MTN Group Limited

Financial statements for the year ended 31 December 2015

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The Group and Company financial statements were audited in terms of the Companies Act, No 71 of 2008.

The preparation of the Group and Company annual financial statements was supervised by the Group chief financial officer, BD Goschen, BCom, BCompt (Hons), CA(SA).

These annual financial statements were approved for issue on 2 March 2016 by the board of directors.

ICON REFERENCE

To make for easier reading, navigation and cross-referencing tools have been included to reference relevant pages within this book and supplementary reports on the website.

www.mtn.com/Investors/FinancialReporting/Pages/integratedReports.aspx

GR Governance report

Statement of directors' responsibility

for the year ended 31 December 2015

The directors are responsible for the integrity of the integrated report as a whole, as well as for the preparation and fair presentation of the annual separate and consolidated financial statements of MTN Group Limited (the Company), its subsidiaries, joint ventures, associates and structured entities (together, the Group) in accordance with International Financial Reporting Standards (IFRS) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act), and the JSE Listings Requirements, which form an integral part of the integrated report.

The preparation of financial statements in conformity with IFRS requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The directors are of the opinion that the information contained in the annual financial statements fairly presents the financial position at year end and the financial performance and cash flows of the Group and the Company for the year then ended.

The directors have responsibility for ensuring that accurate and complete accounting records are kept to enable the Group and the Company to satisfy their obligation with respect to the preparation of financial statements.

The directors are also responsible for the oversight of the Group's system of internal controls. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The Group operates in an established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are controlled.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Group risk committee plays an integral role in risk management, as well as in overseeing the Group's internal audit function.

The Group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the Group's audit committee, assesses and, when necessary, recommends improvements in the system of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The going concern basis has been adopted in preparing the Group and the Company annual financial statements. The directors have no reason to believe that the Company or its subsidiaries will not be going concerns in the year ahead based on forecasts, available cash resources and facilities. These financial statements support the viability of the Group and the Company.

The Group's external auditors, PricewaterhouseCoopers Incorporated and SizweNtsalubaGobodo Incorporated, jointly audited the Group and the Company financial statements and their unqualified audit report is presented on page 9.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The Group and the Company annual financial statements which appear on pages 1 to 149 were approved for issue by the board of directors on 2 March 2016 and are signed on its behalf by:

PF Nhleko
Executive chairman

BD Goschen
Group chief financial officer

Fairland

Certificate by the Company secretary

for the year ended 31 December 2015

I certify that MTN Group Limited has filed all its returns and notices for the year ended 31 December 2015, as required of a public company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008, and that such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

SB Mtshali
Group secretary

Fairland
2 March 2016

Report of the audit committee

The MTN Group audit committee (the committee) presents its report in terms of section 94(7)(f) of the Companies Act and as recommended by King III for the financial year ended 31 December 2015.

TERMS OF REFERENCE

The committee has adopted comprehensive and formal terms of reference which have been approved by the board and are reviewed on an annual basis.

MEMBERSHIP, MEETING ATTENDANCE AND EVALUATION

Members of the committee are formally nominated by the board for re-election by shareholders. The individual members satisfy the requirements to serve as members of an audit committee as provided in section 94 of the Companies Act and have adequate knowledge and experience. The composition of the committee and the attendance at the meetings by its members are set out below for the period January to December 2015:

Members	Attendance
KC Ramon (chairman)	6/6
NP Mageza	6/6
MJN Njeke	3/6
J van Rooyen	6/6

The biographical details of the members are set out on pages 44 and 45 of the integrated report. The committee meets at least four times a year and members' fees are included in the table of directors' emoluments and related payments on page 124.

The executive chairman and chief executive officer, the Group chief financial officer, the Group chief business risk officer, joint external auditors and other assurance providers attend committee meetings by invitation. The committee also meets separately with the joint external auditors, internal auditors and senior management before or after every meeting.

The effectiveness of the audit committee as a whole and its individual members is assessed on an annual basis.

EXECUTION OF FUNCTIONS OF THE AUDIT COMMITTEE

The committee is satisfied that, in respect of the period under review, it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference, the Companies Act and King III. To the extent that the King III recommendations have not been applied, an explanation is provided in the detailed corporate governance report. GR

The committee discharged the following responsibilities during the year under review:

External auditors

- Considered and satisfied itself with the independence and objectivity of the joint external auditors and designated registered auditors and ensured that the scope of non-audit services rendered did not impair their independence.
- Approved the non-audit-related services performed by the joint external auditors during the year in accordance with the policy established and approved by the board.
- Determined the joint external auditors' terms of engagement and fees for 2015.
- Pre-approved all agreements for the provision of non-audit services, through the chairman of the committee to whom this authority has been delegated.
- Satisfied itself that the joint external auditors and designated registered auditors are accredited on the JSE's list of auditors and advisers. The committee recommends the re-appointment of the joint external auditors and the re-appointment of the designated auditors at the next annual general meeting.

Financial statements and accounting practices

- Reviewed the accounting policies and the annual financial statements of the Group and the Company for the year ended 31 December 2015, and based on the information provided to it, the committee considers that, in all material respects, they are appropriate and comply with the provisions of the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the JSE Listings Requirements.
- Reviewed the processes in place for the reporting of concerns and complaints relating to reporting and accounting practices, internal audit, contents of the Group's and the Company's financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.

Report of the audit committee *continued*

Internal financial controls

- Reviewed the process in terms of which internal audit performed a written assessment of the effectiveness of the Group's system of internal control (including internal financial controls). This written assessment by internal audit formed the basis of the committee's recommendation in this regard to the board in order for the board to report thereon. The board's report on the effectiveness of the system of internal controls, which the committee fully supports, is included in the directors' report on page 8.
- Reviewed the reports of both internal and external auditors detailing their concerns arising from their audits and considered the appropriateness of the responses from management.

Integrated reporting and combined assurance

- Reviewed the disclosure of the Group's sustainability information as detailed in the integrated report. Nothing has come to the attention of the committee to indicate that the information is in any way in conflict with the information contained in the annual financial statements.
- Discussed the sustainability information with the chairmen of the risk management, compliance and corporate governance committee (risk committee) and the social and ethics committee. The committee is satisfied that assurance coverage as indicated was obtained from internal and external assurance providers. The Group's external assurance provider's independent report is set out in the Group's integrated report on pages 118 to 119. In light of this the committee has no reason to believe that the information on sustainability as contained in the integrated report is not reliable to the extent of the reported assurance.
- Considered and recommended the integrated report for adoption and approval by the board.

Going concern status

- Considered the going concern status of the Group and the Company on the basis of review of the annual financial statements and the information available to the committee and recommended such going concern status for adoption by the board. The board's statement on the going concern status of the Group and Company is contained on page 6 of the directors' report.

Internal audit

- Considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan.
- Reviewed the performance of the Group chief business risk officer, Mr S Sooklal, and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review.

Finance director and finance function

- Reviewed the performance of the Group chief financial officer, Mr BD Goschen, and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review.
- Considered, and has satisfied itself of the appropriateness of the expertise and experience of the finance function and adequacy of resources employed in this function.

Solvency and liquidity review

- The committee is satisfied that the board has performed a solvency and liquidity test on the Company in terms of section 46 of the Companies Act and has concluded that the Company will satisfy the test after payment of the final dividend.

The committee also considered guarantees issued on behalf of subsidiaries.

The Group's joint external auditors are Pricewaterhouse-Coopers Incorporated and SizweNtsalubaGobodo Incorporated. Fees paid to auditors for the year under review are disclosed in note 2.4 of the Group annual financial statements on page 36.

KC Ramon
Audit committee chairman

2 March 2016

Directors' report

for the year ended 31 December 2015

NATURE OF BUSINESS

MTN Group Limited (the Company) incorporated in the Republic of South Africa on 23 November 1994 carries on the business of investing in the telecommunications industry through its subsidiary companies, joint ventures and associated companies. The Company is listed on the JSE Limited.

The Company's registered address is 216 14th Avenue, Fairland, Roodepoort, Gauteng, 2195.

ACCOUNTING PRACTICES

The Group and the Company annual financial statements were prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC) and Financial Reporting Pronouncements as issued by the FRSC, the JSE Listings Requirements and the requirements of the Companies Act.

FINANCIAL RESULTS

The Group recorded a profit after tax for the year ended 31 December 2015 of R23 570 million (2014: R37 702 million).

Full details of the financial results of the Group and the Company are set out on pages 10 to 145 of these annual financial statements and accompanying notes for the year ended 31 December 2015.

SALE OF TOWERS

As part of the Group's strategy to monetise its investment in tower infrastructure, it sold its mobile network towers in MTN Nigeria Communications Limited in two tranches to IHS Holding Limited (IHS). The second tranche closed during the current year (refer to note 2.3).

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 December 2015 totalled R29 611 million (2014: R25 406 million) which comprise the following:

	2015 Rm	2014 Rm
Property, plant and equipment	**25 751**	22 154
Land and buildings	465	380
Leasehold improvements	177	196
Network infrastructure	8 802	7 539
Information systems, furniture and office equipment	1 484	1 287
Capital work in progress/other[1]	14 700	12 604
Vehicles	123	148
Intangible assets	**3 860**	3 252
Software	2 860	2 144
Capital work in progress	1 000	1 108
	29 611	25 406

[1] *The majority of work in progress relates to long-term network infrastructure projects.*

Licences and Spectrum acquired during 2015:

	2015 Rm
Cameroon	1 515
Syria	1 591*
Ivory Coast	2 760
Nigeria 4G and NBC spectrum	3 353
Nigeria Visafone[1]	3 752
	12 971

* *Excluding the effects of hyperinflation.*
[1] *Refer to note 9.4.1.*

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out on pages 122 and 123 of these annual financial statements.

YEAR UNDER REVIEW

The detailed reviews of performance and the activities of the Group and the Company are contained in the reports of the executive chairman and the financial review as set out on pages 4 to 9 and 30 to 41 of the integrated report.

BORROWING POWERS

In terms of the memorandum of incorporation (MOI), the borrowing powers of the Company are unlimited. However, all borrowings by the Company are subject to limitations set out in the treasury policy of the Group. The details of borrowings are disclosed in note 6.1.

Directors' report *continued*

for the year ended 31 December 2015

GOING CONCERN

The directors have reviewed the Group's and Company's budget and cash flow forecast for the year to 31 December 2016. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the Company and the Group have access to adequate resources to continue in operational existence for the foreseeable future, are going concerns, and have continued to adopt the going concern basis in preparing the annual financial statements.

SUBSIDIARY COMPANIES AND JOINT VENTURES

Details of subsidiaries and joint ventures in which the Group has a direct or indirect interest are set out in note 9.1 of the annual financial statements on pages 100 and 101.

All Group entities have a year end consistent to that of the Company with the exception of Irancell Telecommunication Company Services (PJSC) (MTN Irancell), a joint venture of the Group, that has a year end of 21 December.

DISTRIBUTION TO SHAREHOLDERS

Final dividend

Notice is hereby given that a gross final dividend of 830 cents per share for the period to 31 December 2015 has been declared payable to shareholders. The number of ordinary shares in issue at the date of this declaration is 1 844 049 073 (including 10 400 061 treasury shares).

The dividend will be subject to a maximum local dividend tax rate of 15% which will result in a net dividend of 705.50 cents per share to those shareholders who bear the maximum rate of dividend withholding tax of 124.50 cents per share.

The Company's tax reference number is 9692/942/71/8. In compliance with the requirements of STRATE, the electronic settlement and custody system used by the JSE, the salient dates relating to the payment of the dividend are as follows:

Last day to trade *cum* dividend on the JSE	Wednesday, 23 March 2016
First trading day *ex* dividend on the JSE	Thursday, 24 March 2016
Record date	Friday, 1 April 2016
Payment date	Monday, 4 April 2016

No share certificates may be dematerialised or rematerialised between Thursday, 24 March 2016 and Friday, 1 April 2016, both days inclusive. On Monday, 4 April 2016, the dividend will be transferred electronically to the bank accounts of certificated shareholders who make use of this facility.

In respect of those who do not use this facility, cheques dated Monday, 4 April 2016 will be posted on or about that date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository Participant or broker credited on Monday, 4 April 2016.

The board confirms that the Company will satisfy the solvency and liquidity test after the completion of the dividend distribution.

Interim dividend

A gross dividend of 480 cents per share (2014: 445 cents per share) amounting to R8 808 million (2014: R8 225 million) in respect of the half-year period ended 30 June 2015 was declared on 5 August 2015 and paid to shareholders on 31 August 2015.

Before declaring the dividend, the board:

- applied the solvency and liquidity test; and
- reasonably concluded that the Company would satisfy the solvency and liquidity test immediately after payment of the interim dividend.

The payments of future dividends will depend on the board's ongoing assessment of the Group's earnings, financial position, cash needs, future earnings prospects and other future factors.

Shareholders on the South African register who dematerialised their ordinary shares receive payment for their dividend electronically, as provided for by STRATE. For those shareholders who have not yet dematerialised their shareholding in the Company in certificated form, the Company operates an electronic funds transmission service, whereby dividends may be electronically transferred to shareholders' bank accounts. These shareholders are encouraged to mandate this method of payment for all future dividends by approaching the Company's share registrar, Computershare Investor Services Proprietary Limited, whose contact details are set out in the integrated report.

SHARE CAPITAL

Authorised share capital

There was no change in the authorised share capital of the Company during the year under review. The authorised ordinary share capital of the Company is 2,5 billion shares of 0,01 cent each.

Issued share capital

The issued share capital of the Company is R184 549 (2014: R184 836) comprising 1 845 493 245 (2014: 1 848 355 889) ordinary shares of 0,01 cents each.

Directors' report *continued*

for the year ended 31 December 2015

MTN Zakhele Scheme

Details of the MTN Zakhele Scheme are set out in note 8.1.

Details of participation in the MTN Zakhele Scheme by directors of the Company, the Group secretary, directors and the company secretaries of major subsidiaries are set out on page 131 of the annual financial statements.

SHARE PRICE PERFORMANCE

Details of the share price performance of the Company are set out on page 120 of the integrated report.

CONTROL OF UNISSUED SHARE CAPITAL

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act. As this general authority remains valid only until the next annual general meeting (AGM), shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares, to a maximum of 10% of the Company's issued share capital, under the control of the directors until the next AGM.

ACQUISITION OF THE COMPANY'S OWN SHARES

At the last AGM held on 27 May 2015, shareholders gave the Company or any of its subsidiaries a general approval in terms of section 48 of the Companies Act, by way of special resolution, for the acquisition of its own shares. As this general approval remains valid only until the next AGM, to be held on 25 May 2016, shareholders will be asked at that meeting to consider a special resolution to renew this general authority until the next AGM, subject to a maximum extension of 15 months.

No shares of the Company were acquired by the Company or any of its subsidiaries as part of a share buy-back during the year. During 2014, a subsidiary of the Group acquired 10 704 475 shares in the Company at an average price of R226,24, including costs. As at 31 December 2015, a total of 10 400 061 treasury shares were held by MTN Holdings (Pty) Limited.

During the year, 3 361 466 (2014: 2 537 561) shares were delivered back to the Company by MTN Zakhele. A total of 1 917 294 of these shares were cancelled by the Company during the year.

Further details of the authorised and issued shares are set out in note 8.1.

SHAREHOLDERS' INTEREST

Details of shareholders' interest and a shareholder spread analysis are disclosed in Annexure 1 of the annual financial statements.

DIRECTORATE

The composition and profiles of the board of directors of the Company are set out on pages 44 and 45 of the integrated report and the information on the board and board committees, its activities, meetings, attendance, and any other information are set out in the summarised corporate governance report on pages 47 to 63 of the integrated report.

Details of the directors' remuneration and shareholding are set out in note 10.2 on pages 124 to 131 of the annual financial statements.

RETIREMENT BY ROTATION OF DIRECTORS

In accordance with the Company's MOI, AT Mikati retires by rotation at the forthcoming AGM. The retiring director, being eligible, offers himself for re-election.

In accordance with the Company's MOI, S Kheradpir retires at the forthcoming AGM. The retiring director, being eligible, offers himself for election.

In accordance with the policy adopted by the board and the MOI of the Company, directors who have been in office for an aggregate period in excess of nine years are required to retire at the next AGM and at each AGM thereafter. Accordingly, KP Kalyan, MJN Njeke, JHN Strydom, AF van Biljon and J van Rooyen who have served on the board for an aggregate period in excess of nine years, retire at the forthcoming AGM and are eligible and offer themselves for re-election following an evaluation of their independence.

The profiles of the directors retiring by rotation and seeking re-election are set out in the notice of the AGM.

APPOINTMENTS AND RESIGNATIONS

During the year under review, S Kheradpir was appointed to the board as an independent non-executive director with effect from 8 July 2015. PF Nhleko was appointed as executive chairman with effect from 9 November 2015.

The appointments are subject to shareholder approval at the next AGM to be held on Wednesday, 25 May 2016.

RS Dabengwa resigned as the Group president and chief executive officer and executive director on 9 November 2015.

F Titi resigned as an independent non-executive director on 31 December 2015.

There were no other director appointments or resignations other than those mentioned above during the year under review.

Directors' report *continued*

for the year ended 31 December 2015

INTERESTS OF DIRECTORS AND PRESCRIBED OFFICERS
Details of the interests of directors and prescribed officers are provided in note 10.2.

DIRECTORS AND PRESCRIBED OFFICERS' SHAREHOLDINGS AND DEALINGS
Details of the interests of directors and prescribed officers' shareholdings and dealings are provided in note 10.2.

EMPLOYEE SHARE SCHEMES
Details of the Group's share schemes are provided on pages 80 to 85 of the integrated report and in note 8.4.

MERGERS AND ACQUISITIONS
Details of the Group's acquisition and disposals are disclosed in notes 9.3 and 9.4.

EVENTS AFTER THE REPORTING PERIOD
Details of events after the reporting period are set out in relevant notes within the financial statements.

LEGAL AND REGULATORY MATTERS
Details of the Nigerian Communications Commission fine imposed on MTN Nigeria are provided in note 6.3 on page 64.

AMERICAN DEPOSITARY RECEIPT (ADR)
A sponsored ADR facility is in place. This facility is sponsored by the Bank of New York and details of the administrators are reflected in the integrated report.

ANNUAL GENERAL MEETING
The AGM will be held on Wednesday, 25 May 2016. Refer to the notice of the twenty-first AGM for further details of the ordinary and special business for consideration at the meeting.

INTERNAL FINANCIAL CONTROLS
During the year under review, the board, through the audit committee, assessed the results of the formal documented review of the Group's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by internal audit and considered information and explanations given by management and discussions with the external auditors on the results of the audit. Although certain weaknesses in financial controls, whether in design, implementation or execution were identified, the board does not consider these control weaknesses (individually or in combination with other weaknesses) to have resulted in actual material financial loss, fraud or material errors. Based on the above results, nothing has come to the attention of the board that caused it to believe that the Group's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable annual financial statements. The board's opinion is supported by the audit committee.

To ensure adequate operational oversight, leadership, governance and regulatory compliance across all 22-country operations, the board reviewed the Group operating structure and will implement from 2016 a structure which categorises the operations into three regions, namely: West and Central Africa (WECA), South and East Africa (SEA), and Middle East and North Africa (MENA), with a vice president responsible for each region. A Group chief operating officer will oversee the three regions. These changes will improve the management oversight role and strengthen commercial, governance and technical aspects across the Group.

AUDIT COMMITTEE
The report of the audit committee appears on pages 3 and 4 of the annual financial statements.

AUDITORS
PricewaterhouseCoopers Incorporated and SizweNtsalubaGobodo Incorporated will continue in office as joint auditors in accordance with section 90 of the Companies Act. Johan van Huyssteen and Suleman Lockhat will continue as the registered audit partners undertaking the audit for PricewaterhouseCoopers Incorporated and SizweNtsalubaGobodo Incorporated, respectively.

The audit committee reviewed the independence of the auditors during the period under review and satisfied itself that the auditors were independent of the Group.

Independent auditors' report to the shareholders of MTN Group Limited

for the year ended 31 December 2015

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group and Company financial statements of MTN Group Limited set out on pages 10 to 145 , which comprise the statements of financial position as at 31 December 2015, and the income statement, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of MTN Group Limited as at 31 December 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

EMPHASIS OF MATTER

We draw attention to note 6.3 to the consolidated financial statements which describes the circumstances, uncertainty and current status of the regulatory fine imposed by the Nigerian Communications Commission (NCC) against MTN Nigeria Communications Limited. Our opinion is not qualified in respect of this matter.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the Report of the audit committee, the Certificate by the Company secretary and the Directors' report, for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. have been the auditors of MTN Group Limited for 22 years and 13 years, respectively.

PricewaterhouseCoopers Incorporated
Director: JR van Huyssteen
Registered auditor
Sunninghill
2 March 2016

SizweNtsalubaGobodo Incorporated
Director: SY Lockhat
Registered auditor
Woodmead
2 March 2016

Group income statement

for the year ended 31 December 2015

	Note	**2015 Rm**	2014[1] Rm
Revenue	2.2	**147 063**	146 930
Other income	2.3	**8 409**	7 928
Direct network and technology operating costs		**(18 809)**	(16 354)
Costs of handsets and other accessories		**(10 829)**	(10 314)
Interconnect and roaming		**(13 102)**	(13 653)
Staff costs	2.4	**(8 587)**	(8 838)
Selling, distribution and marketing expenses		**(18 412)**	(17 174)
Government and regulatory costs		**(5 888)**	(5 734)
Other operating expenses		**(11 433)**	(9 600)
EBITDA before Nigeria regulatory fine		**68 412**	73 191
Nigeria regulatory fine	6.3	**(9 287)**	–
EBITDA		**59 125**	73 191
Depreciation of property, plant and equipment	5.1	**(19 557)**	(18 262)
Amortisation of intangible assets	5.2	**(3 736)**	(3 251)
Impairment of goodwill	5.2	**(504)**	(2 033)
Operating profit	2.4	**35 328**	49 645
Finance income	2.5	**5 442**	3 102
Finance costs	2.5	**(8 452)**	(6 770)
Net monetary gain		**1 348**	878
Share of results of associates and joint ventures after tax	9.2	**1 226**	4 208
Profit before tax		**34 892**	51 063
Income tax expense	3.1	**(11 322)**	(13 361)
Profit after tax		**23 570**	37 702
Attributable to:			
Equity holders of the Company		**20 204**	32 079
Non-controlling interests		**3 366**	5 623
		23 570	37 702
Basic earnings per share (cents)	2.7	**1 109**	1 752
Diluted earnings per share (cents)	2.7	**1 106**	1 742

[1] *Restated, refer to note 1.6.*

Group statement of comprehensive income

for the year ended 31 December 2015

	2015 Rm	2014 Rm
Profit after tax	**23 570**	37 702
Other comprehensive income after tax:		
Exchange differences on translating foreign operations including the effect of hyperinflation[1]	**22 203**	2 968
Attributable to equity holders of the Company	**21 033**	2 960
Attributable to non-controlling interests	**1 170**	8
Total comprehensive income for the year	**45 773**	40 670
Attributable to:		
Equity holders of the Company	**41 237**	35 039
Non-controlling interests	**4 536**	5 631
	45 773	40 670

[1] *This component of other comprehensive income does not attract any tax and may subsequently be reclassified to profit or loss.*

Group statement of financial position

at 31 December 2015

	Note	2015 Rm	2014 Rm
ASSETS			
Non-current assets		**218 435**	163 218
Property, plant and equipment	5.1	**106 702**	87 546
Intangible assets and goodwill	5.2	**55 887**	36 618
Investments	7.2	**9 969**	6 135
Investment in associates and joint ventures	9.2	**35 552**	25 514
Loans and other non-current receivables	7.3	**9 783**	6 296
Deferred tax assets	3.2	**542**	1 109
Current assets		**95 432**	90 467
Non-current assets held for sale	5.3	**10**	3 848
		95 422	86 619
Inventories	4.1	**5 635**	3 412
Trade and other receivables	4.2	**43 570**	32 818
Taxation prepaid	3.3	**1 331**	564
Current investments	7.4	**8 811**	5 651
Derivative assets	7.5	**163**	183
Restricted cash	4.3	**1 735**	893
Cash and cash equivalents	4.4	**34 177**	43 098
Total assets		**313 867**	253 685
EQUITY			
Ordinary share capital and share premium	8.1	**40 248**	40 179
Retained earnings		**87 526**	91 305
Other reserves	8.2	**18 595**	(2 967)
Attributable to equity holders of the Company		**146 369**	128 517
Non-controlling interests		**5 469**	4 925
Total equity		**151 838**	133 442
LIABILITIES			
Non-current liabilities		**72 510**	52 613
Borrowings	6.1	**52 661**	39 470
Deferred tax liabilities	3.2	**13 041**	11 012
Other non-current liabilities	6.2	**2 184**	1 585
Provisions	6.3	**4 624**	546
Current liabilities		**89 519**	67 630
Trade and other payables	4.5	**40 484**	33 234
Unearned income		**8 519**	7 609
Provisions	6.3	**7 993**	3 414
Taxation liabilities	3.3	**10 013**	9 562
Borrowings	6.1	**22 472**	13 783
Derivative liabilities	7.5	**–**	2
Bank overdrafts	4.4	**38**	26
Total liabilities		**162 029**	120 243
Total equity and liabilities		**313 867**	253 685

Group statement of changes in equity

for the year ended 31 December 2015

		Attributable to equity holders of the Company						
	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Other reserves Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 January 2014		*	42 598	79 872	(5 991)	116 479	5 333	121 812
Total comprehensive income		–	–	32 079	2 960	35 039	5 631	40 670
Profit after tax		–	–	32 079	–	32 079	5 623	37 702
Other comprehensive income		–	–	–	2 960	2 960	8	2 968
Transactions with shareholders								
Shares issued during the year		*	3	–	–	3	–	3
Shares cancelled		(*)	–	–	–	(*)	–	(*)
Settlement of vested equity rights		–	–	(209)	–	(209)	–	(209)
Share-based payment transactions		–	–	–	110	110	–	110
Dividends declared	8.3	–	–	(20 527)	–	(20 527)	(6 176)	(26 703)
Share buy-back		–	(2 422)	–	–	(2 422)	–	(2 422)
Other movements		–	–	90	(46)	44	137	181
Balance at 31 December 2014		*	40 179	91 305	(2 967)	128 517	4 925	133 442
Balance at 1 January 2015		*****	**40 179**	**91 305**	**(2 967)**	**128 517**	**4 925**	**133 442**
Total comprehensive income		**–**	**–**	**20 204**	**21 033**	**41 237**	**4 536**	**45 773**
Profit after tax		**–**	**–**	**20 204**	**–**	**20 204**	**3 366**	**23 570**
Other comprehensive income		**–**	**–**	**–**	**21 033**	**21 033**	**1 170**	**22 203**
Transactions with shareholders								
Shares cancelled		**(*)**	**–**	**–**	**–**	**(*)**	**–**	**(*)**
Treasury shares		*****	**69**	**–**	**–**	**69**	**–**	**69**
Settlement of vested equity rights		**–**	**–**	**(288)**	**–**	**(288)**	**–**	**(288)**
Share-based payment transactions		**–**	**–**	**–**	**532**	**532**	**–**	**532**
Dividends declared	8.3	**–**	**–**	**(23 506)**	**–**	**(23 506)**	**(4 172)**	**(27 678)**
Transfer of profit		**–**	**–**	**(127)**	**127**	**–**	**–**	**–**
Share buy-back		**(*)**	**–**	**–**	**–**	**(*)**	**–**	**(*)**
Other movements		**–**	**–**	**(62)**	**(130)**	**(192)**	**180**	**(12)**
Balance at 31 December 2015		*****	**40 248**	**87 526**	**18 595**	**146 369**	**5 469**	**151 838**
Note		8.1	8.1		8.2			

** Amounts less than R1 million.*

Group statement of cash flows

for the year ended 31 December 2015

	Note	2015 Rm	2014 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	2.6	**57 598**	64 628
Finance income received		**2 591**	2 584
Finance costs paid		**(4 855)**	(3 993)
Income tax paid	3.3	**(13 506)**	(11 779)
Dividends paid to equity holders of the Company		**(23 506)**	(20 527)
Dividends paid to non-controlling interests		**(5 777)**	(4 289)
Dividends received from associates	9.2	**230**	233
Dividends received from joint ventures		**347**	275
Net cash generated from operating activities		**13 122**	27 132
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(21 612)**	(19 562)
Acquisition of intangible assets		**(10 412)**	(3 282)
Proceeds from sale of property, plant and equipment and intangible assets		**772**	541
Proceeds on sale of towers	2.3	**6 515**	6 465
Increase in investment in joint ventures		**–**	(1 524)
Increase in non-current investments		**(3 319)**	(5 657)
Acquisition of businesses, net of cash acquired	9.4	**(3 040)**	(1 634)
Loans granted		**(1 007)**	(1 007)
Increase in investment in insurance cell captives		**(952)**	(173)
Purchase of bonds, treasury bills and foreign deposits		**(542)**	(1 057)
(Increase)/decrease in restricted cash		**(693)**	899
Net cash used in investing activities		**(34 290)**	(25 991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of ordinary shares	8.1	**–**	3
Proceeds from borrowings		**23 384**	30 603
Repayment of borrowings		**(14 802)**	(25 620)
Share buy-back[1]		**(173)**	(2 249)
Settlement of vested equity rights		**(288)**	(209)
Other financing activities		**(20)**	111
Net cash from financing activities		**8 101**	2 639
Net (decrease)/increase in cash and cash equivalents		**(13 067)**	3 780
Net cash and cash equivalents at beginning of the year		**43 072**	39 577
Exchange gains/(losses) on cash and cash equivalents		**3 860**	(182)
Net monetary gain/(loss) on cash and cash equivalents		**274**	(103)
Net cash and cash equivalents at end of the year	4.4	**34 139**	43 072

[1] An amount of R173 million relating to the 2014 year was paid in January 2015.

Index to the notes to the Group financial statements

** Events after reporting period disclosed herein.*

Notes to the Group financial statements

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS

1.1 Basis of preparation

The Group financial statements of MTN Group Limited (the Company) comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures (together referred to as the "Group" and individually as ("Group entities"). The Group financial statements and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008. The Group and the Company have adopted all new accounting pronouncements that became effective in the current reporting period, none of which had a material impact on the Group or the Company.

The financial statements have been prepared on the historical cost basis adjusted for the effects of inflation where entities operate in hyperinflationary economies and for certain financial instruments and non-current assets held for sale that have been measured at fair value, where applicable.

The Sudanese and Syrian economies have been considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiaries, MTN Sudan Company Limited and MTN Syria (JSC) have been expressed in terms of the measuring unit current at the reporting date.

Iran ceased being regarded as a hyperinflationary economy during 2015, resulting in hyperinflation accounting relating to Irancell Telecommunication Company Services (PJSC) not being applied from 1 July 2015 onward.

The methods used to measure fair value and the adjustments made to account for the Group's entities that operate in hyperinflationary economies are discussed further in the accounting policies and in the respective notes.

Amounts are rounded to the nearest million with the exception of earnings per share and the related number of shares (note 2.7), number of ordinary shares (note 8.1), share-based payments (note 8.4) and directors' emoluments and interests (note 10.2).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 1.5.

1.2 Going concern

The Group and the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and the Company should be able to operate within their current funding levels into the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. The financial statements therefore have been prepared on a going concern basis.

1.3 Principal accounting policies[1]

The principal accounting policies applied in the preparation of these financial statements are set out below and in the related notes to the Group financial statements, and should be read in conjunction with the financial definitions disclosed on pages 144 and 145 of the financial statements. The principal accounting policies applied are consistent with those adopted in the prior year, unless otherwise stated.

[1] *Where applicable, the principal accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.1 Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is obtained by the Group. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return directly to investors or other owners, members or participants. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), such excess is recognised immediately in profit or loss as a bargain purchase gain.

An obligation to pay contingent consideration is classified as either a financial liability or equity based on the respective definitions set out in IAS 32 *Financial Instruments: Presentation*. The Group classifies any rights to the return of consideration previously transferred as a financial asset. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, with the corresponding gain or loss recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured after the acquisition date.

