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MTN Group Limited Financial statements for the year ended 31 December 2017

MTN Group Limited

Financial statements
for the year ended 31 December 2017

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Contents

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

The group and company annual financial statements have been prepared by the MTN finance staff under the guidance of the group finance operations executive, N Rajmohamed, CA(SA), and were supervised by the group chief financial officer, RT Mupita, BScEng (Hons), MBA, GMP.

These annual financial statements were authorised on 7 March 2018 by the board of directors.

Statement of directors' responsibility

for the year ended 31 December 2017

The directors are responsible for the integrity, 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) as issued by the International Accounting Standards Board (IASB) 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 JSE Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act), which form an integral part of the annual financial statements.

The company also subscribes in all its activities to principles of best practice and corporate governance, as set out in the King Report on Corporate Governance.

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 controls 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 by 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 directors have reviewed the group and the company budgets and cash flow forecasts for the year to 31 December 2018. In light of this review, the current financial position and existing borrowing facilities, 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. 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 annual financial statements and their unqualified audit report is presented on pages 10 to 19.

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 01 to 161 were approved for issue by the board of directors on 7 March 2018 and are signed on its behalf by:

RA Shuter
Group president and CEO

RT Mupita
Group chief financial officer

Fairland

Certificate by the company secretary

for the year ended 31 December 2017

I certify that, to the best of my knowledge and belief, MTN Group Limited has filed all its returns and notices with the Registrar of Companies and Intellectual Property Commission for the year ended 31 December 2017, 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 true, correct and up to date.

SB Mtshali
Group secretary

Fairland
7 March 2018

Report of the audit committee

for the year ended 31 December 2017

The role of the audit committee has never been more fundamental in ensuring that trust and integrity are maintained over corporate reporting, entrenched by the efficiency of internal controls, the effectiveness of the internal audit function, the independence of external auditors and optimised through a combined assurance model.

The group has made substantial progress on improvements in the internal control environment. Sustaining the actions initiated and maintaining the positive momentum remain a priority. Internal controls relating to subscriber registration, cyber security and Mobile Money were key focus areas during 2017.

The implementation of a revised second and third line assurance model will gear the organisation to deal with the challenges faced and strengthen the current combined assurance model. These actions will be supported by initiatives to standardise policies and procedures across the group.

Despite the progress noted to date, MTN faces challenges posed in conflict markets such as Syria, Afghanistan, South Sudan and Yemen, coupled with regulatory uncertainties in markets such as Benin and Cameroon.

TERMS OF REFERENCE

The audit committee assists the board in discharging its duties by monitoring the strength of the operational, financial and control processes. These include internal financial controls and ensuring that assurance services and functions enable an effective control environment and that these support the integrity of information produced in compliance with applicable legal and regulatory requirements.

MEMBERSHIP, MEETING ATTENDANCE AND EVALUATION

Members of the committee are independent and are nominated annually 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 2017:

Members	Attendance
KC Ramon (chairman)	**4/4**
NP Mageza	**4/4**
J van Rooyen	**4/4**
P Hanratty	**4/4**

The committee meets at least four times a year and members' fees are included in the table of directors' emoluments and related payments in note 10.2.

The committee also convened special audit committee meetings to discuss critical matters that arose during the period.

The group president and CEO, the group chief financial officer, the group 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 individual members of the committee and of the committee as a whole 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 and the Companies Act.

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.

- Considered the Mandatory Audit Firm Rotation rule which is effective for financial periods commencing on or after 1 April 2023.
- 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 2017.
- Satisfied itself with the performance of the joint external auditors and designated registered auditors and further that they are accredited on the JSE's list of auditors and advisers.
- Satisfied itself that the designated registered auditors are within their tenure and rotation requirements.
- The group's joint external auditors are PricewaterhouseCoopers Incorporated and SizweNtsalubaGobodo Incorporated. PricewaterhouseCoopers is a global auditing firm and SizweNtsalubaGobodo is a local auditing firm. Both firms are level 1 BBBEE contributors. The external auditors have been auditing the group for 24 years and 15 years, respectively. Fees paid to auditors for the year under review are disclosed in note 2.4 of these annual financial statements.
- The committee recommends the reappointment of the joint external auditors at the annual general meeting.

