”). In terms of the agreement Vodacom (Proprietary) Limited issued debt instruments in the form of two promissory notes with a nominal value of R500.0 million each to which ABACAS subscribed. The debt instrument will bear interest based on JIBAR plus a credit margin and funding margin. The repayment term is three years with interest being paid quarterly. The credit margin is 0.4% and the funding margin is 0.18% and 0.15% respectively.	-	-	1,000.0
Preference shares issued by Vodacom Congo (RDC) s.p.r.l. The preference shares of US$37.0 million (2007: US$37.0 million; 2006: US$37.0 million) bear interest at a rate of 4% per annum. The preference shares are redeemable at the discretion of the shareholders and on the basis that the shareholders are repaid simultaneously and in proportion to their shareholding.	228.9	269.5	300.5
Balance carried forward	1,618.2	1,793.4	2,905.6

	2006 Rm	2007 Rm	2008 Rm
21. INTEREST BEARING DEBT (CONTINUED)			
21.2 Funding loans (continued)			
Balance brought forward	1,618.2	1,793.4	2,905.6
Sekha-Metsi Investment Consortium Limited	-	2.5	-
The shareholder loan bore no interest, was repayable in ten equal six monthly instalments commencing on September 30, 2006. Effective April 1, 2007 the repayment terms changed to four equal six monthly instalments. The loan was remeasured at amortised cost at a fixed effective interest rate of 13.7% during the 2007 financial year. The gain on remeasurement was included in equity.			
Number Portability Company (Proprietary) Limited	-	6.0	-
The Group's share of the shareholders loan provided, amounted to R6.0 million at March 31, 2007. The subordinated shareholder loan bore interest at the maximum rate of the prevailing South African prime rate or a lesser rate determined by the board of Number Portability Company (Proprietary) Limited. During the current period the loan became non-interest bearing (Note 22).			
	1,618.2	1,801.9	2,905.6
Less: Short-term portion of funding loans			
Project finance funding to Vodacom Tanzania Limited	(184.0)	(94.9)	-
Term loan to Vodacom International Limited	(1,114.4)	-	-
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	(228.9)	(269.5)	(300.5)
Sekha-Metsi Investment Consortium Limited	-	(1.1)	-
Short-term portion of funding loans	(1,527.3)	(365.5)	(300.5)
Long-term portion of funding loans	90.9	1,436.4	2,605.1

The fair value of funding loans are R2,933.2 million. The fair value of funding loans were determined by applying the discounted cash flow method, where applicable. A discount rate which varied between 12.2% and 12.3% were applied to ZAR denominated debt and 2.8% to US$ denominated debt.

	2006 Rm	2007 Rm	2008 Rm
21.3 Other short-term loans			
Vodacom Congo (RDC) s.p.r.l.	37.1	21.9	8.1
The short-term facilities amount to US$1 million (2007: US$3.0 million; 2006: US$6.0 million) bears interest at 18% per annum with no fixed repayment terms. US$2.0 million of these facilities was repaid on June 30, 2007 and bore interest at LIBOR plus 6% per annum.			
Other	1.9	-	-
	39.0	21.9	8.1

The fair value of other short-term loans approximate their carrying value.

	2006 Rm	2007 Rm	2008 Rm
22. NON-INTEREST BEARING DEBT			
Sekha-Metsi Investment Consortium Limited	4.3	-	-
The minority shareholder's loan was previously uncollateralised and no repayment terms were determined. During the 2007 financial year repayment terms were agreed and the loan was reclassified to interest bearing debt (Note 21).			
Minority shareholders of Smartcom (Proprietary) Limited	-	3.0	-
The minority shareholder's loan was repaid during the current financial year. The loan was unsecured and bore no interest.			
Number Portability Company (Proprietary) Limited	-	-	6.0
The Group's share of the shareholders loan provided, amounted to R6.0 million at March 31, 2007. The subordinated shareholder loan bore interest at the maximum rate of the prevailing South African prime rate or a lesser rate determined by the board of Number Portability Company (Proprietary) Limited and was classified as interest bearing debt (Note 21). During the current year the loan became non-interest bearing.			
	4.3	3.0	6.0
Less: Short-term portion of non-interest bearing debt			
Sekha-Metsi Investment Consortium Limited	(4.3)	-	-
Long-term portion of non-interest bearing debt	-	3.0	6.0

The fair value of non-interest bearing debt is not determinable as no repayment terms are set.

	2006 Rm	2007 Rm	2008 Rm
23. PROVISIONS			
Deferred bonus incentive provision (Note 23.1)	452.4	500.7	497.4
Bonus provision (Note 23.2)	279.8	330.6	426.0
Leave pay provision (Note 23.3)	70.8	90.9	119.7
Warranty provision (Note 23.4)	32.8	-	-
Long-term incentive provision (Note 23.5)	122.1	161.2	225.2
Other (Note 23.6)	37.4	35.9	14.9
	995.3	1,119.3	1,283.2
Timing of Provisions			
Within one year	623.0	741.8	909.5
After one year	372.3	377.5	373.7
	995.3	1,119.3	1,283.2

	Deferred bonus incentive provision Rm	Bonus provision Rm	Leave pay provision Rm	Warranty provision Rm	Long-term incentive provision Rm	Other Rm
23. PROVISIONS (CONTINUED)						
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
Reconciliation 2007						
Balance at the beginning of the year	452.4	279.8	70.8	32.8	122.1	37.4
Provision created	191.6	380.2	24.7	-	39.1	29.2
Provision utilised	(143.3)	(329.4)	(4.6)	(32.8)	-	(30.7)
Balance at the end of the year	500.7	330.6	90.9	-	161.2	35.9
Reconciliation 2008						
Balance at the beginning of the year	500.7	330.6	90.9	-	161.2	35.9
Provision created	181.0	474.6	48.9	-	81.4	5.3
Provision utilised	(184.3)	(379.2)	(20.1)	-	(17.4)	(26.3)
Balance at the end of the year	497.4	426.0	119.7	-	225.2	14.9

Provisions are required to be recorded when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

Best estimates, being the amount that the Group would rationally pay to settle the obligation, are recognised as provisions at balance sheet date. Risks, uncertainties and future events are taken into account by management in determining the best estimates. Provisions are discounted where the effect of discounting is material. The discount rate used is the rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which requires management judgement. All provisions are reviewed at each balance sheet date.

Various uncertainties can result in obligations not being considered probable or estimable for significant periods of time. As a consequence, potentially material obligations may have no provisions and a change in facts or circumstances that result in an obligation becoming probable or estimable can lead to a need for the establishment of material provisions. In addition, where estimated amounts vary from initial estimates the provisions may be revised materially, up or down.

The Group records provisions for legal contingencies when the contingency is probable of occurring and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the balance sheet date.

23. PROVISIONS (CONTINUED)

23.1 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.

23.2 Bonus provision

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

23.3 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.

23.4 Warranty provision

The warranty provision covered manufacturing defects in the second year of warranty on handsets sold to customers. The estimate was based on claims notified and past experience. The suppliers of the various handsets assumed responsibility for the second year warranty subsequent to March 31, 2007 and accordingly there is no remaining provision.

23.5 Long-term incentive provision

The long-term incentive provision represents the present value of the expected future cash outflows to eligible employees that 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.

	2006 Rm	2007 Rm	2008 Rm
Net liability at beginning of the year	-	122.1	161.2
Interest cost	6.5	9.6	14.4
Current service cost	9.1	17.6	20.0
Recognised actuarial losses	123.4	13.3	62.3
Net cost	139.0	162.6	257.9
Total benefit payments	(16.9)	(1.4)	(32.7)
Net liability at end of the year	122.1	161.2	225.2
Key assumptions:			
General inflation rate (%)	4.7	5.1	6.6
Discount rate (%)	7.4	8.0	9.5
Salary inflation (%)	5.7	6.1	7.6
Valuation date	March 31, 2006	March 31, 2007	March 31, 2008

23. PROVISIONS (CONTINUED)

23.6 Other

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

	2006 Rm	2007 Rm	2008 Rm
24. OTHER NON-CURRENT LIABILITIES			
Operating lease liability (Note 24.1)	122.5	150.4	165.0
Licence obligation (Note 24.2)	-	90.7	96.2
	122.5	241.1	261.2
24.1 Operating lease liability	122.5	150.4	165.0
The value of the Group's operating lease liability is R165.0 million (2007: R150.4 million; 2006: R122.5 million). The liability is due to the recognition of the operating lease expense on a straight-line basis over the lease term (Note 37).			
24.2 Licence obligation	-	90.7	96.2
On December 9, 2004, ICASA amended the Vodacom South Africa licence to allow for access to the 1800 Megahertz frequency spectrum band and the 3G radio spectrum band.			
The costs to the Group for the 1800 Megahertz frequency spectrum band obligations is estimated at R68.8 million. The net present value, at a discount rate of 8%, over three years, amounts to R64.0 million (2007: R59.1 million; 2006: Rnil).			
The cost to the Group for the 3G radio spectrum band obligations is estimated at R36.8 million. The net present value, at a discount rate of 8%, over three years amounts to R32.2 million. (2007: R31.6 million; 2006: Rnil).			
	122.5	241.1	261.2
Less: Short-term portion of other non-current liabilities			
Operating lease liability	-	(0.3)	(7.1)
Licence obligation	-	(30.2)	(6.7)
Short-term portion of other non-current liabilities*	-	(30.5)	(13.8)
Long-term portion of other non-current liabilities	122.5	210.6	247.4

* The short-term portion of other non-current liabilities is included in trade payables (Note 25).

	2006 Rm	2007 Rm	2008 Rm
25. TRADE AND OTHER PAYABLES			
Trade payables*	3,315.4	4,021.3	4,876.5
Capital expenditure creditors	1,478.7	2,274.9	1,718.9
Value Added Taxation	100.3	121.9	82.7
Sundry accruals	89.4	110.8	359.9
Revenue charged in advance	64.2	34.2	28.6
Interest accrual	56.7	62.0	98.2
Put option liability #	-	249.3	396.5
	5,104.7	6,874.4	7,561.3

Trade payables are stated at their cost which normally approximate their fair value due to their short-term maturity.

The average credit period is between 30 and 60 days for the South African operations and between 45 and 105 days for the non-South African operations. No interest is charged on trade payables for the first 30 to 60 days from the date of invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

* Trade payables include the short-term portion of other non-current liabilities of R13,8 million (2007: R30,5 million) (Note 24).

The obligation to settle the Congolese Wireless Networks s.p.r.l. put option (Note 42) in cash gives rise to an obligation which represents a financial liability. The value of the liability amounted to Rnil as at March 31, 2006. During the current and previous financial years the liability was remeasured through the consolidated income statement.

	2006 Rm	2007 Rm	2008 Rm
26. CASH GENERATED FROM OPERATIONS			
Profit from operations	8,865.7	10,859.8	12,490.7
Adjusted for:			
Depreciation of property, plant and equipment and amortisation of intangible assets (Note 10 and Note 11)	2,995.8	3,361.2	3,911.2
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	26.8	(26.9)	39.3
Net impairment recognised/(reversed) (Note 3)	(52.8)	22.9	29.9
Net profit on disposal of subsidiary	-	(17.4)	(8.0)
Other non-cash flow items	42.3	97.0	49.1
Cash flow from operations before working capital changes	11,877.8	14,296.6	16,512.2
Increase in trade and other receivables	(1,035.0)	(838.8)	(915.5)
(Increase)/Decrease in inventory	16.8	84.8	(259.3)
Increase in trade and other payables and provisions	230.7	323.5	996.1
Cash generated from operations	11,090.3	13,866.1	16,333.5
27. FINANCE COSTS PAID			
Finance costs as per the income statement	(246.0)	(369.3)	(681.3)
Interest accrual at the beginning of the year	(39.9)	(56.7)	(62.0)
Interest accrual at the end of the year	56.7	62.0	98.2
Other non-cash flow items	14.9	37.4	(24.5)
	(214.3)	(326.6)	(669.6)