Any changes resulting from additional and new information about events and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amount recognised at that date, are considered to be measurement period adjustments. The Group retrospectively adjusts the amounts recognised for measurement period adjustments. The measurement period ends when the acquirer receives all the information that they were seeking about the facts and circumstances that existed at the acquisition date or learns that information cannot be obtained. The measurement period shall, however, not exceed one year from the acquisition date. To the extent that changes in the fair value relate to post-acquisition events, these changes are recognised in accordance with the IFRS applicable to the specific asset or liability.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.1 Consolidation (continued)

Consolidation of subsidiaries

The Group financial statements incorporate the financial statements of MTN Group Limited and all its subsidiaries, joint ventures, associates and structured entities (SEs) for the reporting date 31 December 2015 on the basis outlined below.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases (disposal date). When assessing whether control exists, the Group considers all existing substantive rights that result in the current ability to direct relevant activities.

All intercompany transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated on consolidation. Unrealised losses are considered an impairment indicator of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the Group.

The Group does not consolidate entities where it owns more than half of the issued ordinary share capital where the contractual agreements are such that other shareholders have substantive rights that provide authority over the relevant activities of the entities.

The Company accounts for investments in subsidiaries at cost, less accumulated impairment losses.

Non-controlling interest

On an acquisition-by-acquisition basis, non-controlling interests in the acquiree may initially be measured either at fair value, or at the non-controlling shareholders' proportion of the net identifiable assets acquired and liabilities and contingent liabilities assumed.

Non-controlling shareholders are treated as equity participants; therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiaries, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased, is recorded in equity. All profits or losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders (where control is subsequently maintained) are also recorded in equity.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.2 Foreign currency

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the entity's functional currency. The Group financial statements are presented in South African rand, which is the functional and presentation currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation of foreign operations

The results, cash flows and financial position of Group entities which are not accounted for as entities operating in hyperinflationary economies and that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities are translated at rates of exchange ruling at the reporting date;
- specific transactions in equity are translated at rates of exchange ruling at the transaction dates;
- income and expenditure and cash flow items are translated at weighted average exchange rates for the period or translated at exchange rates at the date of the transaction, where applicable; and
- foreign exchange translation differences are recognised as other comprehensive income.

The results, cash flows and financial position of the Group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the Group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the Group or that of the immediate parent is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year.

An entity may have a monetary item that is receivable from a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income as part of the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling at the reporting date. Exchange differences arising are recognised in other comprehensive income.

The exchange rates relevant to the Group are disclosed in note 7.6.

Disposal of foreign operations

On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Group are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Exchange differences accumulated in equity in respect of a monetary item that is part of the Group's net investment in a foreign operation, is not reclassified to profit or loss on settlement of the monetary item.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.3 Hyperinflation

The financial statements (including comparative amounts) of the Group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. In the first period of application, the adjustments determined at the beginning of the period are recognised directly in equity as an adjustment to opening retained earnings. In subsequent periods, the prior period adjustments related to components of owners' equity and differences arising on translation of comparative amounts are accounted for in other comprehensive income.

Items in the statement of financial position not already expressed in terms of the measuring unit current at the reporting period, such as non-monetary items carried at cost or cost less depreciation, are restated by applying a general price index. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position are recognised in profit or loss.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The Sudanese and Syrian economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiaries, MTN Sudan Company Limited and MTN Syria (JSC), have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to note 1.5.7.

The results, cash flows and financial position of a joint venture, Irancell Telecommunication Company Services (PJSC), has been classified as hyperinflationary since 2013. During the current year, Iran ceased to be hyperinflationary, effective 1 July 2015 and consequently hyperinflationary accounting has not been applied from this date onward. Accordingly, the amounts expressed in terms of the measuring unit current at 30 June 2015 are treated as the basis for the carrying amounts with no further hyperinflation adjustments being passed from 1 July 2015 onwards.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.4 Measurement principles

Key assets and liabilities shown in the statement of financial position are measured as follows:

Items included in the statement of financial position	Measurement principle
ASSETS	
Non-current assets	
Property, plant and equipment	Historical cost, less accumulated depreciation and impairment losses
Intangible assets	Historical cost, less accumulated amortisation and impairment losses
Investments	Amortised cost/fair value
Goodwill	Historical cost, less impairment losses
Investment in associates and joint ventures	Cost adjusted for share of movements in net assets
Loans receivable	Amortised cost
Deferred tax assets	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the asset is realised
Current assets	
Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell
Inventories	Lower of cost and net realisable value
Trade receivables	Amortised cost
Taxation prepaid	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date
Current investments	Amortised cost/fair value
Derivative assets	Fair value
Restricted cash	Amortised cost
Cash and cash equivalents	Amortised cost

Items included in the statement of financial position	Measurement principle
LIABILITIES	
Non-current liabilities	
Borrowings	Amortised cost
Deferred tax liabilities	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the liability is settled
Provisions	Present value of the best estimate of the settlement amount
Current liabilities	
Trade and other payables	Amortised cost
Derivative liabilities	Fair value
Unearned income	Nominal value
Provisions	Present value of the best estimate of the settlement amount
Taxation liabilities	Amount expected to be paid to tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date
Borrowings	Amortised cost
Bank overdrafts	Amortised cost

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.4 New accounting pronouncements

The pronouncements listed below will be effective in future reporting periods and are considered significant to the Group. The Group has elected not to early adopt the new pronouncements. It is expected that the Group will adopt the new pronouncements on their effective dates in accordance with the requirements of the pronouncements.

Topic	Key requirements	Effective date
IFRS 16 *Leases*	The International Accounting Standards Board (IASB) issued IFRS 16 *Leases* in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related interpretations. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value. A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). It is expected that the accounting treatment for lease contracts applicable to the Group, such as tower and other infrastructure leases will be impacted by the new standard. This will result in an increase in lease liabilities and right of use assets in the statement of financial position with a corresponding reduction in operating lease expenses and an increase in depreciation and finance costs in the income statement.	1 January 2019
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 replaces the two main revenue recognition standards, IAS 18 *Revenue* and IAS 11 *Construction Contracts* and their related interpretations. IFRS 15 provides a single control-based revenue recognition model and clarifies the principles for recognising revenue from contracts with customers. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.	1 January 2018

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.4 New accounting pronouncements (continued)

Topic	Key requirements	Effective date
IFRS 15 *Revenue from Contracts with Customers* *(continued)*	IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 will be applied retrospectively subject to the application of the transitional provisions. The impact on the financial statements has not yet been fully determined but it is expected to result in a change in: ▪ the measurement of revenue to adjust for the effects of the time value of money; and ▪ the timing of the recognition of subscriber acquisition costs such as agent's commission which will be recognised when the related performance obligations are satisfied. The Group's current accounting policy is to expense such costs when incurred. Refer to Annexure 2 for the Group's latest unaudited impact assessment in relation to IFRS 15.	
IFRS 9 *Financial Instruments*	IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. IFRS 9 also replaces the rule-based hedge accounting requirements in IAS 39. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually uses for risk management purposes. IFRS 9 includes an expected credit loss model for calculating impairment on financial assets. This replaces the incurred loss model used under IAS 39. The adoption of IFRS 9 is not expected to change the measurement of the Group's financial assets and liabilities significantly, but will require a review of the current classification of financial assets and liabilities. Any changes in classification will be applied retrospectively. The hedge accounting requirements will be applied prospectively and are not expected to have a significant impact on the financial results of the Group. The impact of an expected credit loss model on the financial statements has not yet been fully determined. Refer to Annexure 2 for the Group's latest unaudited impact assessment on its financial results of the application of the expected credit loss model.	1 January 2018

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions

The Group makes judgements, estimates and assumptions concerning the future when preparing the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The "Critical accounting judgements, estimates and assumptions" note should be read in conjunction with the "Principal accounting policies" disclosed in note 1.3.

1.5.1 Provisions

The Group exercises judgement in determining the expected cash outflows related to its provisions. Judgement is necessary in determining the timing of the outflow as well as quantifying the possible range of the cash outflows that may occur.

The present value of the Group's provisions is based on management's best estimate of the future cash outflows expected to be required to settle the obligations, discounted using appropriate pre-tax discount rates that reflect the current market assessment of the time value of money and the risks specific to each provision.

The Nigerian Communications Commission (NCC) imposed a fine on MTN Nigeria that related to the timing of the disconnection of subscribers. The Group provided R9,3 billion based on management's judgement. The ultimate resolution of the imposed fine may be different to the amount provided. Additional information on provisions is disclosed in note 6.3.

1.5.2 Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy disclosed in note 5.2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are performed internally by the Group and require the use of estimates and assumptions.

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates and discount rates. Further detail on these assumptions has been disclosed in note 5.2. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to appropriate cash-generating units being impaired. Goodwill impairment in the current year amounted to R504 million (2014: R2 033 million), refer to note 5.2.

1.5.3 Sale of tower assets

The Group applies judgement and follows the guidance in IFRS 3 *Business Combinations* to determine whether the sale of tower assets constitutes the sale of a business or an asset.

The Group determined that its tower assets in Nigeria, which were sold in two tranches during the current and prior years (note 2.3), were an integrated set of activities capable of being conducted and managed for the purpose of providing a return and therefore constituted the sale of businesses. In exercising its judgement, the Group considered the following:

- the transfer of assets resulted in the transfer of employees that are key to the inputs and processes being transferred;
- the sale agreements provide for the transfer of all substantial assets required to operate the tower business, including related tower rights, site maintenance agreements, tenant leases and inventory;
- the processes involved in the tower businesses such as site management systems and site maintenance programmes, were transferred along with the assets; and
- the tower assets are able to produce outputs through the management and leasing of sites to other parties.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.4 Income taxes

The Group is subject to income taxes in numerous jurisdictions. As a result, significant judgement is required in determining the Group's provision for income taxes. There are numerous calculations and transactions for which the ultimate tax position is uncertain during the ordinary course of business. The Group recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where payment is possible but not probable, the tax exposure is disclosed as a contingent liability, refer to note 6.8. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact current and deferred tax in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. When recognising deferred tax assets, the Group exercises judgement in determining whether sufficient taxable profits will be available; this is done by assessing the future financial performance of the underlying Group entities to which the deferred tax assets relate. The Group's deferred tax assets for the current year amounted to R542 million (2014: R1 109 million), refer to note 3.2.

1.5.5 Determining whether an arrangement contains a lease

The Group applies the principles of IFRIC 4 *Determining whether an Arrangement contains a Lease* in order to assess whether its arrangements constitute or contain leases. The requirements to be met in order to conclude that an arrangement constitutes or contains a lease are as follows:

- the provision of a service in terms of the arrangement should be dependent on the use of one or more specific assets; and
- the arrangement must convey a right to use these assets.

All other arrangements that do not constitute or contain leases are treated as service level agreements; the costs are expensed as incurred.

For the purpose of applying IFRIC 4 on tower space lease arrangements, the Group considers the tower asset as a whole in assessing whether the arrangement contains a lease. This is consistent with the guidance on determining a component of an asset in IAS 16 *Property, Plant and Equipment*. The Group has resolved that an arrangement contains a lease as defined in IAS 17 *Leases* where the arrangement provides an exclusive right to use specific tower space which is more than an insignificant part of the tower asset.

1.5.6 Determining whether an arrangement qualifies as an operating lease or a finance lease

The Group applies its principal accounting policies for leases to account for arrangements which constitute or contain leases and follows the guidance of IAS 17 to determine the classification of leases as either operating or finance leases.

During the current and prior year, the Group entered into sale and leaseback transactions with IHS that resulted in the sale of its mobile network towers in Nigeria, refer to note 2.3.

The critical elements that the Group considered with respect to the classification of the lease transaction were:

- whether the lease terms are for the major part of the economic life of the tower assets; and
- whether at inception of the leases, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the tower assets.

The Group estimated that the lease term of the tower assets is not for a major part of the economic life of the tower assets, taking into account the non-cancellable period for which the Group has contracted, and any options to renew such period where it is reasonably certain that the Group will exercise the option.

The minimum lease payments were determined by separating the payments required by the lease arrangements into those pertaining to the lease and those pertaining to other elements such as services and cost of inputs on the basis of their relative fair values. Management exercised judgement in estimating the fair value of the other elements by reference to comparable cost structures of the Group and other independent tower operators. The discount rate used in calculating the present value of the minimum lease payments reflects the rate of interest MTN Nigeria Communications Limited would incur in borrowing the funds necessary to purchase similar assets.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.6 Determining whether an arrangement qualifies as an operating lease or a finance lease (continued)

The fair value of the tower assets was determined by reference to the amounts at which the tower assets were sold which represents the prices at which the assets could be sold in an orderly transaction between market participants under current market conditions. The Group determined that the present value of the minimum lease payments did not equal substantially all of the fair value of the underlying tower assets.

Following the Group's assessment, the leaseback transactions were classified as operating leases.

1.5.7 Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary. Following management's assessment, the Group's subsidiaries, MTN Sudan Company Limited and MTN Syria (JSC), have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of MTN Sudan Company Limited and MTN Syria (JSC) have been expressed in terms of the measuring units current at the reporting date.

Iranian economy

The decreasing inflation rates and other factors related to the characteristics of the economic environment in Iran have indicated that the economy ceased to be hyperinflationary, effective for financial periods ending 31 December 2015. Accordingly, the amounts expressed in terms of the measuring unit current at 30 June 2015 are treated as the basis for the carrying amounts with no further hyperinflation adjustments being passed from 1 July 2015 onwards. Refer to note 9.2.

The general price indices used in adjusting the results, cash flows and financial position of the Group's subsidiaries are set out below:

MTN Sudan Company Limited

The general price index used as published by the International Monetary Fund is as follows:

Date	Base year	General price index	Inflation rate (%)
31 December 2015	2007	541	15,5

The cumulative inflation rate over three years as at 31 December 2015 is 106,6%. The average adjustment factor used for 2015 was 1,16.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.7 Hyperinflation (continued)

MTN Syria (JSC)

Reliable inflation data could not be obtained on the inflation rate in Syria. The general price index set out below was calculated by reference to the change in the United States dollar:Syrian pound exchange rate.

Date	Base year	General price index	Inflation rate (%)
31 December 2015	2014	170	70

The cumulative inflation rate over three years as at 31 December 2015 is 289,2%. The average adjustment factor used for 2015 was 1,39.

The impact of adjusting the Group's results for the effects of hyperinflation is set out below:

	2015 Rm	2014 Rm
Income statement		
Increase in revenue	**710**	776
Increase in EBITDA	**231**	241
Net monetary gain	**1 348**	878
(Decrease)/increase in share of results of associates and joint ventures after tax[1]	**(1 768)**	529
(Decrease) in profit after tax[2]	**(758)**	(612)

[1] *Including share of net monetary gain amounting to R390 million (2014: R927 million).*
[2] *Including goodwill impairment for the 2014 year relating to MTN Sudan Company Limited (note 5.2).*

1.6 Restatements

1.6.1 Reclassification of expenses

Following a review of expenses disclosed in the Group income statement for the year ended 31 December 2014, the expenses detailed below have been disclosed separately or reclassified between expense categories to present the expenses in accordance with the classification in the current year.

Government and regulatory costs

Government and regulatory costs that had previously been included in direct network operating costs and other operating expenses which comprises: government revenue share, regulatory fees and levies and spectrum fees, have been disclosed as a significant separate category of expense in the income statement.

Value-added services (VAS) costs

VAS costs were previously included in the costs of handsets and other accessories. Based on the underlying nature of these costs, they were reclassified and included in selling, distribution and marketing expenses.

The impact of these reclassifications as disclosed in the financial statements for the year ended 31 December 2014 is provided below:

	31 December 2014		
Group income statement	Previously reported Rm	Adjustments Rm	Restated Rm
Expenses			
Direct network and technology operating costs	(21 604)	5 250	(16 354)
Costs of handsets and other accessories	(11 957)	1 643	(10 314)
Selling, distribution and marketing expenses	(15 531)	(1 643)	(17 174)
Government and regulatory costs	–	(5 734)	(5 734)
Other operating expenses	(10 084)	484	(9 600)

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.6 Restatements (continued)

1.6.2 Reclassification of revenue

During the current year, an amount of R1 293 million in respect of 2014 was reclassified from data revenue to airtime and subscription revenue to accurately reflect the respective categories of revenue year-on-year (refer to note 2.2).

	31 December 2014		
Group income statement	Previously reported Rm	Adjustments Rm	Restated Rm
Revenue			
Airtime and subscription	88 347	1 293	89 640
Data	27 478	(1 293)	26 185

1.6.3 Reclassification of foreign exchange gains and losses

The Group manages its risk to foreign exchange exposure on a net basis and consequently in the current year the foreign exchange gains and losses previously disclosed on a gross basis and included in the relevant finance income or finance cost line is now disclosed on a net basis (refer to note 2.5).

The impact of the reclassification as disclosed in the financial statements for the year ended 31 December 2014 is provided below:

	31 December 2014		
Group income statement	Previously reported Rm	Adjustments Rm	Restated Rm
Finance income	6 772	(3 670)	3 102
Finance cost	(10 440)	3 670	(6 770)

1.6.4 Restatement of goodwill disclosed per operation

The Group restated its previously disclosed allocation of goodwill for a number of its operations. The restatement relates to a gain realised on a foreign currency hedge on initial acquisition of these operations. The gain was previously disclosed within the "other" category of goodwill. In addition, goodwill relating to the South African businesses acquired have been moved from the "other" category to be included within Mobile Telephone Networks Proprietary Limited (South Africa) . The re-allocation adjusted the goodwill of the individual operations as follows:

	31 December 2014		
	Previously reported Rm	Adjustments Rm	Restated Rm
Scancom Limited (MTN Ghana)	6 957	(949)	6 008
MTN Sudan Company Limited	784	(340)	444
MTN Yemen	3 338	(455)	2 883
MTN Afghanistan Limited	1 645	(224)	1 421
MTN Syria (JSC)	146	(20)	126
MTN Cyprus Limited	841	(115)	726
Spacetel Benin SA	1 331	(181)	1 150
Areeba Guinea S.A.	918	(125)	793
Lonestar Communications Corporation LLC (Liberia)	332	(45)	287
Mobile Telephone Networks Proprietary Limited (South Africa)[2]	525	1 762	2 287
Other	584	84[1]	668
MTN Zambia	–	298	298
Spacetel Guinea-Bissau SA	–	310	310
	17 401	–	17 401

[1] *Includes reduction from gain on foreign currency hedge and increase from re-allocations.*

[2] *Includes MTN South Africa and other South African based subsidiaries.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS

2.1 Operating segments

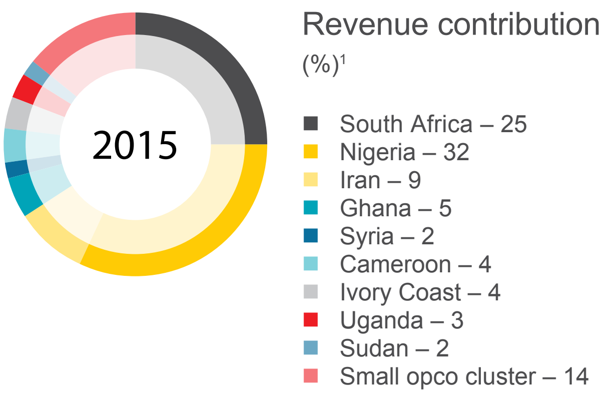
The Group has identified reportable segments that are used by the Group executive committee (chief operating decision maker (CODM)) to make key operating decisions, allocate resources and assess performance. The reportable segments are geographically differentiated regions and are grouped by their relative size.

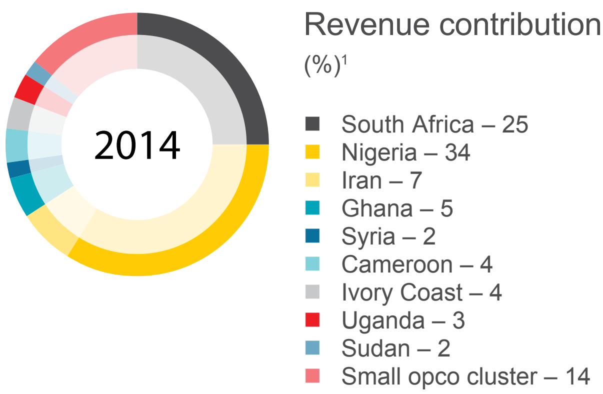
The Group's principal activities include the provision of network IT services, local, national and international telecommunications services; broadband and internet products and services; and converged fixed/mobile products and services.

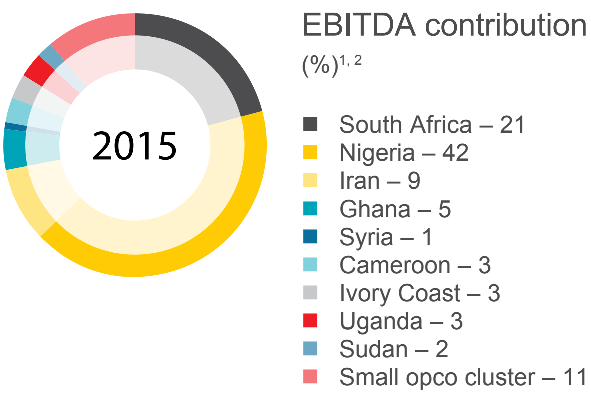
Operating results are reported and reviewed regularly by the Group executive committee and include items directly attributable to a segment as well as those that can be attributed on a reasonable basis, whether from external transactions or from transactions with other Group segments.

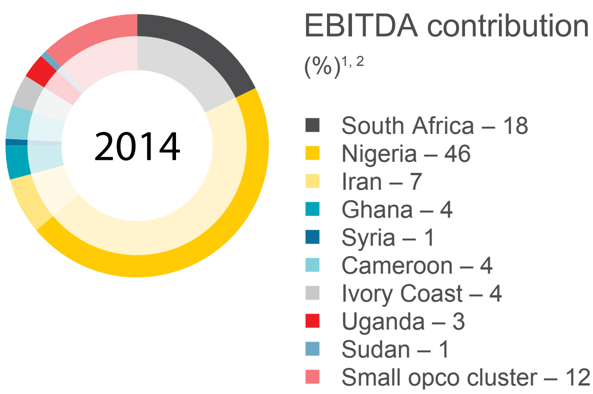
Unallocated items mainly comprise corporate expenses which do not directly relate to the operating activities of the segments or which cannot be re-allocated on a reasonable basis. Segment results are determined before any adjustment for non-controlling interests.

EBITDA is used as the measure of reporting profit or loss of each segment.









[1] *Including Iran, excluding adjustments for hyperinflation and head office companies.*
[2] *Excludes adjustments for profit on tower sales and the regulatory fine in Nigeria (refer note 6.3).*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

			Large opco cluster			
	South Africa Rm	Nigeria Rm	Ghana Rm	Cameroon Rm	Ivory Coast Rm	Uganda Rm
2015						
Revenue	**40 038**	**51 942**	**7 903**	**5 806**	**6 424**	**5 148**
EBITDA	**13 370**	**27 504**	**3 197**	**2 101**	**2 195**	**1 775**
Depreciation and amortisation						
Impairment of goodwill						
Net finance costs						
Net monetary gain						
Share of results of associates and joint ventures after tax						
Profit before tax						
EBITDA margin (%)	**33,4**	**53,0**	**40,5**	**36,2**	**34,2**	**34,5**
Capital expenditure[4]	**10 948**	**4 993**	**1 831**	**1 911**	**833**	**951**
Capex/revenue (%)	**27,3**	**9,6**	**23,2**	**32,9**	**13,0**	**18,5**
2014						
Revenue	38 922	53 995	7 149	6 194	6 418	5 289
EBITDA	12 509	31 620	2 674	2 651	2 475	2 074
Depreciation and amortisation						
Impairment of goodwill						
Net finance costs						
Net monetary gain						
Share of profit/(loss) of associates and joint ventures after tax						
Profit before tax						
EBITDA margin (%)	32,1	58,6	37,4	42,8	38,6	39,2
Capital expenditure[4]	5 676	8 375	1 400	862	1 185	667
Capex/revenue (%)	14,6	15,5	19,6	13,9	18,5	12,6

[1] *Excludes adjustments for hyperinflation.*
[2] *Head office companies and eliminations consist mainly of the Group's central financing activities, management fees and dividends received from segments as well as intersegment eliminations.*
[3] *Irancell Telecommunication Company Services (PJSC) proportionate results are included in the segment analysis as reviewed by the CODM and excluded from IFRS reported results due to equity accounting for joint ventures.*
[4] *Capital expenditure comprises additions to property, plant and equipment, software and capital work in progress.*

The Group is domiciled in South Africa.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

					Adjustments to IFRS				
Syria[1] Rm	Sudan[1] Rm	Small opco cluster Rm	Major joint venture – Iran[1] Rm	Head office companies and elimina-tions[2] Rm	Iran[3] Rm	Profit on tower sales Rm	Nigeria regulatory fine Rm	Adjust-ments for hyper-inflation Rm	Consoli-dated Rm
2 605	**3 472**	**23 290**	**13 660**	**(275)**	**(13 660)**	**–**		**710**	**147 063**
460	**1 216**	**7 525**	**5 665**	**575**	**(5 665)**	**8 263**	**(9 287)**	**231**	**59 125**
									(23 293)
									(504)
									(3 010)
									1 348
									1 226
									34 892
17,7	**35,0**	**32,3**	**41,5**						**40,2**
974	**819**	**4 368**	**4 180**	**1 571**	**(4 180)**	**–**		**412**	**29 611**
37,4	**23,6**	**18,8**	**30,6**						**20,1**
3 449	2 701	22 385	11 631	(348)	(11 631)	–		776	146 930
651	914	8 083	4 982	1 869	(4 982)	7 430	–	241	73 191
									(21 513)
									(2 033)
									(3 668)
									878
									4 208
									51 063
18,9	33,8	36,1	42,8						49,8
357	1 392	3 888	3 112	1 440	(3 112)	–		164	25 406
10,4	51,5	17,4	26,8						17,3

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is presented net of indirect taxes, estimated returns and trade discounts.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Postpaid products typically include the sale of a handset, activation fee and a service contract; and prepaid products include a subscriber identification module (SIM) card and airtime.

Multiple element (or bundled) arrangements are divided into separate units of accounting, and revenue is recognised through the application of the relative fair value method, resulting in the proportionate allocation of any discount to all elements in the bundle.

The Group operates loyalty programmes in certain entities where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the consideration received or receivable between the reward points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage (forfeiture of points) is recognised when redemption becomes remote.

The main categories of revenue and the bases of recognition are as follows:

Airtime and subscription, data and SMS
- airtime, data and SMS: revenue is recognised on the usage basis commencing on the date of activation;
- subscription: revenue is recognised over the period that enables a customer to access network services;
- connection fees: revenue is recognised on the date of activation of a new SIM card; and
- SIM kits: revenue is recognised on the date of sale.

The terms and conditions of postpaid bundled airtime products may allow for the carryover of unused value or minutes. The revenue related to the unused value or minutes is deferred and recognised when utilised by the customer or on termination of the contract. Breakage (forfeiture of unused value or minutes) is recognised when the unused value or minutes expire or when usage thereof becomes remote.

Revenue received on prepaid contracts is deferred and recognised when services are utilised by the customer or on termination of the customer relationship. Breakage is recognised when the prepaid credit expires or when utilisation thereof becomes remote.

Interconnect/roaming
Interconnect/roaming revenue is recognised on a usage basis, unless it is not probable on the transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties in settling outstanding amounts.

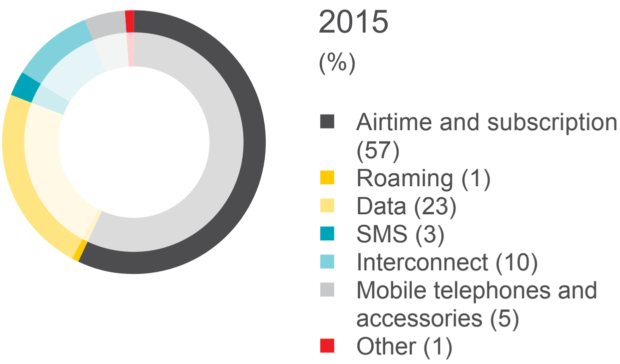
Mobile telephones and accessories
Revenue on the sale of mobile telephones and accessories to third parties are recognised only when risks and rewards of ownership are transferred to the buyer.

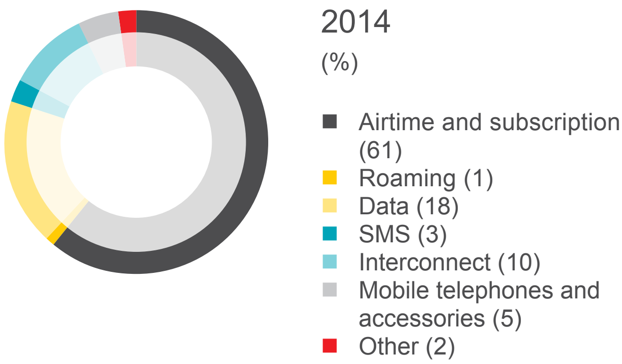
Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue (continued)





	2015 Rm	2014 Rm
Airtime and subscription	**83 922**	89 640[1]
Roaming	**1 524**	1 510
Data	**34 057**	26 185[1]
SMS	**4 121**	4 552
Interconnect	**14 763**	15 009
Mobile telephones and accessories	**6 985**	7 890
Other	**1 691**	2 144
	147 063	146 930

The Group's unearned income at the end of the year amounts to R8 519 million (2014: R7 609 million).

[1] *Restatement, refer to note 1.6.2.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.3 Other income

Other income is recognised when the risks and rewards of ownership of the assets are transferred to the buyer.

	2015 Rm	2014 Rm
Profit on tower sales – Nigeria	**8 233**	7 329
Sale proceeds	**6 515**	5 406
Contingent consideration	**(19)**	327
Fair value of retained interest in Nigeria Tower InterCo B.V. and equity derivative	**4 888**	4 309
Carrying amount of assets and related liabilities disposed	**(3 151)**	(2 713)
Profit on tower sales – other subsidiaries	**–**	70
Sale proceeds	**–**	1 059
Carrying amount of assets and related liabilities disposed	**–**	(962)
Warranty provision and consultancy cost	**–**	(27)
Total profit on tower sales	**8 233**	7 399
Realisation of deferred gain on Ghana tower sale[1]	**30**	31
Realisation of deferred gain on asset swap for investment in BICS[2]	**–**	364
Other	**146**	134
	8 409	7 928

[1] *In 2011, Scancom Limited (MTN Ghana) concluded a transaction with American Tower Company (ATC), which involved the sale of MTN Ghana's base transceiver station (BTS) sites to Ghana Tower InterCo B.V. which is an associate of the Group. Profit was eliminated to the extent of the Group's interest in the associate. Such unrealised profit is realised by the Group as the underlying assets are depreciated by the associate.*

[2] *The deferred gain arose on the contribution of various assets from MTN Dubai, MTN International Carrier Services and Uniglobe in exchange for a 20% investment in the associate, Belgacom International Carrier Services (BICS) (note 9.2). This gain was deferred and is being amortised over a five-year period. The deferred gain was fully amortised during 2014.*

As part of the Group's strategy to monetise its investment in tower infrastructure, the Group sold 8 850 of its mobile network towers in MTN Nigeria Communications Limited, in two tranches to INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V. As a result, IHS obtained a 49% interest in Nigeria Tower InterCo B.V., with the remaining 51% interest held by the Group (note 9.2). Nigeria Tower InterCo B.V. has been classified as an associate of the Group.

The first tranche of the tower sales closed on 24 December 2014 and involved the sale of 4 154 mobile network towers by MTN Nigeria Communications Limited to INT Towers Limited for a cash consideration of US$451 million and the Group recognising its equity interest in Nigeria Tower InterCo B.V. amounting to US$370 million. A receivable amounting to US$29 million was initially recognised based on management's estimate of the contingent consideration receivable. This was reduced during the current financial year by US$1,6 million.