Financial statements, accounting practices and other financial matters

- Reviewed and approved the accounting policies and the annual financial statements of the group and the company for the year ended 31 December 2017, 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 APC, Financial Reporting Pronouncements as issued by the 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.
- Considered the appropriateness of management judgement and the accounting treatment of significant transactions. These included judgement applied regarding the impairment of goodwill, the classification and measurement of the IHS available-for-sale investment and the election of a quoted foreign exchange rate in a multiple exchange rate environment for the purposes of converting transactions and balances and converting foreign entities in relation to Nigeria and Sudan, as well as judgement relating to uncertain tax and regulatory matters as described in notes 1.5 and 6.8. Significant transactions included the exercise of the IHS exchange right (note 2.3) and the valuation of the IHS investment (note 7.1.3) as well as the loss on derecognition of a long-term loan receivable (note 2.6).
- Reviewed group tax exposures and assessed the appropriateness of the group's tax policies.
- Reviewed group treasury reports, group funding requirements, credit ratings and recommended financing proposals to the board.
- Reviewed progress on litigation and legal exposures and the related accounting applied and disclosure included in these annual financial statements.
- Received regular updates from management on the repatriation of funds from sanctioned territories.

Internal financial controls

- Reviewed the written assessment, prepared by internal audit, on the effectiveness of the group's system of internal control (including internal financial controls). This written assessment formed the basis of the committee's recommendation to the board in this regard. 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 09.
- Reviewed the reports of the external auditors detailing their concerns arising from their audit and considered the appropriateness of the responses from management.

- Assessed the revenue assurance control environment and related revenue leakage exposure for the group.
- Reviewed fraud and whistleblowing reports and that appropriate management action is taken with regards to the control environment and consequence management.

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 06 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 business risk officer, Mr R Wessels, 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. Mr R Wessels was appointed following the retirement of Mr S Sooklal who retired in May 2017.

Finance director and finance function

- Reviewed the performance of the group chief financial officer, Mr RT Mupita, and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately since his appointment on 3 April 2017.
- 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.

KEY FOCUS AREAS FOR 2018

The committee has set the following key areas for management to focus on during 2018:

- Implement a model to separate and strengthen the second and third lines of defence in the organisation.
- Further strengthen the internal control environment.
- Monitor regulatory compliance and further strengthen maturity of compliance structures.
- Review progress on adoption of new accounting standards.
- Consider the impact of the new leases accounting standard, applicable from 1 January 2019, on the existing accounting policies and contracts in place.
- Extract efficiencies of a combined assurance model.
- Continue to facilitate a fair and balanced approach to corporate reporting.

KC Ramon
Audit committee chairman

Fairland
7 March 2018

Directors' report

for the year ended 31 December 2017

NATURE OF BUSINESS

MTN Group Limited (the company) incorporated in the Republic of South Africa on 23 November 1994 (company registration: 1994/009584/06) carries on the business of investing in the telecommunications industry through its subsidiary companies, joint ventures and associated companies. The group 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 IASB and Interpretations as issued by the IFRIC and comply with the SAICA Financial Reporting Guides as issued by the 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 2017 of R4 541 million (2016: loss after tax of R3 103 million).

Full details of the financial results of the group and the company are set out in these annual financial statements and accompanying notes for the year ended 31 December 2017.

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 December 2017 totalled R31 461 million (2016: R35 268 million) which comprise the following:

	2017 Rm	2016 Rm
Property, plant and equipment	**28 004**	32 095
Land and buildings	**474**	186
Leasehold improvements	**165**	62
Network infrastructure	**16 520**	13 540
Information systems, furniture and office equipment	**1 317**	1 630
Capital work in progress/ other[1]	**9 423**	16 594
Vehicles	**105**	83
Intangible assets	**3 457**	3 173
Software	**2 197**	1 868
Capital work in progress	**1 260**	1 305
	31 461	35 268

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

Licences and spectrum acquired during the year:

	2017 Rm	2016 Rm
Syria	**12***	54*
Nigeria	**14**	1 396
Scancom (MTN Ghana)	**72**	973
Congo SA	**–**	266
Yemen	**–**	468
Sudan	**567**	–
Other	**34**	141
	699	3 298

* *Excluding the effects of hyperinflation.*

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 10 of these annual financial statements.

YEAR UNDER REVIEW

The results of the group and company have been set out in the attached financial statements.