		2006 Rm	2007 Rm	2008 Rm
28.	FINANCE INCOME RECEIVED			
	Finance income per the income statement	129.9	74.5	72.3
	Interest income receivable at the beginning of the year	35.7	41.5	51.3
	Interest income receivable at the end of the year	(41.5)	(51.3)	(76.1)
	Other non-cash flow items	-	(23.0)	26.8
		124.1	41.7	74.3
29.	REALISED NET LOSSES ON REMEASUREMENT AND DISPOSAL OF FINANCIAL INSTRUMENTS			
	Gains/(losses) on remeasurement and disposal of financial instruments as per the income statement	(523.1)	(169.0)	185.1
	Unrealised (losses)/gains on foreign exchange forward contracts	294.6	(20.6)	(258.4)
	Unrealised (losses)/gains on foreign liability and asset revaluation	204.3	(108.4)	(191.9)
	Unrealised gains on interest rate swap revaluation	6.6	9.9	10.3
	Unrealised put option liability revaluation	-	249.3	103.9
		(17.6)	(38.8)	(151.0)
30.	TAXATION PAID			
	Taxation per the income statement	(3,083.7)	(3,836.0)	(4,109.2)
	Taxation payable at the beginning of the year	(632.6)	(630.2)	(1,112.7)
	Taxation payable at the end of the year	630.2	1,112.7	580.5
	Deferred taxation at the beginning of the year	(164.0)	(304.7)	(371.2)
	Deferred taxation at the end of the year	304.7	371.2	321.4
	Disposal of subsidiary – deferred taxation	-	-	1.8
	Disposal of subsidiary – taxation payable	-	-	0.1
	Business combination – deferred taxation	(35.8)	(17.5)	-
	Business combination – taxation payable	(15.2)	-	-
	Exchange difference on consolidation of foreign subsidiary	10.4	9.3	(17.1)
	Movement due to foreign equity revaluation reserve	5.7	(8.1)	(12.9)
	Fair value adjustment for available-for-sale investments	-	-	(2.7)
	Remeasurement of shareholders loans	-	-	0.5
		(2,980.3)	(3,303.3)	(4,721.5)
31.	ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS			
	Additions to property, plant and equipment and intangible assets (Note 10 and Note 11)	(5,141.5)	(7,214.4)	(6,923.2)
	(Decrease)/Increase in capital expenditure related creditors	353.1	796.2	(591.5)
	Licence obligation	-	90.7	5.5
	Licence reallocation	-	-	46.9
	Other non-cash flow items	-	-	(27.5)
	Less: Goodwill acquired through increase in shareholding of existing subsidiaries			
	Smartphone SP (Proprietary) Limited (Note 32.2.1)	-	313.2	931.2
	Smartcom (Proprietary) Limited (Note 32.2.2)	-	8.2	18.0
	Cointel V.A.S. (Proprietary) Limited (Note 32.2.3)	-	90.9	-
	Goodwill allocated to Smartphone SP (Proprietary) Limited's minority shareholders	-	(40.1)	-
		(4,788.4)	(5,955.3)	(6,540.6)

	2006 Rm	2007 Rm	2008 Rm

32. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS

	2006 Rm	2007 Rm	2008 Rm
Business combinations (Note 32.1)	(0.1)	(101.2)	-
Other acquisitions (Note 32.2)	-	(490.0)	(956.5)
	(0.1)	(591.2)	(956.5)

32.1 Business combinations

	2006 Rm	2007 Rm	2008 Rm
InterConnect s.p.r.l. (Note 32.1.1)	-	(21.2)	-
Africell Cellular Services (Proprietary) Limited (Note 32.1.2)	-	(80.0)	-
Tiscali (Proprietary) Limited (Note 32.1.3)	0.3	-	-
Cointel V.A.S. (Proprietary) Limited (Note 32.1.4)	(0.4)	-	-
	(0.1)	(101.2)	-

32.1.1 InterConnect s.p.r.l.

Effective November 1, 2006 the Group acquired the internet service provider business of InterConnect s.p.r.l. The fair values of the assets and liabilities acquired were determined as follows:

	2006 Rm	2007 Rm	2008 Rm
Fair value of net assets acquired	-	(8.6)	-
Property, plant and equipment	-	2.5	-
Intangible assets	-	9.7	-
Inventory	-	0.3	-
Deferred taxation liability	-	(3.9)	-
Goodwill	-	(12.6)	-
Purchase price	-	(21.2)	-

The purchase price of R21.2 million (US$2.8 million) (excluding capitalised costs) was paid on November 1, 2006.

Revenue amounting to R8.2 million (US$1.2 million) and net profit of R2.8 million (US$0.4 million) are included in the prior year results. It was impracticable to disclose the impact of the consolidated revenue and consolidated net profit for the full year ended March 31, 2007.

The goodwill related to the acquisition represents future synergies and is allocated to the Democratic Republic of Congo's cash-generating unit.

	2006 Rm	2007 Rm	2008 Rm

32. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS (CONTINUED)
32.1 Business combinations (continued)
32.1.2 Africell Cellular Services (Proprietary) Limited

Effective October 1, 2006 the Group acquired the cellular business of Africell Cellular Services (Proprietary) Limited. The fair value of the assets and liabilities acquired were preliminary determined as follows:

	2006 Rm	2007 Rm	2008 Rm
Fair value of net assets acquired	-	(36.3)	-
Property, plant and equipment	-	3.1	-
Intangible assets	-	46.8	-
Deferred taxation liability (including taxation effect on intangible assets)	-	(13.6)	-
Goodwill	-	(43.7)	-
Purchase price	-	(80.0)	-

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

32.1.3 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:

	2006 Rm	2007 Rm	2008 Rm
Fair value of net assets acquired	-	-	-
Contract customer base	-	-	-
Deferred taxation liability	-	-	-
Goodwill	0.3	-	-
Purchase price	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 in South Africa. 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 this reason it would not be practicable to determine the impact on revenue and profits of the Group for a full year.

	2006 Rm	2007 Rm	2008 Rm

32. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS (CONTINUED)

32.1 Business combinations (continued)

32.1.4 Cointel V.A.S. (Proprietary) Limited

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

	2006 Rm	2007 Rm	2008 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 intangible assets)	(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	-	-
Non-current liabilities	(1.2)	-	-
Current liabilities	(140.5)	-	-

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 were included in the 2006 year results. Restated consolidated revenue would have amounted to R34,062.5 million and restated consolidated net profit to R5,153.2 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 is allocated to the South African cash-generating unit.

	2006 Rm	2007 Rm	2008 Rm
32. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS (CONTINUED)			
32.2 Other acquisitions			
Smartphone SP (Proprietary) Limited and subsidiaries (Note 32.2.1)	-	(333.9)	(938.1)
Smartcom (Proprietary) Limited (Note 32.2.2)	-	(9.1)	(18.0)
Cointel V.A.S. (Proprietary) Limited (Note 32.2.3)	-	(147.0)	(0.4)
	-	(490.0)	(956.5)

32.2.1 Smartphone SP (Proprietary) Limited and subsidiaries

On August 31, 2007 the Group increased its interest in the equity of Smartphone SP (Proprietary) Limited from 70% to 100%, which at that time had a 88% shareholding in Smartcom (Proprietary) Limited, a 100% shareholding in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited, a 52% shareholding in Ithuba Smartcall (Proprietary) Limited, a 100% shareholding in Cointel V.A.S. (Proprietary) Limited and a 90% shareholding in Smartcall Smartlife (Proprietary) Limited. The acquisition was accounted for using the parent entity extension method.

	2006 Rm	2007 Rm	2008 Rm
Minority interest	-	-	(6.1)
Goodwill	-	-	(931.2)
Purchase price (including capitalised cost)	-	-	(937.3)

The purchase price of R935.0 million was paid on September 3, 2007 and the capitalised costs of R2.3 million was paid on March 26, 2008.

On August 30, 2006, the Group acquired a further 19% interest in the equity of Smartphone SP (Proprietary) Limited, which had a 85.75% shareholding in Smartcom (Proprietary) Limited at the time, 100% shareholding in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited and 52% shareholding in Ithuba Smartcall (Proprietary) Limited. The acquisition was accounted for using the parent entity extension method.

	2006 Rm	2007 Rm	2008 Rm
Minority interest acquired	-	(21.5)	-
Goodwill	-	(313.2)	-
Purchase price (including capitalised costs)	-	(334.7)	-
Capitalised cost (paid)/payable	-	0.8	(0.8)
Cash consideration	-	(333.9)	(0.8)

The purchase price of R333.9 million was paid in three tranches on October 3, 2006, January 16, 2007 and March 26, 2007. Capitalised costs of R0.8 million was paid on November 2, 2007. The outstanding amount accrued interest at 7.6% per annum from September 21, 2006 up to the date of payment.

	2006 Rm	2007 Rm	2008 Rm

32. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS (CONTINUED)

32.2 Other acquisitions (continued)

32.2.2 Smartcom (Proprietary) Limited

On September 1, 2007 the Group increased its interest in the equity of Smartcom (Proprietary) Limited from 88% to 100%. The acquisition was accounted for using the parent entity extension method.

	2006 Rm	2007 Rm	2008 Rm
Minority interest	-	-	-
Goodwill	-	-	(18.0)
Purchase price	-	-	(18.0)

The purchase price of R18.0 million was paid on September 6, 2007.

On September 13, 2006, the Group increased its interest in Smartcom (Proprietary) Limited to 88% by acquiring an additional 2.25% interest through its 70% owned subsidiary, Smartphone SP (Proprietary) Limited. The acquisition was accounted for using the parent entity extension method.

	2006 Rm	2007 Rm	2008 Rm
Minority interest	-	(0.9)	-
Goodwill	-	(8.2)	-
Purchase price	-	(9.1)	-

The purchase price of R9.1 million was paid in two instalments on February 21, 2007 and March 26, 2007.

32.2.3 Cointel V.A.S. (Proprietary) Limited

On October 4, 2006 the Group increased its interest to 100% by acquiring 49% from the minority shareholders. The purchase price of R147.0 million was paid on October 18, 2006 while the capitalised cost was paid on November 2, 2007. The acquisition was accounted for using the parent entity extension method.

	2006 Rm	2007 Rm	2008 Rm
Minority interest	-	(56.5)	-
Goodwill	-	(90.9)	-
Purchase price (including capitalised costs)	-	(147.4)	-
Capitalised cost (paid)/payable	-	0.4	(0.4)
Cash consideration	-	(147.0)	(0.4)

On October 9, 2006, Smartphone SP (Proprietary) Limited, acquired 100% shareholding of Cointel V.A.S. (Proprietary) Limited from Vodacom Group (Proprietary) Limited for R300.0 million.

As a result of the sale of Cointel V.A.S. (Proprietary) Limited from Vodacom Group (Proprietary) Limited to Smartphone SP (Proprietary) Limited, R38.0 million goodwill was realised, which resulted in the realisation of R17.4 million profit on consolidation.

	2006 Rm	2007 Rm	2008 Rm
33. DISPOSAL OF SUBSIDIARIES			
Ithuba Smartcall (Proprietary) Limited (Note 33.1)	-	-	-
Stand 13 Eastwood Road Dunkeld (Proprietary) Limited (Note 33.2)	-	-	15.7
Smartcall Smartlife (Proprietary) Limited *	-	-	-
	-	-	15.7

33.1 Ithuba Smartcall (Proprietary) Limited

On September 3, 2007, the Group disposed of its 52% interest in Ithuba Smartcall (Proprietary) Limited. The carrying value of the assets and liabilities disposed of were as follows:

	2006 Rm	2007 Rm	2008 Rm
Carrying amount of net assets disposed of	-	-	0.1
Trade and other receivables	-	-	-
Cash and cash equivalents	-	-	0.1
Minority interest	-	-	(0.3)
Capital gain on disposal	-	-	0.3
Selling price	-	-	0.1
Cash and cash equivalents	-	-	(0.1)
Cash consideration	-	-	-
Selling price satisfied by:			
Cash	-	-	0.1

The consideration was received on September 6, 2007.

33.2 Stand 13 Eastwood Road Dunkeld (Proprietary) Limited

On September 3, 2007, the Group disposed of its 100% interest in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited. The carrying value of the assets and liabilities disposed of were as follows:

	2006 Rm	2007 Rm	2008 Rm
Carrying amount of net assets disposed of	-	-	8.4
Property, plant and equipment	-	-	13.8
Deferred taxation	-	-	(1.8)
Cash and cash equivalents	-	-	0.4
Interest bearing debt	-	-	(3.9)
Taxation payable	-	-	(0.1)
Minority interest	-	-	-
Capital gain on disposal	-	-	7.7
Selling price	-	-	16.1
Cash and cash equivalents	-	-	(0.4)
Cash consideration	-	-	15.7
Selling price satisfied by:			
Cash	-	-	16.1

The consideration was received on September 6, 2007.

* On October 1, 2007, the Group disposed of its 90% interest in Smartcall Smartlife (Proprietary) Limited for R90. The carrying value of the assets and liabilities disposed amounted to R1,000.

	2006 Rm	2007 Rm	2008 Rm

34. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	2006 Rm	2007 Rm	2008 Rm
Bank and cash balances	3,146.1	771.4	977.6
Bank borrowings *	(1,385.8)	(879.2)	(2,596.8)
Bank borrowings classified as financing activities	-	-	2,456.0
	1,760.3	(107.8)	836.8

* Bank borrowings, excluding those used for financing activities, are regarded as part of the Group's integral cash management system.

The fair value of cash and cash equivalents normally approximate their carrying amount due to short-term maturity.

35. EARNINGS AND DIVIDEND PER SHARE

35.1 Basic and diluted earnings per share

	2006 R	2007 R	2008 R
The calculation of basic earnings per ordinary share is based on earnings of R7,811.4 million (2007: R6,342.4 million; 2006: R5,026.1 million) and 10,000 issued ordinary shares (2007: 10,000; 2006: 10,000).	502,610	634,240	781,140

Due to no dilution factors being present, basic earnings per share equals diluted earnings per share.

35.2 Dividend per share

The calculation of the dividend per ordinary share is based on a declared ordinary dividend of R5,940.0 million (2007: R5,400.0 million; 2006: R4,500.0 million) and 10,000 issued ordinary shares (2007: 10,000; 2006: 10,000).