The second tranche of the tower sales closed on 1 July 2015 and involved the sale of 4 696 mobile network towers by MTN Nigeria Communications Limited to INT Towers Limited for a cash consideration of US$533 million and the Group recognising an additional equity interest in Nigeria Tower InterCo B.V. amounting to US$405 million.

MTN Nigeria Communications Limited is the anchor tenant on commercial terms on the towers for an initial period of 10 years. The transactions resulted in sale and leaseback transactions classified as operating leases (note 1.5.6).

The Group also concluded transactions with IHS in which IHS acquired 550 mobile network towers from MTN Rwandacell Limited for US$48 million and 748 towers from MTN (Zambia) Limited for US$57 million during 2014. IHS is a 100% shareholder of the tower companies set up in each country to manage the towers and other passive infrastructure. MTN Rwandacell Limited and MTN (Zambia) Limited are the anchor tenants on commercial terms of the towers for an initial term of 10 years. The transactions resulted in sale and leaseback transactions classified as operating leases (note 1.5.6).

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.4 Operating profit

Employee benefits

Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period. A liability is recognised for accumulated leave when there is a present legal or constructive obligation as a result of past service rendered by employees.

A liability for unvested short-term benefits is recognised when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid can be reliably estimated; or
- achievement of previously agreed bonus criteria has created a valid expectation by employees that they will receive a bonus and the amount can be reliably estimated.

Post-employment benefits

Defined contribution plans

Group companies operate various defined contribution plans. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payment transactions

The Group operates a number of share incentive schemes. For further details, refer to note 8.4.

Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date due to retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* that includes the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.4 Operating profit (continued)

	2015 Rm	2014 Rm
Staff costs	**(8 587)**	(8 838)
Salaries and wages	**(6 698)**	(7 109)
Post-employment benefits	**(363)**	(405)
Share options granted to directors and employees (note 8.4)	**(179)**	(110)
Training	**(223)**	(244)
Other	**(1 124)**	(970)
The following disclosable items have been included in arriving at operating profit:		
Auditors' remuneration	**(130)**	(129)
Audit fees	**(107)**	(104)
Fees for other services	**(15)**	(14)
Expenses	**(8)**	(11)
Emoluments to directors and prescribed officers (note 10.1)	**(187)**	(154)
Operating lease rentals	**(8 692)**	(4 413)
Property and network sites	**(8 601)**	(4 312)
Equipment and vehicles	**(91)**	(101)
Loss on disposal of property, plant and equipment and intangible assets	**(8)**	(69)
Impairment loss on property, plant and equipment (note 5.1)	**(77)**	(634)
Impairment loss on other intangible assets (note 5.2)	**–**	(74)
(Write-down)/reversal of write-down of inventories (note 4.1)	**(669)**	94
Impairment of trade receivables (note 4.2)	**(1 151)**	(286)
Reversal of impairment of non-current receivables (note 7.3)	**–**	230

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.5 Finance income and finance costs

Finance income

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, net foreign exchange gains and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, net foreign exchange losses and any losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

	2015 Rm	2014[2] Rm
Interest income on loans and receivables	**2 173**	789
Interest income on bank deposits	**3 269**	2 313
Finance income	**5 442**	3 102
Interest expense on financial liabilities measured at amortised cost	**(6 981)**	(5 669)
Net foreign exchange losses[1]	**(1 471)**	(1 101)
Finance costs	**(8 452)**	(6 770)
Net finance costs recognised in profit or loss	**(3 010)**	(3 668)

[1] *The foreign exchange gains and losses have been determined on an instrument-by-instrument basis.*
[2] *Foreign exchange gains and losses have been disclosed on a net basis (refer to note 1.6.3).*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.6 Cash generated from operations

	2015 Rm	2014 Rm
Profit before tax	**34 892**	51 063
Adjusted for:		
Finance costs (note 2.5)	**8 452**	6 770
Finance income (note 2.5)	**(5 442)**	(3 102)
Depreciation of property, plant and equipment (note 5.1)	**19 557**	18 262
Amortisation of intangible assets (note 5.2)	**3 736**	3 251
Loss on disposal of property, plant and equipment and intangible assets (note 2.4)	**8**	69
Loss on disposal of joint venture	**–**	15
Share of results of associates and joint ventures after tax (note 9.2)	**(1 226)**	(4 208)
Increase in provisions	**9 681**	140
Write-down of/(reversal of write-down) inventories (note 4.1)	**669**	(94)
Impairment of goodwill (note 5.2)	**504**	2 033
Impairment loss on other intangible assets (note 5.2)	**–**	74
Impairment loss on property, plant and equipment (note 5.1)	**77**	634
Impairment of trade receivables (note 4.2)	**1 151**	286
Reversal of impairment of non-current receivables (note 7.3)	**–**	(230)
Profit on sale of towers (note 2.3)	**(8 233)**	(7 399)
Realisation of previously deferred profit on Ghana tower sale (note 2.3)	**(30)**	(31)
Realisation of deferred gain on asset swap (note 2.3)	**–**	(364)
Equity-settled share-based payment transactions (note 2.4)	**179**	110
Net monetary gain	**(1 348)**	(878)
Other	**192**	(35)
	62 819	66 366
Changes in working capital	**(5 221)**	(1 738)
Increase in inventories	**(2 333)**	(65)
(Decrease)/increase in unearned income	**(75)**	654
Increase in receivables and prepayments	**(4 591)**	(1 926)
Increase/(decrease) in trade and other payables	**1 778**	(401)
Cash generated from operations	**57 598**	64 628

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.7 Earnings per ordinary share

Basic earnings per share
Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect. The Company has dilutive potential ordinary shares which comprise share options and share rights issued in terms of the Group's share schemes, performance share plan and the MTN Zakhele transaction.

For the share options and share rights the number of shares issued for value is calculated by determining the number of the Company's shares that would be required at fair value to settle the monetary value of the rights, after taking into account the unamortised share-based payment value. A calculation is further done to determine the bonus element. This is calculated as the difference between the total number of potential ordinary shares in issue and the number of shares to be issued for value. For the purposes of this calculation the average annual market share price of the Company is used.

Headline earnings per share
Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2015 issued by the South African Institute of Chartered Accountants (SAICA).

In terms of the MTN Zakhele BBBEE transaction, the Group issued notional vendor financing shares to MTN Zakhele at par value (note 8.1). The Group has a call option over these shares. As these shares are potentially dilutive shares, these are included in the diluted earnings per share calculation. A calculation is done at each reporting period to determine the number of shares that could have been acquired at fair value.

	2015 '000	2014 '000
Weighted average number of shares (excluding treasury shares)	**1 822 454**	1 831 196
Adjusted for:		
– Share options – MTN Zakhele	**3 792**	7 193
– Share appreciation rights	**413**	715
– Performance share plan	**552**	2 150
Weighted average number of shares for calculation of diluted earnings per share	**1 827 211**	1 841 254

Refer to note 8.1 for a reconciliation of total shares in issue.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.7 Earnings per ordinary share (continued)

Reconciliation between net profit attributable to the equity holders of the Company and headline earnings:

	2015 Gross Rm	2015 Net[1] Rm	2014 Gross Rm	2014 Net[1] Rm
Profit after tax		**20 204**		32 079
Adjusted for:				
Net (profit)/loss on disposal of property, plant and equipment and intangible assets (IAS 16 and IAS 38)	**(2)[2]**	**5**	69	63
Impairment of goodwill (IAS 36)	**504**	**504**	2 033	2 033
Net impairment loss of impairment of property, plant and equipment (IAS 36)	**38[2]**	**29**	708	565
Loss on disposal of joint venture (IAS 28)	**–**	**–**	15	15
Realisation of deferred gain (IAS 28)	**–**	**–**	(364)	(364)
Profit on disposal of non-current assets held for sale (IFRS 5)	**(8 264)[3]**	**(7 112)**	(7 399)	(6 237)
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	**(30)**	**(30)**	(31)	(31)
Headline earnings		**13 600**		28 123

	2015	2014
Earnings per ordinary share (cents)		
– Basic earnings	**1 109**	1 752
– Basic headline earnings	**746**	1 536
– Diluted earnings	**1 106**	1 742
– Diluted headline earnings	**744**	1 527

[1] *Amounts are measured after taking into account non-controlling interests and tax.*
[2] *Including net loss on disposal and net impairment loss on property, plant and equipment and intangible assets from joint ventures.*
[3] *Non-controlling interest amounting to R1 858 million (2014: R1 586 million).*

Headline earnings is calculated in accordance with Circular 2/2015 Headline Earnings as issued by the South African Institute of Chartered Accountants, as required by the JSE Limited.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

3 TAXATION

3.1 Income tax expense

The tax expense for the period comprises current, deferred and withholding tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity. For these items the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax
Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements for financial reporting purposes. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for unused tax losses or deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyper-inflationary economies, deferred tax relating to these subsidiaries is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

Withholding tax
Withholding tax is payable at different rates varying between 0% and 25% on amounts paid to the Group companies by their subsidiaries as dividends and management fees.

	2015 Rm	2014 Rm
Analysis of income tax expense for the year		
Normal tax	**(10 241)**	(13 027)
Current year	**(11 021)**	(13 226)
Adjustments in respect of the prior year	**780**	199
Deferred tax (note 3.2)	**530**	1 400
Current year	**1 329**	1 466
Adjustments in respect of the prior year	**(799)**	(66)
Capital gains tax	**–**	(1)
Foreign income and withholding taxes	**(1 611)**	(1 733)
	(11 322)	(13 361)

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

3 TAXATION (continued)

3.1 Income tax expense (continued)

The table below explains the differences between the expected tax expense on continuing operations, at the South African statutory rate of 28% and the Group's total tax expense for each year.

The Group's effective tax rate is reconciled to the South African statutory rate as follows:

	2015 %	2014 %
Tax rate reconciliation		
Tax at statutory tax rate	**28,00**	28,00
Expenses not allowed	**11,89**	1,86
Effect of different tax rates in other countries	**(0,16)**	0,60
Income not subject to tax	**(11,16)**	(4,51)
Share of results of associates and joint ventures	**(0,99)**	(2,31)
Foreign income and withholding taxes	**4,62**	3,39
Other	**0,25**	(0,86)
Effective tax rate	**32,45**	26,17

The following are the corporate tax rates applicable to the various jurisdictions in which the Group operates:

	Corporate tax rate	
Country	**2015 %**	2014 %
Afghanistan	**20**	20
Benin[1]	**30**	30
Cameroon	**33**	38,5
Congo[1]	**30**	30
Côte d'Ivoire	**30**	30
Cyprus	**12,5**	12,5
Ethiopia	**30,0**	30,0
Ghana	**25**	25
Guinea-Bissau	**25**	25
Guinea	**35**	35
Kenya	**30**	30
Liberia	**25**	25
Monaco	**0 – 33**	0 – 33
Namibia	**33**	33
Netherlands	**25**	25
Nigeria	**30**	30
Rwanda	**30**	30
South Africa	**28**	28
South Sudan	**20**	20
Sudan[2]	**2,5**	2,5
Syria	**14,0**	14,0
Uganda	**30**	30
Yemen	**50**	50
Zambia	**35**	35

[1] The entity has been granted a tax holiday at 31 December 2015.
[2] The entity was granted a tax holiday until March 2015. From April 2015 corporate tax of 2,5% on net revenues became applicable.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

3 TAXATION (continued)

3.2 Deferred taxes

Deferred tax is accounted for in accordance with the accounting policy disclosed in note 3.1.

	1 January 2014 Rm	Recognised in profit or loss Rm	Exchange and other movements[1] Rm	31 December 2014 Rm	**Recognised in profit or loss Rm**	**Exchange and other movements[1] Rm**	**Rm**
Provisions	1 074	(127)	13	960	**(368)**	**178**	**770**
Tax loss carried forward	587	(248)	(30)	309	**83**	**(40)**	**352**
Arising due to fair value adjustments on business combinations/revaluations	(46)	45	23	22	**5**	**(1 191)**	**(1 164)**
Working capital allowances	22	549	–	571	**(374)**	**(35)**	**162**
Tax allowances in excess of depreciation	(13 006)	805	418	(11 783)	**1 359**	**(1 944)**	**(12 368)**
Other temporary differences	(57)	376	(301)	18	**(175)**	**(94)**	**(251)**
Net deferred tax liability	(11 426)	1 400	123	(9 903)	**530**	**(3 126)**	**(12 499)**
Comprising:							
Deferred tax assets	2 044			1 109			**542**
Deferred tax liabilities	(13 470)			(11 012)			**(13 041)**
	(11 426)			(9 903)			**(12 499)**

[1] *Including the effect of hyperinflation.*

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

There were no deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised in the statement of financial position in the current or prior year.

3.3 Income tax paid

	2015 Rm	2014 Rm
At beginning of the year	**(8 998)**	(6 671)
Amount recognised in profit or loss (note 3.1)	**(11 322)**	(13 361)
Deferred tax charge (note 3.2)	**(530)**	(1 400)
Effect of movements in exchange rates	**(1 626)**	343
Net monetary gain	**–**	12
Other	**288**	300
At end of the year	**8 682**	8 998
Taxation prepaid	**(1 331)**	(564)
Taxation liabilities	**10 013**	9 562
Total tax paid	**(13 506)**	(11 779)

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

4 WORKING CAPITAL

4.1 Inventories

Inventories mainly comprise handsets, SIM cards, accessories held for sale and consumable items.

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is determined using the weighted average method. Cost comprises direct materials and where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, inventories relating to these subsidiaries are measured at the lower of the restated cost and net realisable value.

	2015 Rm	2014 Rm
Finished goods (handsets, SIM cards and accessories) – at cost	**6 766**	3 775
Consumables	**59**	100
Less: Write-down to net realisable value	**(1 190)**	(463)
	5 635	3 412

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its inventories amounting to R47 million (2014: R39 million) (note 6.1).

Reconciliation of write-down of inventory

	At beginning of the year Rm	Additions[1] Rm	Reversals[1] Rm	Utilised Rm	Exchange and other movements Rm	At end of the year Rm
2015						
Movement in write down	**(463)**	**(688)**	**19**	**33**	**(91)**	**(1 190)**
2014						
Movement in write down	(571)	(7)	101	10	4	(463)

[1] *A write-down on inventories of R669 million (2014: R94 million reversal of write down) was recognised in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

4 WORKING CAPITAL (continued)

4.2 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business; and are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 7.1.

Prepayments and other receivables are stated at their nominal values.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, prepayments relating to these subsidiaries are restated by applying the change in the general price indices from the date of payment to the current reporting date.

	2015 Rm	2014 Rm
Trade receivables	**22 764**	17 253
Less: Allowance for impairment of trade receivables (note 7.1.4)	**(3 459)**	(2 514)
Net trade receivables	**19 305**	14 739
Loan to Irancell Telecommunication Company Services (PJSC)[1]	**7 042**	5 120
Receivable from Irancell Telecommunication Company Services (PJSC)[2]	**8 158**	5 640
Prepayments and other receivables[3]	**4 484**	2 961
Sundry debtors and advances[4]	**4 581**	4 358
	43 570	32 818

[1] The loan to Irancell Telecommunication Company Services (PJSC) attracts interest at LIBOR +4% per annum which is capitalised against the loan. The loan and capitalised interest were payable in 2015. In January 2016 financial sanctions were lifted and payment is expected in the foreseeable future. The recoverability of the loan was assessed at the reporting date and was found not to be impaired.

[2] With effect from 25 August 2015, MTN Mauritius and Irancell agreed for the unpaid dividends to bear interest at 8% per annum. In addition and with effect from 1 October 2015, MTN Mauritius and Irancell converted R2 078 million of the unpaid dividend into a loan to provide short-term funding to Irancell. This loan is repayable on 30 September 2017 and bears interest at 12% per annum.

[3] Prepayments and other receivables include prepayments for Base Transceiver Station (BTS) sites and other property leases.

[4] Sundry debtors and advances include advances to suppliers.

An impairment loss of R1 151 million (2014: R286 million) was incurred in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its trade and other receivables amounting to R1 672 million (2014: R1 427 million) (note 6.1).

The Group does not hold any collateral for trade and other receivables.

The Group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 7.1.

4.3 Restricted cash

Restricted cash comprises short-term deposits that are not highly liquid and are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 7.1.

	2015 Rm	2014 Rm
Restricted cash deposits	**1 735**	893

Restricted cash deposits includes amounts of R271 million (2014: R331 million) and R1 259 million (2014: R257 million) relating to the Syrian and Nigerian operations respectively, which are not available for use by the Group. In respect of Syria, this was due to exchange control regulations and a lack of foreign currency in the country. The restricted cash balance is considered to represent excess cash not required for payment of Syrian pound denominated liabilities.

Other restricted cash deposits (mainly relating to MTN Nigeria) consist of monies placed on deposit with banks to secure letters of credit, which were undrawn and not freely available at the reporting date.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

4 WORKING CAPITAL (continued)

4.4 Cash and cash equivalents

Cash and cash equivalents are accounted for as loans and receivables and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Cash and cash equivalents comprise cash on hand and deposits held on call, all of which are available for use by the Group. Bank overdrafts are included within current liabilities on the statement of financial position, unless the Group has a current legally enforceable right to set off the amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously, in which case it is netted off against cash and cash equivalents on the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2015 Rm	2014 Rm
Cash at bank and on hand	**34 177**	43 098
Bank overdrafts	**(38)**	(26)
Net cash and cash equivalents	**34 139**	43 072

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its cash and cash equivalents amounting to R1 155 million (2014: R876 million) (refer to note 6.1).

4.5 Trade and other payables

Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers; they are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Other payables are stated at their nominal values.

	2015 Rm	2014 Rm
Trade payables	**12 430**	11 187
Sundry creditors	**1 940**	2 728
Accrued expenses	**21 837**	15 711
Other payables	**4 277**	3 608
	40 484	33 234

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS

5.1 Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Property, plant and equipment acquired through business combinations are initially shown at fair value (based on replacement cost) and are subsequently carried at the initially determined fair value less accumulated depreciation and impairment losses.

Property, plant and equipment under construction (capital work in progress) are measured at initial cost and depreciation commences from the date the assets are transferred to an appropriate category of property, plant and equipment, i.e. when commissioned and ready for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment. The Group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are expensed in profit or loss.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to provisions (note 6.3) for further information about the recognised decommissioning provision and the significant accounting judgements, estimates and assumptions made.

In circumstances whereby the Group enters into an exchange transaction, the Group determines whether such an exchange has commercial substance. Property, plant and equipment acquired in an exchange transaction 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. Any consideration paid or payable is included in the cost of the asset received. Property, plant and equipment received for no consideration is accounted for at zero value.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, property, plant and equipment relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation relating to the property, plant and equipment of MTN Sudan Company Limited and MTN Syria (JSC) is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

Useful lives and residual values are reviewed on an annual basis and the effect of any changes in estimate is accounted for on a prospective basis.

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items.

Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

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

	2015 Years	2014 Years
Buildings – owned	5 – 50	5 – 50
Buildings – leased[1]	1 – 20	1 – 20
Network infrastructure	2 – 20	2 – 20
Information systems equipment	1 – 10	1 – 10
Furniture and fittings	3 – 15	3 – 15
Leasehold improvements[1]	2 – 15	2 – 15
Office equipment	2 – 12	2 – 12
Motor vehicles	3 – 10	3 – 10

[1] *Shorter of lease term and useful life.*

Land is not depreciated. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the expected term of the relevant lease.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are included in profit or loss during the financial period in which they are incurred. The gain or loss arising on the disposal or retirement of an asset is included in profit or loss.

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Goodwill arising from business combinations is allocated to CGUs or the group of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is subsequently reversed only to the extent that the asset or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

The Group annually reviews the carrying amounts of its property, plant and equipment in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

	Land and buildings[1] Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work in progress/ other Rm	Vehicles[2] Rm	Total Rm
Carrying amount at 1 January 2014	6 343	1 122	70 851	3 839	10 125	623	92 903
Additions	380	196	7 539	1 287	12 604	148	22 154
Disposals	–	(3)	(172)	(25)	(179)	(40)	(419)
Re-allocations[3]	250	18	4 883	453	(11 711)	30	(6 077)
Depreciation for the year	(476)	(195)	(15 659)	(1 570)	(171)	(191)	(18 262)
Impairment loss	–	–	(471)	–	(163)	–	(634)
Other movements	–	8	(741)	(73)	(340)	–	(1 146)
Effect of movements in exchange rates[4]	(74)	(13)	(983)	(43)	149	(9)	(973)
Carrying amount at 31 December 2014	6 423	1 133	65 247	3 868	10 314	561	87 546
Comprising:							
Cost	8 642	2 725	134 639	10 968	11 017	1 225	169 216
Accumulated depreciation and impairment losses	(2 219)	(1 592)	(69 392)	(7 100)	(703)	(664)	(81 670)
	6 423	1 133	65 247	3 868	10 314	561	87 546
Carrying amount at 1 January 2015	**6 423**	**1 133**	**65 247**	**3 868**	**10 314**	**561**	**87 546**
Additions	**465**	**177**	**8 802**	**1 484**	**14 700**	**123**	**25 751**
Disposals	**–**	**(2)**	**(328)**	**(20)**	**(68)**	**(16)**	**(434)**
Re-allocations[3]	**124**	**311**	**14 099**	**519**	**(14 193)**	**(4)**	**856**
Depreciation for the year	**(412)**	**(328)**	**(16 489)**	**(1 849)**	**(285)**	**(194)**	**(19 557)**
Impairment loss	**–**	**–**	**(77)**	**–**	**–**	**–**	**(77)**
Other movements	**(5)**	**26**	**425**	**(300)**	**(49)**	**(2)**	**95**
Effect of movements in exchange rates[4]	**443**	**116**	**9 108**	**520**	**2 264**	**71**	**12 522**
Carrying amount at 31 December 2015	**7 038**	**1 433**	**80 787**	**4 222**	**12 683**	**539**	**106 702**
Comprising:							
Cost	**9 966**	**3 612**	**173 833**	**13 746**	**13 952**	**1 361**	**216 470**
Accumulated depreciation and impairment losses	**(2 928)**	**(2 179)**	**(93 046)**	**(9 524)**	**(1 269)**	**(822)**	**(109 768)**
	7 038	**1 433**	**80 787**	**4 222**	**12 683**	**539**	**106 702**

[1] *Included in land and buildings are leased assets with a carrying amount of R162 million (2014: R179 million).*
[2] *Included in vehicles are leased assets with a carrying amount of R80 million (2014: R48 million).*
[3] *Re-allocations include an amount of R208 million (2014: R5 966 million) relating to network infrastructure re-allocated to non-current assets held for sale (note 5.3).*
[4] *Includes the effect of hyperinflation.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.1 Impairment loss

The following entities recognised impairment losses/(reversals) during the year:

	2015 Rm	2014 Rm
Scancom Limited (Ghana)	**(13)**	329
MTN Nigeria Communications Limited	**46**	133
Mobile Telephone Network Proprietary Limited (South Africa)	**39**	169
Areeba Guinea S.A.	**5**	3
	77	634

5.1.2 Leased property, plant and equipment

The Group leases various premises and sites which have varying terms, escalation clauses and renewal rights.

Finance lease commitments are disclosed in note 6.6.

5.1.3 Capital work in progress

There are various capital work-in-progress projects under way within the Group, a summary of which is set out below:

	2015 Rm	2014 Rm
Mobile Telephone Networks Proprietary Limited (South Africa)	**1 266**	766
Scancom Limited (Ghana)	**185**	990
MTN Sudan Company Limited	**1 402**	961
MTN Nigeria Communications Limited	**1 184**	987
MTN Afghanistan Limited	**165**	195
Areeba Guinea S.A.	**308**	100
MTN Côte d'Ivoire S.A.	**81**	303
MTN Uganda Limited	**–**	313
MTN (Dubai) Limited	**234**	68
MTN Yemen	**285**	209
MTN South Sudan Limited	**69**	391
MTN Syria (JSC)	**1 451**	513
MTN Congo S.A.	**356**	274
MTN Cameroon Limited	**412**	115
Lonestar Communications Corporation LLC	**222**	130
Other	**362**	304
	7 982	6 619

5.1.4 Changes in estimates

During the year, Scancom Ltd (MTN Ghana) revised the useful lives of its network infrastructure and information systems from five to 14 years to three to 20 years and four to five years to three to five years, respectively. This resulted in an increase in the depreciation charge of R246 million and R35 million respectively, for the current and future years. In 2014, MTN Afghanistan Limited revised the useful life of its network infrastructure from 10 to 6,5 years. This resulted in an increase of R86 million in the depreciation charge for the current and future years.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.5 Encumbrances

Borrowings are secured by various categories of property, plant and equipment with the following carrying amounts (note 6.1):

	2015 Rm	2014 Rm
Scancom Limited (Ghana)	**6 510**	5 600
MTN Sudan Company Limited	**5 140**	4 030
MTN Congo S.A.	**18**	27
	11 668	9 657

5.2 Intangible assets and goodwill

Goodwill

Goodwill is measured at cost less accumulated impairment losses and is not amortised but tested for impairment annually.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, goodwill relating to these subsidiaries is restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill arising on the acquisition of an associate or joint venture is included in "investment in associates and joint ventures", and is tested for impairment as part of the overall balance.

Gains or losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

The Group annually reviews the carrying amounts of intangible assets with indefinite useful lives for impairments. The recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Intangible assets with finite useful lives

The Group's intangible assets with finite useful lives are as follows:

- licences;
- customer relationships;
- computer software; and
- other intangible assets.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses. The initial cost incurred in respect of licences is capitalised. Contingent licence fees are expensed as they are incurred.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, intangible assets relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. Amortisation relating to MTN Sudan Company Limited and MTN Syria (JSC) is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero.

The basis for determining the useful lives for the various categories of intangible assets is as follows:

Licences

The useful lives of licences are determined primarily with reference to the unexpired licence period.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

Customer relationships
The useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to factors such as customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life.

Software
The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the Group, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful life.

Other intangible assets
Useful lives of other intangible assets are based on management's estimates and take into account historical experience as well as future events which may impact the useful lives.

The estimated useful lives of intangible assets with finite useful lives are as follows:

	2015 Years	2014 Years
Licences	**3 – 20**	3 – 20
Customer relationships	**5 – 10**	5 – 10
Software	**3 – 6**	3 – 6
Other intangible assets	**3 – 10**	3 – 10

The gain or loss arising on the disposal or retirement of an intangible asset is included in profit or loss.

Costs associated with maintaining intangible assets are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable intangible assets controlled by the Group, and that will probably generate economic benefits, are capitalised when all criteria for capitalisation are met.

Expenditure that enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and added to the original cost of the assets. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Determination of fair values

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

The fair values of all other intangible assets acquired in a business combination applicable to the Group are based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into cash-generating units. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is subsequently reversed only to the extent that the asset or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss in respect of goodwill is not reversed.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

	Goodwill Rm	Licences Rm	Customer relationships Rm	Software[1] Rm	Other intangible assets Rm	Capital work-in-progress Rm	Total Rm
Carrying amount at 1 January 2014	24 160	5 629	–	6 459	271	1 232	37 751
Additions[2]	844	71	816	2 144	247	1 108	5 230
Disposals	–	–	–	(204)	–	–	(204)
Re-allocations	–	210	–	2 197	–	(2 296)	111
Amortisation for the year	–	(882)	(31)	(2 320)	(18)	–	(3 251)
Impairment loss	(2 033)	–	–	(74)	–	–	(2 107)
Other movements	–	–	11	(1)	(9)	–	1
Effect of movements in exchange rates[3]	(746)	(26)	(5)	(137)	–	1	(913)
Carrying amount at 31 December 2014	22 225	5 002	791	8 064	491	45	36 618
Comprising:							
Cost	24 258	13 841	5 212	17 023	1 134	45	61 513
Accumulated amortisation and impairment losses	(2 033)	(8 839)	(4 421)	(8 959)	(643)	–	(24 895)
	22 225	5 002	791	8 064	491	45	36 618
Carrying amount at 1 January 2015	**22 225**	**5 002**	**791**	**8 064**	**491**	**45**	**36 618**
Additions[2]	**–**	**8 948**	**3**	**2 860**	**4**	**1 000**	**12 815**
Acquisitions through business combinations (note 9.4)	**742**	**3 752**	**–**	**–**	**–**	**–**	**4 494**
Disposals	**–**	**(163)**	**–**	**(87)**	**–**	**–**	**(250)**
Re-allocations	**–**	**217**	**–**	**(498)**	**–**	**(783)**	**(1 064)**
Amortisation for the year	**–**	**(1 136)**	**(150)**	**(2 439)**	**(11)**	**–**	**(3 736)**
Impairment loss	**(504)**	**–**	**–**	**–**	**–**	**–**	**(504)**
Other movements	**456**	**2**	**–**	**(299)**	**–**	**4**	**163**
Effect of movements in exchange rates[3]	**4 312**	**2 478**	**20**	**568**	**–**	**(27)**	**7 351**
Carrying amount at 31 December 2015	**27 231**	**19 100**	**664**	**8 169**	**484**	**239**	**55 887**
Comprising:							
Cost	**29 768**	**29 512**	**5 360**	**17 992**	**1 137**	**239**	**84 008**
Accumulated amortisation and impairment losses	**(2 537)**	**(10 412)**	**(4 696)**	**(9 823)**	**(653)**	**–**	**(28 121)**
	27 231	**19 100**	**664**	**8 169**	**484**	**239**	**55 887**

[1] Included in software are leased assets with a carrying amount of R742 million (2014: R733 million).
[2] Included in additions are capitalised borrowing costs of R43 million (2014: R45 million). The capitalisation rate for the year was 8,6% (2014: 8,6%).
[3] Includes the effect of hyperinflation.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill

A summary of the goodwill allocation and related assumptions applied for impairment testing purposes are presented below:

	2015			2014		
	Growth rate %	**Discount rate %**	**Carrying amount Rm**	Growth rate %	Discount rate %	Carrying amount Rm[1]
MTN Côte d'Ivoire S.A.	**3,0**	**18,2**	**3 064**	2,5	12,2	2 599
Scancom Limited (MTN Ghana)	**7,4**	**21,9**	**6 905**	7,5	19,5	6 008
MTN Sudan Company Limited	**5,2**	**23,7**	**1 190**	10,0	32,6	444
MTN Yemen	**8,0**	**34,2**	**4 018**	7,1	26,2	2 883
MTN Afghanistan Limited	**5,0**	**19,2**	**1 656**	5,0	19,2	1 421
MTN Uganda Limited	**5,0**	**18,5**	**743**	5,0	17,2	676
MTN Congo S.A.	**2,5**	**14,2**	**1 035**	2,7	11,6	860
MTN Syria (JSC)	**6,0**	**29,0**	**249**	6,5	25,7	126
MTN Cyprus Limited	**1,9**	**11,6**	**902**	2,0	9,9	726
Spacetel Benin SA	**2,8**	**15,2**	**1 388**	2,8	14,2	1 150
Areeba Guinea S.A.	**5,0**	**27,2**	**490**	5,9	17,0	793
Mobile Telephone Networks Proprietary Limited (South Africa)	**5,5**	**16,3**	**2 287**	5,9	13,4	2 287
Afrihost Proprietary Limited	**5,5**	**16,3**	**319**	5,9	13,4	319
Lonestar Communications Corporation LLC (Liberia)	**6,4**	**16,4**	**400**	5,0	16,4	287
MTN Rwandacell	**5,0**	**16,0**	**449**	5,0	14,6	370
MTN Nigeria Communications Limited (Visafone)	**7,0**	**20,6**	**742**	–	–	–
MTN Zambia	**5,0**	**12,9**	**231**	5,0	17,8	298
Spacetel Guinea-Bissau SA	**3,0**	**11,2**	**375**	2,0	13,4	310
Other			**788**			668
Total			**27 231**			22 225

Goodwill is tested annually for impairment. The recoverable amounts of CGUs were determined based on value-in-use calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a three to 10-year period. Management is confident that projections covering periods longer than three years are appropriate based on the long-term nature of the Group's infrastructure and operating model. Cash flows beyond the above period were extrapolated using the estimated growth rates as mentioned above.