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.

GOING CONCERN

The directors have reviewed the group's and company's budget and cash flow forecast for the year to 31 December 2018. 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 these annual financial statements.

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

Before declaring dividends, the board:

- Applied the solvency and liquidity test.
- Reasonably concluded that the company would satisfy the solvency and liquidity test immediately after payment of the interim and final 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.

Final dividend

Notice is hereby given that a gross final dividend of 450 cents per share for the period to 31 December 2017 has been declared payable to shareholders. The number of ordinary shares in issue at the date of this declaration is 1 884 269 758 (including 9 983 286 treasury shares held by MTN Holdings and 76 835 378 shares held by MTN Zakhele Futhi).

The dividend will be subject to a maximum local dividend tax rate of 20% which will result in a net dividend of 360 cents per share to those shareholders who bear the maximum rate of dividend withholding tax of 90 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	Monday, 26 March 2018
First trading day ex dividend on the JSE	Tuesday, 27 March 2018
Record date	Thursday, 29 March 2018
Payment date	Tuesday, 3 April 2018

No share certificates may be dematerialised or rematerialised between Tuesday, 27 March 2018 and Thursday, 29 March 2018, both days inclusive. On Tuesday, 3 April 2018, 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 Tuesday, 3 April 2018 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 Tuesday, 3 April 2018.

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 250 cents per share (2016: 250 cents per share) amounting to R4 494 million (2016: R4 585 million) in respect of the half-year period ended 30 June 2017 was declared on 3 August 2017 and paid to shareholders on 28 August 2017.

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:

Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196
PO Box 61051, Marshalltown, 2107

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 cents each.

Issued share capital
The issued share capital of the company is R188 427 (2016: R188 427) comprising 1 884 269 758 (2016: 1 884 269 758) ordinary shares of 0,01 cents each.

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

Details of participation in the MTN Zakhele Futhi Scheme by directors of the company, the group secretary, directors and the company secretaries of major subsidiaries are set out in note 10.2 of the annual financial statements.

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 25 May 2017, 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 24 May 2018, 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.

SHAREHOLDERS' INTEREST
Details of shareholders' interest and a shareholder spread analysis are disclosed in annexure 1 of these annual financial statements.

Details of the directors' remuneration and shareholding are set out in note 10.2 of these annual financial statements.

RETIREMENT BY ROTATION OF DIRECTORS
In accordance with the company's MOI, KC Ramon, A Harper, NP Mageza and MLD Marole will retire at the forthcoming AGM. The retiring directors, being eligible, offer themselves for re-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, AT Mikati, KP Kalyan 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 will be set out in the notice of the AGM.

APPOINTMENTS AND RESIGNATIONS
RA Shuter was appointed as group president and CEO with effect from 13 March 2017 and RT Mupita as group chief financial officer with effect from 3 April 2017.

A van Biljon retired as a non-executive director on 31 December 2017.

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

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 in note 8.4.

MERGERS AND ACQUISITIONS
There were no material changes in shareholding during the current or prior year.

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

AMERICAN DEPOSITORY 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: Cusip No 62474M108 ADR.

ANNUAL GENERAL MEETING
The AGM will be held on Thursday, 24 May 2018. Refer to the notice of the 23rd AGM, when issued, 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.

AUDIT COMMITTEE
The report of the audit committee appears on pages 03 to 05 .

AUDITORS
PricewaterhouseCoopers Incorporated and SizweNtsalubaGobodo Incorporated will continue in office as joint auditors in accordance with section 90 of the Companies Act.

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 2017

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our 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 (the Company) and its subsidiaries (together the Group) as at 31 December 2017, 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 (IFRS) and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

MTN Group Limited's consolidated and separate financial statements set out on pages 20 to 160 comprise:

- the Group and Company statements of financial position as at 31 December 2017.
- the Group income statement for the year then ended.
- the Group and Company statements of comprehensive income for the year then ended.
- the Group and Company statements of changes in equity for the year then ended.
- the Group and Company statements of cash flows for the year then ended.
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