The dividends were declared as follows:

	2006 R	2007 R	2008 R
Declared March 6, 2008 to shareholders registered on April 1, 2008 and paid on April 3, 2008 (Final)	-	-	319,000
Declared October 1, 2007 to shareholders registered on October 1, 2007 and paid on October 4, 2008 (Interim)	-	-	275,000
Declared March 14, 2007 to shareholders registered on April 2, 2007 and paid on April 4, 2007 (Final)	-	290,000	-
Declared September 7, 2006 to shareholders registered on October 2, 2006 and paid on October 4, 2006 (Interim)	-	250,000	-
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	-	-
	450,000	540,000	594,000

	2006 Rm	2007 Rm	2008 Rm

36. CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2006 Rm	2007 Rm	2008 Rm
Vodacom (Proprietary) Limited	709.1	747.6	997.4
Vodacom Congo (RDC) s.p.r.l.	99.5	209.7	251.1
Vodacom Tanzania Limited	201.2	56.7	212.9
VM, S.A.R.L.	34.2	32.0	66.3
Vodacom Service Provider Company (Proprietary) Limited	16.9	14.8	48.4
Vodacom Group (Proprietary) Limited	222.9	120.7	23.4
	1,283.8	1,181.5	1,599.5

Capital expenditure commitments approved by the Board of Directors but not yet contracted for at the balance sheet date are as follows:

	2006 Rm	2007 Rm	2008 Rm
Vodacom (Proprietary) Limited	4,872.3	4,916.7	5,509.7
Vodacom Tanzania Limited	650.6	889.3	1,743.6
Vodacom Congo (RDC) s.p.r.l.	293.4	660.0	876.4
Vodacom Service Provider Company (Proprietary) Limited	164.7	277.7	254.0
Vodacom Lesotho (Proprietary) Limited	24.9	48.5	129.3
Vodacom Group (Proprietary) Limited	111.7	50.7	10.2
VM, S.A.R.L.	71.7	259.4	299.0
Vodacom International Limited (Mauritius)	-	-	0.2
Smartphone SP (Proprietary) Limited	15.2	12.2	-
Cointel V.A.S. (Proprietary) Limited	2.2	4.1	-
Skyprops 134 (Proprietary) Limited	-	16.6	-
	6,206.7	7,135.2	8,822.4

The capital expenditure of the Group will be financed through internal cash generation, extended supplier credit and bank credit.

	2006 Rm	2007 Rm	2008 Rm
37. OTHER COMMITMENTS			
Operating leases (Note 37.1)	6,845.6	2,765.2	4,570.9
Sport and marketing contracts (Note 37.2)	1,133.7	881.7	1,359.5
Other (Note 37.10)	-	-	94.0
	7,979.3	3,646.9	6,024.4

	Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
37.1 Operating leases				
Transmission and data lines GSM	385.0	1,055.1	172.8	1,612.9
Accommodation	149.6	620.3	903.0	1,672.9
Site rentals	186.0	560.0	510.0	1,256.0
Other operating leases	14.9	14.1	0.1	29.1
	735.5	2,249.5	1,585.9	4,570.9

The remaining lease term for transmission and data lines is between 1 and 5 years with a fixed price escalation clause per annum and various options to renew. The remaining lease term and escalation rate for office accommodation is between 1 and 15 years and between 3% and 13% per annum respectively with an option to renew for a further period. The remaining lease term and escalation rate for other accommodation is between 1 month and 18 years and between 6% and 12% per annum respectively with a option to renew. The remaining average lease term for site rentals is 5 years and the lease escalates annually on the anniversary date using fixed or consumer price index rates with an option to renew on the same terms and conditions.

	Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
37.2 Sport and marketing contracts	563.6	789.4	6.5	1,359.5

37.3 Service providers

Service provider agreements with the Group's independent service providers were extended for a further period of five years during the 2006 financial year.

37.4 Cellular licence fees

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

37. OTHER COMMITMENTS (CONTINUED)

37.5 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 R303.9 million (2007: R249.8 million; 2006: R175.2 million).

37.6 Retention incentives

The Group has committed a maximum of R1,316.6 million (2007: R651.9 million; 2006: R456.0 million) in respect of customers already beyond their normal 24 month contract period, but who have not yet upgraded into new contracts, and therefore have not utilised the incentives available for such upgrades. The Group has not recognised the liability, as no legal obligation exists, since the customers have not yet entered into new contracts.

37.7 Activation bonuses

The Group has a potential liability in respect of activation bonuses payable related to starter packs sold which have not yet been validated. The exposure is estimated at approximately R14.4 million (2007: R7.8 million; 2006: R8.9 million).

37.8 Activation commissions

The Group has a commitment to a maximum of R119.3 million (2007: R115.6 million; 2006: R141.7 million) in terms of activation commissions on gross prepaid connections in excess of the legal liability recorded in the financial statements.

37.9 Transmission and data lines

Effective April 1, 2006 most transmission and data line links were migrated to new BTS and Broadband agreements. The Group's commitment to Telkom SA Limited in respect of transmission line rentals of R914.9 million per annum may be adjusted downwards in the future depending on the Group's self-provisioning capabilities and the availability of alternative transmission players in the market place from whom the Group may source transmission on a competitive basis and as a result no future commitments are disclosed in Note 37.1.

	Within one year Rm	Between one and five years Rm	After five years Rm	Total Rm
37.10 Other	14.9	79.1	-	94.0

Included above are various other accommodation commitments.

	2006 Rm	2007 Rm	2008 Rm
38. CONTINGENCIES			
Various other legal matters	5.0	7.6	7.0

38.1 Negative working capital ratio

For the financial years ended March 31, 2008, 2007 and 2006 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.

38.2 Universal Service Obligation

The Group has a potential liability in respect of the 1800 MHz Universal Service Obligation in terms of the distribution costs relating to 2.5 million SIM cards.

38.3 Unresolved taxation matters

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

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

The Group has considered all matters in dispute with the taxation authorities and has assessed the deductibility of expenses initially disallowed for taxation purposes. Deferred taxation assets have only been recognised in this regard if it is probable that the Group will succeed in its disagreements with the taxation authorities.

38.4 Various legal contingencies

The Group is currently involved in various legal proceedings against it. Certain of these proceedings are long outstanding and many of these are employee related matters. The Group in consultation with its legal counsel has assessed the outcome of these proceedings and the likelihood that certain of these cases are not likely to be in the Group's favour. Following this assessment, the Group's management has determined that no provision is required in respect of these legal proceedings as at March 31, 2008.

38.5 Contingent asset

Litigation is being instituted for the recovery of certain fees paid by the Group. The information usually required by IAS 37: Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The directors are of the opinion that a claim may be successful and that the amount recovered could be significant.

38. CONTINGENCIES (CONTINUED)

38.6 Customer registration

The telecommunications industry in the Democratic Republic of the Congo is subject to a recently promulgated ministerial decree requiring the registration of the entire customer base of all network operators. This decree requires prescribed particulars of all customers to be obtained and maintained by June 30, 2008. The sanction for non-compliance by any operator who has not identified its customers in accordance with the requirements of this decree within three months from March 28, 2008 could result in:

- a fine equivalent to between US$5 thousand and US$10 thousand per customer; and
- suspension of the licence for a period not exceeding three months in the event of repetition; and
- suspension of the licence in the event of a likely disturbance of law and order/safety.

The Group is making every effort to obtain the required information but management believes it is unlikely that the Group will meet all the requirements as prescribed in this decree by June 30, 2008. Management is engaging with the relevant ministries on this matter and is presently unable to reliably assess the potential impact on the Group in the event of non-compliance with this decree.

39. 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 R113.4 million (2007: R84.7 million; 2006: R76.4 million). Current contributions to the provident fund amounted to R13.5 million (2007: R12.7 million; 2006: R12.9 million). South African funds are governed in terms of the Pension Funds Act of 1956.

40. EVENTS SUBSEQUENT TO YEAR END

The Directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the company as at March 31, 2008 or the results of its operations or cash flows for the year ended, other than the following:

40.1 Broad Based Black Economic Empowerment ("BBBEE")

The Group is in the process of finalising a R7.5 billion BBBEE equity deal whereby strategic business partners, employees and the black public will have the opportunity to share in the success of Vodacom South Africa going forward.

40.2 Global Telematics SA (Proprietary) Limited

On October 26, 2007 Vodacom Service Provider Company (Proprietary) Limited ("VSPC"), entered into an agreement with Global Telematics SA (Proprietary) Limited ("Global Telematics"). In terms of the agreement Glocell Service Provider Company (Proprietary) Limited ("GSPC"), will cede, transfer and assign its agreements together with all of its obligations and its rights attaching to its customers connected to the Vodacom Network to Global Telematics. GSPC connects all voice contract customers and sells pre-paid starter packs on behalf of Global Telematics. VSPC will acquire the consolidated customer base from Global Telematics which will consist of active prepaid customers, active contract customers and active telemetry customers, subject to certain suspensive conditions. Once these suspensive conditions are met the transaction would be effective.

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

Effective May 12, 2008 Vodacom International Limited sold 5% of its 90% owned equity investment in Vodacom Mozambique, leaving Vodacom International Limited with an 85% equity investment in Vodacom Mozambique. Certain suspensive conditions are to be met before the transaction will be effective.

	2006 Rm	2007 Rm	2008 Rm

41. RELATED PARTY TRANSACTIONS

41.1 Balances with related parties

Related party transactions occur within the Group. Details of transactions entered into are as follows:

	2006 Rm	2007 Rm	2008 Rm
Included in accounts receivable			
Telkom SA Limited – Interconnect	509.7	699.3	761.7
Telkom SA Limited – Other	6.3	6.9	16.2
Vodafone Group Plc and subsidiaries	12.7	20.9	13.4
Transactions with entities in which related parties have an interest	-	-	37.1
Included in accounts payable			
Telkom SA Limited – Interconnect	(85.3)	(80.1)	(83.9)
Telkom SA Limited – Other	(16.5)	(41.3)	(23.2)
Vodafone Group Plc and subsidiaries	(4.7)	(6.4)	(328.1)
Transactions with entities in which related parties have an interest	-	(8.0)	(3.4)
Dividends payable			
Telkom SA Limited	(1,400.0)	(1,450.0)	(1,595.0)
Vodafone Holdings (SA) (Proprietary) Limited	(980.0)	(867.1)	(641.2)
Vodafone Telecommunications Investments (SA) (Propietary) Limited	(420.0)	(582.9)	(953.8)

These outstanding balances are unsecured and will be settled in cash in the ordinary course of business. No guarantees or provision for doubtful debts have been recognised.

41.2 Transactions with related parties

	2006 Rm	2007 Rm	2008 Rm
Telkom SA Limited and subsidiaries (Entity with joint control over the Group)	(798.5)	(1,221.3)	(1,436.1)
Audit fees recovered	4.8	6.1	5.9
Cellular usage	37.0	45.6	54.0
Installation of transmission lines	(93.4)	(67.6)	(100.2)
Interconnect expense	(464.3)	(468.2)	(468.1)
Interconnect income	2,817.8	2,908.4	2,963.4
Interest paid – commercial	(0.1)	(0.1)	(0.2)
Lease of transmission lines	(752.1)	(839.0)	(928.2)
Other	4.8	(75.4)	41.1
Site costs	(26.3)	(30.9)	(40.0)
Telephone landline usage	(26.7)	(14.9)	(10.7)
Site rental income	10.8	14.7	16.9
Telkom prepaid vouchers	(60.8)	-	-
Dividend payable	(1,400.0)	(1,450.0)	(1,595.0)
Dividend paid	(850.0)	(1,250.0)	(1,375.0)

		2006 Rm	2007 Rm	2008 Rm
41.	RELATED PARTY TRANSACTIONS (CONTINUED)			
41.2	Transactions with related parties (continued)			
	Vodafone Group Plc and subsidiaries	(192.0)	(338.2)	(417.9)
	Roaming income	73.6	108.4	141.0
	Roaming expense	(90.6)	(188.9)	(256.9)
	Global alliance agreement	(175.2)	(249.8)	(303.9)
	Other	0.2	(7.9)	1.9
	Vodafone Holdings (SA) (Proprietary) Limited (Entity with joint control over the Group)	(1,575.0)	(1,614.6)	(1,194.0)
	Dividend payable	(980.0)	(867.1)	(641.2)
	Dividend paid	(595.0)	(747.5)	(552.8)
	Vodafone Telecommunications Investments (SA) (Proprietary) Limited	(679.8)	(1,085.4)	(1,776.1)
	Dividend payable	(420.0)	(582.9)	(953.8)
	Dividend paid	(255.0)	(502.5)	(822.3)
	Interest payments	(1.9)	-	-
	Facility fees	(0.9)	-	-
	Aircraft charter fees	(2.0)	-	-
	Gogga Tracking Solutions (Proprietary) Limited	-	-	(4.8)
	Prepaid contracts activations and upgrades	-	-	(4.8)
	XLink Communications (Proprietary) Limited	-	-	(5.9)
	Prepaid contracts activations and upgrades	-	-	(5.9)
	Transactions with entities in which related parties have an interest	(20.3)	(40.6)	53.0

During the previous year the Group acquired a 10% shareholding in WBS Holdings (Proprietary) Limited for R80.8 million, a company in which a family member of a Group director has significant influence.

		2006 Rm	2007 Rm	2008 Rm
41.3	Key management personnel compensation (excluding directors' emoluments)			
	Key management personnel remuneration	(56.0)	(83.1)	(112.7)
	Salaries and restraint of trade payments	(17.1)	(32.7)	(32.0)
	Fringe benefits	(0.6)	(0.8)	(1.2)
	Bonuses and incentives	(30.6)	(37.6)	(61.1)
	Long-term benefits	(7.6)	(12.0)	(18.4)
	Other	(0.1)	-	-
	Included in key management personnel's remuneration	(2.2)	(3.8)	(8.6)
	Pension fund employer contributions	(1.2)	(1.7)	(4.3)
	Provident fund employer contributions	(0.6)	(1.7)	(3.5)
	Medical aid employer contributions	(0.4)	(0.4)	(0.8)

Key management include Chief Officers and Group Executives.