The following key assumptions were used for the value-in-use calculations:
- growth rates: the Group used steady growth rates to extrapolate revenues beyond the budget period cash flows. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGU operated. The average growth rates used ranged from 1,9% to 8,0% (2014 2,0% to 10,0%); and
- discount rates: discount rates ranged from 11,2% to 34,2% (2014: 9,9% to 32,6%). Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU.

Goodwill impairment

During the year, an impairment loss amounting to R504 million (2014: R2 033 million) was recognised relating to Areeba Guinea S.A. which forms part of the small opco cluster segment (2014: MTN Sudan Company Limited).

5.2.2 Encumbrances

Borrowings are secured by intangible assets of Scancom Limited (MTN Ghana) with a carrying amount of R391 million (2014: R539 million) (note 6.1).

[1] *Restated, refer to note 1.6.4.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences

Licence agreements	Type	Granted/ renewed	Term
Mobile Telephone Networks Proprietary Limited (South Africa)	ECS licence	15/01/2009	15 years
	ECNS licence	15/01/2009	20 years
	900MHz 1 800MHz 3G	1/01/2010	Renewable annually
MTN Uganda Limited	900MHz 1 800MHz	15/04/1998	20 years
MTN Rwandacell Limited	GSM	01/07/2008	13 years
	SNO	30/06/2006	15 years
MTN Zambia Limited	900MHz 1 800MHz 2 100MHz	23/09/2010	15 years
MTN Nigeria Communications Limited	1 800MHz 900MHz	03/11/2015	5 years
	3G spectrum licence	01/05/2007	15 years
	Unified access licence (including international gateway)	01/09/2006	15 years
	WACS	01/01/2010	20 years
	WiMax 3,5GHz spectrum	2 007	Renewable annually
	Digital Terrestrial TV broadcasting licence	12/08/2015	10 years
	800MHz	01/01/2015	10 years
	Microwave spectrum 8GHz – 26GHz	2 001	Renewable annually
Scancom Limited (MTN Ghana)	900MHz 1 800MHz	02/12/2004	15 years
	3G	23/01/2009	15 years
	International Gateway[1]	08/11/2014	5 years
	Fixed access service of unified access	06/07/2015	4 years
Mobile Telephone Networks Cameroon Limited	2G 3G 4G	15/02/2015	15 years
MTN Côte d'Ivoire S.A.	900MHz 1 800MHz	02/04/1996	20 years
	WiMax 2,5 – 3,5GHz	31/07/2002	20 years
	3G/UMTS 1,9/2,1GHz	31/05/2012	10 years
	Universal networks	04/01/2016[2]	17 years
Spacetel Benin SA	900MHz 1 800MHz	19/10/2007	25 years
	Universal licence	19/03/2012	20 years

[1] *Licence renewal confirmed in 2015.*
[2] *Licence operational in 2015.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences (continued)

Licence agreements	Type	Granted/ renewed	Term
Areeba Guinea S.A.	900MHz 1 800MHz	31/08/2005	18 years
	3G	14/08/2013	10 years
	WiMax	04/08/2014	5 years
MTN Congo S.A.	900MHz	25/11/2011	15 years
	1 800MHz	25/11/2011	15 years
	International gateway	05/02/2002	15 years
	Optical fibre licence	02/04/2010	15 years
	3G	25/11/2011	17 years
	2G	25/11/2011	15 years
	International gateway by optical fibre	03/06/2013	10 years
Lonestar Communications Corporation LLC (Liberia)	Universal Telecommunication licence	04/08/2015	15 years
Spacetel Guinea-Bissau SA	900MHz 1 800MHz	23/05/2014	10 years
	3G 4G	17/07/2015	10 years
MTN Syria (JSC)	900MHz	29/06/2002	15 years
	1 800MHz	22/03/2007	10 years
	3G	29/04/2009	8 years
	ISP	2009	Renewable annually
	Freehold licence	01/01/2015	20 years
MTN Sudan Company Limited	2G +3G Transmission VSAT gateway VSAT hub VSAT terminal	25/10/2003	20 years
MTN Afghanistan Limited	3G unified licence	01/07/2012	15 years
MTN Yemen	900MHz[1]	31/07/2000	15 years
	1 800MHz	17/02/2008	
MTN Cyprus Limited	900MHz 1 800MHz 4G (LTE) 2 100MHz	01/12/2003	20 years

During the year, the Group concluded negotiations on behalf of Lonestar Communications Corporation LLC (Liberia) for a universal licence. This resulted in the termination of the 900MHz, 1 800MHz, WiMax and 3G licences and the acquisition of a Universal Telecom licence with a term of 15 years with effect from 4 August 2015.

[1] *Renewal application lodged. Licence fees are accrued for a monthly basis.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.4 Events after reporting period

Scancom Limited (MTN Ghana) acquisition of licence

During December 2015, Scancom Limited (MTN Ghana) was successful in its bid to obtain a 15-year 4G/LTE licence in the 800MHz spectrum band for an amount of US$67,5 million. 10% of the purchase consideration was settled before year end as part of the bidding process with the remainder settled on 27 January 2016, following which time the National Communications Authority provided MTN Ghana with provisional authorisation pending issuance of the licence.

5.3 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through sale rather than use.

The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active programme to find a buyer and the appropriate level of management approving the sale. Immediately before classification as held for sale, all assets and liabilities are remeasured in accordance with the Group's accounting policies.

Non-current assets (or disposal groups) held for sale are measured at the lower of the carrying amount and fair value less incremental directly attributable cost to sell and are not depreciated.

Gains or losses recognised on initial classification as held for sale and subsequent remeasurements are recognised in profit or loss, regardless of whether the assets were previously measured at revalued amounts.

	2015 Rm	2014 Rm
Balance at beginning of the year	**3 848**	1 281
Additions	**255**	6 899
Re-allocations from property, plant and equipment	**208**	5 966
Other additions	**47**	933
Disposals	**(3 151)**	(3 675)
Effect of movements in exchange rates	**(942)**	(657)
Balance at end of the year	**10**	3 848

The assets held for sale at 31 December 2015 relate to vehicles that MTN Nigeria Communications Limited has plans to dispose of.

The Group sold its mobile network towers in MTN Nigeria Communications Limited in two tranches to INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V.

The first tranche of the tower sale closed on 24 December 2014 and involved the sale of 4 154 mobile network towers by MTN Nigeria Communications Limited to INT Towers Limited. The second tranche of the tower sales involved the sale of 4 696 mobile network towers and closed on 1 July 2015 (note 2.3).

The Group concluded transactions with IHS in which IHS acquired 550 mobile network towers from MTN Rwandacell Limited for US$48 million and 748 mobile network towers from MTN (Zambia) Limited for US$57 million during the prior year. IHS is a 100% shareholder of the tower companies set up in each country to manage the towers and other passive infrastructure. MTN Rwandacell Limited and MTN (Zambia) Limited will be the anchor tenants on commercial terms on the towers for an initial term of 10 years.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS

6.1 Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facility will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Details of the Group's significant unsecured borrowings are provided below:

	2015 Rm	2014 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
Unsecured						
MTN Holdings Proprietary Limited	**15 829**	13 139				
	4 517	4 506	ZAR[1, 2]	7,9	Quarterly	February 2016
	3 105	–	ZAR[1, 2]	7,9	Semi-annual	December 2017
	2 268	2 767	ZAR[2, 3]	8,0	Quarterly	June 2016
	1 309	2 618	ZAR[4, 5]	10,1	Semi-annual	July 2017
	1 996	1 994	ZAR[2, 6]	7,7	Quarterly	May 2017
	–	1 003	ZAR[2, 3]	7,1	–	Loan repaid during the year
	2 634	251	ZAR[5, 7]	7,2	Monthly	January 2016
MTN Nigeria Communications Limited	**26 153**	24 673				
	19 474	17 697	NGN[1, 2]	18,8	Annual	November 2019
	3 026	2 904	US$[1, 2]	3,7	Semi-annual	April 2019
	2 540	1 351	US$[2, 5, 8]	1,7	Semi-annual	August 2019
	–	1 009	US$[5, 8]	1,7	–	Loan repaid during the year
	1 113	915	US$[2, 9]	3,9	Semi-annual	December 2019
	–	381	US$[5, 8]	1,4	–	Loan repaid during the year
	–	291	US$[5, 8]	3,3	–	Loan repaid during the year
	–	65	US$[2, 8]	1,1	–	Loan repaid during the year
	–	60	US$[2, 8]	3,0	–	Loan repaid during the year
MTN International Mauritius Limited	**10 364**	–	US$[2, 3]	1,4	Quarterly	November 2019
MTN (Mauritius) Investments Limited	**11 633**	8 686	US$[5, 10]	4,8	Semi-annual	November 2024

[1] *Syndicated term loan facility* [2] *Variable interest rate* [3] *Revolving credit facility* [4] *Domestic medium-term notes*
[5] *Fixed interest rate* [6] *Bilateral term loan facility* [7] *General bank facility* [8] *Export credit facility*
[9] *Vendor finance facility* [10] *Senior unsecured notes* [11] *Bank borrowings* [12] *Bridge finance*

* *Contractual interest rates on loans as at 31 December 2015.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

	2015 Rm	2014 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN Zambia Limited	**1 251**	1 362				
	723	688	US$[2, 11]	3,9	Semi-annual	June 2019
	528	674	ZMK[1, 2]	21,5	Semi-annual	January 2016
Spacetel Benin SA	**1 075**	945				
	753	664	XOF[1, 5]	7,3	Semi-annual	May 2020
	322	281	XOF[5, 6]	7,5	Semi-annual	September 2019
MTN Côte d'Ivoire S.A.	**2 838**	745				
	–	426	XOF[5, 11]	3,9	–	Loan repaid during the year
	–	319	XOF[5, 11]	4,0	–	Loan repaid during the year
	502	–	XOF[5, 6]	4,0	Quarterly	January 2016
	377	–	XOF[5, 11]	4,0	Semi-annual	April 2016
	75	–	XOF[5, 11]	6,0	Quarterly	February 2016
	1 884	–	XOF[5, 12]	5,0	Bi-monthly	February 2016
MTN Cyprus Limited	**1 092**	254				
	830	1	EUR[2, 6]	5,5	Semi-annual	September 2020
	262	253	EUR[2, 6]	5,6	Quarterly	October 2020
Mobile Telephone Networks Cameroon Limited	**769**	134	XAF[1, 5]	4,3	Semi-annual	September 2020
Other unsecured borrowings	**501**	550				
Total unsecured borrowings	**71 505**	50 488				

[1] Syndicated term loan facility
[2] Variable interest rate
[3] Revolving credit facility
[4] Domestic medium-term notes
[5] Fixed interest rate
[6] Bilateral term loan facility
[7] General bank facility
[8] Export credit facility
[9] Vendor finance facility
[10] Senior unsecured notes
[11] Bank borrowings
[12] Bridge finance

** Contractual interest rates on loans as at 31 December 2015.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

Details of the Group's significant secured borrowings are provided below:

	2015 Rm	2014 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity	Security/ collateral
Secured							
MTN Sudan Company Limited	**2 435**	1 933					
	1 216	817	EUR[2,9]	6,0	Quarterly	June 2020	Pledge of network and capital work-in-progress assets
	714	506	US$[2,5,9]	10,0	Quarterly	September 2017	Pledge of network and capital work-in-progress assets
	505	588	EUR[2,9]	3,5	Semi-annual	December 2019	Pledge of network and capital work-in-progress assets
	–	22	US$[5,11]	10,0	–	Loan repaid during the year	Deposit equivalent to 140% of the loan
MTN Afghanistan Limited	**–**	138					
	–	32	US$[2,6]	5,5	–	Loan repaid during the year	Pledge of shares
	–	106	US$[2,6]	5,5	–	Loan repaid during the year	Pledge of shares
Scancom Limited (MTN Ghana)	**1 175**	646					
	826	211	GHS[1,2]	25,5	Semi-annual	May 2017	Floating charge on Company assets
	349	435	US$[1,2]	3,5	Semi-annual	May 2017	Floating charge on Company assets
Other secured borrowings	**18**	48					
Total secured borrowings	**3 628**	2 765					
Total unsecured borrowings	**71 505**	50 488					
Total borrowings	**75 133**	53 253					

[1] Syndicated term loan facility *[2] Variable interest rate* *[3] Revolving credit facility* *[4] Domestic medium-term notes*
[5] Fixed interest rate *[6] Bilateral term loan facility* *[7] General bank facility* *[8] Export credit facility*
[9] Vendor finance facility *[10] Senior unsecured notes* *[11] Bank borrowings* *[12] Bridge finance*

** Contractual interest rates on loans as at 31 December 2015.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

	2015 Rm	2014 Rm
The classification of the Group's borrowings is as follows:		
Current	**22 472**	13 783
Non-current	**52 661**	39 470
	75 133	53 253
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
Nigerian naira	**19 474**	17 697
United States dollar	**30 462**	17 722
South African rand	**15 829**	13 139
Euro	**2 813**	1 659
Benin Communauté Financière Africaine franc	**1 075**	945
Côte d'Ivoire Communauté Financière Africaine franc	**2 838**	745
Zambian kwacha	**528**	674
Congo-Brazzaville Communauté Financière Africaine franc	**175**	306
Cameroon Communauté Financière Africaine franc	**769**	134
Other currencies	**1 170**	232
	75 133	53 253
The Group has the following undrawn committed facilities:		
Floating rate	**19 043**	25 282
Fixed rate	**9 560**	7 561
	28 603	32 843

6.1.1 Events after reporting period

Facilities

During January and February 2016, additional loan facilities amounting to R14,9 billion were obtained by MTN Holdings. These facilities are expected to mature in the next five years.

Additionally, facilities amounting to R2,6 billion have been refinanced for a further period of three to six months.

During January 2016, a loan amounting to R481 million payable by MTN Zambia Limited was refinanced for a further three months.

6.2 Other non-current liabilities

Finance leases are accounted for in accordance with the accounting policy disclosed in note 6.6, deferred income is accounted for in accordance with the policy disclosed in note 2.2 and other liabilities are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2015 Rm	2014 Rm
Finance lease obligations (note 6.6)	**711**	696
Deferred income	**527**	542
Licence renewal liability	**495**	–
Other	**451**	347
	2 184	1 585

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not 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. A provision to pay a levy is not recognised until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expected outflow of resources required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Net monetary loss Rm	Exchange and other move-ments[1] Rm	At end of the year Rm
2015							
Non-current							
Decommissioning provision	229	45	–	(12)	–	31	293
Licence obligations	137	–	–	–	–	(60)	77
Nigeria provision for regulatory fine	–	4 104	–	–	–	–	4 104
Other provisions	180	143	(29)	(33)	27	(138)	150
	546	4 292	(29)	(45)	27	(167)	4 624
Current							
Bonus provision	754	735	(91)	(722)	–	114	790
Decommissioning provision	21	–	(19)	–	–	4	6
Nigeria provision for regulatory fine	–	5 183	–	–	–	–	5 183
Licence obligations	74	–	–	(40)	–	60	94
Other provisions	2 565	620	(997)	(327)	–	59	1 920
	3 414	6 538	(1 107)	(1 089)	–	237	7 993

[1] *Includes the effect of hyperinflation.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Net monetary gain Rm	Exchange and other move-ments[1] Rm	At end of the year Rm
2014							
Non-current							
Decommissioning provision	186	107	(34)	(30)	–	–	229
Licence obligations	–	137	–	–	–	–	137
Other provisions	171	91	(43)	(16)	(38)	15	180
	357	335	(77)	(46)	(38)	15	546
Current							
Bonus provision	763	861	(100)	(761)	–	(9)	754
Decommissioning provision	84	3	(74)	(1)	–	9	21
Licence obligations	257	–	(183)	–	–	–	74
Other provisions	3 533	442	(1 065)	(340)	–	(5)	2 565
	4 637	1 306	(1 422)	(1 102)	–	(5)	3 414

[1] *Includes the effect of hyperinflation.*

Bonus provision

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall Company performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the Group annual results have been approved.

Decommissioning provision

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in property, plant and equipment that are erected on leased land.

The Group only recognises these decommissioning costs for the proportion of its overall number of sites for which it expects decommissioning to take place. The expected percentage has been based on actual experience in the respective operations.

Licence obligations

The licence obligations provision represents the estimated costs to be incurred in fulfilling the Universal Services Obligation (USO) in South Africa. USOs are governed by the Electronic Communications Act.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

Nigeria provision for regulatory fine

During October 2015, the Nigerian Communications Commission (NCC) imposed a fine of N1,04 trillion (R80,7 billion[1]) on MTN Nigeria Communications Limited (MTN Nigeria). This fine relates to the timing of the disconnection of 5,1 million MTN Nigeria subscribers who were disconnected in August and September 2015 and is based on a fine of N200 000 for each unregistered subscriber. Subsequently, during December 2015, the NCC revised the amount to N780 billion (R60,6 billion[1]).

MTN Nigeria, acting on external legal advice, has resolved that the manner of the imposition of the fine and the quantum thereof is not in accordance with the NCC's powers under the Nigerian Communications Act, 2003 and therefore believes there to be valid grounds upon which to challenge the fine. Accordingly, MTN Nigeria followed due process and instructed its lawyers to proceed with an action in the Federal High Court in Lagos seeking the appropriate reliefs.

On 22 January 2016, the judge adjourned the matter to 18 March 2016, in order to enable the parties to try to settle the matter.

Pursuant to the ongoing engagement with the Nigerian authorities, MTN Nigeria on 24 February 2016 made an agreed-without-prejudice good-faith payment of N50 billion (R3,9 billion[2]) to the Federal Government of Nigeria on the basis that this will be applied towards a settlement, when one is eventually, hopefully, arrived at. In an effort to achieve an amicable settlement, MTN has agreed to withdraw the matter from the Federal High Court in Lagos.

In arriving at an appropriate provision at 31 December 2015, management has applied its judgement resulting in a provision being recorded as required in accordance with IFRS, amounting to N119,6 billion (R9,3 billion[1]).

In light of the engagement with the Nigerian authorities, the Group has provided limited disclosure relating to the provision in accordance with IFRS.

Other provisions

The Group is involved in various regulatory and indirect tax matters specific to the respective jurisdictions in which the Group operates. These matters may not necessarily be resolved in a manner that is favourable to the Group. The Group has therefore recognised provisions in respect of these matters based on estimates and the probability of an outflow of economic benefits and should not be construed as an admission of legal liability.

[1] *Amounts translated at the closing rate at year end of R1 = N12,88.*
[2] *Translated at the 24 February 2016 closing rate of R1 = N12,76.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.4 Capital commitments

Commitments for the acquisition of property, plant and equipment and software:

	2015 Rm	2014 Rm
Capital expenditure authorised not yet incurred at the reporting date is as follows:		
– Contracted	**12 501**	10 034
– Not contracted	**18 313**	19 659
Total commitments for property, plant and equipment and software	**30 814**	29 693

Capital expenditure will be funded from operating cash flows, existing borrowing facilities and where necessary by raising additional facilities.

6.5 Operating lease commitments

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Sub-lease income is recognised in profit or loss on a straight-line basis over the term of the lease.

In all significant operating lease arrangements in place during the year, the Group acted as the lessee.

Sale and leaseback

In sale and leaseback transactions that result in operating leases, where it is clear that the transaction is priced at fair value, any profit or loss is recognised on the effective date of the sale transaction. If the sale price is below fair value, any profit or loss is recognised on the effective date of the sale transaction except that, if a loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period during which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

If the fair value, at the time of a sale and leaseback transaction, is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately in profit or loss.

The Group leases various premises and sites under non-cancellable/cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Penalties are chargeable on certain leases should they be cancelled before the end of the agreement.

	2015 Rm	2014 Rm
The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:		
Not later than one year	**7 373**	4 280
Later than one year and no later than five years	**30 363**	16 203
Later than five years	**30 696**	13 973
	68 432	34 456

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.6 Finance lease commitments

Assets held under finance leases are capitalised at the lower of the fair value of the leased asset and the estimated present value of the minimum lease payments at the inception of the lease. The corresponding liability to the lessor, net of finance charges, is included in the statement of financial position under other non-current/current liabilities. Each lease payment is allocated between the liability and finance charges. Finance charges, which represent the difference between the total lease commitments and fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

In all significant finance lease arrangements in place during the period, the Group acted as the lessee.

Sale and leaseback

In sale and leaseback transactions that result in finance leases, any excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

At the reporting date, the Group had outstanding commitments under non-cancellable finance leases which fall due as follows:

	Minimum lease payments Rm	**Future finance charges Rm**	**Present value Rm**
2015			
Current			
Not later than one year	**100**	**(35)**	**65**
Non-current (note 6.2)	**945**	**(234)**	**711**
Later than one year and no later than five years	**419**	**(135)**	**284**
Later than five years	**526**	**(99)**	**427**
	1 045	**(269)**	**776**

	Minimum lease payments Rm	Future finance charges Rm	Present value Rm
2014			
Current			
Not later than one year	143	(36)	107
Non-current (note 6.2)	921	(225)	696
Later than one year and no later than five years	395	(135)	260
Later than five years	526	(90)	436
	1 064	(261)	803

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.7 Commercial commitments

Incentives for handset upgrades

The Group's present policy is to pay incentives to service providers (SPs) for handset upgrades. These upgrades are only payable once the subscribers have completed a 21-month period with the SP since the initial commencement of their contract or previous upgrade and the eligible subscribers have exercised their rights to receive upgrades for new postpaid contracts with minimum terms. The value of the obligation may vary depending on the prevailing business rules at the time of the upgrade. The total number of eligible subscribers who had not yet exercised their right to upgrade at 31 December 2015 was 1 233 652 (2014: 1 555 033) and the estimated commitment in respect of these incentives amounts to R972 million (2014: R841 million).

6.8 Contingent liabilities

The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised.

	2015 Rm	2014 Rm
Contingent liabilities	**875**	932
Licence fee and regulatory matters	**–**	598
Litigation and other matters	**865**	323
Other	**10**	11

Litigation and other matters

Uncertain tax exposures in various tax jurisdictions where the Group operates.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK

7.1 Financial risk management and financial instruments

Accounting for financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

All financial assets and liabilities are initially measured at fair value, including transaction costs, except for those classified as at fair value through profit or loss which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Financial assets are recognised (derecognised) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

Financial assets and liabilities are classified as current if expected to be realised or settled within 12 months; if not, they are classified as non-current.

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Financial instrument classification

The Group classifies its financial instruments into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale;
- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition.

Financial instruments comprise investments in equity and debt securities, loans receivable, trade and other receivables (excluding prepayments), investments in self-insurance cell captives, cash and cash equivalents, restricted cash, borrowings, other non-current liabilities (excluding provisions), bank overdrafts, derivatives and trade and other payables.

Subsequent measurement

Subsequent to initial recognition, financial instruments are measured as described below.

Financial assets at fair value through profit or loss

Financial instruments at fair value through profit or loss are subsequently measured at fair value and changes therein are recognised in profit or loss. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Loans and receivables

The Group's loans and receivables comprise loans and other receivables, certain of its current investments, trade and other receivables (excluding prepayments), restricted cash and cash and cash equivalents. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Held-to-maturity investments

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale

Available-for-sale financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are subsequently measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income.

Financial liabilities

Financial liabilities comprise trade and other payables, bank overdrafts, borrowings, derivative liabilities and other non-current liabilities (excluding provisions).

All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value and changes therein are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire.

Substantial modification

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument.

Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. A financial asset or group of financial assets is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial 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 profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and its recoverable amount, being the present value of the estimated future cash flows discounted at the original effective interest rate.

When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The financial assets that are not impaired or are not individually significant are collectively assessed for impairment in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Impairment of trade receivables

An impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The carrying amount of the trade receivable is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Gains or losses arising on modification of debt instruments

Gains or losses arising from the modification of the terms of a debt instrument are recognised immediately in profit or loss where the modification does not result in the derecognition of the existing instrument.

Risk management

Introduction

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange, interest rate and price risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk profile

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments, such as forward exchange contracts and interest rate swaps to hedge certain exposures, but as a matter of principle, the Group does not enter into derivative contracts for speculative purposes. The Group does not apply hedge accounting.

Risk management is carried out under policies approved by the board of directors of the Group and of relevant subsidiaries. The MTN Group executive committee identifies, evaluates and hedges financial risks in co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and investing excess liquidity.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments

	Assets				Liabilities		
	Loans and receivables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Available-for-sale Rm	Amortised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount Rm
2015							
Non-current financial assets							
Loans and non-current receivables	8 269	–	–	–	–	–	8 269
Investments	–	–	262	9 707	–	–	9 969
Current financial assets							
Trade and other receivables	38 587	–	–	–	–	–	38 587
Current investments	802	1 187	6 822	–	–	–	8 811
Derivative assets	–	163	–	–	–	–	163
Restricted cash	1 735	–	–	–	–	–	1 735
Cash and cash equivalents	34 177	–	–	–	–	–	34 177
	83 570	1 350	7 084	9 707	–	–	101 711
Non-current financial liabilities							
Borrowings	–	–	–	–	52 661	–	52 661
Other non-current liabilities	–	–	–	–	1 514	–	1 514
Current financial liabilities							
Trade and other payables	–	–	–	–	37 957	–	37 957
Borrowings	–	–	–	–	22 472	–	22 472
Bank overdrafts	–	–	–	–	38	–	38
	–	–	–	–	114 642	–	114 642

[1] *All financial instruments at fair value through profit or loss are held for trading.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments (continued)

	Assets				Liabilities		
	Loans and receivables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Available-for-sale Rm	Amortised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount Rm
2014							
Non-current financial assets							
Loans and other non-current receivables	5 277	–	–	–	–	–	5 277
Investments	–	–	223	5 912	–	–	6 135
Current financial assets							
Trade and other receivables	29 655	–	–	–	–	–	29 655
Current investments	1 276	906	3 469	–	–	–	5 651
Derivative assets	–	183	–	–	–	–	183
Restricted cash	893	–	–	–	–	–	893
Cash and cash equivalents	43 098	–	–	–	–	–	43 098
	80 199	1 089	3 692	5 912	–	–	90 892
Non-current financial liabilities							
Borrowings	–	–	–	–	39 470	–	39 470
Other non-current liabilities	–	–	–	–	1 016	–	1 016
Current financial liabilities							
Trade and other payables	–	–	–	–	31 208	–	31 208
Borrowings	–	–	–	–	13 783	–	13 783
Derivative liabilities	–	–	–	–	–	2	2
Bank overdrafts	–	–	–	–	26	–	26
	–	–	–		85 503	2	85 505

[1] *All financial instruments at fair value through profit or loss are held for trading.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.2 Financial assets and liabilities subject to offsetting

The following table presents the Group's financial assets and liabilities that are subject to offsetting:

	Gross amount Rm	Amount offset Rm	Net amount Rm
2015			
Current financial assets			
Trade and other receivables	**4 320**	**(826)**	**3 494**
Current financial liabilities			
Trade and other payables	**858**	**(826)**	**32**
2014			
Current financial assets			
Trade and other receivables	3 130	(987)	2 143
Current financial liabilities			
Trade and other payables	1 920	(987)	933

The amounts subject to offsetting include interconnect receivables and payables and sundry receivables and payables.

7.1.3 Fair value estimation

A number of the Group's accounting policies and disclosures require the measurement of fair values.

The table on the next page presents the Group's assets and liabilities that are measured at fair value. The classification into different levels is based on the extent that quoted prices are used in the calculation of fair value and the levels have been defined as follows:

- level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

The following table presents the fair value measurement hierarchy of the Group's assets and liabilities:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2015				
Current financial assets				
Investments	–	–	9 707	9 707
Investment in cell captives	–	–	1 187	1 187
Derivative assets	–	163	–	163
Total assets	–	163	10 894	11 057
2014				
Current financial assets				
Investments	–	5 912	–	5 912
Investments in cell captives	–	–	906	906
Derivative assets	42	141	–	183
Total assets	42	6 053	906	7 001
Current financial liabilities				
Derivative liabilities	–	2	–	2

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Unquoted ordinary shares – The fair values of the unquoted ordinary shares have been estimated using a discounted cash flow and earnings multiple model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

Derivatives – The Group enters into derivative financial instruments with various counterparties. Interest rate swaps, foreign exchange contracts and equity derivatives are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

Investment in insurance cell captives – The fair value of the investment in cell captives is determined based on the net asset value of the cell captive at the reporting date.

Loans and receivables and financial liabilities at amortised cost – The carrying value of current receivables and liabilities measured at amortised cost approximates their fair value.

For the majority of the non-current receivables and liabilities measured at amortised cost, their fair values are also not significantly different to their carrying values.

The listed long-term fixed interest rate senior unsecured notes in issue with a carrying amount of R11 633 million (2014: R8 686 million) have a fair value of R10 268 million (2014: R8 686 million) at 31 December 2015. The fair value of this instrument is determined by reference to published market values on the relevant exchange. This instrument is classified as a level one instrument in the fair value hierarchy.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Valuation techniques and significant unobservable inputs

The significant unobservable inputs used in the fair value measurements categorised within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis are as shown below:

Type	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to the fair value
Available-for-sale financial assets – unquoted ordinary shares	Earnings multiples	Average tower industry earnings multiple	2015: 10-14 2014: 12-14	1 multiple (2014: 1 multiple) increase would result in an increase in the fair value of R792 million (2014: R434 million), and 1 multiple decrease would result in a decrease in the fair value of R792 million (2014: R434 million).

Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Cell captives Rm
Balance at 1 January 2014	691
Contributions paid	563
Claims received	(390)
Gain recognised in profit or loss (unrealised)	42
Balance at 31 December 2014	906
Balance at 1 January 2015	**906**
Contributions paid	**965**
Claims received	**(13)**
Loss recognised in profit or loss (unrealised)	**(671)**
Balance at 31 December 2015	**1 187**

	Investments Rm
Balance at 1 January 2015	**–**
Transfers from level 2[1]	**5 912**
Acquisitions	**1 410**
Foreign exchange differences	**2 385**
Balance at 31 December 2015	**9 707**

[1] *The fair value of investments was previously determined with reference to recent transactions between market participants. The absence of recent transactions resulted in the fair value being determined using models considered to be appropriate by management, consequently investments have been transferred from level 2 to level 3 of the fair value hierarchy. The Group considers transfers between fair value hierarchy levels to have occurred at the beginning of the reporting period.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk

Credit risk, or the risk of financial loss to the Group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures.

The Group's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk.

The Group considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2015 Rm	2014 Rm
Loans and other non-current receivables	**8 269**	5 277
Investments	**262**	223
Trade and other receivables	**38 587**	29 655
Current investments	**8 811**	5 651
Derivative assets	**163**	183
Restricted cash	**1 735**	893
Cash and cash equivalents	**34 177**	43 098
	92 004	84 980

Cash and cash equivalents and current investments

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread among approved financial institutions. The Group actively seeks to limit the amount of credit exposure to any one financial institution and credit exposure is controlled by counterparty limits that are reviewed and approved by the credit risk department.

The operations in Nigeria, Dubai and South Africa (including head office entities) hold their cash balances in financial institutions with a rating range from B- to AAA.

Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Trade receivables

The Group has no significant concentrations of credit risk, due to its wide spread of customers across various operations and dispersion across geographical locations. The Group has policies in place to ensure that retail sales of products and services are made to customers with an appropriate credit history.