	2006 Rm	2007 Rm	2008 Rm

41. RELATED PARTY TRANSACTIONS (CONTINUED)

41.4 Directors' emoluments

	2006 Rm	2007 Rm	2008 Rm
Directors' remuneration	(96.7)	(76.7)	(86.5)
Executive directors – fees as directors: salaries and restraint of trade payments	(35.6)	(16.3)	(18.7)
Executive directors – fees as directors: fringe benefits	(0.7)	(1.2)	(0.6)
Executive directors – fees as directors: bonuses and incentives	(46.2)	(48.5)	(52.2)
Executive directors – long-term benefits	(13.6)	(8.5)	(13.6)
Non-executive directors – fees as directors	(0.6)	(2.2)	(1.4)
Included in directors' remuneration	(4.2)	(15.8)	(7.5)
Pension fund employer contributions	(0.5)	(8.3)	(2.5)
Provident fund employer contributions	(3.5)	(7.3)	(4.8)
Medical aid employer contributions	(0.2)	(0.2)	(0.2)
Directors' remuneration and emoluments paid and accrued by:	(96.7)	(76.7)	(86.5)
Vodacom Group (Proprietary) Limited	(77.1)	(64.8)	(71.2)
Subsidiaries	(19.6)	(11.9)	(15.3)

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

42.1 Categories of financial instruments

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	Loans and receivables Rm	Available-for-sale financial assets Rm	Financial liabilities at amortised cost Rm	Finance lease receivables and payables Rm	Equity and non financial assets and liabilities Rm
2006								
Assets								
Non-current assets								
Property, plant and equipment	10	13,386.6	-	-	-	-	-	13,386.6
Intangible assets	11	1,954.9	-	-	-	-	-	1,954.9
Financial assets	12	92.1	-	92.1	-	-	-	-
Deferred taxation	13	297.6	-	-	-	-	-	297.6
Deferred cost		311.2	-	-	-	-	-	311.2
Lease assets	16	36.8	-	-	-	-	6.2	30.6
Current assets								
Deferred cost		451.8	-	-	-	-	-	451.8
Financial assets	12	149.3	149.3	-	-	-	-	-
Inventory	14	454.3	-	-	-	-	-	454.3
Trade and other receivables	15	4,474.0	-	4,180.7	-	-	-	293.3
Lease assets	16	13.1	-	-	-	-	13.1	-
Cash and cash equivalents	34	3,146.1	-	3,146.1	-	-	-	-
Total assets		24,767.8	149.3	7,418.9	-	-	19.3	17,180.3
Equity								
Ordinary share capital	17	*	-	-	-	-	-	*
Retained earnings		8,583.0	-	-	-	-	-	8,583.0
Non-distributable reserves	18	(194.0)	-	-	-	-	-	(194.0)
Equity attributable to equity holders of the parent		8,389.0	-	-	-	-	-	8,389.0
Minority interests	19	283.3	-	-	-	-	-	283.3
Total equity		8,672.3	-	-	-	-	-	8,672.3
Non-current liabilities								
Interest bearing debt	21	819.2	-	-	-	90.9	728.3	-
Deferred taxation	13	602.3	-	-	-	-	-	602.3
Deferred revenue		320.3	-	-	-	-	-	320.3
Provisions	23	372.3	-	-	-	-	-	372.3
Other non-current liabilities	24	122.5	-	-	-	-	-	122.5
Current liabilties								
Trade and other payables	25	5,104.7	-	-	-	4,940.2	-	164.5
Deferred revenue		1,604.5	-	-	-	-	-	1,604.5
Taxation payable		630.2	-	-	-	-	-	630.2
Non-interest bearing debt	22	4.3	-	-	-	4.3	-	-
Interest bearing debt	21	1,645.5	-	-	-	1,566.3	79.2	-
Provisions	23	623.0	-	-	-	-	-	623.0
Dividends payable		2,800.0	-	-	-	2,800.0	-	-
Derivative financial liabilities	42	60.9	60.9	-	-	-	-	-
Bank borrowings	34	1,385.8	-	-	-	1,385.8	-	-
Total liabilities		16,095.5	60.9	-	-	10,787.5	807.5	4,439.6
Total equity and liabilities		24,767.8	60.9	-	-	10,787.5	807.5	13,111.9

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.1 Categories of financial instruments (continued)

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	Loans and receivables Rm	Available-for-sale financial assets Rm	Financial liabilities at amortised cost Rm	Finance lease receivables and payables Rm	Equity and non financial assets and liabilities Rm
2007								
Assets								
Non-current assets								
Property, plant and equipment	10	17,073.2	-	-	-	-	-	17,073.2
Intangible assets	11	2,700.3	-	-	-	-	-	2,700.3
Financial assets	12	209.5	-	114.4	95.1	-	-	-
Deferred taxation	13	386.1	-	-	-	-	-	386.1
Deferred cost		396.4	-	-	-	-	-	396.4
Lease assets	16	78.8	-	-	-	-	43.7	35.1
Current assets								
Deferred cost		574.8	-	-	-	-	-	574.8
Financial assets	12	207.5	191.3	16.2	-	-	-	-
Inventory	14	364.3	-	-	-	-	-	364.3
Trade and other receivables	15	5,675.0	-	5,334.9	-	-	-	340.1
Lease assets	16	32.9	-	-	-	-	32.9	-
Cash and cash equivalents	34	771.4	-	771.4	-	-	-	-
Total assets		28,470.2	191.3	6,236.9	95.1	-	76.6	21,870.3
Equity								
Ordinary share capital	17	*	-	-	-	-	-	*
Retained earnings		9,523.2	-	-	-	-	-	9,523.2
Non-distributable reserves	18	(97.4)	-	-	-	-	-	(97.4)
Equity attributable to equity holders of the parent		9,425.8	-	-	-	-	-	9,425.8
Minority interests	19	221.2	-	-	-	-	-	221.2
Total equity		9,647.0	-	-	-	-	-	9,647.0
Non-current liabilities								
Interest bearing debt	21	2,051.4	-	-	-	1,436.4	615.0	-
Non-interest bearing debt	22	3.0	-	-	-	3.0	-	-
Deferred taxation	13	757.3	-	-	-	-	-	757.3
Deferred revenue		412.3	-	-	-	-	-	412.3
Provisions	23	377.5	-	-	-	-	-	377.5
Other non-current liabilities	24	210.6	-	-	-	-	-	210.6
Current liabilties								
Trade and other payables	25	6,874.4	-	-	-	6,688.0	-	186.4
Deferred revenue		1,904.8	-	-	-	-	-	1,904.8
Taxation payable		1,112.7	-	-	-	-	-	1,112.7
Interest bearing debt	21	501.0	-	-	-	387.4	113.6	-
Provisions	23	741.8	-	-	-	-	-	741.8
Dividends payable		2,990.0	-	-	-	2,990.0	-	-
Derivative financial liabilities	42	7.2	7.2	-	-	-	-	-
Bank borrowings	34	879.2	-	-	-	879.2	-	-
Total liabilities		18,823.2	7.2	-	-	12,384.0	728.6	5,703.4
Total equity and liabilities		28,470.2	7.2	-	-	12,384.0	728.6	15,350.4

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
42.1 Categories of financial instruments (continued)

	Notes	Total Rm	At fair value through profit or loss: Held for trading Rm	Loans and receivables Rm	Available-for-sale financial assets Rm	Financial liabilities at amortised cost Rm	Finance lease receivables and payables Rm	Equity and non financial assets and liabilities Rm
2008								
Assets								
Non-current assets								
Property, plant and equipment	10	19,119.6	-	-	-	-	-	19,119.6
Intangible assets	11	4,224.1	-	-	-	-	-	4,224.1
Financial assets	12	244.2	-	134.2	110.0	-	-	-
Deferred taxation	13	455.1	-	-	-	-	-	455.1
Deferred cost		333.3	-	-	-	-	-	333.3
Lease assets	16	92.0	-	-	-	-	89.5	2.5
Current assets								
Deferred cost		705.9	-	-	-	-	-	705.9
Financial assets	12	444.9	415.2	29.7	-	-	-	-
Inventory	14	636.9	-	-	-	-	-	636.9
Trade and other receivables	15	6,801.1	-	6,356.7	-	-	-	444.4
Lease assets	16	140.5	-	-	-	-	122.9	17.6
Cash and cash equivalents	34	977.6	-	977.6	-	-	-	-
Total assets		34,175.2	415.2	7,498.2	110.0	-	212.4	25,939.4
Equity								
Ordinary share capital	17	*	-	-	-	-	-	*
Retained earnings		11,392.9	-	-	-	-	-	11,392.9
Non-distributable reserves	18	8.8	-	-	-	-	-	8.8
Equity attributable to equity holders of the parent		11,401.7	-	-	-	-	-	11,401.7
Minority interests	19	403.6	-	-	-	-	-	403.6
Total equity		11,805.3	-	-	-	-	-	11,805.3
Non-current liabilities								
Interest bearing debt	21	3,025.8	-	-	-	2,605.1	420.7	-
Non-interest bearing debt	22	6.0	-	-	-	6.0	-	-
Deferred taxation	13	776.5	-	-	-	-	-	776.5
Deferred revenue		358.8	-	-	-	-	-	358.8
Provisions	23	373.7	-	-	-	-	-	373.7
Other non-current liabilities	24	247.4	-	-	-	-	-	247.4
Current liabilties								
Trade and other payables	25	7,561.3	-	-	-	7,443.3	-	118.0
Deferred revenue		2,229.9	-	-	-	-	-	2,229.9
Taxation payable		580.5	-	-	-	-	-	580.5
Interest bearing debt	21	502.9	-	-	-	308.6	194.3	-
Provisions	23	909.5	-	-	-	-	-	909.5
Dividends payable		3,190.0	-	-	-	3,190.0	-	-
Derivative financial liabilities	42	10.8	10.8	-	-	-	-	-
Bank borrowings	34	2,596.8	-	-	-	2,596.8	-	-
Total liabilities		22,369.9	10.8	-	-	16,149.8	615.0	5,594.3
Total equity and liabilities		34,175.2	10.8	-	-	16,149.8	615.0	17,399.6

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT

The Group purchases or issues financial instruments in order to finance its operations and to manage market risks (foreign currency risk, interest rate risk and price risk) that arise from its operations and sources of finances. Various financial assets and liabilities for example trade and other receivables and trade and other payables, arise directly from the Group's operations. Changing market conditions expose the Group to various financial risks and have highlighted the importance of financial risk management as an element of control for the Group. Principal financial risk faced in the normal course of the Group's business are market risks (foreign currency risk, interest rate risk and price risk), credit risk, liquidity risk and insurance risk.

A treasury function within Vodacom Group (Proprietary) Limited provides treasury and related services to the Group, including co-ordinating access to domestic and international financial markets, and the managing of various risks relating to the Group's operations.

Treasury operations are conducted within a framework of approved policies and guidelines that are continuously monitored by management and the Board of Directors, through the audit committee, the objective being to minimise exposure to market risks (foreign currency risk, interest rate risk and price risk) and liquidity risk. These risks are managed, subject to the limitation of the local markets in which the various Group companies operate in and the South African Reserve Bank Regulations.

The Group uses a number of derivative instruments that are transacted for risk management purposes only. The Group does not trade in financial instruments for speculative purposes.

The Group finances its operations through a mixture of retained profits, bank borrowings and long-term loans. Long-term financing is arranged locally by the South African entities.

There has been no significant change during the financial year, or since the end of the financial year, to the types of financial risks faced by the Group, the approach to the measurement of these financial risks or the objectives, policies and processes for managing these financial risks.

42.2.1 Market risk management

The Group's activities expose it primarily to the risks of fluctuations in foreign currency exchange rates (Note 42.2.1.1), interest rates (Note 42.2.1.2) and equity prices (Note 42.2.1.3).

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk.

The Group enters into various derivative financial instruments to manage its exposure to interest rate risk and foreign currency risk, including:

- foreign exchange forward contracts to manage the exchange rate risk arising on foreign denominated transactions; and
- interest rate swaps to manage the risk of rising interest rates on borrowings.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how profit before taxation and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
42.2 RISK MANAGEMENT (CONTINUED)
42.2.1 Market risk management (continued)
42.2.1.1 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence the Group has a policy to hedge foreign exchange risks on transactions denominated in other currencies above certain de minimis levels.

It is the Group's policy to enter into foreign exchange forward contracts to buy and/or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The contracts are entered into to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions. The contracts are matched with anticipated future cash flows in foreign currencies primarily from purchase of capital equipment and to a lesser extent operating expenditure.

The Group has entered into numerous foreign exchange forward contracts to cover foreign capital commitments in respect of future imports of infrastructure.