The recoverability of interconnect receivables in certain international operations is uncertain; however, this is actively managed within acceptable limits and has been incorporated in the assessment of an appropriate revenue recognition policy (note 2.2) and the impairment of trade receivables where applicable. In addition, in certain countries there exists a right of set-off with interconnect parties to assist in settling outstanding amounts.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Trade receivables (continued)

Ageing and impairment analysis

	2015 Rm Gross	2015 Rm Impaired	2015 Rm Net	2014 Rm Gross	2014 Rm Impaired	2014 Rm Net
Fully performing trade receivables	**13 478**	**–**	**13 478**	12 994	–	12 994
Interconnect receivables	1 922	–	1 922	2 165	–	2 165
Contract receivables	1 863	–	1 863	3 826	–	3 826
Other receivables	9 693	–	9 693	7 003	–	7 003
Past due trade receivables	**9 286**	**(3 459)**	**5 827**	4 259	(2 514)	1 745
Interconnect receivables	**4 180**	**(1 437)**	**2 743**	1 352	(752)	600
0 to 3 months	1 047	–	1 047	234	(1)	233
3 to 6 months	841	(3)	838	103	–	103
6 to 9 months	454	(187)	267	54	–	54
9 to 12 months	1 838	(1 247)	591	961	(751)	210
Contract receivables	**3 330**	**(1 524)**	**1 806**	2 195	(1 344)	851
0 to 3 months	1 373	(219)	1 154	674	(243)	431
3 to 6 months	653	(471)	182	592	(454)	138
6 to 9 months	149	(17)	132	183	(48)	135
9 to 12 months	1 155	(817)	338	746	(599)	147
Other receivables	**1 776**	**(498)**	**1 278**	712	(418)	294
0 to 3 months	644	(126)	518	102	(4)	98
3 to 6 months	236	(65)	171	137	(27)	110
6 to 9 months	149	–	149	210	(126)	84
9 to 12 months	747	(307)	440	263	(261)	2
Total	**22 764**	**(3 459)**	**19 305**	17 253	(2 514)	14 739

Total past due per significant operation

	Inter-connect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
2015				
MTN South Africa	157	1 129	196	1 482
MTN Nigeria	1 729	587	171	2 487
MTN Côte d'Ivoire	277	379	516	1 172
MTN Yemen	464	165	48	677
MTN Cameroon	185	264	–	449
MTN Benin	193	16	152	361
Other operations	1 175	790	693	2 658
	4 180	**3 330**	**1 776**	**9 286**
2014				
MTN South Africa	59	850	80	989
MTN Nigeria	839	327	26	1 192
Other operations	454	1 018	606	2 078
	1 352	2 195	712	4 259

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Trade receivables (continued)

Allowance for impairment of trade receivables

	At beginning of the year Rm	Additions[1] Rm	Reversals[1] Rm	Utilised Rm	Net monetary gain Rm	Exchange differences and other movements[2] Rm	At end of the year Rm
2015							
Allowance for impairment of trade receivables	**(2 514)**	**(1 200)**	**49**	**485**	**45**	**(324)**	**(3 459)**
2014							
Allowance for impairment of trade receivables	(2 679)	(650)	364	443	43	(35)	(2 514)

[1] *A net impairment loss of R1 151 million (2014: R286 million) was recognised during the year. This amount is included in other operating expenses in profit or loss (note 2.4).*

[2] *Including the effect of hyperinflation.*

The Group does not hold any collateral for trade receivables.

Loans and other non-current receivables

The recoverability of all loans were assessed at reporting date and were not found to be impaired.

An impairment reversal of R230 million in respect of non-current interconnect receivables was recognised in 2014. The impairment analysis is set out below and on the next page:

	Gross Rm	Impaired Rm	Net Rm
2015			
Non-current interconnect receivables	**405**	**–**	**405**
2014			
Non-current interconnect receivables	355	–	355

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange differences and other movements Rm	At end of the year Rm
2015						
Allowance for impairment on non-current interconnect receivables	**–**	**–**	**–**	**–**	**–**	**–**
2014						
Allowance for impairment on non-current interconnect receivables	(223)	–	230	–	(7)	–

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.5 Liquidity risk

Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due.

The Group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures it has sufficient cash on demand (currently the Group is maintaining a positive cash position) or access to facilities to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following liquid resources are available:

	2015 Rm	2014 Rm
Trade and other receivables	**38 587**	18 895
Current investments	**1 989**	2 182
Cash and cash equivalents, net of overdrafts	**34 139**	43 072
	74 715	64 149

The Group's undrawn borrowing facilities are disclosed in note 6.1.

During the year, currency constraints in Nigeria caused loan repayment delays by MTN Nigeria amounting to R991 million on loans denominated in US dollar. The defaults resulting from the delays were remedied before year end.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.5 Liquidity risk (continued)

The following are the contractual cash flows of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within one month or on demand Rm	More than one month but not exceeding three months Rm	More than three months but not exceeding one year Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm
2015								
Borrowings	**75 133**	**83 298**	**4 079**	**8 010**	**14 012**	**17 567**	**28 064**	**11 566**
Other non-current liabilities	**1 514**	**1 524**	**–**	**–**	**–**	**373**	**462**	**689**
Trade and other payables	**37 957**	**37 957**	**23 160**	**10 352**	**4 445**	**–**	**–**	**–**
Bank overdrafts	**38**	**38**	**38**	**–**	**–**	**–**	**–**	**–**
	114 642	**122 817**	**27 277**	**18 362**	**18 457**	**17 940**	**28 526**	**12 255**
2014								
Borrowings	53 253	68 775	442	3 227	14 510	14 288	25 537	10 771
Other non-current liabilities	1 016	1 273	–	–	–	134	323	816
Trade and other payables	31 208	31 208	14 873	9 760	6 575	–	–	–
Derivative liabilities	2	2	–	–	2	–	–	–
Bank overdrafts	26	26	26	–	–	–	–	–
	85 505	101 284	15 341	12 987	21 087	14 422	25 860	11 587

7.1.6 Market risk

Market risk is the risk that changes in market prices (such as, interest rates and foreign currencies) will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

7.1.6.1 Interest rate risk

Interest rate risk is the risk that arises on an interest-bearing asset or liability, due to variability of interest rates.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, restricted cash, trade and other receivables/payables, loans receivable/payable, bank overdrafts and other non-current liabilities. The interest rates applicable to these financial instruments are a combination of floating and fixed rates in line with those currently available in the market.

The Group's interest rate risk arises from the repricing of the Group's forward cover and floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the significant cash balances which exist.

Debt in the South African entities, MTN (Mauritius) Investment Limited and all holding companies (including MTN (Dubai) Limited and MTN International (Mauritius) Limited) is managed on an optimal fixed versus floating interest rate basis, in line with the approved Group treasury policy. Significant cash balances are also considered in the fixed versus floating interest rate exposure mix.

Debt in the majority of the Group's non-South African operations is at floating interest rates. This is due to the underdeveloped and expensive nature of derivative products in these financial markets. The Group continues to monitor developments which may create opportunities as these markets evolve in order that each underlying operation can be aligned with the Group Treasury Policy.

The Group makes use of various products including interest rate derivatives and other appropriate hedging tools as a way to manage these risks; however, derivative instruments may only be used to hedge existing exposures.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.1 Interest rate risk (continued)

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2015		2014	
	Fixed rate instruments Rm	**Variable rate instruments Rm**	Fixed rate instruments Rm	Variable rate instruments Rm
Non-current financial assets				
Loans and other non-current receivables	**6 040**	**1 253**	3 071	905
Investments	**262**	**–**	223	–
Current financial assets				
Trade and other receivables	**136**	**16 235**	74	5 988
Current investments	**7 624**	**–**	4 745	–
Restricted cash	**498**	**276**	155	366
Cash and cash equivalents	**18 731**	**5 874**	20 788	7 395
	33 291	**23 638**	29 056	14 654
Non-current financial liabilities				
Borrowings	**15 785**	**36 938**	11 947	27 523
Other non-current liabilities	**1 202**	**279**	693	298
Current financial liabilities				
Trade and other payables	**1 536**	**945**	107	54
Borrowings	**3 852**	**18 295**	4 220	9 563
Bank overdrafts	**–**	**38**	–	26
	22 375	**56 495**	16 967	37 464

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.1 Interest rate risk (continued)

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in the following market interest rates: JIBAR, LIBOR, NIBOR, Prime, EURIBOR and money market rates. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are subsequently measured at their fair value.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as was used for 2014.

	2015 (Decrease)/increase in profit before tax			2014 (Decrease)/increase in profit before tax		
	Change in interest rate %	**Upward change in interest rate Rm**	**Downward change in interest rate Rm**	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	**1**	**(118,3)**	**118,3**	1	(102,7)	102,7
LIBOR	**1**	**28,9**	**(28,9)**	1	1,4	(1,4)
Three-month LIBOR	**1**	**(0,0)**	**0,0**	1	(0,8)	0,8
NIBOR	**1**	**(194,7)**	**194,7**	1	(174,9)	174,9
EURIBOR	**1**	**(25,8)**	**25,8**	1	(14,3)	14,3
Money market	**1**	**14,5**	**(14,5)**	1	22,8	(22,8)
Prime	**1**	**25,5**	**(25,5)**	1	–	–
Other	**1**	**(20,4)**	**20,4**	1	40,4	(40,4)

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.2 Currency risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

The Group operates internationally and is exposed to currency risk arising from various currency exposures. Refer to the table below for the Group's exposure to foreign currency risk based on notional amounts. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is also exposed to translation risk as holding companies do not report in the same currencies as operating entities.

Where possible, entities in the Group use forward contracts to hedge their actual exposure to foreign currency. Refer to note 7.5 for the Group's outstanding foreign exchange contracts. The Group's Nigerian subsidiary manages foreign currency risk on major foreign purchases by placing foreign currency on deposit as security against letters of credit when each order is placed.

The Group has foreign subsidiaries whose assets are exposed to foreign currency translation risk, which is managed primarily through borrowings denominated in the relevant foreign currencies to the extent that such funding is available on reasonable terms in the local capital markets.

Foreign currency exposure

Included in the Group statement of financial position are the following amounts denominated in currencies other than the functional currency of the reporting entities:

	2015 Rm	2014 Rm
Assets		
Non-current assets		
– United States dollar	**419**	318
– CFA franc	**261**	–
– Iranian rial	**2 128**	–
	2 808	318
Current assets		
– United States dollar	**6 421**	9 169
– Euro	**1 435**	2 477
– Iranian rial	**9 592**	5 640
– British pound sterling	**3**	–
– South African rand	**16**	29
	17 467	17 315
Total assets	**20 275**	17 633
Liabilities		
Non-current liabilities		
– United States dollar	**27 677**	14 651
– Euro	**1 059**	1 135
	28 736	15 786
Current liabilities		
– United States dollar	**8 853**	8 375
– Euro	**2 304**	1 043
– South African rand	**7**	57
– Ugandan shilling	**75**	–
– British pound sterling	**9**	6
– Botswana pula	**–**	2
	11 248	9 483
Total liabilities	**39 984**	25 269

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.2 Currency risk (continued)

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss and equity of an instantaneous 10% strengthening or weakening in the rand against all other currencies, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the US dollar, euro, Iranian rial and Nigerian naira. This analysis considers the impact of changes in foreign exchange rates on profit, excluding foreign exchange translation differences resulting from the translation of Group entities that have functional currencies different from the presentation currency, into the Group's presentation currency which are recognised in the foreign currency translation reserve.

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as applied in 2014.

	(Decrease)/increase in profit before tax		
Denominated: Functional currency	**Change in exchange rate %**	**Weakening in functional currency Rm**	**Strengthe-ning in functional currency Rm**
2015			
US$:ZAR	**10**	**(1 256,4)**	**1 256,4**
US$:SYP	**10**	**(105,8)**	**105,8**
US$:SDG	**10**	**(136,9)**	**136,9**
US$:SSP	**10**	**(73,9)**	**73,9**
US$:NGN	**10**	**(861,7)**	**861,7**
EUR:SDG	**10**	**(222,1)**	**222,1**
EUR:US$	**10**	**9,8**	**(9,8)**
US$:GNF	**10**	**(63,2)**	**63,2**
US$:ZMK	**10**	**(37,1)**	**37,1**
IRR:ZAR	**10**	**1 028,6**	**(1 028,6)**
2014			
US$:ZAR	10	(144,8)	144,8
US$:SYP	10	(42,8)	42,8
US$:SDG	10	(109,2)	109,2
US$:SSP	10	(265,5)	265,5
US$:NGN	10	(492,0)	492,0
EUR:SDG	10	(160,5)	160,5
EUR:US$	10	(28,1)	28,1
US$:GNF	10	(155,3)	155,3
US$:ZMK	10	(63,4)	63,4
IRR:ZAR	10	564,0	(564,0)

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.3 Price risk

The Group is exposed to equity price risk, which arises from available-for-sale investments (see note 7.2).

Refer to note 7.1.3 for disclosure of the sensitivity of the fair values of the investments to a change in the inputs used to determine their fair values. Other comprehensive income (before tax) will be affected by the amounts disclosed in respect of these investments in note 7.1.3.

The sensitivity analysis presented in the prior year assumed a 10% change in the market value of the investment. The basis on which the sensitivity analysis is presented in the current year has changed. The absence of recent market transactions resulted in a change in the valuation technique applied to determine the fair value.

7.1.7 Capital management

The Group's policy is to maximise borrowings at an operating company level, on a non-recourse basis, within an acceptable level of debt for the maturity of the local company.

Equity funding for existing operations or new acquisitions is raised centrally, first from excess cash and then from new borrowings while retaining an acceptable level of debt for the consolidated Group. Where funding is not available to the operation locally or in specific circumstances where it is more efficient to do so, funding is sourced centrally and on-lent. The Group's policy is to borrow using a mixture of long-term and short-term capital market issues and borrowing facilities from the local and international capital markets as well as multilateral organisations together with cash generated to meet anticipated funding requirements.

Management regularly monitors and reviews the following: net debt : EBITDA, net debt : equity and net interest : EBITDA. Net debt is defined as borrowings and bank overdrafts less cash and cash equivalents, restricted cash and current investments (excluding investments in cell captives). Equity approximates share capital and reserves. Net interest comprises of finance costs less finance income and EBITDA is defined as earnings before interest, tax, depreciation, amortisation and goodwill impairment/losses.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.7 Capital management (continued)

The Group's net debt : EBITDA, net debt : equity and net interest : EBITDA at the end of the year are set out below:

	2015	2014
Net debt: EBITDA		
Borrowings and bank overdrafts (Rm)	75 171	53 279
Less: Cash and cash equivalents, restricted cash and current investments (Rm)	(43 536)	(48 736)
Net debt (Rm)	31 635	4 543
EBITDA (Rm)	59 125	73 191
Net debt/EBITDA ratio	0,54	0,1
Net debt: total equity		
Net debt (Rm)	31 635	4 543
Total equity (Rm)	151 838	133 442
Net debt/total equity (%)	20,8	3,4
Net interest: EBITDA		
Net finance costs (Rm)	(3 010)	(3 668)
EBITDA (Rm)	59 125	73 191
Net interest/EBITDA (%)	(5,1)	(5,0)

7.2 Investments

Investments consist of held-to-maturity and available-for-sale financial assets that are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2015 Rm	2014 Rm
Held-to-maturity financial assets		
Treasury bills and bonds with fixed rates of 5,8% to 6,3% (2014: 5,9% to 6,3% and maturity dates between 2018 and 2019 (2014: 2018 and 2019)[1]	262	223
Available-for-sale financial assets		
Investment in IHS	9 250	5 773
Unlisted equity investment	457	139
	9 969	6 135

The recoverability of the investments was assessed at the reporting date and was found not to be impaired.

[1] *Denominated in Côte d'Ivoire Communauté Financière Africaine franc.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.3 Loans and other non-current receivables

Loans and other non-current receivables are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 7.1.

Prepayments include costs paid relating to subsequent financial years and are stated at nominal value.

	2015 Rm	2014 Rm
Irancell Telecommunications Services Company (PJSC)[1]	2 128	–
Loan to Uganda Tower InterCo B.V.[2]	1 159	887
Loan to Ghana Tower InterCo B.V.[3]	1 109	2 023
Loan to Nigeria Tower InterCo B.V.[4]	2 704	1 039
Non-current interconnect receivables	405	355
Other non-current receivables	1 216	973
Non-current prepayments	1 062	1 019
	9 783	6 296

[1] *The loan to Irancell attracts interest at 12% per annum. The loan is repayable in a bullet payment on 30 September 2017 (note 4.2).*
[2] *The loan to Uganda Tower InterCo B.V. attracts interest at LIBOR +5,3% per annum. The loan is repayable in 2019.*
[3] *The loan to Ghana Tower InterCo B.V. attracts interest at a fixed interest rate of 21,87% per annum. The loan is repayable in 2019.*
[4] *The loan to Nigeria Tower InterCo B.V. attracts interest at a fixed interest rate of 10% per annum subject to review, and is repayable in 2024.*

The recoverability of the loans was assessed at the reporting date and was found not to be impaired.

No impairment was recognised in the current year. An impairment reversal of R230 million in respect of non-current interconnect receivables was recognised in 2014 (note 2.4).

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.4 Current investments

Current investments consist of loans and receivables, financial assets held at fair value and held-to-maturity financial assets that are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2015 Rm	2014 Rm
Loans and receivables		
Foreign currency fixed deposits with fixed interest rates of 3,5% to 4,3% (2014: 2,0% to 2,8%)[1]	**428**	1 098
Commercial paper with fixed interest rates of 13,5% to 13,6%[2]	**374**	–
Foreign currency fixed deposits with fixed interest rates of 2,0%[1]	**–**	178
	802	1 276
Financial assets held at fair value through profit or loss		
Investment in insurance cell captives – Guardrisk (note 7.1.3)	**1 187**	906
Held-to-maturity financial assets		
Treasury bills with fixed interest rates of 12,9% to 15,8% (2014: 10,8% to 14,5%) and maturity dates between January and July 2016 (2014: January and December 2015)[2]	**6 822**	3 469
Total current investments	**8 811**	5 651

[1] *Denominated in United States dollar.*
[2] *Denominated in Nigerian naira.*

No allowance for impairment has been recognised as at the reporting date as all investments are considered to be fully performing.

There were no significant disposals of held-to-maturity financial assets during 2015 and 2014.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.5 Derivatives

The Group uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge its foreign currency risks, and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

All gains and losses from changes in the fair value of derivatives are recognised immediately in profit or loss.

All remaining derivatives are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2015 Rm	2014 Rm
Derivatives held for trading		
Current assets		
Forward exchange contracts	**163**	49
Equity derivative	**–**	134
	163	183
Current liabilities		
Floating-to-fixed interest rate swap	**–**	(2)
	–	(2)
Gains accounted for directly in profit or loss	**141**	23
Notional principal amount (US$ forward exchange contracts)	**2 789**	3 837
Notional principal amount (EUR forward exchange contracts)	**–**	83
Notional principal amount (US$ interest rate swap)	**–**	672

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

7 FINANCIAL RISK (continued)

7.6 Exchange rates to South African rand

		Closing rates		Average rates	
		2015	2014	**2015**	2014
United States dollar	US$	**0,06**	0,09	**0,08**	0,09
Uganda shilling	UGX	**217,67**	239,02	**253,16**	240,06
Rwanda franc	RWF	**47,84**	58,02	**55,33**	63,12
Cameroon Communauté Financière Africaine franc	XAF	**39,02**	46,94	**46,67**	45,77
Nigerian naira	NGN	**12,88**	15,93	**15,63**	15,27
Iranian rial[1]	IRR	**1 947,05**	2 341,99	**2 265,98**	2 389,54
Botswana pula	BWP	**0,73**	0,82	**0,80**	0,83
Côte d'Ivoire Communauté Financière Africaine franc	CFA	**39,81**	46,94	**47,00**	45,81
Congo-Brazzaville Communauté Financière Africaine franc	XAF	**39,81**	46,94	**46,56**	45,81
Zambian kwacha	ZMK	**0,71**	0,55	**0,65**	0,57
Swaziland lilangeni	E	**1,00**	1,00	**1,00**	1,00
Afghanistan afghani	AFN	**4,42**	5,05	**4,81**	5,31
Euro	EUR	**0,06**	0,07	**0,07**	0,07
Ghanaian cedi	GHS	**0,25**	0,28	**0,30**	0,27
Benin Communauté Financière Africaine franc	XOF	**39,81**	46,94	**47,10**	45,71
Guinean franc	GNF	**502,98**	612,70	**579,71**	643,39
Sudanese pound[1]	SDG	**0,39**	0,52	**0,47**	0,53
Syrian pound[1]	SYP	**21,76**	17,15	**21,64**	15,43
Guinea-Bissau Communauté Financière Africaine franc	XOF	**39,81**	46,94	**47,34**	45,97
Yemen rial	YER	**13,89**	18,62	**17,80**	19,93
Ethiopian birr	ETB	**1,36**	1,74	**1,64**	1,79

[1] The financial results, positions and cash flows of foreign operations trading in hyperinflationary economies are translated as set out in note 1.3.3. Iran ceased to be hyperinflationary with effect from 1 July 2015.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE

8.1 Ordinary share capital and share premium

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new ordinary shares or share options are recognised in equity as a deduction (net of tax) from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs (net of tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Ordinary share capital (par value of 0,01 cents)	2015 Number of shares	2014 Number of shares
Authorised	**2 500 000 000**	2 500 000 000
Issued (*fully paid up*)	**1 845 493 245**	1 848 355 889
In issue at beginning of the year	**1 848 355 889**	1 873 278 848
Options exercised and allotted	**–**	72 170
Strike price		
R27,00	**–**	8 340
R40,50	**–**	63 830
MTN Zakhele shares cancelled and delisted[4]	**(2 862 644)**	(2 657 377)
Treasury shares cancelled	**–**	(22 337 752)
In issue at end of the year	**1 845 493 245**	1 848 355 889
Shares cancelled but not delisted at year end[2]	**(1 444 172)**	–
Options – MTN Zakhele transaction[1]	**(11 131 098)**	(14 492 564)
Treasury shares[2]	**(10 400 061)**	(11 649 825)
In issue at end of the year – excluding MTN Zakhele transaction and treasury shares[3]	**1 822 517 914**	1 822 213 500

[1] *Due to the call option over the notional vendor finance shares, these shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.*
[2] *Treasury shares held by the Company and MTN Holdings Proprietary Limited.*
[3] *There are no restrictions, rights or preferences including restrictions on dividend distributions attached to these shares.*
[4] *Included in shares cancelled are 945 350 shares acquired in 2014 and cancelled in the current year.*

	2015 Rm	2014 Rm
Share capital		
Balance at beginning of the year	*****	*
Options exercised	**–**	*
Shares cancelled	**(*)**	(*)
Share buy-back	**(*)**	–
Balance at end of the year	*****	*
Share premium		
Balance at beginning of the year	**40 179**	42 598
Options exercised	**–**	3
Share buy-back	**–**	(2 422)
Decrease in treasury shares	**69**	–
Balance at end of the year	**40 248**	40 179

* *Amounts less than R1 million.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.1 Ordinary share capital and share premium (continued)

MTN Zakhele transaction

The Group concluded its broad-based black economic empowerment (BBBEE) transaction "MTN Zakhele" during October 2010. This was done through a separate unconsolidated structured entity, MTN Zakhele (RF) Limited (MTN Zakhele). The transaction is designed to provide long-term, sustainable benefits to all BBBEE participants and will run for a period of six years.

MTN Zakhele acquired 75 363 138 of the Company's shares at a price of R107,46 per share. The acquisition of 45 368 186 shares was funded using equity raised from the allotment of MTN Zakhele shares totalling R1 618 million, third-party preference share funding of R2 160 million and a donation of R1 294 million (equal to 12 045 412 shares) received from the Group. The Company also issued 29 994 952 notional vendor finance shares (NVF shares) at par value to MTN Zakhele amounting to approximately R3 214 million. A total of 18 863 854 (2014: 14 557 038) of these shares were cancelled and delivered back to the Group as at 31 December 2015.

The total cost of this transaction for the Group was R2 973 million which was recognised as a once-off charge in profit or loss in 2010. This charge included the once-off share-based payment transaction charges for NVF of R1 382 million, the employee share option plan of R171 million and the donation of R1 294 million. Transaction costs amounted to R126 million.

The MTN Zakhele shares started trading on an over the counter platform (managed by an independent party) from November 2013 onwards, on which date MTN Holdings Proprietary Limited provided a guarantee in favour of the funders to MTN Zakhele. The guarantee expires on extinguishment of funding in MTN Zakhele, which is estimated at three years. On 16 October 2015, MTN Zakhele ceased operating its trading platform. On 5 November 2015, MTN Zakhele listed its shares on the Empowerment segment of the JSE's Main Board. MTN Holdings Proprietary Limited subsequently expanded the guarantee in favour of the funders of MTN Zakhele, less amounts actually recovered by third parties, for all possible losses incurred by the funders as a result of the JSE listing.

MTN Zakhele's sole business is holding shares in the Group and administering the associated funding of these shares. Its success is therefore dependent on the success of the Group as well as the ongoing receipt of dividends from the Group to service and repay debt.

MTN has not provided any additional funding or liquidity to MTN Zakhele and there is no intention to do so at 31 December 2015.

Notional Vendor Finance (NVF) shares

The Group has a call option over the NVF shares. The fair value of the call option is R721 million (2014: R1 593 million) and was determined using a Monte Carlo valuation model.

The significant inputs into the Monte Carlo valuation model were as follows:

	2015	2014
Share price (R)	**132,89**	221,41
NVF balance (Rm)	**612**	1 220
NVF shares (number)	**11 131 098**	14 492 564
Volatility (%)	**37,98**	25,47
Dividend yield (%)	**11,26**	6,14
Expected option life (years)	**1**	2
Annual risk-free rate (%)	**7,4**	6,7

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.1 Ordinary share capital and share premium (continued)

MTN Zakhele transaction (continued)

Notional Vendor Finance (NVF) shares (continued)

	2015 Rm	2014 Rm
A reconciliation of the NVF balance is provided below:		
Balance at beginning of the year	**1 220**	1 685
Interest accrued	**81**	117
Settlement	**(689)**	(582)
Balance at end of the year	**612**	1 220

In terms of the NVF arrangement, the notional funding provided by the MTN Group earns notional interest at 85% of the prime rate per annum.

MTN Zakhele settled R689 million (2014: R582 million) of the NVF funding in 2015 via acquiring 3 361 466 (2014: 2 537 561) of the Company's shares in the open market and delivering an equivalent number of shares, initially issued by the Company to MTN Zakhele, back to the Company. During the year, MTN Group Limited cancelled all of these shares delivered by MTN Zakhele. 1 444 172 (2014: 945 350) of these shares have not been delisted at year end, and are held as treasury shares.

Third-party preference share funding obtained by MTN Zakhele

A reconciliation of the third-party preference share funding obtained by MTN Zakhele to purchase shares of the Company is provided below:

	2015 Rm	2014 Rm
Class A cumulative redeemable non-participating preference shares		
Balance at beginning of the year	**3 182**	3 176
Accrued interest paid	**(211)**	(202)
Interest accrued at effective interest rate	**218**	208
Balance at end of the year	**3 189**	3 182

The Class A preference shares are held by Newshelf 1041 Proprietary Limited. Voluntary redemption can be effected before the redemption date. The Class A preference shares are redeemable on 24 November 2016. However, mandatory redemption must be made out of available cash after three years and one day from the issue date, subject to a cash waterfall. Interest is required to be paid on 30 April of each year, following the receipt of the annual dividend from the Group.

The payment obligation accrues interest at a rate of 71% of the prime rate per annum.

Preference share refinancing

During 2013, the directors of MTN Zakhele sought to find a cheaper source of funding in order to reduce the NVF. The entity made a subsequent issue of 1 700 000 Class A preference shares at an issue price of R1 000 on 1 August 2013. The subsequent issue of the Class A preference share is held by Newshelf 1041 Proprietary Limited. The dividend rate in the floating period which came to effect on 1 May 2013 was reduced from 77% of prime to 71% of prime from the subscription date (1 August 2013). Interest is required to be paid on 30 April and 30 September of each year. No such issue was made in the current year or in the prior year.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.1 Ordinary share capital and share premium (continued)

Dividends paid to MTN Zakhele

Dividends paid by the Company to MTN Zakhele amounted to R965 million (2014: R837 million) for the year.

The dividend income earned on the MTN shares held by MTN Zakhele is required to firstly, pay permitted operational fees, costs, expenses and tax liabilities and thereafter, to meet the dividend obligations to the third-party funders.

Share buy-back

In the current year, MTN Holdings Proprietary Limited did not acquire any shares. During 2014, 10 704 475 shares in the Company were acquired at an average price of R226,24 per share, inclusive of transaction costs, on the JSE Limited. The total amount paid to acquire the shares in 2014, inclusive of transaction costs, was R2 422 million. The shares are fully paid shares and are held as treasury shares.

The Group's objective in terms of buy-backs is to enhance shareholder value over time and improve the capital structure of the Group.

8.2 Other reserves

	2015 Rm	2014 Rm
Balance at beginning of the year	**(2 967)**	(5 991)
Share-based payment transactions	**532**	110
Exchange differences on translating foreign operations	**21 033**	2 960
Transfer from retained earnings	**127**	–
Other	**(130)**	(46)
Balance at end of the year	**18 595**	(2 967)
Consisting of:		
Contingency reserve (as required by insurance regulations)[1]	**4**	4
Statutory reserve (as required by Rwanda and Congo-Brazzaville legislation)[2]	**211**	211
Transactions with non-controlling interests[3]	**(11 396)**	(11 396)
Share-based payment transactions[4]	**3 046**	2 514
Foreign currency translation reserve[5]	**26 823**	5 791
Other	**(93)**	(91)
	18 595	(2 967)

[1] A contingency reserve has been created in terms of the Short-term Insurance Act, 1988. Transfers to the contingency reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of shareholders' funds. On dissolution of the structured entities to which these reserves relate, they will become available for distribution.

[2] A statutory reserve has been created in terms of local legislation. Transfers to the statutory reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of the shareholders' funds.

[3] Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased is recorded in equity. All profits or losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders, where control is maintained subsequent to the disposal, are also recorded in equity.

[4] Refer to the accounting policy in note 8.4 with regards to equity-settled share-based payments.

[5] Refer to the translation and disposal of foreign operations sections in accounting policy 1.3.2 Foreign currency. The devaluation of the rand, which is the presentation currency of the Group, against the functional currencies of the Group's largest operations, contributed significantly to the increase in the carrying amounts of assets and liabilities reflected in the Statement of Financial Position which are translated into the Group's presentation currency at closing rates at the end of the reporting period.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.3 Dividends

Dividends declared to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

	2015 Cents per share	2015 Rm	2014 Cents per share	2014 Rm
Dividends paid				
Final dividend paid in respect of the prior year	800	14 698[2]	665	12 302[2]
Interim dividend paid in respect of the current year	480	8 808[2]	445	8 225[2]
		23 506		20 527
Dividends declared				
Approved after the reporting date and not recognised as a liability	830[1]	15 219[2]	800	14 694

[1] *Declared at the board meeting on 2 March 2016.*
[2] *Excluding dividends on 10 400 061 (2014: 10 704 475) treasury shares.*

8.4 Share-based payments

Equity-settled share-based payments
The schemes described below are accounted for as equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of service or non-market-based vesting conditions) at the grant date. The fair value is measured using a stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations where applicable. The fair value determined at the grant date of the equity-settled share-based options or rights is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity, based on the Group's estimate of the shares that will eventually vest. The expense is adjusted to reflect the actual number of options and share rights for which the related service and non-market-based vesting conditions are met.

Where employees exercise options or share rights in terms of the rules and regulations of the schemes, new shares are issued to participants as beneficial owners. The directors procure a listing of these shares on the JSE Limited, the securities exchange on which the Company's shares are listed. In terms of the Share Option Scheme participants entitled to share options pay a consideration equal to the option price when the options are exercised. The nominal value of shares issued is credited to share capital and the difference between the nominal value and the option price is credited to share premium. Settlement of the performance share plan (PSP) awards are done through the acquisition of shares in the open market and the subsequent delivery to participants.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

The MTN Group share options, share appreciation rights and share rights schemes and performance share plan

The Group operates a number of equity-settled share-based payment schemes for the benefit of eligible employees, including executive directors, in accordance with the schemes' rules. The schemes are designed to retain and recognise the contributions of executive directors and eligible employees and to provide additional incentives to contribute to the Group's continued growth.

The performance share plan is the active scheme which superseded the share option scheme, the share appreciation rights and the share rights scheme. The superseded schemes will be wound up once all unvested and/or unexercised awards previously made have run their remaining course.