The total fair value for foreign exchange forward contracts at year end was:

	2006 Rm	2007 Rm	2008 Rm
Foreign currency asset			
To buy	-	27.8	289.9
To sell	-	0.1	-
	-	27.9	289.9
Foreign currency liability			
To buy	(60.9)	(6.9)	-
To sell	-	(0.3)	(10.8)
	(60.9)	(7.2)	(10.8)

The following table details the foreign exchange forward contracts outstanding at year end:

	Foreign contract value Mil	Forward value Rm	Fair value Rm
Forward contracts to buy foreign currency			
2006			
United States Dollars	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)
2007			
United States Dollars	32.0	240.5	(6.9)
Euro	187.2	1,815.0	21.2
Pound Sterling	32.3	457.3	6.6
Swiss Franc	0.2	1.3	*
Australian Dollar	*	0.3	*
		2,514.4	20.9

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

* Amount less than 50 000 of the currency.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
42.2 RISK MANAGEMENT (CONTINUED)
42.2.1 Market risk management (continued)
42.2.1.1 Foreign currency risk management (continued)

	Foreign contract value Mil	Forward value Rm	Fair value Rm
Forward contracts to buy foreign currency (continued)			
2008			
United States Dollars	31.3	253.0	2.9
Euro	157.1	1,806.4	249.5
Pound Sterling	19.9	288.0	37.5
Swiss Franc	0.2	1.4	*
Australian Dollar	0.6	4.5	*
		2,353.3	289.9
Forward contracts to sell foreign currency			
2006			
United States Dollars	0.1	0.8	*
Euro	4.0	30.3	*
Pound Sterling	0.3	3.2	*
Swiss Franc	*	0.1	*
		34.4	*
2007			
United States Dollars	*	0.2	*
Euro	4.4	43.2	0.1
Pound Sterling	3.9	55.7	(0.3)
		99.1	(0.2)
2008			
United States Dollars	0.6	5.0	*
Euro	7.7	89.3	(10.6)
Pound Sterling	0.7	10.7	(0.2)
Australian Dollar	0.3	2.1	*
		107.1	(10.8)

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

* Amount less than 50 000 of the currency.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT (CONTINUED)

42.2.1 Market risk management (continued)

42.2.1.1 Foreign currency risk management (continued)

The Group has various monetary assets and liabilities in currencies other than the Group's functional currency. The following table represents the net currency exposure (net carrying amount of foreign denominated monetary assets and liabilities) of the Group according to the different functional currencies of each entity within the Group.

	South African Rand Rm	Euro Rm	Pound Sterling Rm	United States Dollar Rm	Congolese Franc Rm	Swiss Franc Rm	Other Rm
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)	38.0
Tanzanian Shilling	4.7	(13.6)	-	106.9	-	-	-
Mozambican Meticals	(0.2)	-	-	-	-	-	-
	(51.4)	(890.3)	(330.4)	151.9	(11.4)	(0.3)	37.2
2007							
Net foreign currency monetary assets/(liabilities)							
Functional currency of company operation							
South African Rand	-	(1,387.0)	(331.4)	(102.2)	-	(0.3)	2.4
United States Dollar	51.5	(49.9)	0.1	-	(3.2)	(0.4)	(30.8)
Tanzanian Shilling	3.4	10.9	-	21.0	-	-	-
Mozambican Meticals	(33.7)	(0.3)	-	2.2	-	-	-
	21.2	(1,426.3)	(331.3)	(79.0)	(3.2)	(0.7)	(28.4)
2008							
Net foreign currency monetary assets/(liabilities)							
Functional currency of company operation							
South African Rand	-	(1,191.5)	(265.2)	(205.9)	-	(3.5)	(3.4)
United States Dollar	-	15.2	-	-	(34.1)	(0.3)	(0.1)
Tanzanian Shilling	7.1	38.3	-	67.4	-	-	-
Mozambican Meticals	(27.2)	(0.1)	-	(14.5)	-	-	-
	(20.1)	(1,138.1)	(265.2)	(153.0)	(34.1)	(3.8)	(3.5)

In terms of the Group's policy the net currency exposure is managed in terms of foreign exchange forward contracts to buy and sell specified amounts of various foreign currencies in the future at pre-determined exchange rates.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT (CONTINUED)

42.2.1 Market risk management (continued)

42.2.1.1 Foreign currency risk management (continued)

Foreign currency sensitivity analysis:

The Group is mainly exposed to the currencies mentioned below and to a lesser extent exposed to the following currencies: Australian Dollar, Tanzanian Shilling, Mozambican Meticals, Mauritian Rupee and Lesotho Maloti which have been combined as "Other" in the table below.

The following tables detail the Group's sensitivity to the below-mentioned percentage strenghtening and weakening in the functional currency against the relevant foreign currencies. This percentage is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A reasonable possible change in prevailing African and non-African foreign currency exchange rates are based upon 12 month forward mid rates as published by Reuters and 12 month forward mid rates as published by Standard Bank respectively.

The sensitivity analysis includes only outstanding foreign-denominated monetary items and adjusts their translations at the period end for the specified percentage change in foreign currency rates.
A positive number below indicates an increase in profit before taxation where the functional currency is expected to strengthen against the relevant currency in a net financial liability position.
A negative number below indicates an decrease in profit before taxation where the functional currency is expected to strengthen against the relevant currency in a net financial asset position.
For the same percentage weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit before taxation.

There were no changes in the methods and assumptions used in preparing the foreign currency sensitivity analysis.

	South African Rand %	Euro %	Pound Sterling %	United States Dollar %	Congolese Franc %	Swiss Franc %	Other %
2006							
Functional currency							
South African Rands	-	29.3	32.5	17.7	11.8	20.4	13.7 - 24.6
United States Dollar	17.7	9.8	12.5	-	31.6	6.3	1.5 - 11.3
Tanzanian Shilling	13.7	11.5	14.3	1.5	22.8	8.4	3.9
Mozambican Meticals	17.0	7.4	10.0	2.2	34.6	4.4	3.9
Profit before taxation (Rm)	3.2	(16.9)	(38.3)	4.1	(2.8)	(0.2)	(1.0)
2007							
Functional currency							
South African Rands	-	31.9	13.1	11.5	12.8	26.6	11.0 - 21.0
United States Dollar	11.5	18.3	1.4	-	2.7	18.1	0.8 - 19.8
Tanzanian Shilling	11.0	17.4	0.6	0.8	2.0	21.2	8.1
Mozambican Meticals	17.7	8.6	6.9	8.2	6.0	12.1	8.1
Profit before taxation (Rm)	6.3	(36.8)	(2.6)	2.1	0.1	-	0.2
2008							
Functional currency							
South African Rands	-	7.6	6.5	9.5	-	8.3	0.1 - 11.0
United States Dollar	9.5	5.1	2.6	-	10.0	5.5	5.0 - 10.0
Tanzanian Shilling	11.0	7.5	5.0	2.5	-	-	-
Mozambican Meticals	0.1	3.8	6.5	9.4	-	-	-
Profit before taxation (Rm)	0.2	(54.4)	(1.0)	(7.7)	2.7	-	(0.6)

The closing exchange rates against the South African Rand in the current and prior years are as follows:

	2006	2007	2008
United States Dollar	6.2	7.3	8.1
Tanzanian Shilling	198.0	170.8	152.0
Mozambican Meticals	4.4	3.6	3.0

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT (CONTINUED)

42.2.1 Market risk management (continued)

42.2.1.2 Interest rate risk management

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

	2006 Rm	2007 Rm	2008 Rm
Financial liabilities			
Loans received and bank borrowings at fixed rates of interest	(1,134.5)	(1,184.5)	(934.8)
Loans received and bank borrowings linked to South African prime rates	(1,361.8)	(823.5)	(40.1)
Loans received and bank borrowings linked to Lesotho prime rates	(7.5)	(3.0)	(24.4)
Loans received and bank borrowings linked to LIBOR	(1,286.2)	(1,382.8)	(1,670.2)
Loans received and bank borrowings linked to EURIBOR	(58.6)	(37.9)	-
Loans received and bank borrowings linked to RSA money market rates	-	-	(2,456.0)
Loans received and bank borrowings linked to JIBAR	-	-	(1,000.0)
Finance leases linked to fixed rates	(807.5)	(728.6)	(615.0)
	(4,656.1)	(4,160.3)	(6,740.5)
Financial assets			
Loans granted and bank deposits at fixed rates of interest	168.1	194.2	496.1
Loans granted and bank deposits linked to money market rates	471.0	537.0	421.5
Loans granted and bank deposits linked to South African prime rates	2,603.1	180.5	74.1
Interest rate swaps linked to RSA BA rate	37.6	27.7	17.4
Loans granted and bank deposits linked to LIBOR	94.2	126.0	128.2
Loans granted and bank deposits linked to Lesotho prime rates	13.5	-	116.3
Loans granted and bank deposits linked to RSA BA rate	-	-	18.4
Finance leases linked to fixed rates	19.3	76.6	212.4
	3,406.8	1,142.0	1,484.4

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts.

Interest rate swap contracts

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

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT (CONTINUED)

42.2.1 Market risk management (continued)

42.2.1.2 Interest rate risk management (continued)

At March 31, 2008 the Group had three interest rate swaps:

Vodacom Group (Proprietary) Limited - the Company swapped its fixed interest rate of 14.9% Nominal Annual Compounded Quarterly ("NACQ") for a floating rate, linked to the Bankers Acceptance ("BA") rate plus margin of 2.0%. 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% NACS (Nominal Annual Compounded Semi-annually) for a floating rate linked to the BA rate plus margin 2.0%. The termination date of the agreement is December 1, 2012.

	2006 Rm	2007 Rm	2008 Rm
Fair value of interest rate swap asset	37.6	27.7	17.4

The fair value of the interest rate swap assets is represented by a notional principal amount of R170.5 million (2007: R198.5 million; 2006: R217.7 million) at a weighted average floating interest rate of 13.4% NACM (2007: 11.45% NACM; 2006: 9.3% NACM) and a weighted average fixed interest rate of 15.1% NACM.

Interest rate sensitivity analysis:

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the balance sheet date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Changes in prevailing market interest rates are based on economic forecasts as published by Reuters.

A positive number below indicates an increase in profit before taxation if interest rates were higher by the basis points indicated below in a net financial asset position.
A negative number below indicates a decrease in profit before taxation if interest rates were higher by the basis points indicated below in a net financial liability position.
If interest rates were lower by the basis points indicated above, there would be an equal and opposite impact on the profit before taxation.

The sensitivity analysis is representative of the Group's exposure to interest rate risk with exception of dividends and taxation that are payable at the end of the financial year and other interest bearing debt acquired December 5, 2007. There were no changes in the methods and assumptions used in preparing the sensitivity analysis.

	2006 Rm	2007 Rm	2008 Rm
RSA prime rates, JIBAR rates, Money market rates and RSA BA rates			
Basis point increase	200	200	100
Profit before taxation	147.8	94.5	(24.7)
LIBOR			
Basis point increase	50	260	20
Profit before taxation	(0.3)	(1.6)	(1.8)
EURIBOR			
Basis point increase	120	50	35
Profit before taxation	1.0	0.2	-
Lesotho prime rates			
Basis point increase	200	200	100
Profit before taxation	0.4	0.7	1.3

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT (CONTINUED)

42.2.1 Market risk management (continued)

42.2.1.3 Price risk

The Group is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price risk sensitivity analysis:

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

The Group's available-for-sale financial assets are valued using the discounted cash flow method. Assuming a constant growth rate, a 1.0% increase in the discount rate would decrease the valuation of the investment by R6.6 million (2007: R 7.0 million) and a 1.0% decrease in the discount rate would increase the valuation by R7.7 million (2007: R8.6 million).

There were no changes in the methods and assumptions used in preparing the equity price sensitivity analysis.

42.2.2 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the credit risk department.

Financial assets, which potentially subject the Group to concentrations of credit risk, consists principally of cash and cash equivalents, short-term deposits, derivative contracts including foreign exchange forward contracts and interest rate swaps, loans and receivables, investments and trade and other receivables, including finance lease receivables. Financial guarantees granted also subject the Group to credit risk.

The Group's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions. Credit risk with respect to trade and finance lease receivables is limited due to large number of customers comprising the Group's customer base and stringent credit approval processes for contracted subscribers.

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

The Group's exposure to credit risk with regards to loans and receivables are limited due to collateral held (Note 12).

The carrying amounts of financial assets, excluding foreign exchange forward contracts and interest rate swaps, included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to these assets.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT (CONTINUED)

42.2.2 Credit risk management (continued)

The maximum credit exposure of forward exchange contracts and interest rate swaps is represented by the fair value of these contracts.

The maximum credit exposure of financial guarantee contracts granted is the maximum amount the Group could be required to pay, or fund, without consideration of the probability of the actual outcome.

The Group holds collateral over certain trade and other receivables. The collateral is made up of demand guarantees from financial institutions and can be exercised on overdue invoices. The collateral held amounted to R1,086.1 million (2007: R795.8 million; 2006: R432.9 million).

There has been no significant change during the financial year, or since the end of the financial year, to the Group's exposure to credit risk, the approach to the measurement or the objectives, policies and processes for managing this risk.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained:

	2006 Rm	2007 Rm	2008 Rm
Loans and receivables - South Africa	-	22.2	31.8
Loans and receivables - non-South African	92.1	108.4	132.1
Trade and other receivables - South Africa	3,823.2	4,546.0	5,576.6
Trade and other receivables - non-South African	376.8	865.4	992.5
Financial guarantee contracts granted *	1,152.0	1,311.9	1,484.5
	5,444.1	6,853.9	8,217.5

* Financial guarantees issued in support of Vodacom Congo (RDC) s.p.r.l are included as liabilities in the consolidated balance sheet.

No terms of financial assets were renegotiated.

The following represents information on the credit quality of South African trade receivables that are neither past due nor impaired:

	2006 %	2007 %	2008 %
High	-	-	-
Medium	1	1	1
Low	99	99	99
	100	100	100

Definitions:

High: the probability exists that the debtor has defaulted in payments and entered into a delinquency scenario.

Medium: the probability exists that the debtor is experiencing financial difficulties and is in arrears. The debtor is being managed closely to collect all overdue accounts.

Low: no default in payment has occurred or is anticipated by the debtor.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
42.2 RISK MANAGEMENT (CONTINUED)
42.2.2 Credit risk management (continued)

The following represents an analysis of the age of financial assets that are past due but not impaired:

	1 - 30 days past due Rm	31 - 60 days past due Rm	61 - 90 days past due Rm	91 - 120 days past due Rm	Total Rm
2006					
Trade and other receivables - SouthAfrica	7.6	4.4	12.1	10.3	34.4
Trade and other receivables - non-South African	7.7	11.0	-	-	18.7
	15.3	15.4	12.1	10.3	53.1
2007					
Trade and other receivables - SouthAfrica	13.0	6.6	6.3	28.9	54.8
Trade and other receivables - non-South African	19.6	27.6	-	-	47.2
	32.6	34.2	6.3	28.9	102.0
2008					
Trade and other receivables - SouthAfrica	22.0	12.4	12.7	13.9	61.0
Trade and other receivables - non-South African	8.4	19.4	-	-	27.8
	30.4	31.8	12.7	13.9	88.8

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT (CONTINUED)

42.2.3 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

In terms of its borrowing requirements, the Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through undrawn borrowing facilities. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash flows. Estimated interest of floating interest rate financial liabilities is calculated using the applicable yield curves at March 31, 2008, 2007 and 2006.

	0 - 1 year	2 years	3 years	4 years	5 years	5+ years	Not determined	Total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2006								
Finance leases	190.7	211.7	269.2	153.6	200.6	180.4	-	1,206.2
Funding loans	1,527.3	-	-	-	-	-	90.9	1,618.2
Other short-term loans	39.0	-	-	-	-	-	-	39.0
Non-interest bearing debt	-	-	-	-	-	-	4.3	4.3
Trade and other payables	7,804.4	-	-	-	-	-	-	7,804.4
Bank borrowings	1,385.8	-	-	-	-	-	-	1,385.8
	10,947.2	211.7	269.2	153.6	200.6	180.4	95.2	12,057.9
2007								
Finance leases	211.7	271.2	153.6	200.6	98.7	82.1	-	1,017.9
Funding loans	365.5	1.4	1,489.7	-	-	-	123.1	1,979.7
Other short-term loans	21.9	-	-	-	-	-	-	21.9
Non-interest bearing debt	-	-	-	-	-	-	3.0	3.0
Trade and other payables	9,742.5	-	-	-	-	-	-	9,742.5
Bank borrowings	879.2	-	-	-	-	-	-	879.2
	11,220.8	272.6	1,643.3	200.6	98.7	82.1	126.1	13,644.2
2008								
Finance leases	271.2	153.6	200.6	98.7	82.1	-	-	806.2
Funding loans	421.1	1,665.3	1,089.0	-	-	-	142.6	3,318.0
Other short-term loans	8.1	-	-	-	-	-	-	8.1
Non-interest bearing debt	-	-	-	-	-	-	6.0	6.0
Trade and other payables	10,634.0	-	-	-	-	-	-	10,634.0
Bank borrowings	2,596.8	-	-	-	-	-	-	2,596.8
	13,931.2	1,818.9	1,289.6	98.7	82.1	-	148.6	17,369.1

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT (CONTINUED)

42.2.3 Liquidity risk management (continued)

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted net cash inflows/outflows on the derivative instruments that settle on a net basis and the undiscounted gross outflows on those derivatives that requires gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to projected interest rates as illustrated by the yield curves existing at the reporting date.

	0 - 1 year	2 years	3 years	4 years	5 years	5+ years	Not determined	Total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2006								
Net settled:								
Interest rate swaps	7.3	-	-	-	-	-	-	7.3
Foreign exchange forward contracts	3.0	-	-	-	-	-	-	3.0
Gross settled:								
Foreign exchange forward contracts	1,650.6	-	-	-	-	-	-	1,650.6
	1,660.9	-	-	-	-	-	-	1,660.9
2007								
Net settled:								
Interest rate swaps	6.2	-	-	-	-	-	-	6.2
Foreign exchange forward contracts	0.3	-	-	-	-	-	-	0.3
Gross settled:								
Foreign exchange forward contracts	2,322.5	-	-	-	-	-	-	2,322.5
	2,329.0	-	-	-	-	-	-	2,329.0
2008								
Net settled:								
Interest rate swaps	3.4	-	-	-	-	-	-	3.4
Foreign exchange forward contracts	11.0	-	-	-	-	-	-	11.0
Gross settled:								
Foreign exchange forward contracts	2,134.8	100.4	-	-	-	-	-	2,235.2
	2,149.2	100.4	-	-	-	-	-	2,249.6

42.2.4 Insurance risk management

The Group is exposed to insurance risk as a result of its asset base as well as its customer commitments. In terms of its insurance risk profile the company ensures that there is adequate insurance cover through the utilisation of a special purpose insurance vehicle (Note 4).

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.2 RISK MANAGEMENT (CONTINUED)

42.2.5 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising return to shareholders.

The capital structure of the Group consists of debt, cash and cash equivalents and adjusted equity.

The Group monitors capital on the basis of debt to equity. The ratio is calculated as net debt (as defined below) to adjusted equity (as defined below).

Net debt comprises interest bearing debt, shareholder's loans, outside shareholder's loans, any other long-term liabilities, shareholder for dividends, secondary taxation payable on shareholders for dividends and cash and cash equivalents.

Adjusted equity comprises share capital, distributable reserves, non-distributable reserves less minority interest, trademarks and goodwill.

The Group's strategy is to maintain a net debt to adjusted equity ratio of below 150%. The Group reviews its objectives on a semi-annual basis to ensure objectives are being met.

The net debt to equity ratio at year end was as follows:

	2006 Rm	2007 Rm	2008 Rm
Debt	(5,619.0)	(5,919.1)	(7,043.6)
Cash and cash equivalents	1,760.3	(107.8)	(1,619.2)
Net debt	(3,858.7)	(6,026.9)	(8,662.8)
Adjusted equity	(7,647.2)	(8,274.0)	(9,308.0)
Net debt to adjusted equity ratio	50%	73%	93%

There were no changes in the Group's objective, policies or processes for managing capital from the previous financial year.

The Group is not subject to externally imposed capital requirements.

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

In terms of the new shareholders' agreement, effective April 1, 2007, the Group's minority shareholders in VM, S.A.R.L., Empresa Moçambicana de Telecommunicãcoes S.A.R.L. ("Emotel") and Intelec Holdings Limitada ("Intelec") have a option for a period of five years following the commencement date, April 1, 2007. In terms of the option, Emotel and Intelec shall be entitled to acquire such numbers of further shares in and proportionate claims in and against VM, S.A.R.L. as will result in Emotel and Intelec each holding and beneficially owning, in aggregate together with their shareholding in VM, S.A.R.L. as at April 1, 2007, 10% of the issued share capital, after the exercise of the option. The option can only be exercised in a single transaction and after all obligations to Vodacom International Limited have been fully discharged. The method of determining the option price is specified in the shareholders' agreement. The call option had a nil value at March 31, 2008.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

42.4 Smartphone SP (Proprietary) Limited put option

In terms of the shareholders' agreement amended during the previous financial year, the then minority shareholders of Smartphone SP (Proprietary) Limited had a put option against Vodacom Group (Proprietary) Limited, should the Group or the company had terminated or failed to renew the Service Provider Agreement for any reason other than the expiry or cancellation of the Group's South African licence. The previous put options had a nil value at March 31, 2007 and 2006 as the conditions set out in the agreement were not met. This put option was cancelled during the current year with the acquisition of the minority shareholders of Smartphone SP (Proprietary) Limited (Note 32).

42.5 Smartcom (Proprietary) Limited put option

In terms of the amended agreement between Vodacom Group (Proprietary) Limited ("the Group"), Smartphone SP (Proprietary) Limited ("Smartphone") and the minority shareholders of Smartcom (Proprietary) Limited ("Smartcom"), the then minority shareholders of Smartcom had a put option against the Group, should the Group had reduced the standard service provider discount below the average service provider discount provided by Vodacom (Proprietary) Limited to its other service providers. The previous put options had a nil value at March 31, 2007 and 2006 as the conditions set out in the agreement were not met. This put option was cancelled with the acquisition of the minority shareholders of Smartcom (Proprietary) Limited (Note 32).

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

In terms of a shareholders agreement, the minority shareholder 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 put option has a nil value as at March 31, 2008, 2007 and 2006. The option liability had a value of R396.5 million (2007: R249.3 million; 2006: Rnil) as at March 31, 2008 (Note 25).

42.7 The Somnium Family Trust ("the Trust") call option

The Somnium Family Trust ("the Trust") granted Vodacom Ventures (Proprietary) Limited a call option to purchase such number of shares in Gogga Tracking Solutions (Proprietary) Limited from the Trust totalling 23% of the issued share capital of the company on the date upon which the option is exercised. The option will lapse after 36 months following the month in which the triggering events, as stipulated in the option agreement, occurs. The option price is specified in the option agreement. The call option had a nil value at March 31, 2008 and 2007.

42.8 WBS Holdings (Proprietary) Limited call option

The Group has purchased a 10% equity stake in WBS Holdings (Proprietary) Limited effective January 31, 2007. WBS Holdings (Proprietary) Limited has on the same date granted the Group an option to subscribe in such number of further shares as will result in the Group holding and beneficially owning, in aggregate 25.5% of the total issued ordinary share capital of the company after the exercise of the option. The option can be exercised by the Group until February 27, 2009, subject to the fulfilment of the conditions precedent as set out in the sales of shares and option agreement. The call option had a nil value at March 31, 2008 and 2007.

42.9 G-Mobile Holdings Limited call option

G-Mobile Holdings Limited granted to Vodacom Ventures (Proprietary) Limited an irrevocable call option to subscribe for such number of further shares as would result in Vodacom Ventures (Proprietary) Limited holding and beneficially owning, in aggregate together with the subscription shares 26% of the total issued share capital of G-Mobile Holdings Limited after the exercise of the option at a specified price. The option had a nil value at March 31, 2007. This call option was exercised during the current year.

43. 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 (Proprietary) Limited and Vodacom Service Provider Company (Proprietary) Limited, which now includes the operations of Smartphone SP (Proprietary) Limited, Smartcom (Proprietary) Limited and Cointel V.A.S. (Proprietary) Limited, has 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 values in use calculations use cash flow projections based on financial budgets approved by management covering a ten year period and discount rates of between 12.0% and 15.0% in Rand terms. Ten year management accounts were used as expectations of strong revenue growth throughout the ten year period exists. The implied terminal growth rate is between 4.0% and 6.0%. 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.

43. GOODWILL IMPAIRMENT TEST (CONTINUED)

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 ten year period and a discount rate which ranged between 16.0% and 19.0% in US Dollar terms. Ten year management accounts were used as expectations of strong revenue growth throughout the ten year period exists. Cash flows beyond this period have been extrapolated using annual nominal growth rates which ranged between 2.0% and 5.0%. 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 ten year period and a discount rate which ranged between 16.0% and 19.0% in Tanzanian Shilling terms. Ten year management accounts were used as expectations of strong revenue growth throughout the ten year period exists. The terminal growth rate applicable ranged between 7.0% and 11.0%, relative to a long-term inflation target of 7.0%. Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

March 31, 2008	South Africa Rm	Democratic Republic of Congo Rm	Tanzania Rm
Carrying amount of goodwill	1,739.3	148.1	9.2
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.	Closing customer base in the period immediately preceding the budget period increased for expected growth.	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.	Value assigned to key assumption reflects past experience, except for potential growth. Growth is based on market expectation.	Value assigned to key assumption reflects past experience, except for potential growth. Growth is based on market expectation.
Basis for determining value(s) assigned to key assumptions	Closing customer base in the period immediately preceding the budget period increased for expected growth.	Closing customer base in the period immediately preceding the budget period increased for expected growth.	Closing customer base in the period immediately preceding the budget period increased for expected growth.
Key assumption	*ARPU* Value assigned to key assumption reflects past experience. Growth is based on expected market forces and external sources of information.	*ARPU* Value assigned to key assumption reflects past experience. Growth is based on expected market forces and external sources of information.	*ARPU* Value assigned to key assumption reflects past experience. Growth is based on expected market forces and external sources of information.

43. GOODWILL IMPAIRMENT TEST (CONTINUED)

March 31, 2008	South Africa	Democratic Republic of Congo	Tanzania
Key assumption Basis for determining value(s) assigned to key assumptions	*Gross margin* Average gross margin achieved in period immediately before the budget period, increased for expected efficiency improvements.	*Gross margin* Average gross margin achieved in period immediately before the budget period, increased for expected efficiency improvements.	*Gross margin* Average gross margin achieved in period immediately before the budget period, increased for expected efficiency improvements.
	Value assigned to key assumption reflects past experience, except for efficiency improvements.	Value assigned to key assumption reflects past experience, except for efficiency improvements.	Value assigned to key assumption reflects past experience, except for efficiency improvements.
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.	*Capital expenditure* Total capital expenditure achieved in period immediately before the budget period, adjusted for 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 management's expected network coverage roll out.	Value assigned based on management's expected network coverage roll out.	Value assigned based on management's expected network coverage roll out.
Key assumption		ZAR/USD exchange rate during the budget period.	ZAR/TZS and USD/TZS exchange rates during the budget period.
Basis for determining value(s) assigned to key assumptions		Average market forward exchange rate over the budget period.	Average market forward exchange rate over the budget period.
		Value assigned to key assumption is consistent with external sources of information.	Value assigned to key assumption is consistent with external sources of information.