The vesting periods under the share rights scheme, share option scheme and share appreciation rights scheme are as follows: 20%, 20%, 30% and 30% on the anniversary of the second, third, fourth and fifth years, respectively, after the grant date. The strike price for these schemes is determined as the closing market price for the MTN Group Limited shares on the day prior to the date of allocation. Unexercised options and rights lapse 10 years from the date of grant and are forfeited if the employee leaves the Group before they vest.

The vesting period for the performance share plan is three years and the awards vest in full based on set performance targets.

The total number of shares which may be allocated for the purposes of the schemes shall not exceed 5% of the total issued ordinary share capital of the Company, being 92 274 662 shares as approved by shareholders in 2001.

MTN Group share options

No new options were granted in the current or prior year and no expense was recognised as the above options vested in prior periods. During the current year, no share options were exercised (2014: 63 830 share options exercised).

This share option scheme has been superseded by the introduction of the Group share appreciation rights schemes described below.

MTN Group Share Appreciation Rights Scheme and Share Rights Scheme (the rights schemes)

The Share Appreciation Rights Scheme was implemented on 31 May 2006, and superseded the share option scheme.

On 26 August 2008, the board approved the Share Rights Scheme, which superseded the Share Appreciation Rights Scheme. Both the rights schemes operate under the same provisions with the exception that the share rights scheme was extended to allow participation by junior managers.

Share rights under the rights schemes are granted to eligible employees by the relevant employer subsidiary company. Exercised rights are equity-settled whereby the relevant subsidiary purchases the required MTN shares in the open market.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN Group Share Appreciation Rights Scheme and Share Rights Scheme (the rights schemes) (continued)

Details of the outstanding share appreciation rights are as follows:

	Strike price R	Number outstanding at 31 December 2014	**Forfeited during 2015**	**Exercised during 2015**	**Number outstanding at 31 December 2015**
Offer date					
31 May 2006	56,83	186 200	**–**	**(59 440)**	**126 760**
21 November 2006	71,00	46 500	**–**	**(700)**	**45 800**
22 June 2007	96,00	12 240	**–**	**–**	**12 240**
19 March 2008	126,99	191 801	**–**	**(901)**	**190 900**
Total		436 741	**–**	**(61 041)**	**375 700**

Details of the outstanding share rights are as follows:

	Strike price R	Number outstanding at 31 December 2014	**Forfeited during 2015**	**Exercised during 2015**	**Number outstanding at 31 December 2015**
Offer date					
1 September 2008	118,64	197 706	**(3 900)**	**(56 416)**	**137 390**
28 June 2010	107,49	701 430	**(3 100)**	**(295 690)**	**402 640**
Total		899 136	**(7 000)**	**(352 106)**	**540 030**

The share rights and share appreciation rights outstanding at the end of the year have a weighted average remaining contractual life of three years (2014: four years).

There were no new grants during the 2015 or 2014 financial year.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN performance share plan (PSP)

During prior financial years the Group granted eligible employees share rights under the PSP, established in 2010. The rights were granted to employees on level 3, 4, 5 and 6. The PSP was established in order to attract, retain and reward selected employees who are able to contribute to the business of the employer companies and to stimulate their personal involvement thereby encouraging their continued service and encouraging them to advance the interests of the relevant employer company and the Group in general.

The share rights vest after three years from date of grant. The following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

	Proportion of grant	
	Employee level 3 – 4 %	**Employee level 5 – 6 %**
Vesting conditions for shares granted		
Total shareholder return	**37,5**	**50,0**
Adjusted free cash flow growth	**37,5**	**50,0**
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	**25,0**	**–**

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN performance share plan (PSP) (continued)

For the total shareholder return vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at the median to 100% vesting at the 75 percentile of the performance of a comparable group of companies listed on the JSE. For the adjusted free cash flow vesting condition, vesting is based on a sliding scale between 11% and 19% compound annual growth in the adjusted free cash flow, for all grants prior to 2014. The sliding scale has been revised by the board of directors to between 6% and 10% compound annual growth in the adjusted free cash flow, for all grants made in 2014 and thereafter. The individual return retention condition is guaranteed subject to the employee remaining employed by the Group for the duration of the vesting period.

Details of the outstanding equity-settled performance share plan rights are as follows:

	Number outstanding at 31 December 2014	**Offered**	**Forfeited**	**Exercised during 2015**	**Number outstanding at 31 December 2015**
Offer date					
29 December 2011	1 145 581	–	(304 414)	**(841 167)**	**–**
28 December 2012	1 556 933	–	(278 450)	**–**	**1 278 483**
20 December 2013	2 090 403	–	(458 030)	**–**	**1 632 373**
19 December 2014	2 291 800	–	(487 162)	**–**	**1 804 638**
Total	7 084 717	–	(1 528 056)	**(841 167)**	**4 715 494**

A valuation has been prepared using a stochastic model to determine the fair value of the performance share plan and the expense to be recognised for share rights granted during the prior year. No new grants were made during the year.

The range of inputs into the stochastic model used for rights granted during the prior year was as follows:

	2014
Share price	221,41
Expected life	3 years
Risk-free rate	6,48% to 6,85%
Expected volatility	20,63% to 21,26%
Dividend yield	4,66%

The risk-free rate was estimated using the implied yield on SA zero-coupon government bonds.

Volatility was estimated using the weekly closing share price and the dividend yield was estimated by using a one-year moving average of the dividend yield at valuation date.

	2015 Rm	2014 Rm
Expense arising from equity-settled share-based payment transactions (note 2.4)	**179**	110

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION

9.1 Interest in subsidiaries and joint ventures

MTN Group

HOLDING COMPANIES

- Mobile Telephone Networks Holdings Proprietary Limited, South Africa – 100%
- MTN International Proprietary Limited, South Africa – 100%

MANAGEMENT SERVICES

- MTN Group Management Services Proprietary Limited, South Africa – 100%

TELECOMMUNICATIONS/ISP

- MTN Business Solutions Botswana Proprietary Limited, Botswana – 80%
- MTN Business Limited (Kenya), Kenya – 70%
- MTN Business Kenya Limited, Kenya – 70%
- Satalite Data Networks Mauritius Proprietary Limited, Mauritius – 100%
- MTN Business Solutions Namibia Proprietary Limited, Namibia – 100%
- Cell Place Proprietary Limited, South Africa – 100%
- iTalk Cellular Proprietary Limited, South Africa – 100%
- Mobile Telephone Networks Proprietary Limited, South Africa – 100%
- MTN Business Solutions Proprietary Limited, South Africa – 100%
- MTN Network Solutions Proprietary Limited, South Africa – 100%
- Afrihost Proprietary Limited[2], South Africa – 50,2%
- MTN Media Holdings Proprietary Limited, South Africa[6] – 100%

TELECOMMUNICATION/ISP

- Swazi MTN Limited[1], Swaziland – 30%

PROPERTY

- Aconcagua 11 Proprietary Limited, South Africa – 100%
- MTN Propco Proprietary Limited, South Africa – 100%

ELECTRONIC SERVICES

- Africa Internet Holding GmbH[1] Berlin – 33,3%

HOLDING COMPANY

- MTN International (Mauritius) Limited, Mauritius – 100%

HOLDING COMPANIES

- Cotel Holdings Limited, Zambia – 100%
- Econet Wireless Citizens Limited, Mauritius – 82,8%
- Deci Investments Proprietary Limited[1], Botswana – 33,3%
- Mobile Botswana Limited, Mauritius – 100%

TELECOMMUNICATIONS/ISP

- Mobile Telephone Networks Cameroon Limited, Cameroon – 70%
- MTN Network Solutions Limited, Cameroon – 70%
- Afnet, Côte d'Ivoire[4] – 58,83%
- Arobase, Côte d'Ivoire[4] – 58,83%
- MTN Côte d'Ivoire S.A., Côte d'Ivoire[4] – 58,83%
- MTN Nigeria Communications Limited, Nigeria – 78,83%
- XS Broadband Limited, Nigeria – 78,83%
- MTN Uganda Limited, Uganda – 96%
- MTN (Zambia) Limited, Zambia – 86%
- Mascom Wireless Botswana Proprietary Limited[1], Botswana – 53,1%
- Irancell Telecommunication Company Services (PJSC)[1], Iran – 49%
- MTN Publicom Limited, Uganda – 96%
- MTN Rwandacell Limited, Rwanda – 80%
- MTN Congo S.A., Republic of the Congo – 100%
- Visafone Communications Limited[5], Nigeria – 78,83%

ELECTRONIC SERVICES

- MTN Mobile Money Limited, Zambia – 86%
- Electronic Funds Transfer Operations Nigeria Limited – 50%

STRUCTURED ENTITY

- Munyati Buffalo Zambia Limited, Zambia – 100%
- MTN (Mauritius) Investment Limited[3], Mauritius – 100%

[1] Joint venture.
[2] Subsidiary acquired during 2014 (see note 9.4.2).
[3] Subsidiary incorporated during 2014.
[4] Effective shareholding of 66,8% (see note 9.3).
[5] Subsidiary acquired during the year (see note 9.4) indirectly held through MTN Nigeria.
[6] Subsidiary incorporated during 2015.

There were no changes in the effective holding in any of the Group's subsidiaries during the year unless otherwise indicated.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.1 Interest in subsidiaries and joint ventures (continued)

MTN Group

HOLDING COMPANY

MTN (Dubai) Limited – 100%

HOLDING COMPANIES

Company	Country	Interest
Easy Dial International Limited	British Virgin Islands	99%
Investcom Telecommunications Guinea (Conakry) Limited	British Virgin Islands	99%
Investcom Consortium Holding S.A.	British Virgin Islands	99%
Investcom Mobile Benin Limited	British Virgin Islands	99%
Investcom Mobile Communications Limited	British Virgin Islands	100%
Investcom Telecommunications Afghanistan Limited	British Virgin Islands	100%
MTN NIC BV	Netherlands	100%
MTN (Netherlands) BV	Netherlands	100%
MTN (Netherlands) Co-Op UA	Netherlands	100%
Galactic Engineering Projects SA	Panama	78%
Vernis Associates SA	Panama	100%
Starcom Global Limited	British Virgin Islands	89%
Investcom Global Limited	British Virgin Islands	99%
Fourteenth Avenue Investment Holding Limited	UAE	100%
Servico SAL	Lebanon	99,97%
MTN Nigeria Towers SPV B.V.	Netherlands	100%
Investcom Telecommunications Yemen Limited	British Virgin Islands	100%

PROCUREMENT

Company	Country	Interest
Global Trading Company LLC	UAE	100%
Global Sourcing Company LLC	UAE	100%
Telecom Sourcing Services FZ-LLC	UAE	100%
MTN Investments Limited	UAE	100%
MTN SEA Shared Services Limited	Uganda	100%

MANAGEMENT SERVICES

Company	Country	Interest
Inteltec Offshore SAL	Lebanon	99,8%

INTERNATIONAL BUSINESS

Company	Country	Interest
Interserve Overseas Limited	British Virgin Islands	99%

ELECTRONIC SERVICES

Company	Country	Interest
International Digital Services Middle East Limited (IME)[1]	UAE	50%
Middle East Internet Holding S.A.R.L[1]	Luxemburg	50%

TELECOMMUNICATIONS/ISP

Company	Country	Interest
Lonestar Communications Corporation LLC	Liberia	60%
MTN Cyprus Limited	Cyprus	100%
MTN Afghanistan Limited	Afghanistan	100%
MTN South Sudan Limited	South Sudan	100%
MTN Sudan Company Limited	Sudan	85%
Scancom Limited	Ghana	97,7%
Spacetel Guinea-Bissau S.A.	Guinea-Bissau	100%
MTN Syria (JSC)	Syria	75%
Areeba Guinea S.A.	Guinea	75%
Spacetel Benin SA	Benin	75%
MTN Yemen	Yemen	82,8%
Easynet Search Limited	Ghana	99,6%
MTN ICT Services PLC	Ethiopia	99,9%

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures

Associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post-acquisition accumulated profits or losses of associated companies and joint ventures in the carrying amount of the investments, which are generally determined from their latest audited annual financial statements or management accounts and the annual profit attributable to the Group is recognised in profit or loss. The Group's share of any post-acquisition movement in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Where an associate or joint venture's functional currency is the currency of a hyperinflationary economy, the results and financial position of the associate or joint venture are restated in order to calculate the Group's share of net assets and profit or loss.

The carrying amount of the Group's investments in associates and joint ventures is reduced to recognise any potential impairment in the value of individual investments. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group has an obligation, issued guarantees or made payments on behalf of the associate or joint venture.

Dilution gains or losses arising on investments in associates and joint ventures are recognised in profit or loss. If the ownership interests in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss. Profits or losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments have been made where necessary to bring the accounting policies of the associates and joint ventures in line with those of the Group.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

	2015 Rm	2014 Rm
Investment in associates	**12 624**	5 975
Investment in joint ventures	**22 928**	19 539
Total investment in associates and joint ventures	**35 552**	25 514
Share of results of associates after tax	**(493)**	(127)
Share of results of joint ventures after tax	**1 719**	4 335
Total share of results of associates and joint ventures after tax	**1 226**	4 208
Share of results of associates after tax comprises:		
Share of results of associates after tax	**(493)**	(28)
Amortisation of customer relationships – BICS	**–**	(146)
	(493)	(174)
Unwind of deferred tax on customer relationships – BICS	**–**	47
	(493)	(127)

Investment in associates

Significant judgement: Existence of significant influence

The Group together with another shareholder, hold the shares in Nigeria Tower InterCo B.V., Uganda Tower InterCo B.V. and Ghana Tower InterCo B.V. The other shareholder has substantive rights that give it power over the relevant activities of these entities. However, the Group participates in the significant financial and operating decisions and consequently it has determined that it has significant influence over these entities, resulting in them being classified as associates of the Group.

Unless otherwise stated, the Group's associates' countries of incorporation are also their principal place of operation.

The Group has the following effective interest in associates:

Associate	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2015	2014
Belgacom International Carrier Services SA (BICS)	Telecommunications	Belgium	**20**	20
Nigeria Tower InterCo B.V.	Management of telecommunication infrastructure	Netherlands	**51**	51
Uganda Tower InterCo B.V.	Management of telecommunication infrastructure	Netherlands	**49**	49
Ghana Tower InterCo B.V.	Management of telecommunication infrastructure	Netherlands	**49**	49
Number Portability Proprietary Limited	Porting	South Africa	**20**	20
Content Connect Africa Proprietary Limited	Telecommunications	South Africa	**36**	36

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

	Belgacom International Carrier Services SA (BICS) Rm	Uganda Tower InterCo B.V. Rm	Ghana Tower InterCo B.V.[2] Rm	Nigeria Tower InterCo B.V.[1] Rm	Other Rm	Total Rm
2014						
Balance at beginning of the year	1 786	304	–	–	5	2 095
Additions	–	46	–	4 178	–	4 224
Other income (note 2.3)	–	–	31	–	–	31
Share of results after tax including amortisation of customer relationships	112	(221)	–	(64)	(1)	(174)
Dividend income	(233)	–	–	–	–	(233)
Other equity movements	–	–	(31)	–	–	(31)
Effect of movements in exchange rates	(4)	34	–	34	(1)	63
Balance at end of the year	1 661	163	–	4 148	3	5 975
2015						
Balance at beginning of the year	**1 661**	**163**	**–**	**4 148**	**3**	**5 975**
Additions	**–**	**217**	**1 342**	**4 962**	**–**	**6 521**
Other income (note 2.3)	**–**	**–**	**30**	**–**	**–**	**30**
Share of results after tax	**216**	**(301)**	**136**	**(545)**	**1**	**(493)**
Dividend income	**(230)**	**–**	**–**	**–**	**–**	**(230)**
Other equity movements	**–**	**–**	**(30)**	**–**	**–**	**(30)**
Effect of movements in exchange rates	**342**	**(31)**	**(1 478)**	**2 017**	**1**	**851**
Balance at end of the year	**1 989**	**48**	**–**	**10 582**	**5**	**12 624**

[1] *The Group sold its mobile network towers in MTN Nigeria Communications Limited to INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V. The tower sales resulted in IHS obtaining a 49% interest in Nigeria Tower InterCo B.V. and the Group obtaining an equity interest of US$775 million (note 2.3).*

[2] *The Group accounted for the conversion of a portion of its loan to Ghana Tower InterCo B.V. into equity for an amount of R1,3 billion.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

Summarised financial information of associates

Set out below is the summarised financial information of each associate that is material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method, including fair value adjustments at acquisition and modifications for differences in accounting policy.

	Belgacom International Carrier Services SA (BICS)		Uganda Tower InterCo B.V.	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Summarised statement of financial position				
Total assets	**14 609**	12 652	**3 083**	2 597
Non-current assets	**2 575**	2 441	**2 609**	2 308
Current assets	**12 034**	10 211	**474**	289
Total liabilities	**10 982**	9 195	**2 986**	2 264
Non-current liabilities	**170**	139	**2 395**	1 767
Current liabilities	**10 812**	9 056	**591**	497
Net assets	**3 627**	3 457	**97**	333
% ownership interest held	**20**	20	**49**	49
Interest in associate excluding goodwill	**725**	691	**48**	163
Goodwill	**1 264**	970	**–**	–
Balance at end of the year	**1 989**	1 661	**48**	163
Summarised income statement				
Revenue	**22 547**	22 784	**716**	608
EBITDA	**2 241**	1 944	**196**	109
Profit/(loss) before tax	**1 827**	908	**(614)**	(450)
Income tax expense	**(747)**	(348)	**–**	–
Profit/(loss) after tax	**1 080**	560	**(614)**	(450)
% ownership interest held	**20**	20	**49**	49
Share of results of associates after tax	**216**	112	**(301)**	(221)

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

Summarised financial information of associates (continued)

	Nigeria Tower InterCo B.V.		Ghana Tower InterCo B.V.	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Summarised statement of financial position				
Total assets	**23 353**	10 152	**3 124**	2 248
Non-current assets	**23 353**	9 627	**1 237**	1 047
Current assets	**–**	525	**1 887**	1 201
Total liabilities	**2 604**	2 019	**3 310**	4 817
Non-current liabilities	**2 480**	2 005	**2 150**	4 124
Current liabilities	**124**	14	**1 160**	693
Net assets	**20 749**	8 133	**(186)**	(2 569)
% ownership interest held	**51**	51	**49**	49
Interest in associate	**10 582**	4 148	**(91)**	(1 259)
Accumulated unrecognised share of losses from associate	**–**	–	**–**	982[1]
Accumulated unrecognised share of other comprehensive income from associate	**–**	–	**91[1]**	277[1]
Balance at end of the year	**10 582**	4 148	**–**	–
Summarised income statement				
Revenue	**–**	–	**1 203**	1 053
EBITDA	**(1 069)**	(125)	**570**	445
(Loss)/profit before tax	**(1 069)**	(125)	**303**	(1 227)
Income tax expense	**–**	–	**(25)**	33
(Loss)/profit after tax	**(1 069)**	(125)	**278**	(1 194)
% ownership interest held	**51**	51	**49**	49
Share of results after tax	**(545)**	(64)	**136**	(585)[2]
Unrecognised share of losses from associate	**–**	–	**–**	585
Share of results of associates after tax	**(545)**	(64)	**136**	–

[1] *Translated at rates of exchange ruling at the reporting date.*
[2] *Includes amortisation of customer relationships.*

There are no significant contingent liabilities relating to the Group's interests in these associates at the end of the current or prior year.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Classification of significant joint arrangements

Joint arrangements are all arrangements where two or more parties contractually agree to share control of the arrangement, which only exists when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group exercises judgement in determining the classification of its joint arrangements. The Group's joint arrangements provide the Group and the other parties to the agreements with rights to the net assets of the entities. The Group has joint control over these arrangements as, under the contractual arrangements, unanimous consent is required for all decisions made with regards to the relevant activities. Judgement has been applied in determining that the following entities should be classified as joint ventures of the Group:

- Irancell Telecommunication Company Services (PJSC) (49%).
- Mascom Wireless Botswana Proprietary Limited (Mascom) (53,11%).
- Middle East Internet Holding S.A.R.L (MEIH) (50%).
- Africa Internet Holding GmbH (AIH) (33,3%).
- International Digital Services Middle East Limited (iME) (50%).

Investment in joint ventures

The Group has the following effective interests in joint ventures:

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2015	2014
Irancell Telecommunication Company Services (PJSC)	Network operator	Iran	**49**	49
Mascom Wireless Botswana Proprietary Limited	Network operator	Botswana	**53,1**	53,1
Swazi MTN Limited	Network operator	Swaziland	**30**	30
Deci Investments Proprietary Limited	Holding company	Botswana	**33,3**	33,3
Middle East Internet Holding S.A.R.L (MEIH)[1]	Telecommunications	Luxembourg	**50**	50
Africa Internet Holding GmbH (AIH)[2]	Telecommunications	Berlin	**33,3**	33,3
International Digital Services Middle East Limited (iME)[3]	Telecommunications	Dubai	**50**	–

[1] *The entity operates in various countries across the Middle East.*
[2] *The entity operates in various countries across Africa.*
[3] *The entity operates in Iran.*

The joint ventures listed above are unlisted and their countries of incorporation are also their principal place of operation unless otherwise indicated.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

The Iranian economy was previously classified as hyperinflationary. Iran ceased being regarded as a hyperinflationary economy during 2015, resulting in hyperinflation accounting relating to Irancell Telecommunication Company Services (PJSC) not being applied from 1 July 2015 onward. The amounts expressed in measuring unit current at 30 June 2015 are treated as the basis for the carrying amounts of Irancell going forward.

	Base year	General price index	Inflation rate (%)
31 December 2013	2011	187	19,69
31 December 2014	2011	224	20,00
30 June 2015	2011	247	14,00

The cumulative inflation rate over three years as at 30 June 2015 was 63,74% (31 December 2014: 102,80%).

The average adjustment factor used for 2015 was 1,09 (2014: 1,11).

All joint ventures have a year end consistent with that of the Company with the exception of Irancell Telecommunication Company Services (PJSC) that has a year end of 21 December, in line with statutory requirements in Iran.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9. GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

	Irancell Telecommunication Company Services (PJSC) Rm	Mascom Wireless Botswana Proprietary Limited Rm	Africa Internet Holding GmbH (AIH) Rm	Middle East Internet Holding S.A.R.L (MEIH) Rm	International Digital Services Middle East Limited (iME) Rm	Other Rm	Total Rm
2014							
Balance at beginning of the year	8 830	1 396	–	–	–	322	10 548
Additions	–	–	2 453	1 773	–	–	4 226
Share of results after tax	4 113	250	(94)	(30)	–	96	4 335
Dividend income	(2 400)	(243)	–	–	–	(71)	(2 714)
Other equity movements	–	(87)	–	–	–	–	(87)
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[1]	3 433	13	(106)	(105)	–	(4)	3 231
Balance at end of the year	13 976	1 329	2 253	1 638	–	343	19 539
2015							
Balance at beginning of the year	**13 976**	**1 329**	**2 253**	**1 638**	**–**	**343**	**19 539**
Share of results after tax	**1 903**	**345**	**(418)**	**(129)**	**(78)**	**96**	**1 719**
Dividend income	**(2 513)**	**(231)**	**–**	**–**	**–**	**(116)**	**(2 860)**
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[1]	**3 908**	**(92)**	**432**	**(364)**	**656**	**(10)**	**4 530**
Balance at end of the year	**17 274**	**1 351**	**2 267**	**1 145**	**578**	**313**	**22 928**

[1] *Refer to note 1.3.3 for the Group's accounting policy with regard to those entities whose functional currency is the currency of a hyper-inflationary economy.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures

Set out below is the summarised financial information of each joint venture that is material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method including fair value adjustments at acquisition and modifications for differences in accounting policy.

	Irancell Telecommunication Company Services (PJSC)		Africa Internet Holding GmbH (AIH)[1]		Mascom Wireless Botswana Proprietary Limited	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
Summarised statement of financial position						
ASSETS						
Non-current assets	**52 921**	35 184	**1 856**	44	**1 393**	1 050
Property, plant and equipment	**44 096**	28 221	**120**	38	**1 172**	903
Intangible assets	**8 706**	6 955	**5**	5	**219**	128
Loans and other non-current receivables	**12**	8	**1 731**	1	**1**	1
Investment in associate	**107**	–	**–**	–	**–**	–
Deferred tax assets	**–**	–		–	**1**	18
Current assets	**28 946**	25 925	**1 405**	3 586	**349**	679
Inventories	**106**	141	**142**	109	**8**	10
Trade and other receivables	**8 778**	11 856	**255**	3 116	**154**	108
Restricted cash	**206**	1 345	**–**	–	**–**	–
Cash and cash equivalents	**19 856**	12 583	**616**	329	**187**	561
Other current assets	**–**	–	**392**	32	**–**	–
Total assets	**81 867**	61 109	**3 261**	3 630	**1 742**	1 729
LIABILITIES						
Non-current liabilities	**9 757**	4 193	**16**	13	**189**	301
Borrowings	**2 117**	–	**14**	–	**–**	121
Deferred tax liabilities	**7 304**	3 951	**1**	–	**120**	109
Provisions	**333**	242	**–**	–	**–**	–
Other non-current liabilities	**3**	–	**1**	13	**69**	71
Current liabilities	**37 057**	28 575	**808**	336	**654**	381
Trade and other payables	**26 044**	20 034	**440**	223	**484**	337
Unearned income	**1 760**	1 507	**6**	–	**–**	–
Provisions	**291**	183	**29**	16	**–**	–
Taxation liabilities	**1 903**	1 714	**333**	74	**33**	4
Borrowings	**7 059**	5 137	**–**	15	**137**	40
Other current liabilities	**–**	–	**–**	8	**–**	–
Total liabilities	**46 814**	32 768	**824**	349	**843**	682
Net assets	**35 053**	28 341	**2 437**	3 281	**899**	1 047
Non-controlling interests – deficit in net assets	**–**	–	**450**	268	**–**	–
Total net assets	**35 053**	28 341	**2 887**	3 549	**899**	1 047
% ownership interest held	**49**	49	**33,3**	33,3	**53,1**	53,1
Interest in joint venture excluding goodwill	**17 176**	13 887	**961**	1 183	**477**	556
Adjustment up to 31 December	**–**	–	**(101)**	(42)	**–**	–
Goodwill	**98**	89	**1 407**	1 112	**874**	773
Balance at end of the year	**17 274**	13 976	**2 267**	2 253	**1 351**	1 329

[1] *Summarised financial information presented with regard to the Group's interest in AIH is as per the latest available management accounts at 30 September. Preparation of financial statements at 31 December by AIH was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures (continued)

	Irancell Telecommunication Company Services (PJSC)		Africa Internet Holding GmbH (AIH)[1]		Mascom Wireless Botswana Proprietary Limited	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
Summarised income statement						
Revenue	**28 463**	27 113	**2 150**	383	**1 779**	1 578
Other income	**–**	119	**–**	–	**–**	–
Operating expenses	**(17 338)**	(15 480)	**(4 198)**	(888)	**(734)**	(763)
EBITDA	**11 125**	11 752	**(2 048)**	(505)	**1 045**	815
Depreciation of property, plant and equipment	**(4 707)**	(4 300)	**–**	–	**(138)**	(131)
Amortisation of intangible assets	**(1 174)**	(955)	**–**	–	**(97)**	(90)
Operating profit/(loss)	**5 244**	6 497	**(2 048)**	(505)	**810**	594
Finance income	**3 003**	2 459	**–**	224	**15**	15
Finance costs	**(1 601)**	(692)	**–**	(1)	**(11)**	(13)
Net monetary gain	**797**	1 892	**–**	–	**–**	–
Profit/(loss) before tax	**7 443**	10 156	**(2 048)**	(282)	**814**	596
Income tax expense	**(3 560)**	(1 763)	**–**	–	**(165)**	(125)
Profit/(loss) after tax	**3 883**	8 393	**(2 048)**	(282)	**649**	471
Non-controlling interests	**–**	–	**(794)**	–	**–**	–
Profit/(loss) attributable to equity holders of the Company	**3 883**	8 393	**(1 254)**	(282)	**649**	471
% ownership interest held	**49**	49	**33,3**	33,3	**53,1**	53,1
Share of results of joint ventures after tax	**1 903**	4 113	**(418)**	(94)	**345**	250

A receivable of R8 158 million (2014: R5 640 million) from Irancell Telecommunication Company Services (PJSC) has not been received by the Group as at 31 December 2015 but is still considered recoverable, as the financial sanctions in Iran have been lifted.

During 2014, the Group acquired a 50% interest in Middle East Internet Holding S.A.R.L (MEIH), a joint venture, for EUR120 million consisting of a EUR40 million cash payment and EUR80 million contingent consideration. The net fair values of the joint venture's assets and liabilities were provisional at the end of 2014. The net fair values of the assets and liabilities were finalised during 2015 and no material changes to the previously reported results were required. MEIH is unlisted and has a year end consistent with that of the Group.

During the year, the Group formed iME by moving EUR40 million, being the Iranian business interests previously held in MEIH to the newly formed entity. There was no resulting change in the total investment held prior to and subsequent to the restructure.

During 2014, the Group acquired a 33,3% interest in Africa Internet Holding GmbH (AIH) for EUR168 million. Millicom International Cellular SA (Millicom) initially also agreed to acquire 33,3% of the shares in AIH, but held a back-out right in terms of which it was entitled to cancel a portion of its take-up of these shares. Millicom exercised this back-out right on 8 May 2015. MTN and Rocket Internet SE, the two other shareholders in AIH, held an additional investment right which entitled them to take up these shares released under Millicom's back-out right. MTN exercised its right to take up half of these shares on 10 July 2015. Subsequently, other agreements subject to conditions precedent were entered into between the shareholders resulting in the implementation of the back-out right and the additional investment rights not yet being effective at 31 December 2015. Consequently, MTN's interest in AIH at year end remains 33,3%.

[1] *Summarised financial information presented with regard to the Group's interest in AIH is as per the latest available management accounts at 30 September. Preparation of financial statements at 31 December by AIH was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures (continued)

Events after reporting period

The Group committed a further EUR135 million investment in AIH, the ultimate parent company of Jumia. The investment forms part of a wider capital funding to AIH. The funds will enable it to leverage the significant growth of Jumia and to capitalise on the significant opportunities in Africa. This investment will increase MTN Group's interest in the joint venture from 33,3% to 41,4%. The transaction is subject to customary closing procedures.

Summarised financial information was not presented with regards to the Group's interest in MEIH in 2014, as the entity was in its start-up phase and preparation of financial statements at the Group reporting date was impracticable. Appropriate adjustments were made to the Group's interest and share of results for the effects of significant transactions and events that occurred up to the reporting date.

	Middle East Internet Holdings S.A.R.L 2015 Rm	International Digital Services Middle East Limited (iME)[1] 2015 Rm
Summarised statement of financial position		
ASSETS		
Non-current assets	679	457
Current assets	489	39
Total assets	1 168	496
LIABILITIES		
Current liabilities	90	18
Total liabilities	90	18
Net assets	1 078	478
Non-controlling interest – deficit in net assets	16	–
Total net assets	1 094	478
% ownership interest held	50	50
Interest in joint venture excluding goodwill	547	239
Adjustment up to 31 December[2]	(39)	(20)
Goodwill	637	359
Balance at end of the year	1 145	578
Summarised income statement		
Revenue	126	38
Operating expenses	(383)	(194)
EBITDA and loss after tax	(257)	(156)
% ownership interest held	50	50
Share of results after tax	(129)	(78)

[1] *No comparative information disclosed as IME was incorporated during the current year.*

[2] *Summarised financial information presented with regard to the Group's interest in MEIH and iME is as per the latest available management accounts at 30 September. Preparation of the financial statements at 31 December by MEIH and iME was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date .*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Commercial commitments

Irancell Telecommunication Company Services (PJSC)

The investment in Irancell is subject to a number of sovereign, regulatory and commercial risks, which could result in the Group failing to realise full market value of its investment should it be required to dispose of any portion thereof. In this regard, 21% of Irancell is required to be offered to members of the Iranian public within approximately three years from the date of the licence. Such offering could have a proportional dilutory effect on the Company's 49% shareholding, effectively reducing its shareholding by 10,3% to 38,7%. Local management together with the shareholders continue to engage the regulator on this matter.

	2015 Rm	2014 Rm
Capital commitments		
Share of capital commitments of joint ventures for the acquisition of property, plant and equipment and software		
– Contracted	**3 077**	3 153
– Authorised but not contracted	**1 046**	1 064
	4 123	4 217
Operating lease commitments		
The Group's share of future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:		
Not later than one year	**24**	16
	24	16

Contingent liabilities relating to joint ventures

There are no significant contingent liabilities relating to the Group's interests in its joint ventures.

Licences

Licences awarded to the joint ventures are set out below:

Licence agreements	Type	Granted/ renewed	Term
Irancell Telecommunication Company Services (PJSC)	2G	07/09/2006	15 years
	Wimax[1]	28/02/2009	6 years
	3G	17/08/2014	7 years
	LTE	23/08/2015	6 years
Mascom Wireless Botswana	900MHz		
	1 800MHz	13/06/2013	15 years
	2 100MHz		
Swazi MTN Limited	900MHz	28/11/2008	10 years
	1 800MHz		
	2 100MHz	26/09/2011	7 years

[1] *Renewal application lodged.*

Events after reporting period

Investment in TravelLab Global AB (Travelstart)

On 22 January 2016, MTN Group made an investment amounting to US$30 million in Travelstart. Travelstart is an online travel agency focused on emerging markets. MTN Group jointly controls Travelstart, indirectly through a fund managed by its venture capital fund manager Amadeus Capital Partners.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.3 Changes in shareholding

Changes in shareholding of subsidiaries are transactions that result in increases or reductions in the interest held in a subsidiary of the Group, but which do not result in a loss of control and are accounted for as transactions with non-controlling shareholders as disclosed in note 1.3.1.

9.3.1 Current year changes in shareholding

9.3.1.1 MTN Côte d'Ivoire SA

New licence requirements in Ivory Coast require that 15% of the share capital of MTN Côte d'Ivoire SA be held by an Ivorian citizen. On 21 May 2015, MTN Mauritius disposed of 8% of its interest in MTN Côte d'Ivoire SA to Teyliom Global Capital Limited (TGCL), a fellow subsidiary of an entity which already holds a 7% interest in MTN Côte d'Ivoire SA. MTN Dubai advanced an interest-bearing loan to TGCL in order to effect the purchase. The loan is repayable in 20 years' time, and is secured by the 8% holding in MTN Côte d'Ivoire SA. The transaction was subject to certain conditions subsequent at agreement signature date, consequently although the shares were legally sold at that date, the transaction was only effective on 15 December 2015 for accounting purposes. At a Group level, it is viewed that an option was granted to TGCL, consequently neither the loan to TGCL nor the disposal of the 8% interest is recognised. As a result, the legal ownership percentage and the accounting ownership percentage differs by 8% at 31 December 2015. The option resulted in the recognition of an IFRS 2 charge at a Group level. This charge was capitalised as part of the licence cost as it is considered to be a cost which is directly attributed to the cost of acquiring this licence.

9.3.2 Prior year changes in shareholding

The were no transactions with non-controlling shareholders or changes in shareholding of any of the Group's subsidiaries during 2014.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.4 Business combinations

9.4.1 Current year business combinations

9.4.1.1 Visafone Communications Limited

On 31 December 2015, MTN Nigeria acquired 100% of the share capital of Visafone Communications Limited (Visafone) for R3,432 million. As a result, the Group obtained control of Visafone. Control over Visafone will enable the Group to improve the quality of broadband services for its subscribers. The acquisition seeks to leverage resources for service enhancement and reflects the Group's concerted efforts to deepen the growth and roll-out of broadband services across Nigeria.

Visafone contributed no revenues and net profit to the Group for the period ended 31 December 2015 as the business was acquired on the last day of the year. The consolidated pro forma revenue and profit for the year ended 31 December 2015 as though the acquisition had occurred on 1 January 2015 cannot be disclosed as the audited financial statements of Visafone for the year ended 31 December 2015 are not yet available.

The following table summarises the consideration transferred by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date:

	2015 Rm
Consideration transferred	
Cash outflow on acquisition	3 040
Retention amount	392
Cash outflow	3 432

Retention amount

The retention amount represents an amount deposited into an escrow account by the Group as agreed by the parties to the acquisition, to be utilised for the satisfaction of outstanding liabilities, the shareholder debt, warranty claims and termination payments arising from the termination of supplier contracts in respect of the acquisition. The Group did not assume any liabilities, other than deferred tax, from the acquisition of Visafone. The retention amount is disclosed as restricted cash as at 31 December 2015.

	2015 Rm
Assets acquired	
Intangible assets	3 752
Liabilities assumed	
Deferred tax liabilities	(1 062)
Total identifiable net assets	2 690
Total consideration paid	3 432
Net identifiable assets acquired	(2 690)
Goodwill	742

The composition of goodwill will be analysed on finalisation of the business combination accounting.

Measurement of fair values

The valuation techniques applied in measuring the fair value of material assets acquired are as follows:

Asset acquired	Valuation technique
Intangible assets	Market approach or comparable transaction method was used which estimates the fair value of a licence by referring to the purchase prices paid for similar licences across different markets.

The fair values of the acquired identifiable assets have been determined on a provisional basis, pending receipt of the final valuations for the assets.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.4 Business combinations (continued)

9.4.2 Prior year business combinations

9.4.2.1 Afrihost Proprietary Limited

In November 2014, the Group acquired 50% plus one share of the share capital of Afrihost Proprietary Limited (Afrihost) for R408 million. As a result, the Group obtained control of Afrihost. Afrihost was acquired to enable the Group to drive their accelerated SME strategy and provide scale for the Group's virtual market, content and cloud offering.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	2014 Rm
Consideration transferred	
Cash	408
Cash in subsidiary acquired	(20)
Cash outflow on acquisition	388
Assets acquired	383
Property, plant and equipment	44
Intangible assets	307
Deferred tax assets	2
Inventories	1
Trade and other receivables	9
Cash and cash equivalents	20
Liabilities assumed	204
Deferred tax liabilities	86
Other non-current liabilities	7
Trade and other payables	109
Taxation payable	2
Total identifiable net assets	179
Total consideration paid	408
Non-controlling interest in Afrihost Proprietary Limited	90
Net identifiable assets acquired	(179)
Goodwill	319

The net assets recognised in the 31 December 2014 financial statements were based on a provisional assessment. The amounts were finalised during 2015, and no material changes to the previously reported results were required.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.4 Business combinations (continued)

9.4.2 Prior year business combinations (continued)

9.4.2.2 Nashua Mobile subscriber base

During November 2014, the Group acquired its Nashua Mobile subscriber base from Nashua Mobile Proprietary Limited for R1 246 million. The subscriber base was acquired to enable the Group to consolidate the Mobile Telephone Networks Proprietary Limited postpaid subscriber base in one entity and own the relationship with the subscribers.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	2014 Rm
Consideration transferred	
Cash outflow on acquisition	1 246
Assets acquired	926
Intangible assets	732
Loans and other non-current receivables	194
Liabilities assumed	205
Deferred tax liabilities	205
Total identifiable net assets	721
Total consideration paid	1 246
Net identifiable assets	(721)
Goodwill	525

The net assets recognised in the 31 December 2014 financial statements were based on a provisional assessment. The amounts were finalised during 2015, and no material changes to the previously reported results were required.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.4 Business combinations (continued)

9.4.3 Business combinations subsequent to reporting period

9.4.3.1 Altech Autopage subscriber base

On 11 February 2016, the Group acquired its Altech Autopage subscriber base from Altron TMT Proprietary Limited for R670 million, including contingent consideration of R30 million payable to MTN. The acquisition of the subscriber base will enable the Group to service and interact directly with its customers and will reduce the related commission expense.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	Rm
Consideration transferred	
Cash	670
Contingent consideration	(30)
Total consideration transferred	640

Contingent consideration

The contingent consideration arrangement requires an adjustment to the purchase price based on the size and financial quality of the base as at the effective date.

Recognised amounts of identifiable assets acquired and liabilities assumed:	
Assets acquired	595
Intangible assets	425
Loans and other non-current receivables	170
Liabilities assumed	167
Deferred tax liabilities	167
Total identifiable net assets	428
Total consideration	640
Net identifiable assets	(428)
Goodwill	212

The goodwill of R212 million comprises the fair value of expected synergies arising from acquisition.

Measurement of fair value

The valuation techniques applied in measuring the fair value of material assets acquired are as follows:

Asset acquired	Valuation technique
Intangible assets	Multi-period excess earnings method
Receivables	Present value of expected cash flows

Given the limited period between the acquisition date and the authorisation date of the financial statements, management has not yet completed the purchase price allocation and the fair values of the acquired identifiable assets as well as the contingent consideration have been determined on a provisional basis, pending receipt of the final valuations for the assets.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.5 Joint operations

In respect of its interest in joint operations, the Group recognises in its financial statements its share of the assets held jointly, classified according to the nature of the assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other joint operators in relation to the joint operation, any income from the sale or use of its share of the output of the joint operation, together with its share of any expenses incurred by the joint operation and any expenses that it has incurred in respect of its interest in the joint operation.

When the Group acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised in profit or loss. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

When the Group increases its interest in a joint operation in which the activity of the joint operation constitutes a business, by acquiring an additional interest in the joint operation, the Group's previously held interests in the joint operation are not remeasured if the joint operator retains joint control.

The Group has entered into agreements with several other companies to construct high capacity fibre-optic submarine cable systems.

The Group has the following interests in jointly controlled operations:

	Ownership interest held	
	2015 %	2014 %
Joint operation		
Europe India Gateway Submarine Cable System	**7,12**	7,09
West Africa Cable System	**11,06**	11,45
Eassy Cable System	**16,26**	16,26
Africa Coast to Europe Cable System	**8,67**	–

During the year, the Group entered into a new agreement to construct a high capacity fibre-optic submarine cable system, named Africa Coast to Europe Cable System. The cost to the Group amounts to US$51,6 million.

The following table presents, on a condensed basis, the Group's share of assets and liabilities, revenue and expenses of the jointly controlled operations which are included in the consolidated statement of financial position and income statement:

	2015 Rm	2014 Rm
Revenue	**35**	21
Expenses	**(299)**	(212)
Total assets	**3 133**	1 977
Total liabilities (excluding unearned income)	**(129)**	(124)
Unearned income	**(161)**	(132)

9.6 Interest in subsidiaries

The subsidiaries in which MTN Group Limited has direct and indirect interests are set out in note 9.1. A summary of the Group's subsidiaries with material non-controlling interests is presented below:

		Non-controlling interests	
	Principal place of business	**2015 Rm**	2014 Rm
Subsidiary			
MTN Nigeria Communications Limited	Nigeria	**2 365**	2 306
MTN Côte d'Ivoire S.A.	Côte d'Ivoire	**1 284**	971
Spacetel Benin SA	Benin	**392**	346
Mobile Telephone Networks Cameroon Limited	Cameroon	**469**	450
Other		**959**	852
		5 469	4 925

Set out on the next page is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. Unless otherwise stated, the Group's subsidiaries' countries of incorporation are also their principal place of operation. The summarised financial information presented is before intercompany eliminations.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.6 Interest in subsidiaries (continued)

	MTN Nigeria Communications Limited		MTN Côte d'Ivoire S.A.	
	2015	2014	**2015**	2014
% ownership interest held by non-controlling interests	**21,17**	21,17	**33,17[2]**	33,17[2]
	Rm	Rm	**Rm**	Rm
Summarised statement of financial position				
Non-current assets[1]	**47 026**	35 423	**8 420**	4 818
Current assets	**30 011**	25 267	**2 126**	1 676
Total assets	**77 037**	60 690	**10 546**	6 494
Non-current liabilities	**31 871**	27 541	**871**	302
Current liabilities	**33 993**	22 256	**5 804**	3 264
Total liabilities	**65 864**	49 797	**6 675**	3 566
Summarised income statement				
Revenue	**51 942**	53 995	**6 424**	6 418
EBITDA	**18 180**	31 620	**2 195**	2 475
Profit before tax	**7 221**	19 184	**1 283**	1 704
Income tax expense	**(4 264)**	(5 360)	**(313)**	(587)
Profit after tax	**2 957**	13 824	**970**	1 117
Profit attributable to non-controlling interests	**626**	2 927	**322**	371
Dividends paid to non-controlling interests	**1 328**	3 366	**373**	341
Summarised statement of cash flows				
Net cash generated from operating activities	**13 065**	11 226	**486**	1 195
Net cash used in investing activities	**(8 929)**	(7 078)	**(2 247)**	(1 158)
Net cash (used in)/from financing activities	**(4 188)**	(49)	**1 865**	(286)
Net (decrease)/increase in cash and cash equivalents	**(52)**	4 099	**104**	(249)
Net cash and cash equivalents at beginning of the year	**13 032**	9 513	**437**	707
Exchange gains/(loss) on cash and cash equivalents	**2 597**	(580)	**(111)**	(21)
Net cash and cash equivalents at end of the year	**15 577**	13 032	**430**	437

[1] *Excludes goodwill on consolidation of subsidiaries.*
[2] *The non-controlling interests hold 41,17% of the issued ordinary share capital of MTN Côte d'Ivoire S.A. However, the effective ownership for accounting purposes is 33,17% due to outstanding funding provided by the Group to the non-controlling interests to acquire ordinary share capital in MTN Côte d'Ivoire (see note 9.3.1.1).*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9. GROUP COMPOSITION (continued)

9.6 Interest in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

	Spacetel Benin SA		Mobile Telephone Networks Cameroon Limited	
	2015	2014	**2015**	2014
% ownership interest held by non-controlling interests	**25**	25	**20[1]**	20[1]
	Rm	Rm	**Rm**	Rm
Summarised statement of financial position				
Non-current assets[2]	**2 470**	2 204	**6 228**	2 629
Current assets	**2 388**	1 424	**1 782**	4 058
Total assets	**4 858**	3 628	**8 010**	6 687
Non-current liabilities	**1 039**	683	**983**	200
Current liabilities	**2 250**	1 562	**4 682**	4 235
Total liabilities	**3 289**	2 245	**5 665**	4 435
Summarised income statement				
Revenue	**3 633**	3 316	**5 806**	6 194
EBITDA	**1 280**	1 380	**2 101**	2 651
Profit before tax	**791**	878	**1 212**	1 905
Income tax expense	**1**	1	**(635)**	(852)
Profit after tax	**792**	879	**577**	1 053
Profit attributable to non-controlling interests	**198**	220	**115**	211
Dividends paid to non-controlling interests	**263**	173	**175**	365
Summarised statement of cash flows				
Net cash generated from operating activities	**21**	961	**276**	1 105
Net cash used in investing activities	**(121)**	(264)	**(3 165)**	(608)
Net cash (used in)/from financing activities	**(30)**	(204)	**537**	(272)
Net (decrease)/increase in cash and cash equivalents	**(130)**	493	**(2 352)**	225
Net cash and cash equivalents at beginning of the year	**927**	467	**2 971**	2 857
Exchange gains/(losses) on cash and cash equivalents	**173**	(33)	**25**	(111)
Net cash and cash equivalents at end of the year	**970**	927	**644**	2 971

[1] *The non-controlling interests hold 30% of the issued ordinary share capital of Mobile Telephone Networks Cameroon. However, the effective ownership for accounting purposes is 20% due to outstanding funding provided by the Group to the non-controlling interests to acquire ordinary share capital in Mobile Telephone Networks Cameroon.*

[2] *Excludes goodwill on consolidation of subsidiaries.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES

10.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

	2015 Rm	2014 Rm
Key management compensation		
Salaries and other short-term employee benefits	**97**	77
Post-employment benefits	**8**	7
Other benefits	**26**	8
Bonuses	**2**	62
Compensation for loss of office	**54**	–
Total	**187**	154

Details of directors' remuneration are disclosed in note 10.2 of the financial statements.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 9.1 of the financial statements.

Changes in shareholding

There were no transactions with non-controlling shareholders or changes in shareholding in any of the Group's subsidiaries during the current and prior years (see note 9.3).

Joint ventures

Details of the Group's investments in and share of results and dividend income from its joint ventures are disclosed in note 9.2 of the financial statements.

Details of other transactions and balances with joint ventures are set out below:

	Net income for the year		Net balance receivable/ (payable)	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Swazi MTN Limited	**50**	6	**101**	36
Mascom Wireless Botswana Proprietary Limited	**1**	2	**8**	–
Irancell Telecommunication Company Services (PJSC)	**713**	212	**17 988**	11 070
Middle East Internet Holding S.A.R.L (MEIH)	**–**	–	**(672)**	(1 115)
African Internet Holding GmbH (AIH)	**–**	–	**(100)**	(1 592)
International Digital Services Middle East Holding GmbH (iME)	**–**		**(334)**	

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES (continued)

10.1 Related party transactions (continued)

Associates

Details of the Group's investments in and share of results and dividend income from its associates are disclosed in note 9.2 of the financial statements.

Details of other transactions and balances with associates are set out below:

	Net income for the year		Net balance receivable	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Belgacom International Carrier Services SA	**331**	386	**112**	141
Ghana Tower InterCo B.V.	**177**	159	**1 112**	2 025
Uganda Tower InterCo B.V.	**50**	44	**1 162**	889
Nigeria Tower InterCo B.V.	**166**	–	**2 900**	1 039

Transactions between members of the Group

Scancom Limited (MTN Ghana) entered into operating lease agreements with Ghana Tower InterCo B.V. The operating lease commitments amount to R8 353 million at 31 December 2015 (2014: R2 762 million). The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

MTN Uganda Limited entered into operating lease agreements with Uganda Tower InterCo B.V. The operating lease commitments amount to R3 109 million (2014: R2 364 million) at 31 December 2015. The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

MTN Nigeria Communications Limited entered into operating lease agreements with INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V. The operating lease commitments amounted to R42 616 million (2014: R17 843 million) at 31 December 2015. The initial term is 10 years, followed by four times five-year renewal periods.

Shareholders

The principal shareholders of the Company are disclosed in Annexure 1, which is unaudited.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares

Directors' emoluments and related payments

2015	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Compensation for loss of office R000±	Sub-total R000	Share gains** R000	Total R000
Executive directors								
RS Dabengwa^	1/10/2001	**8 426**	**1 080**	**2 882**	**23 664**	**36 052**	**4 529**	**40 581**
BD Goschen	22/07/2013	**7 567**	**970**	**292**	**–**	**8 829**	**427**	**9 256**
PF Nhleko^^	9/11/2015	**5 000**	**–**	**–**	**–**	**5 000**	**–**	**5 000**
Total		**20 993**	**2 050**	**3 174**	**23 664**	**49 881**	**4 956**	**54 837**

* *Includes medical aid and unemployment insurance fund.*
** *Pre-tax gains on share-based payments.*
^ *Resigned 9/11/2015.*
^^ *Fees paid to Captrust Investments Proprietary Limited.*
± *Compensation for loss of office comprises notice pay and a restraint of trade.*

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Strategy session R000	*Ad hoc* work R000	Total R000
Non-executive directors							
PF Nhleko^	28/05/2013	**1 976**	**1 021**	**60**	**371**	**57**	**3 485**
KC Ramon@	1/06/2014	**322**	**661**	**52**	**154**	**96**	**1 285**
KP Kalyan	13/06/2006	**343**	**602**	**40**	**154**	**8**	**1 147**
AT Mikati*†	18/07/2006	**1 181**	**1 126**	**181**	**241**	**384**	**3 113**
MJN Njeke	13/06/2006	**331**	**442**	**56**	**106**	**20**	**955**
JHN Strydom	11/03/2004	**309**	**585**	**60**	**154**	**41**	**1 149**
AF van Biljon	1/11/2002	**212**	**480**	**60**	**154**	**73**	**979**
J van Rooyen	18/07/2006	**369**	**827**	**60**	**106**	**108**	**1 470**
MLD Marole	1/01/2010	**332**	**681**	**60**	**154**	**8**	**1 235**
NP Mageza	1/01/2010	**403**	**743**	**40**	**106**	**20**	**1 312**
A Harper*	1/01/2010	**1 215**	**1 358**	**181**	**241**	**104**	**3 099**
F Titi±	1/07/2012	**260**	**397**	**52**	**154**	**–**	**863**
S Kheradpir ^^^^*	8/07/2015	**425**	**675**	**26**	**239**	**–**	**1 365**
Total		**7 678**	**9 598**	**928**	**2 334**	**919**	**21 457**

* *Fees have been paid in euro.*
† *Fees are paid to M1 Limited.*
^^^^ *Appointed 8/07/2015.*
± *Resigned 31/12/2015.*
\# *Retainer and attendance fees include fees for board and committee representation and meetings.*
@ *Fees paid to Anglogold Ashanti Limited.*
^ *Fourth quarter fees paid to Captrust Investments Proprietary Limited.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors' emoluments and related payments (continued)

2014	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Sub-total R000	Share gains** R000	Total R000
Executive directors								
RS Dabengwa	1/10/2001	9 334	1 197	858	13 257	24 646	3 482	28 128
BD Goschen	22/07/2013	5 567	714	286	6 777	13 344	–	13 344
Total		14 901	1 911	1 144	20 034	37 990	3 482	41 472

* *Includes medical aid and unemployment insurance fund.*
** *Pre-tax gains on share-based payments.*

	Date appointed	Retainer# R000	Attendance# R000	Special projects R000	Strategy session R000	*Ad hoc* work R000	Total R000
Non-executive directors							
PF Nhleko	28/05/2013	1 084	608	92	183	–	1 967
KC Ramon^	1/06/2014	123	187	–	96	21	427
KP Kalyan	13/06/2006	332	487	97	96	–	1 012
AT Mikati*†	18/07/2006	1 163	707	111	219	97	2 297
MJN Njeke	13/06/2006	311	388	20	96	–	815
JHN Strydom	11/03/2004	299	459	20	96	42	916
AF van Biljon	1/11/2002	312	401	68	96	63	940
J van Rooyen	18/07/2006	364	533	90	96	21	1 104
MLD Marole	1/01/2010	310	775	21	96	–	1 202
NP Mageza	1/01/2010	361	566	42	96	20	1 085
A Harper*	1/01/2010	1 177	852	–	219	–	2 248
F Titi	1/07/2012	253	352	–	48	–	653
Total		6 089	6 315	561	1 437	264	14 666

* *Fees have been paid in euro.*
† *Fees are paid to M1 Limited.*
# *Retainer and attendance fees include fees for board and committee representation and meetings.*
^ *Fourth quarter fees paid to Anglogold Ashanti Limited.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Prescribed officers' emoluments and related payments

2015	Salaries R000	Post-employment benefits R000	Other benefits R000	Compensation for loss of office R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
Prescribed officers								
JA Desai	9 490	949	2 586	–	–	13 025	295	13 320
PD Norman	4 473	573	60	–	–	5 106	1 465	6 571
A Farroukh[1]	5 444	544	555	–	–	6 543	2 208	8 751
SA Fakie[2]	331	44	1 209	–	–	1 584	755	2 339
KW Pienaar[3]	4 831	619	10 965	–	–	16 415	982	17 397
P Verkade[4]	1 021	102	21	–	–	1 144	345	1 489
Z Bulbulia[5]	3 691	473	785	13 254[@]	1 475	19 678	621	20 299
M Ikpoki[5]	6 603	754	2 274	17 260[#]	–	26 891	–	26 891
MD Fleischer	5 044	647	123	–	–	5 814	–	5 814
M Nyati	3 644	467	3 326	–	634	8 071	–	8 071
H Singh[6]	508	65	129	–	–	702	–	702
S Sooklal[7]	4 006	514	88	–	–	4 608	–	4 608
A Fernandez[8]	5 503	550	88	–	–	6 141	–	6 141
Total	**54 589**	**6 301**	**22 209**	**30 514**	**2 109**	**115 722**	**6 671**	**122 393**

[1] *Resigned on 31/07/2015.*
[2] *Retired on 16/02/2015.*
[3] *Retired on 31/12/2015.*
[4] *Contract ended on 31/03/2015.*
[5] *Mutual separation on 31/12/2015.*
[6] *Appointed on 1/11/2015.*
[7] *Appointed on 1/02/2015.*
[8] *Appointed on 1/04/2015.*
[@] *Compensation for loss of office comprises severance, restraint of trade and gratuity pay.*
[#] *Severance, leave and lifestyle benefits.*

2014	Salaries R000	Post-employment benefits R000	Other benefits R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
Prescribed officers							
JA Desai	7 865	786	2 230	9 217	20 098	1 460	21 558
PD Norman	4 233	543	256	3 634	8 666	1 179	9 845
A Farroukh	7 747	775	942	6 573	16 037	1 440	17 477
SA Fakie	3 161	412	402	2 991	6 966	911	7 877
KW Pienaar	4 570	586	363	5 309	10 828	1 018	11 846
P Verkade	4 144	414	1 067	3 515	9 140	–	9 140
Z Bulbulia	3 527	452	286	858	5 123	598	5 721
M Ikpoki	6 505	586	1 896	4 440	13 427	–	13 427
M Fleischer[^]	4 433	568	40	4 271	9 312	–	9 312
M Nyati[^^]	871	112	18	837	1 838	–	1 838
Total	47 056	5 234	7 500	41 645	101 435	6 606	108 041

[^] *Appointed 1/02/2014.*
[^^] *Appointed 1/10/2014.*

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors and directors of major subsidiaries in respect of the share appreciation rights and share rights schemes

Offer date	Strike price R	Vesting date	Number out-standing at 31 December 2014	**Exercised 2015**	Exercise date	Exercise price R	**Number out-standing at 31 December 2015**
RS Dabengwa*							
31/05/2006	56,83	30/11/2008	13 920	**–**	–	–	**13 920**
31/05/2006	56,83	30/11/2009	26 440	**–**	–	–	**26 440**
31/05/2006	56,83	30/11/2010	40 440	**–**	–	–	**40 440**
21/11/2006	71,00	21/11/2008	8 680	**–**	–	–	**8 680**
21/11/2006	71,00	21/11/2009	8 680	**–**	–	–	**8 680**
21/11/2006	71,00	21/11/2010	13 020	**–**	–	–	**13 020**
21/11/2006	71,00	21/11/2011	13 020	**–**	–	–	**13 020**
19/03/2008	126,99	19/03/2010	14 440	**–**	–	–	**14 440**
19/03/2008	126,99	19/03/2011	14 440	**–**	–	–	**14 440**
19/03/2008	126,99	19/03/2012	21 660	**–**	–	–	**21 660**
19/03/2008	126,99	19/03/2013	21 660	**–**	–	–	**21 660**
Total			196 400	**–**	–	–	**196 400**
** Resigned 9/11/2015.*							
BD Goschen							
19/03/2008	126,99	19/03/2010	12 260	**–**	–	–	**12 260**
19/03/2008	126,99	19/03/2011	12 260	**–**	–	–	**12 260**
19/03/2008	126,99	19/03/2012	18 390	**–**	–	–	**18 390**
19/03/2008	126,99	19/03/2013	18 390	**–**	–	–	**18 390**
Total			61 300	**–**	–	–	**61 300**
F Moolman							
19/03/2008	126,99	19/03/2010	10 200	**–**	–	–	**10 200**
19/03/2008	126,99	19/03/2011	10 200	**–**	–	–	**10 200**
19/03/2008	126,99	19/03/2012	15 300	**–**	–	–	**15 300**
19/03/2008	126,99	19/03/2013	15 300	**–**	–	–	**15 300**
Total			51 000	**–**	–	–	**51 000**

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company secretary of the MTN Group and directors of major subsidiaries in respect of the performance share plan

Offer date	Vesting date	Number outstanding at 31 December 2014	Exercised	Forfeited	Exercise date	Exercise price R	Number out-standing at 31 December 2015
RS Dabengwa*							
29/12/2011	29/12/2014	111 600	(21 985)	(89 615)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	94 600	–	(94 600)	–	–	**–**
20/12/2013	19/12/2016	87 800	–	(87 800)	–	–	**–**
19/12/2014	18/12/2017	83 100	–	(83 100)	–	–	**–**
Total		377 100	(21 985)	(355 115)	–	–	**–**
** Resigned 9/11/2015.*							
BD Goschen							
29/12/2011	29/12/2014	22 300	(4 393)	(17 907)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	26 500	–	–	–	–	**26 500**
20/12/2013	19/12/2016	43 700	–	–	–	–	**43 700**
19/12/2014	18/12/2017	54 700	–	–	–	–	**54 700**
Total		147 200	(4 393)	(17 907)	–	–	**124 900**
PD Norman							
29/12/2011	29/12/2014	36 100	(7 112)	(28 988)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	30 600	–	–	–	–	**30 600**
20/12/2013	19/12/2016	28 400	–	–	–	–	**28 400**
19/12/2014	18/12/2017	27 000	–	–	–	–	**27 000**
Total		122 100	(7 112)	(28 988)	–	–	**86 000**
Z Bulbulia^							
29/12/2011	29/12/2014	15 300	(3 014)	(12 286)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	15 500	–	–	–	–	**15 500**
20/12/2013	19/12/2016	24 500	–	(7 914)	–	–	**16 586**
19/12/2014	18/12/2017	22 200	–	(14 544)	–	–	**7 656**
Total		77 500	(3 014)	(34 744)	–	–	**39 742**
^ Mutual separation on 31/12/2015.							
KW Pienaar#							
29/12/2011	29/12/2014	24 200	(4 767)	(19 433)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	33 000	–	–	–	–	**33 000**
20/12/2013	19/12/2016	30 600	–	(9 884)	–	–	**20 716**
19/12/2014	18/12/2017	29 100	–	(19 064)	–	–	**10 036**
Total		116 900	(4 767)	(48 381)	–	–	**63 752**
# Retired on 31/12/2015.							
M Nyati							
19/12/2014	18/12/2017	21 900	–	–	–	–	**21 900**
Total		21 900	–	–	–	–	**21 900**

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company secretary of the MTN Group and directors of major subsidiaries in respect of the performance share plan (continued)

Offer date	Vesting date	Number outstanding at 31 December 2014	Exercised	Forfeited	Exercise date	Exercise price R	**Number outstanding at 31 December 2015**
JA Desai							
29/12/2011	29/12/2014	43 600	(8 589)	(35 011)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	41 400	–	–	–	–	**41 400**
20/12/2013	19/12/2016	44 400	–	–	–	–	**44 400**
19/12/2014	18/12/2017	44 500	–	–	–	–	**44 500**
Total		173 900	(8 589)	(35 011)	–	–	**130 300**
M Ikpoki*							
20/12/2013	19/12/2016	36 900	–	(14 619)	–	–	**22 281**
19/12/2014	18/12/2017	37 400	–	(24 502)	–	–	**12 898**
Total		74 300	–	(39 121)	–	–	**35 179**
** Mutual separation on 31/12/2015.*							
A Farroukh^							
29/12/2011	29/12/2014	42 900	(8 451)	(34 449)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	40 800	–	(40 800)	–	–	**–**
20/12/2013	19/12/2016	43 800	–	(43 800)	–	–	**–**
19/12/2014	18/12/2017	43 900	–	(43 900)	–	–	**–**
Total		171 400	(8 451)	(162 949)	–	–	**–**
^ Resigned on 31/07/2015.							
M Fleischer							
19/12/2014	18/12/2017	30 400	–	–	–	–	**30 400**
Total		30 400	–	–	–	–	**30 400**
F Moolman							
29/12/2011	29/12/2014	15 200	(2 994)	(12 206)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	14 600	–	–	–	–	**14 600**
20/12/2013	19/12/2016	15 700	–	–	–	–	**15 700**
19/12/2014	18/12/2017	15 700	–	–	–	–	**15 700**
Total		61 200	(2 994)	(12 206)	–	–	**46 000**
SB Mtshali							
29/12/2011	29/12/2014	9 005	(3 582)	(5 423)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	6 400	–	–	–	–	**6 400**
20/12/2013	19/12/2016	6 000	–	–	–	–	**6 000**
19/12/2014	18/12/2017	5 800	–	–	–	–	**5 800**
Total		27 205	(3 582)	(5 423)	–	–	**18 200**

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company secretary of the MTN Group and directors of major subsidiaries in respect of the performance share plan (continued)

Offer date	Vesting date	Number outstanding at 31 December 2014	Exercised	Forfeited	Exercise date	Exercise price R	**Number out-standing at 31 December 2015**
SA Fakie^^							
29/12/2011	29/12/2014	18 609	(3 666)	(14 943)	17/03/2015	218,62	**–**
Total		18 609	(3 666)	(14 943)	–	–	**–**
^^ Retired on 16/02/2015.							
S Ntsele±							
29/12/2011	29/12/2014	6 800	(2 705)	(4 095)	17/03/2015	218,62	**–**
28/12/2012	28/12/2015	4 500	–	–	–	–	**4 500**
20/12/2013	19/12/2016	5 300	–	–	–	–	**5 300**
19/12/2014	18/12/2017	5 000	–	–	–	–	**5 000**
Total		21 600	(2 705)	(4 095)	–	–	**14 800**

± Appointed 1/04/2015.