44. UNDRAWN BORROWING FACILITIES AND GUARANTEES

44.1 Rand denominated facilities and guarantees

The Group has Rand denominated credit facilities totalling R5,788 million (2007: R4,989.0 million; 2006: R7,083.0 million) with R2,456 million (2007: R816.0 million; 2006: R1,114.0 million) utilised at March 31, 2008. The facilities that are uncommitted, 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	2006 Rm	2007 Rm	2008 Rm
Vodacom (Proprietary) Limited	All guarantees less than R2.0 million.	Various	2.6	2.7	2.4
Vodacom Service Provider Company (Proprietary) Limited	All guarantees less than R2.0 million.	Various	2.8	2.6	2.9
Vodacom Service Provider Company (Proprietary) Limited	Guarantee in respect of receipt by independent intermediaries of premiums on behalf of short-term insurers and Lloyds underwriters, and relating to short-term insurance business carried on in South Africa. Renewable annually.	SA Insurance Association for benefit of insurers	21.1	27.0	32.0
Vodacom (Proprietary) Limited	Letter of undertaking in respect of land.	Attorneys	-	6.8	16.9
Smartcom (Proprietary) Limited	Guarantees for salary bank account and debit orders.	Various	2.9	3.2	-
Cointel V.A.S. (Proprietary) Limited	Guarantees for operating lease and debit orders.	Various	-	1.5	-
			29.4	43.8	54.2

44.2 Foreign denominated facilities and guarantees

The following foreign denominated facilities are in place:

Company	Details	As at March 31, 2008 Million Total facility	As at March 31, 2008 Million Utilised
Vodacom International Limited	Revolving term loan	US$180.0	US$180.0
Vodacom Congo (RDC) s.p.r.l.	Various	US$18.5	US$9.4
Vodacom Lesotho (Proprietary) Limited	Overdraft facilities with various banks	M40.0	M0.0
VM, S.A.R.L.	Overdraft facility	US$0.5	US$0.0

44. UNDRAWN BORROWING FACILITIES AND GUARANTEES (CONTINUED)

44.2 Foreign denominated facilities and guarantees (continued)

The following foreign denominated guarantees have been issued:

Guarantor/Issuer	Details	Beneficiary	Currency	2006 Rm	2007 Rm	2008 Rm
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of VodacomInternational Limited's term loan facility * #	Standard Bank Plc and RMB International (Dublin) Limited	US$180.0 million (2007: US$180.0 million (2006: US$180.0 million)	1,114.4	1,311.9	1,462.6
Nedbank Limited on behalf of Vodacom (Proprietary) Limited	Unsecured standby letters of credit	Alcatel CIT	€nil (2007: €nil; 2006: €11.4 million)	85.7	-	-
Vodacom International Limited	Guarantees issued for the obligations of VodacomCongo (RDC) s.p.r.l. *	Alcatel CIT	€nil (2007: €nil (2006: €5.0 million)	37.6	-	-
				1,237.7	1,311.9	1,462.6

* Foreign denominated guarantees amounting to R1,462.6 million (2007: R1,311.9 million; 2006: R1,152.0 million issued in support of Vodacom Congo (RDC) s.p.r.l. are included as liabilities in the consolidated balance sheets.

\# 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.

45. SEGMENTAL INFORMATION

Vodacom's reportable segments are geographical business units that offer comparable business products and services however they are separately managed because the mobile telecommunication and data communication businesses are located in South Africa and non-South African countries.

Vodacom has six reportable segments: South Africa, Tanzania, Mozambique, Lesotho, Democratic Republic of the Congo, and Other. The segments offer a variety of telecommunication and data communication services as well as equipment sales.

"Other" comprises of the holding companies of the Group.

"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.

"Tanzania", "Mozambique", "Lesotho", and "DRC" comprise the segment information relating to the non-South African based cellular networks.

	2006 Rm	2007 Rm	2008 Rm
Reconciliations of reportable segments			
Segment results			
Management operating profit for reportable segments	8,980.6	11,000.4*	12,616.4
Amortisation of licences, trademarks and patents and customer bases	(167.7)	(117.7)	(95.8)
Impairment of assets	52.8	(22.9)	(29.9)
Profit from operations	8,865.7	10,859.8	12,490.7
Net finance cost	(639.2)	(463.8)	(423.9)
Finance income	129.9	74.5	72.3
Finance costs	(246.0)	(369.3)	(681.3)
Gains/(Losses) on remeasurement and disposal of financial instruments	(523.1)	(169.0)	185.1
Profit before taxation	8,226.5	10,396.0	12,066.8
Taxation	(3,083.7)	(3,836.0)	(4,109.2)
Net profit	5,142.8	6,560.0	7,957.6

* Management operating profit for reportable segments includes profit on sale of shares in subsidiary.

45. SEGMENTAL INFORMATION (CONTINUED)

	Other Rm	South Africa Rm	Tanzania Rm	Mozambique Rm	Lesotho Rm	DRC Rm	Eliminations Rm	Total Rm
2006								
Segment revenue	274.2	31,089.8	1,311.8	158.3	170.1	1,334.2	-	34,338.4
Inter-segment revenue	(274.2)	(8.5)	(5.2)	(5.3)	(1.6)	(1.1)	-	(295.9)
External customers segment revenue	-	31,081.3	1,306.6	153.0	168.5	1,333.1	-	34,042.5
Airtime and access	-	18,169.2	988.9	71.8	120.9	735.0	-	20,085.8
Data revenue	-	1,884.8	108.0	3.5	15.8	25.5	-	2,037.6
Interconnect revenue	-	6,141.6	188.0	57.5	26.5	283.2	-	6,696.8
Equipment sales	-	3,902.4	5.4	0.4	4.2	73.2	-	3,985.6
International airtime	-	720.8	14.3	19.5	0.7	215.9	-	971.2
Other	-	262.5	2.0	0.3	0.4	0.3	-	265.5
Management operating profit/(loss)	(23.3)	8,762.9	263.6	(196.8)	50.9	123.3	-	8,980.6
Net finance income/(cost)	8,306.0	(357.7)	(86.1)	(364.4)	(0.1)	(237.4)	(7,899.5)	(639.2)
Taxation	(679.8)	(2,403.4)	(31.5)	-	(18.3)	49.3	-	(3,083.7)
Net profit/(loss)	7,226.3	5,842.0	140.6	(508.5)	32.4	(71.4)	(7,518.6)	5,142.8
Other material non-cash items included in segment profit/(loss):								
Depreciation and amortisation	(2.8)	(2,451.5)	(201.5)	(68.2)	(16.0)	(255.8)	-	(2,995.8)
Impairments of assets reversed	-	-	-	52.8	-	-	-	52.8
Assets								
Reportable segment assets	14,391.1	20,642.0	1,348.6	527.2	136.8	1,992.9	(14,270.8)	24,767.8
Included in reportable segment assets:								
Additions to property, plant and equipment and intangible assets	16.5	4,383.0	321.5	121.4	25.9	273.2	-	5,141.5
Non-current assets other than financial instruments and deferred taxation	55.7	11,902.1	950.1	396.4	101.4	1,563.4	720.4	15,689.5
Liabilities								
Reportable segment liabilities	(6,108.1)	(17,292.4)	(613.1)	(1,030.3)	(52.1)	(2,527.9)	11,528.4	(16,095.5)

45. SEGMENTAL INFORMATION (CONTINUED)

	Other Rm	South Africa Rm	Tanzania Rm	Mozambique Rm	Lesotho Rm	DRC Rm	Eliminations Rm	Total Rm
2007								
Segment revenue	388.4	37,050.2	1,729.3	269.0	227.5	1,914.4	-	41,578.8
Inter-segment revenue	(388.4)	(11.6)	(7.4)	(10.0)	(2.1)	(12.9)	-	(432.4)
External customers segment revenue	-	37,038.6	1,721.9	259.0	225.4	1,901.5	-	41,146.4
Airtime and access	-	21,045.3	1,282.4	131.6	165.3	1,082.9	-	23,707.5
Data revenue	-	3,112.9	146.5	8.1	22.5	51.7	-	3,341.7
Interconnect revenue	-	7,058.0	257.8	80.1	31.7	408.0	-	7,835.6
Equipment sales	-	4,604.9	19.4	4.4	4.2	66.2	-	4,699.1
International airtime	-	961.8	15.4	34.6	1.3	292.7	-	1,305.8
Other	-	255.7	0.4	0.2	0.4	-	-	256.7
Management operating profit/(loss)	64.2	10,383.6	347.0	(154.1)	74.9	284.8	-	11,000.4
Net finance income/(cost)	3,346.4	(475.3)	(43.6)	34.5	(0.8)	(287.8)	(3,037.2)	(463.8)
Taxation	(799.2)	(2,922.0)	(112.1)	(42.0)	(18.9)	58.2	-	(3,836.0)
Net profit/(loss)	2,102.9	6,870.4	190.7	(184.4)	55.2	47.4	(2,522.2)	6,560.0
Other material non-cash items included in segment profit/(loss):								
Depreciation and amortisation	(2.2)	(2,688.6)	(237.8)	(84.8)	(22.1)	(325.7)	-	(3,361.2)
Impairments of assets	-	-	-	(22.9)	-	-	-	(22.9)
Assets								
Reportable segment assets	13,183.2	23,207.0	2,424.4	690.9	169.5	2,692.0	(13,896.8)	28,470.2
Included in reportable segment assets:								
Additions to property, plant and equipment and intangible assets	182.3	5,458.3	957.6	85.2	25.0	506.0	-	7,214.4
Non-current assets other than financial instruments and deferred taxation	230.1	14,949.8	1,864.9	459.4	104.3	2,036.1	604.1	20,248.7
Liabilities								
Reportable segment liabilities	(7,693.4)	(16,746.1)	(1,123.0)	(1,261.2)	(66.2)	(3,272.7)	11,339.4	(18,823.2)

45. SEGMENTAL INFORMATION (CONTINUED)

	Other Rm	South Africa Rm	Tanzania Rm	Mozambique Rm	Lesotho Rm	DRC Rm	Eliminations Rm	Total Rm
2008								
Segment revenue	-	43,180.3	2,354.5	433.9	308.9	2,296.6	-	48,574.2
Inter-segment revenue	-	(355.4)	(9.7)	(26.0)	(2.6)	(2.7)	-	(396.4)
External customers segment revenue	-	42,824.9	2,344.8	407.9	306.3	2,293.9	-	48,177.8
Airtime and access	-	23,596.4	1,704.7	220.5	186.6	1,387.0	-	27,095.2
Data revenue	-	4,669.8	206.8	15.7	31.3	78.6	-	5,002.2
Interconnect revenue	-	7,938.3	360.4	110.8	40.7	436.9	-	8,887.1
Equipment sales	-	4,931.0	45.6	8.2	8.9	57.7	-	5,051.4
International airtime	-	1,386.7	26.7	52.6	38.2	331.7	-	1,835.9
Other	-	302.7	0.6	0.1	0.6	2.0	-	306.0
Management operating profit/(loss)	34.0	11,754.3	460.0	(127.0)	122.8	372.3	-	12,616.4
Net finance income/(cost)	7,885.4	(537.7)	(24.4)	56.2	2.5	(274.9)	(7,531.0)	(423.9)
Taxation	(739.6)	(3,250.9)	(121.2)	43.9	(32.5)	(8.9)	-	(4,109.2)
Net profit/(loss)	6,675.9	7,916.3	314.5	(56.5)	94.0	80.2	(7,066.8)	7,957.6
Other material non-cash items included in segment profit/(loss):								
Depreciation and amortisation	(56.7)	(3,056.5)	(305.5)	(94.6)	(16.1)	(381.7)	-	(3,911.1)
Impairments of assets	-	-	-	(29.9)	-	-	-	(29.9)
Assets								
Reportable segment assets	16,015.4	24,597.8	3,430.7	892.0	277.5	3,431.3	(14,469.5)	34,175.2
Included in reportable segment assets:								
Additions to property, plant and equipment and intangible assets	1,132.0	4,270.0	712.6	111.3	38.7	658.6	-	6,923.2
Non-current assets other than financial instruments and deferred taxation	421.1	16,046.6	2,546.3	546.8	129.1	2,590.3	1,488.7	23,768.9
Liabilities								
Reportable segment liabilities	(9,489.4)	(17,776.7)	(2,335.7)	(1,924.6)	(104.8)	(3,987.2)	13,248.5	(22,369.9)

46. 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; LES – Lesotho; TZN – Tanzania; MZ – Mozambique; DRC – Democratic Republic of the Congo; MAU – Mauritius; C – Cellular; MSC – Management services company; PROP – Property company; OTH - Other.