Directors, prescribed officers, Company secretary of the MTN Group and directors and company secretaries of major subsidiaries' shareholding and dealings in ordinary shares

	December 2015	December 2014	Beneficial
RS Dabengwa^	**1 473 552**	1 473 552	Direct
NP Mageza	**400**	400	Indirect
PD Norman#*	**300 970**	300 970	Direct
MJN Njeke	**10**	10	Direct
BD Goschen#*	**44 393**	40 000	Direct
KW Pienaar#@	**455 261**	455 261	Direct
S Ntsele#	**4 000**	–	Direct
KC Ramon	**3 244**	–	Direct
KC Ramon	**9 901**	–	Indirect
KP Kalyan	**1 373**	–	Direct
Total	**2 293 104**	2 270 193	

^ Resigned 9/11/2015.
** Prescribed officer.*
 # Major subsidiary director.
@ Retired 31/12/2015.

Subsequent to the year end there were no changes in the directors' beneficial interest in MTN Group.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors, prescribed officers, Company secretary of the MTN Group and directors and company secretaries of major subsidiaries relating to MTN Zakhele

The following persons, being directors of MTN Group Limited and its major subsidiaries and the company secretary were allocated the following number of MTN Zakhele shares which has a shareholding in MTN Group Limited shares:

Beneficiary	Nature of interest	**Shares**
PF Nhleko	Direct beneficial	**2 010 700**
KP Kalyan	Direct beneficial	**27 700**
MLD Marole	Direct beneficial	**15 700**
MJN Njeke	Direct beneficial	**6 700**
NP Mageza	Indirect beneficial	**51 420**
SB Mtshali	Indirect beneficial	**6 500**
CWN Molope	Direct beneficial	**1 000**
F Titi*	Indirect beneficial	**15 500**
SA Fakie**	Direct beneficial	**1 000**
Total		**2 136 220**

* *Resigned 31/12/2015.*
** *Retired 16/02/2015.*

Subsequent to the year end there were no changes in the directors' beneficial interest in MTN Zakhele.

Company statement of comprehensive income

for the year ended 31 December 2015

	Note	2015 Rm	2014 Rm
Finance income	1	**23 840**	20 674
Finance costs	1	**(285)**	(38)
Management fees received		**96**	68
Other income		**7**	5
Operating expenses	2	**(159)**	(126)
Profit before tax		**23 499**	20 583
Income tax expense	3	**(12)**	(3)
Profit and total comprehensive income for the year		**23 487**	20 580

Company statement of financial position

at 31 December 2015

	Note	2015 Rm	2014 Rm
ASSETS			
Non-current assets		**19 410**	19 237
Investment in subsidiaries	4	**19 410**	19 223
Deferred tax asset		**–**	14
Current assets		**445**	390
Trade and other receivables	5	**304**	23
Cash and cash equivalents	6	**141**	367
Total assets		**19 855**	19 627
SHAREHOLDERS' EQUITY			
Ordinary share capital and share premium	7	**40 502**	40 502
Accumulated loss		**(23 633)**	(23 482)
Other reserves		**1 662**	1 662
Total equity		**18 531**	18 682
LIABILITIES			
Current liabilities		**1 324**	945
Taxation liability	10	**52**	50
Trade and other payables	8	**167**	166
Financial guarantee contracts	13	**1 105**	729
Total liabilities		**1 324**	945
Total equity and liabilities		**19 855**	19 627

Company statement of changes in equity

for the year ended 31 December 2015

	Share capital Rm	Share premium Rm	Accumulated losses Rm	Other reserves[1] Rm	Total Rm
Balance at 1 January 2014	*	45 616	(23 387)	1 662	23 891
Profit and total comprehensive income	–	–	20 580	–	20 580
Transactions with shareholders					
Shares issued during the year	*	3	–	–	3
Shares cancelled	(*)	–	–	–	(*)
Share buy-back	–	(5 117)	–	–	(5 117)
Dividends declared	–	–	(20 675)	–	(20 675)
Balance at 31 December 2014	*	40 502	(23 482)	1 662	18 682
Balance at 1 January 2015	*****	**40 502**	**(23 482)**	**1 662**	**18 682**
Profit and total comprehensive income	**–**	**–**	**23 487**	**–**	**23 487**
Transactions with shareholders					
Shares cancelled	**(*)**	**–**	**–**	**–**	**(*)**
Share buy-back	**(*)**	**–**	**–**	**–**	**(*)**
Dividends declared[#]	**–**	**–**	**(23 638)**	**–**	**(23 638)**
Balance at 31 December 2015	*****	**40 502**	**(23 633)**	**1 662**	**18 531**
Note	7	7			

[1] Share-based payment reserve.
** Amounts less than R1 million.*
[#] Refer to note 8.3 of the Group financial statements for the dividends per share declared during the current and prior year.

Company statement of cash flows

for the year ended 31 December 2015

	Note	2015 Rm	2014 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilised in)/generated from operations	9	**(319)**	114
Finance income received		**28**	17
Income tax paid	10	**(8)**	(2)
Dividends paid		**(23 627)**	(20 675)
Dividends received		**23 700**	20 650
Net cash (utilised in)/generated from operating activities		**(226)**	104
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loan granted		**–**	100
Net cash generated from investing activities		**–**	100
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of ordinary shares		**–**	3
Net cash generated from financing activities		**–**	3
Net (decrease)/increase in cash and cash equivalents		**(226)**	207
Cash and cash equivalents at beginning of the year		**367**	160
Cash and cash equivalents at end of the year	6	**141**	367

Notes to the Company financial statements

for the year ended 31 December 2015

1 FINANCE INCOME AND FINANCE COSTS

Finance income

Finance income comprises interest income on funds invested, dividend income and net foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Finance costs

Refer to note 2.5 of the Group financial statements for the applicable accounting policy.

	2015 Rm	2014 Rm
Interest income	140	24
Dividend income	23 700	20 650
Finance income	**23 840**	20 674
Interest on borrowings	–	(3)
Foreign exchange losses	(273)	(35)
Interest paid – other	(12)	–
Finance costs	**(285)**	(38)
Net finance income recognised in profit or loss	**23 555**	20 636

2 OPERATING EXPENSES

The following disclosable items have been included in operating expenses:

	2015 Rm	2014 Rm
Directors' emoluments	(22)	(15)
Fees paid for services	(106)	(82)
– Professional fees	(19)	(20)
– Management fees (note 11)	(87)	(62)
Auditors' remuneration	(8)	(8)
– Audit fees	(8)	(8)

3 INCOME TAX EXPENSE

Refer to note 3.1 of the Group financial statements for the applicable accounting policy.

	2015 Rm	2014 Rm
Normal tax – current year	(10)	(10)
Deferred tax – current year	(2)	7
	(12)	(3)

South African normal taxation is calculated at 28% (2014: 28%) of the estimated taxable income for the year.

	2015 %	2014 %
Tax rate reconciliation		
The charge for the year can be reconciled to the effective rate of taxation in South Africa as follows:		
Tax at statutory tax rate	28	28
Income not subject to tax	(28,2)	(28,1)
Expenses not allowed	0,3	0,1
Effective tax rate	**0,1**	–

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

4 INVESTMENT IN SUBSIDIARIES

The Company accounts for investment in subsidiaries at cost, less accumulated impairment losses. Interest-free loans owing to the Company by its subsidiaries, with no repayment terms are included in the cost of the investment.

Refer to note 1.3.1 of the Group financial statements for the applicable accounting policy regarding interests in subsidiaries.

The Group structure and Company's subsidiaries are disclosed in note 9.1 of the Group financial statements.

	2015 Rm	2014 Rm
Total interest in Mobile Telephone Networks Holdings Proprietary Limited	**19 353**	19 166
Total interest in MTN Group Management Services Proprietary Limited	**57**	57
Total interest in subsidiary companies	**19 410**	19 223

5 TRADE AND OTHER RECEIVABLES

Refer to note 4.2 of the Group financial statements for the applicable accounting policy.

	2015 Rm	2014 Rm
Trade receivables due from related parties	**292**	17
Prepayments and other receivables	**3**	3
Sundry debtors and advances	**9**	3
	304	23

6 CASH AND CASH EQUIVALENTS

Refer to note 4.4 of the Group financial statements for the applicable accounting policy.

	2015 Rm	2014 Rm
Cash at bank	**141**	367

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

7 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

Refer to note 8.1 of the Group financial statements for the applicable accounting policy.

	2015 Number of shares	2014 Number of shares
Ordinary share capital (par value of 0,01 cents)		
Authorised	**2 500 000 000**	2 500 000 000
Issued *(fully paid up)*	**1 845 493 245**	1 848 355 889
In issue at beginning of the year	**1 848 355 889**	1 873 278 848
Options exercised and allotted	**–**	72 170
MTN Zakhele shares cancelled and delisted	**(2 862 644)**	(2 657 377)
Treasury shares cancelled	**–**	(22 337 752)
In issue at end of the year	**1 845 493 245**	1 848 355 889
Options – MTN Zakhele transaction[1]	**(11 131 098)**	(14 492 564)
Treasury shares[2,3]	**(1 444 172)**	(945 350)
In issue at end of the year – excluding Zakhele transaction[2]	**1 832 917 975**	1 832 917 975

[1] *Due to the call option over the notional vendor finance shares, these shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.*
[2] *Treasury shares held by the Company which were delivered to the Company by MTN Zakhele and not delisted as at year end.*
[3] *Additional treasury shares held by MTN Holdings Proprietary Limited, a subsidiary of the Group, are excluded from this reconciliation. Refer to note 8.1 of the Group financial statements.*

	2015 Rm	2014 Rm
Share capital		
Balance at beginning of the year	*****	*
Options exercised	**–**	*
Shares cancelled	**(*)**	(*)
Share buy-back	**(*)**	–
Balance at end of the year	*****	*
Share premium		
Balance at beginning of the year	**40 502**	45 616
Options exercised	**–**	3
Share buy-back	**–**	(5 117)
Balance at end of the year	**40 502**	40 502

During 2014, the Company acquired 22 337 752 shares from MTN Holdings Proprietary Limited. The total amount paid to acquire the shares, inclusive of transaction costs was R5 117 million.

** Amounts less than R1 million.*

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

8 TRADE AND OTHER PAYABLES

Refer to note 4.5 of the Group financial statements for the applicable accounting policy.

	2015 Rm	2014 Rm
Payables due to related parties	**22**	12
Accrued expenses and other payables	**145**	154
	167	166

9 CASH (UTILISED IN)/GENERATED FROM OPERATIONS

	2015 Rm	2014 Rm
Profit before tax	**23 499**	20 583
Adjusted for:		
Finance income (note 1)	**(23 840)**	(20 674)
Finance costs (note 1)	**285**	38
Other	**(1)**	(1)
	(57)	(54)
Changes in working capital	**(262)**	168
(Increase)/decrease in trade and other receivables	**(281)**	152
Increase in trade and other payables	**19**	16
	(319)	114

10 INCOME TAX PAID

	2015 Rm	2014 Rm
Balance at beginning of the year	**(50)**	(39)
Amounts recognised in profit or loss (note 3)	**(12)**	(3)
Deferred tax	**2**	(7)
Other	**–**	(3)
Balance at end of the year	**52**	50
Total tax paid	**(8)**	(2)

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

11 RELATED PARTY TRANSACTIONS

Refer to note 10.1 of the Group financial statements for the applicable accounting policy.

Various transactions were entered into by the Company during the period with related parties.

The following is a summary of significant transactions with subsidiaries during the period and significant balances at the reporting date:

	2015 Rm	2014 Rm
Dividends paid		
▪ Mobile Telephone Networks Holdings Proprietary Limited	**132**	148
Dividends received		
▪ Mobile Telephone Networks Holdings Proprietary Limited	**23 700**	20 650
Management fees paid		
▪ MTN Group Management Services Proprietary Limited	**(87)**	(62)
Management fees received		
▪ MTN International Proprietary Limited	**96**	68
Professional fees paid		
▪ MTN Group Management Services Proprietary Limited	**(3)**	(10)
Receivables		
▪ Mobile Telephone Networks Holdings Proprietary Limited	**216**	6
▪ MTN Group Management Services Proprietary Limited	**12**	–
▪ Mobile Telephone Networks Proprietary Limited	**10**	–
▪ MTN Dubai Limited	**33**	–
▪ MTN International Proprietary Limited	**21**	–
Payables		
▪ MTN Group Management Services Proprietary Limited	**(17)**	–
▪ MTN Dubai Limited	**(5)**	–

Financial guarantee contracts

Details of financial guarantee contracts are disclosed in note 13 of the Company financial statements.

Directors

Details of directors' remuneration are disclosed in note 2 of the Company financial statements and note 10.2 of the Group financial statements.

Shareholders

The principal shareholders of the Company are disclosed in Annexure 1 which is unaudited.

12 CONTINGENT LIABILITIES AND COMMITMENTS

Refer to notes 6.8 of the Group financial statements for the applicable accounting policy.

The Company does not have any contingent liabilities or commitments at year end.

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

13 FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18.

The Company along with other subsidiaries has guaranteed the bonds, revolving credit facilities and general banking facilities of Mobile Telephone Networks Holdings Proprietary Limited under the terms of the guarantee. The Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

	Face value		Drawn down balance[2]	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Bond guarantees				
Bonds[1] and commercial paper	**10 000**	10 000	**1 309**	2 618
Syndicated and other loan facilities				
ZAR long-term loan	**12 500**	12 500	**11 875**	9 266
US$ long-term loan	**15 469**	11 547	**10 364**	–
General banking facilities				
ZAR facilities	**1 750**	1 750	**850**	1 003
	39 719	35 797	**24 398**	12 887

[1] *These bonds are listed on the Bond Exchange of South Africa.*
[2] *Includes interest accrued.*

In addition, the Company has provided unrestricted suretyship with regards to the cash management facility of Mobile Telephone Networks Holdings Proprietary Limited and suretyship to the amount of R5 850 million (2014: R5 850 million) with regard to the banking facilities of Mobile Telephone Networks Proprietary Limited, MTN International (Mauritius) Limited, MTN International Proprietary Limited, Mobile Telephone Networks Holdings Proprietary Limited and MTN Service Provider Proprietary Limited.

The Company, together with other subsidiaries in the MTN Group, guaranteed senior unsecured notes issued by MTN (Mauritius) Investment Limited on the Irish Stock Exchange amounting to US$750 million (2014: US$750 million). A financial liability was initially recognised at the fair value of the guarantee issued. A fee was not charged by the Company providing the guarantee and therefore the benefit provided by the Company to its subsidiaries was recognised as a capital contribution.

The Company, together with other subsidiaries in the Group, guaranteed a US$ syndicated loan facility with Citibank amounting to US$1 billion. During the year, an amount of US$670 million was drawn down by MTN International (Mauritius) Limited in three tranches. A financial liability was initially recognised at the fair value of the guarantee issued. A fee was not charged by the Company providing the guarantee and therefore the benefit provided by the Company to its subsidiaries was recognised as a capital contribution.

The Company's financial liability relating to financial guarantee contracts amounts to R1 105 million (2014: R729 million) as at 31 December 2015.

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

14.1 Categories of financial instruments

	Loans and receivables Rm	Amortised cost Rm	Total carrying amount Rm	Fair value Rm
2015				
Trade and other receivables	**301**	**–**	**301**	**#**
Cash and cash equivalents	**141**	**–**	**141**	**#**
	442	**–**	**442**	**#**
Trade and other payables	**–**	**167**	**167**	**#**
Financial guarantee contracts	**–**	**1 105**	**1 105**	**1 660**
	–	**1 272**	**1 272**	**1 660**
2014				
Trade and other receivables	20	–	20	#
Cash and cash equivalents	367	–	367	#
	387	–	387	#
Trade and other payables	–	166	166	#
Financial guarantee contracts	–	729	729	758
	–	895	895	758

 # The carrying amount of the financial instrument approximates its fair value, due to its short-term nature.

14.1.1 Fair value estimation

Refer to note 7.1.3 of the Group financial statements for the applicable accounting policy.

The following table presents the fair value measurement hierarchy of the Company's liabilities that are materially different from the carrying amount:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2015				
Current financial liabilities				
Financial guarantee contracts	**–**	**–**	**1 660**	**1 660**

Valuation methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Financial guarantee contracts
The fair value of the financial guarantee contracts are determined using the discounted cash flow method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default and the maximum recovery amount.

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.2 Credit risk

Refer to note 7.1 of the Group financial statements for an explanation on credit risk and how it is managed.

The Company considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2015 Rm	2014 Rm
Cash and cash equivalents	141	367
Trade and other receivables	301	20
	442	387

Credit risk is mitigated to the extent that the majority of trade receivables consist of related party receivables of R292 million (2014: R17 million), which are predominantly current in nature.

Credit risk disclosure above excludes financial guarantee contracts. Details of financial guarantee contracts are provided in note 13.

The Company holds its cash balances in a financial institution with a rating of AA. Given this rating, management does not expect the counterparty to fail to meet its obligations.

14.3 Liquidity risk

Refer to note 7.1 of the Group financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2015 Rm	2014 Rm
Cash and cash equivalents	141	367
Trade and other receivables	301	20
	442	387

The Company and other subsidiaries in the Group have undrawn borrowing facilities of R6 755 million (2014: R15 797 million) available for use.

The following are the contractual maturities of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within 1 month or on demand Rm
2015			
Trade and other payables			
– Accrued expenses and other payables	145	145	145
– Payables due to related parties	22	22	22
	167	167	167
2014			
Trade and other payables			
– Accrued expenses and other payables	154	154	154
– Payables due to related parties	12	12	12
	166	166	166

Liquidity risk disclosure excludes financial guarantees. Details of financial guarantee contracts are provided in note 13.

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk

14.4.1 Interest rate risk

Refer to note 7.1 of the Group financial statements for an explanation on interest rate risk and how it is managed.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Variable rate instruments Rm
2015	
Financial assets	
Cash and cash equivalents	**141**
Trade and other receivables	**292**
	433
Financial liabilities	
Trade and other payables	**22**
2014	
Financial assets	
Cash and cash equivalents	367
Trade and other receivables	17
	384
Financial liabilities	
Trade and other payables	12

Sensitivity analysis

The Company has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purpose only, as in practice market rates rarely change in isolation.

The Company is mainly exposed to fluctuations in the following market interest rates: JIBAR and Prime rates. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are subsequently measured at their fair value.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as was used for 2014.

	2015 Increase/(decrease) in profit before tax			2014 Increase/(decrease) in profit before tax		
	Change in interest rate %	**Upward change in interest rate Rm**	**Downward change in interest rate Rm**	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	**1**	**2,7**	**(2,7)**	1	0,1	(0,1)
Prime	**1**	**1,4**	**(1,4)**	1	3,7	(3,7)

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk (continued)

14.4.2 Currency risk

Refer to note 7.1 of the Group financial statements for an explanation on currency risk and how it is managed.

Included in the Company statement of financial position are the following amounts denominated in currencies other than the functional currency of the Company.

	2015 Rm	2014 Rm
Current assets		
United States dollar	**33**	–
Current liabilities		
United States dollar	**1 111**	729

Sensitivity analysis

A change in the foreign exchange rates to which the Company is exposed at the reporting date would have (decreased)/increased profit before tax by the amounts shown below:

Denominated: functional currency	**Change in exchange rate %**	**Weakening in functional currency Rm**	**Strengthening in functional currency Rm**
2015			
US$:ZAR	**10**	**(108)**	**108**
2014			
US$:ZAR	10	(73)	73

Financial definitions

The following financial terms are used in the annual financial statements with the meanings specified:

Asset exchange transactions	Transactions where one or more items of property, plant and equipment are acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets.
Associates	All entities over which the Group has significant influence, but not control, over the financial and operational policies.
Available-for-sale	Non-derivative financial assets either designated as available-for-sale or not classified in any of the three categories of financial instruments.
Cash-generating unit	The smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
Carrying amount	Is the amount at which the asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.
Commercial substance	A transaction has commercial substance if the difference in either of the points below is significant relative to the fair value of the assets exchanged: - the configuration of the cash flows of the asset received differs from the configuration of the cash flows of the asset given up; or - the entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.
Contingent liabilities	Represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities also represent present obligations that arise from past events but are not recognised because an outflow of resources is not probable or a reliable estimate cannot be made.
Control	When the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when it has existing rights that gives it the current ability to direct the relevant activities that significantly affect the entity's returns.
Defined contribution plan	A post-employment benefit plan (such as a pension plan) under which the Group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
EBITDA	Earnings before interest, tax, depreciation, amortisation and goodwill impairment.
Financial assets at fair value through profit or loss	A financial asset that is held for trading (acquired principally for the purpose of selling the item in the short term) or designated upon initial recognition as at fair value through profit or loss.
Finance leases	Leases over property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.
Functional currency	The currency that best reflects the primary economic environment in which the entity operates.
Gain or loss on disposal of an asset	The difference between the proceeds from the disposal and the carrying amount of the asset.
Goodwill	The excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than those that the Group upon initial recognition designates as at fair value through profit or loss and those that are loans and receivables.

Financial definitions *continued*

Interconnect revenue	Revenue derived from other operators for local and international incoming voice minutes, short messaging service (SMS) and multimedia service (MMS).
Joint arrangement	A contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control.
Joint operation	Joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.
Joint ventures	Joint arrangements whereby the parties that have joint control of the arrangement by unanimous consent have rights to the net assets of the arrangement.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Measurement period adjustments	Adjustments that arise from additional information obtained during the "measurement period" about facts and circumstances that existed at the acquisition date. The measurement period constitutes the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. This period shall not exceed one year from the acquisition date.
Multiple element arrangements	Postpaid and prepaid products with multiple deliverables.
Non-controlling interests	The amount of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since the acquisition date.
Postpaid product	The sale of a service contract, which may include the sale of a handset.
Prepaid product	The sale of a subscriber identification module (SIM) card and airtime.
Presentation currency	The currency in which the financial statements are presented.
Qualifying asset	An asset which takes more than 12 months to acquire, construct or produce.
Recoverable amount	The greater of an asset's value in use and its fair value less costs to sell.
Relative fair value method	The allocation of the consideration received /receivable in a transaction to each element of a multiple element (or bundled) arrangement according to their stand-alone selling prices.
Revenue	The gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.
Roaming revenue	Revenue generated from subscribers making calls when using other networks, including MTN networks outside the country of operation.
Significant influence	The power to participate in the financial and operating policy decisions of an entity. It is presumed to exist when the Group holds between 20% and 50% of the voting power of an entity.
Structured entities (SEs)	Entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
Subsidiaries	Subsidiaries are all entities (including structured entities) over which the Group has control.
Termination benefits	Benefits that may be payable when an employee's employment is terminated before the normal retirement date due to retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits.
Value in use	The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Annexure 1 – Shareholders' information

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	124 296	87,55	28 325 033	1,53
1 001 – 10 000 shares	15 313	10,79	41 114 060	2,23
10 001 – 100 000 shares	1 653	1,16	51 534 952	2,79
100 001 – 1 000 000 shares	540	0,38	158 842 491	8,61
1 000 001 shares and over	163	0,12	1 565 676 709	84,84
Total	141 965	100,00	1 845 493 245	100,00

NOMINEES HOLDING SHARES IN EXCESS OF 5% OF THE ISSUED ORDINARY CAPITAL OF THE COMPANY

	2015		2014	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Standard Bank Nominees (Tvl) Proprietary Limited	**854 791 337**	**46,32**	563 996 367	30,51
Nedcor Bank Nominees Limited	**–**	**–**	367 757 006	19,90
First National Nominees Proprietary Limited	**290 119 326**	**15,72**	283 321 333	15,33
Cmb Nominees Proprietary Limited	**–**	**–**	137 994 845	7,47
Goudstad Nominees	**94 499 797**	**5,12**	93 697 680	5,07

SPREAD OF ORDINARY SHAREHOLDERS

	2015			2014	
	Number of shareholdings	**Number of shares**	**% of issued share capital**	Number of shares	% of issued share capital
Public	**141 931**	**1 279 560 178**	**69,33**	1 269 432 814	68,68
Non-public	**34**	**565 933 067**	**30,67**	578 923 075	31,32
Directors and associates of the Company holdings	**9**	**1 917 800**	**0,10**	1 917 800	0,10
Empowerment	**2**	**76 807 310**	**4,16**	76 308 398	4,13
Lombard Odier Darier Hentsch & Cie (M1 Limited)	**6**	**183 152 564**	**9,92**	183 152 564	9,91
Government Employees Pension Fund	**16**	**293 655 332**	**15,91**	307 307 254	16,63
Mobile Telephone Networks Holdings	**1**	**10 400 061**	**0,58**	10 237 059	0,55
Total	**141 965**	**1 845 493 245**	**100,00**	1 848 355 889	100,00

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE

	2015		2014	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Government Employees Pension Fund	**293 655 332**	**15,91**	307 307 254	16,63
Lombard Odier Darier Hentsch & Cie (M1 Limited)	**183 152 564**	**9,92**	183 152 564	9,91
Coronation Fund Managers	**95 051 237**	**5,15**		

Annexure 2 – Impact assessment of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*

The impact of these two pronouncements on the annual financial statements has not yet been fully determined.

The Group's preliminary unaudited assessment of the key requirements is set out below:

<table>
<tr><th>Key requirements</th><th>Impact</th></tr>
<tr><td> Bundled offerings
IFRS 15 requires entities to allocate revenue to performance obligations based on the standalone selling price of a good or service in a bundle of goods and services. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. </td><td> Postpaid and prepaid products with multiple deliverables are defined as multiple element (or bundled) arrangements. Postpaid products typically include the sale of a handset and a service contract; and prepaid products include a subscriber identification module (SIM) card and airtime. During 2014, the Group resolved to change its accounting policy in recognising revenue relating to bundled arrangements from applying the residual value method to the relative fair value method. In applying the relative fair value method, the consideration received or receivable is allocated to each of the elements (delivered and undelivered) in the transaction according to their standalone selling prices, resulting in the proportionate allocation of any discount to all elements in the bundle. The new accounting policy aligns the Group's policy more closely with the requirements of IFRS 15. </td></tr>
<tr><td> Contract changes
IFRS 15 requires entities to account for contract modifications as cancellations of the old contracts and the creation of new contracts where additional distinct goods or services are provided at prices that do not reflect the standalone selling prices of those goods or services. </td><td> Postpaid contracts may be upgraded or downgraded by customers which will typically result in the cancellation of the old contract and the creation of a new contract. Contract changes are significant in MTN South Africa and to a lesser extent, in MTN Cyprus. This requirement has been implemented as part of the Group's policy change in recognising revenue relating to bundled arrangements as discussed above. </td></tr>
<tr><td> Significant financing component
IFRS 15 requires entities to adjust the promised amount of consideration to reflect the time value of money if the contract has a significant financing component. Factors to consider when determining whether a contract has a significant financing component include, but are not limited to: the expected length of time between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services;
whether the amount of consideration would differ substantially if the customer paid in cash promptly in accordance with typical credit terms in the industry and jurisdiction; and
the interest rate in the contract and prevailing interest rates in the relevant market.</td><td><table>
<tr><th></th><th colspan="4">Impact (low ✦, medium ✦, high ✦)</th></tr>
<tr><th></th><th>Financial</th><th>Systems</th><th>Administration</th><th>Overall</th></tr>
<tr><td>Postpaid products</td><td>✦</td><td>✦</td><td>✦</td><td>✦</td></tr>
<tr><td>Prepaid products</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
</table> N/A – not applicable. This requirement is expected to have a significant impact on the Group's postpaid subscriber base where devices are sold with long-term service contracts mainly within MTN South Africa and to a lesser extent, in MTN Cyprus. If possible, the Group will elect the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component if its expected, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. </td></tr>
</table>

Annexure 2 – Impact assessment of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* *continued*

Key requirements	Impact

Contract acquisition costs

Key requirements

IFRS 15 requires an entity to recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs.

The incremental costs of obtaining a contract are those costs that an entity would not have incurred if the contract had not been obtained. All other contract acquisition costs incurred regardless of whether a contract was obtained are recognised as an expense.

Contract costs recognised as an asset are amortised on a systematic basis consistent with the pattern of transfer of the goods or services to which the asset relates. In some cases, the asset might relate to goods or services to be provided in future anticipated contracts (for example, service to be provided to a customer in the future if the customer chooses to renew an existing contract).

Impact

The Group's current accounting policy is to expense contract acquisition costs when incurred.

The Group will elect the practical expedient permitted by IFRS 15 to expense incremental costs of obtaining a contract when incurred if the amortisation period would be one year or less.

	Impact (low ✦, medium ✦, high ✦)			
	Financial	Systems	Administration	Overall
Postpaid products	✦ (medium)	✦ (high)	✦ (high)	✦ (medium)
Prepaid products	✦ (low)	✦ (low)	✦ (low)	✦ (low)

This requirement is expected to have a significant impact on long-term postpaid contracts, mainly within MTN South Africa and to a lesser extent, in MTN Cyprus. Significant system development will be required to identify, track and amortise contract acquisition costs over the contract period or estimated customer life.

No significant impact is expected within the Group's prepaid environment as the prepaid service lifecycle is typically short.

Breakage

Key requirements

IFRS 15 requires that when a breakage percentage (services that expire) is expected, revenue should be grossed up to take account of units of service that will be forfeited.

Impact

	Impact (low ✦, medium ✦, high ✦)			
	Financial	Systems	Administration	Overall
Postpaid products	✦ (low)	✦ (low)	✦ (low)	✦ (low)
Prepaid products	✦ (low)	✦ (low)	✦ (low)	✦ (low)

This requirement is not expected to result in a significant change in the financial results of the Group.

Loyalty awards

Key requirements

IFRS 15 requires that loyalty awards be recognised as separate performance obligations and that revenue be allocated to awards relative to the fair value of the awards and other performance obligations. Revenue allocated to the loyalty awards should be recognised when the future goods or services are transferred or when the awards expire.

Impact

The Group's current accounting policy is to recognise reward points as separately identifiable components of the initial sale transaction by allocating revenue to the reward points such that the reward points are initially recognised as deferred income at their fair value.

	Impact (low ✦, medium ✦, high ✦)			
	Financial	Systems	Administration	Overall
Postpaid products	✦ (low)	✦ (medium)	✦ (medium)	✦ (low)
Prepaid products	✦ (low)	✦ (medium)	✦ (medium)	✦ (low)

This requirement is not expected to result in a significant change in the financial results of the Group.

Annexure 2 – Impact assessment of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* *continued*

Key requirements	Impact
Impairment IFRS 9 requires that credit losses are recognised on initial recognition of receivables and contract assets and not at the point when the amounts are considered to be impaired.	Provision for impairment of receivables and contract assets will be upfront and recognised separately when the revenue is recognised, modelled on historic losses. The Group expects to choose an accounting policy to always measure the impairment at the present value of expected cash shortfalls over the remaining life of the receivables and contract assets using a provision matrix.

	Impact (low ✦, medium ✦, high ✦)			
	Financial	Systems	Administration	Overall
Postpaid products	✦	✦	✦	✦
Prepaid products	N/A	N/A	N/A	N/A

N/A – not applicable.

This requirement is expected to have a significant impact on long-term postpaid contract assets and receivables, mainly within MTN South Africa.

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