	Country of incorporation	Issued share capital			Interest in issued ordinary share capital		
		2006	2007	2008	2006 %	2007 %	2008 %
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	TZS10,000	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	90
Vodacom Congo (RDC) s.p.r.l. (C)	DRC	US$1,000,000	US$1,000,000	US$1,000,000	51	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	70	100
Smartcom (Proprietary) Limited (C) *	RSA	R1,000	R1,000	R1,000	43.7	61.7	100
Cointel V.A.S. (Proprietary) Limited (C) *	RSA	-	R10,204	R10,204	51	70	100
Other							
VSP Holdings (Proprietary) Limited (MSC) *	RSA	R1,023	R1,023	R1,023	100	100	100
Vodacom Satellite Services (Proprietary) Limited (OTH) *	RSA	R100	R100	R100	100	100	100
GSM Cellular (Proprietary) Limited (OTH) *	RSA	R1,200	R1,200	R1,200	100	100	100
Vodacom Venture No. 1 (Proprietary) Limited (OTH) *	RSA	R810	R810	R810	100	100	100
Vodacom Equipment Company (Proprietary) Limited (OTH) *	RSA	R100	R100	R100	100	100	100
Vodacare (Proprietary) Limited (OTH) *	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	R1,000	100	100	100
Stand 13 Eastwood Road Dunkeld West (Proprietary) Limited (PROP)	RSA	R100	R100	-	51	70	-
Ithuba Smartcall (Proprietary) Limited (OTH)	RSA	R100	R100	-	26.5	36.4	-
Smartcall Smartlife (Proprietary) Limited (OTH)	RSA	-	R100	-	-	63	-
Vodacom Tanzania Limited (Zanzibar) (OTH) *	TZN	TZS10,000	TZS10,000	TZS10,000	99	99	99
Joycell Shops (Proprietary) Limited (OTH) *	RSA	R100	R100	R100	100	100	100
Marble Gold Investments (Proprietary) Limited (OTH) *	RSA	R100	R100	R100	100	100	100
Vodacom Ventures (Proprietary) Limited (OTH)	RSA	R120	R120	R120	100	100	100
Skyprops 134 (Proprietary) Limited (PROP)	RSA	-	R100	R100	-	100	100

* Dormant as at March 31, 2008.

47. INTERESTS IN JOINT VENTURES

47.1 Number Portability Company (Proprietary) Limited

In response to the introduction of Mobile Number Portability ("MNP") it was necessary for the formation of a company to provide all the services necessary to allow the existing three incumbent mobile operators to offer MNP.

Number Portability Company (Proprietary) Limited was formed for the express purpose of providing all the necessary services required for MNP by Vodacom, MTN and Cell C.

Number Portability Company (Proprietary) Limited is owned equally by all three operators and they contributed the required necessary financial resources directly proportional to their shareholding. MNP was officially launched on November 10, 2006.

Effective September 20, 2006, Vodacom (Proprietary) Limited acquired a 33.3% stake in Number Portability Company (Proprietary) Limited by acquiring 100 shares for R1. Each shareholder advanced to Number Portability Company (Proprietary) Limited funding by way of shareholders loans. As a March 31, 2008 the shareholder loan balance was R6.0 million (2007: R6.0 million) (Note 21).

	2007 Rm	2008 Rm
Interest held	33.3%	33.3%
The Group's proportionate share of assets and liabilities:		
Property, plant and equipment	*	*
Intangible assets	6.3	6.3
Current assets	2.2	3.0
Total assets	8.5	9.3
Long-term liabilities	(6.0)	(6.0)
Inter company creditors	(3.0)	(3.0)
Current liabilities	(0.6)	(0.4)
Net liabilities	(1.1)	(0.1)
The Group's proportionate share of revenue and expenditure:		
Revenue	0.4	5.7
Profit/(Loss) before taxation	(1.1)	1.1
Taxation	-	(0.1)
Net profit/(loss)	(1.1)	1.0
The Group's proportionate share of cash flows:		
Net cash flows from operating activities	(1.0)	0.2
Net cash flows utilised in investing activities	(7.0)	(1.8)
Net cash flows from financing activities	9.0	3.0
Net cash flow	1.0	1.4

NPC had no contingent liabilities or capital commitments at March 31, 2007 and 2008.

* Amounts less than R50 000

48. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements adopted at March 31, 2008

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

IAS 1 (revised August 2005)	Presentation of Financial Statements (capital disclosures)
IFRS 7	Financial Instruments: Disclosures
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2 Group and Treasury Share Transactions
AC 503	Accounting for BEE transactions

The adoption of the above mentioned accounting pronouncements had no impact on the Group's results or cash flow information for the year ended March 31, 2008.

Accounting pronouncements not adopted at March 31, 2008

In November 2006 the IASB issued IFRIC 12: Service Concession Arrangements ("IFRIC 12") effective for annual periods beginning on or after January 1, 2008. The interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services, such as schools and roads. The interpretation states that for arrangements falling within its scope (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator will recognise:

- a financial asset where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; or
- an intangible asset where the operator's future cash flows are not specified – e.g. where they will vary according to usage of the infrastructure asset; or
- both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

The Group will adopt IFRIC 12 during the 2009 financial year and is currently evaluating the effects of the interpretation.

In March 2007 the IASB issued a revision to IAS 23: Borrowing Costs ("IAS 23") effective for annual periods beginning on or after January 1, 2009. The revised standard removes the option of recognising immediately as an expense those borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised standard does not apply to borrowing costs directly attributable to the acquisition, construction or production of qualifying assets measured at fair value or inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis.

The Group will adopt the revised IAS 23 during the 2010 financial year and is currently evaluating the effects of the standard.

In June 2007 the IASB issued IFRIC 13: Customer Loyalty Programmes ("IFRIC 13") effective for annual periods beginning on or after July 1, 2008. The interpretation addresses accounting by entities that grant loyalty award credits (such as points or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services (awards) to customers who redeem award credits. IFRIC 13 states that an entity that grants loyalty award credits shall allocate some of the proceeds of the initial sale to the award credits as a liability (its obligation to provide the awards). The entity shall recognise the deferred portion of the proceeds as revenue only when it has fulfilled its obligations.

The Group will adopt IFRIC 13 during the 2010 financial year and is currently evaluating the effect of the interpretation and based on current indications do not believe that it will have a material impact on the Group's numbers.

48. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Accounting pronouncements not adopted at March 31, 2008 (continued)

In July 2007 the IASB issued IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ("IFRIC 14") effective for annual periods beginning on or after January 1, 2008. The interpretation addresses the interaction between a minimum funding requirement and the limit placed by paragraph 58 of IAS 19 on the measurement of the defined benefit asset or liability. When determining the limit on a defined benefit asset in accordance with IAS 19.58 entities are required, under IFRIC 14, to measure any economic benefits available to them in the form of refunds or reductions in future contributions at the maximum amount that is consistent with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan.

The Group will adopt IFRIC 14 during the 2009 financial year and is currently evaluating the effects of the interpretation.

In September 2007 the IASB issued a revision to IAS 1: Presentation of Financial Statements ("IAS 1") effective for annual periods beginning on or after January 1, 2009. The revised standard requires an entity to:

- present all non-owner changes in equity either in one statement of comprehensive income or in two statements, a separate income statement and a statement of comprehensive income;
- present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective adjustment; and
- disclose income tax relating to each component of other comprehensive income and to disclose reclassification adjustments relating to components of other comprehensive income.

In addition the revision includes changes in the titles of some of the financial statements. The new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The Group will adopt the revised IAS 1 during the 2010 financial year and is currently evaluating the effect of the revised standard.

In January 2008 the IASB issued a revision to IFRS 2: Share-based Payment ("IFRS 2") effective for annual periods beginning on or after January 1, 2009. The revised standard clarifies:

- vesting and non-vesting conditions;
- the estimation of the fair value of equity instruments granted;
- the accounting treatment of cancellations by counterparties to a share-based arrangement; and
- the definition of performance conditions.

The Group will adopt the revised IFRS 2 during the 2010 financial year and is currently evaluating the effect of the revised standard.

In February 2008 the IASB issued a revision to IAS 32: Financial instruments: Presentation ("IAS 32") effective for annual periods beginning on or after January 1, 2009. The revision requires:

- puttable instruments and instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation to be classified as equity if all the conditions specified in the standard are met;
- reclassification from or to equity when the specified criteria are no longer met or are subsequently met; and
- that derivatives over the aforementioned instruments may not be classified as equity.

The Group will adopt the revised IAS 32 during the 2010 financial year and is currently evaluating the effect of the revised standard.

48. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Accounting pronouncements not adopted at March 31, 2008 (continued)

In January 2008 the IASB issued a revision to IFRS 3: Business Combinations ("IFRS 3") effective for business combinations in annual periods beginning on or after July 1, 2009, which consequentially amended IAS 27: Consolidated and Separate Financial Statements ("IAS 27"), IAS 28: Investments in Associates ("IAS 28") and IAS 31: Interest in Joint Ventures ("IAS 31") effective for annual periods beginning on or after July 1, 2009.

Revisions to IFRS 3:

- require all acquisition costs to be expensed;
- require acquirers, with step acquisitions achieving control, to remeasure its previously held equity interest to fair value at the acquisition date and recognise any gain or loss in profit or loss;
- require non-controlling interests to be measured at either fair value or at the non-controlling interest's proportionate share of net identifiable assets of the entity acquired;
- require considerations for acquisitions to be measured at fair value at the acquisition date including the fair value of any contingent consideration payable. Subsequent changes are only allowed as a result of additional information on facts and circumstances that existed at the acquisition date, all other changes are recognised in profit or loss;
- require goodwill to be measured as the difference between the aggregate of the acquisition date fair value of the consideration transferred; the amount of any non-controlling interest acquired and in a business combination achieved in stages, the acquisition date fair value of the acquirers' previously held equity interest and the net of the acquisition date amounts of identifiable assets acquired and liabilities assumed; and
- clarifies that all contractual arrangements at the acquisition date must be classified and designated with the exception of leases and insurance contracts. Thus the acquirer applies its accounting policies as if it has acquired those contractual relationships outside of the business combination.

Revisions to IAS 27:

- require that changes in a parent's ownership interest in a subsidiary that do no result in a loss of control are equity transactions, no gain or loss is recognised and goodwill is not remeasured. The difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised in equity;
- require that with the loss of control all assets, liabilities and non-controlling interest should be derecognised at carrying amount and any retained non-controlling interest should be remeasured to fair value on the date control is lost. The difference between the sum of the proceeds received and any retained interest and the carrying amount of assets, liabilities and non-controlling interests at the date control is lost, should be recognised in profit or loss; and
- require losses to be allocated to non-controlling interests even if they exceed the non-controlling interest's share of equity in the subsidiary.

Revisions to IAS 28:

- require derecognition of an associate with the loss of significant influence; and
- recognition in profit or loss of the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost.

Revisions to IAS 31:

- similar treatment as for associate investments is required when an investor loses joint control over a jointly controlled entity.

The Group will adopt the revised IFRS 3, IAS 27, IAS 28 and IAS 31 during the 2011 financial year and is currently evaluating the effect of the revised standards.

In February 2008 the IASB issued a revision to IAS 1: Presentation of financial statements ("IAS 1") effective for annual periods beginning on or after January 1, 2009. The revision requires disclosures for puttable instruments classified as equity which include quantative data about the amount classified as equity; the entity's objectives, policies and processes for managing its obligation to repurchase or redeem the instruments including any changes from the previous period; the expected cash outflow on redemption or repurchase of that class of financial instruments, how the expected cash outflow was determined and if an instrument is reclassified into and out of financial liabilities and equity the amount, timing and reason for reclassification.

The Group will adopt the revised IAS 1 during the 2010 financial year and is currently evaluating the effect of the revised standard.

Exhibit 12.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) (17 CFR 240.13a-14(a)) OR RULE 15d-14(a) (17 CFR 240.15d-14(a)), PROMULGATED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Reuben Joseph September, certify that:

1. I have reviewed this annual report on Form 20-F for the year ended March 31, 2008, including Amendment No. 1 to the annual report on Form 20-F/A, of Telkom SA Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Reuben Joseph September
Name: Reuben Joseph September
Title: Chief Executive Officer
(principal financial officer)

Date: October 23, 2008

Exhibit 12.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) (17 CFR 240.13a-14(a)) OR RULE 15d-14(a) (17 CFR 240.15d-14(a)), PROMULGATED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Deon Jeftha Fredericks, certify that:

1. I have reviewed this annual report on Form 20-F for the year ended March 31, 2008, including Amendment No. 1 to the annual report on Form 20-F/A, of Telkom SA Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Deon Jeftha Fredericks
Name: Deon Jeftha Fredericks
Title: Acting Chief Financial Officer
(principal financial officer)

Date: October 23, 2008

Exhibit 13.1

CERTIFICATION FURNISHED PURSUANT TO RULE 13a-14(b) (17 CFR 240.13a-14(b)) OR RULE 15d-14(b) (17 CFR 240.15d-14(b)) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE (18 U.S.C. 1350), PROMULGATED UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Telkom SA Limited (the "Company") on Form 20-F for the year ending March 31, 2008, including Amendment No. 1 to the annual report on Form 20-F/A (the "Report"), we, Reuben Joseph September , Chief Executive Officer of the Company, and Deon Jeftha Fredericks, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, promulgated under Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 23, 2008 By: /s/ Reuben Joseph September
Reuben Joseph September
Chief Executive Officer
(principal executive officer)

Date: October 23, 2008 By: /s/ Deon Jeftha Fredericks
Deon Jeftha Fredericks
Acting Chief Financial Officer
(principal financial officer)

The foregoing certifications are being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350 and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates them by reference.