INDEPENDENCE

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters discussed in the table below relate to the consolidated financial statements. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	How our audit addressed the key audit matter
Investment held in IHS Holding Limited ('IHS') and subsequent assignment of shareholder loan	
Exercise of 'exchange right' and valuation of the investment held in IHS Refer to note 1.5.2: Critical accounting judgements, estimates and assumptions – IHS available-for-sale investment classification and measurement, note 2.3: Other income, note 7.1.3: Fair value estimation and note 7.2: Investments to the consolidated financial statements for the related disclosure. As disclosed in these notes to the consolidated financial statements, the Group entered into an arrangement in terms of which it acquired an equity stake of approximately 15% in the class B shares issued by IHS during 2014. As part of the tower sales transaction entered into by the Group with IHS in the same year, the Group obtained an exchange right whereby it was entitled to exchange its 51% non-controlling interest in Nigeria Tower InterCo B.V., the parent company of INT Towers Limited (INT), the Nigerian telecom tower operator, for an equity interest in the class A shares issued by IHS. In January 2017, the Group exercised its aforementioned exchange right in return for additional shareholding in IHS (the 'transaction'). As a result of the transaction, the Group's economic interest in IHS increased from the previously held 15% class B non-voting shares to an economic interest of approximately 29%, comprising class A voting shares and class B non-voting shares.	***Exercise of 'exchange right' and valuation of the investment held in IHS*** With the assistance of our internal IFRS specialists, we considered whether or not the Group's rights, as embedded in the underlying agreements which were inspected as part of the audit, constituted significant influence to participate in the financial and operating policy decisions of IHS and whether accounting for the investment in IHS as an available-for-sale financial instrument (as opposed to an investment in an associate) was appropriate. Based on the results of our procedures, we deemed the classification of the investment as an available-for-sale financial instrument to be appropriate. We tested the mathematical accuracy of the valuation model and found no material exceptions. With the assistance of our internal valuation experts, we assessed the approach adopted by management in the valuation model used to value the investment in IHS at year-end and at the effective date of the exercise of the exchange right ('respective dates') against the applicable requirements of IFRS 13 *Fair Value Measurement* and found it to be consistent. We also performed reasonability assessments of the valuations performed by management with the assistance of our internal valuation experts on the respective dates through an independent assessment of appropriate EBITDA multiples to be applied to businesses of this nature, and deemed the multiples applied by management to be reasonable.

Key audit matter	How our audit addressed the key audit matter
Investment held in IHS Holding Limited ('IHS') and subsequent assignment of shareholder loan continued	
Exercise of 'exchange right' and valuation of the investment held in IHS continued	***Exercise of 'exchange right' and valuation of the investment held in IHS*** continued
Management has determined that neither the interest prior to, nor the interest obtained subsequent to the transaction will allow the Group to appoint a board member. In addition, IHS has the right to decide what strategic, financial and operational information is shared with the Group. As a result of these restrictions, the Group's vote is limited to matters which relate to fundamental changes in the business or which apply in exceptional circumstances and are considered by management to be protective in nature. At 31 December 2017, the absence of transactions between market participants resulted in the fair value of the investment held in IHS being determined using models considered to be appropriate by management. The fair value was calculated using industry earnings multiples applied to management's estimates of earnings, less estimated net debt. The Group does not have access to the IHS Group business plans or 2017 actual financial information. Any estimated earnings used to derive the fair value are therefore solely determined by management, based on market estimates and assumptions on financial growth, currency movements, costs and performance. We considered this to be a matter of most significance to the current year's audit due to the significant judgements made by management and the complexity in respect of the classification and valuation of the investment, the calculation of the profit realised from the exercise of the exchange right and the fair value movement recorded in respect of the available-for-sale financial instrument at the end of the year.	We recalculated the profit on exercise of the exchange right on the effective date of the transaction which was determined as the difference between the fair value of the new interest obtained and the carrying amount of the equity-accounted interest in INT, after recycling the applicable portion of the foreign currency translation reserve to the consolidated income statement and we found no exceptions. We agreed the share percentage held by the Group in IHS subsequent to the transaction to the IHS share register and did not find exceptions.

Independent auditors' report to the shareholders of MTN Group Limited continued

for the year ended 31 December 2017

Key audit matter	How our audit addressed the key audit matter
Investment held in IHS Holding Limited ('IHS') and subsequent assignment of shareholder loan continued	
Subsequent assignment of shareholder loan	***Subsequent assignment of shareholder loan***
As disclosed in note 2.6: Loss on derecognition of long-term loan receivable to the consolidated financial statements, with effect from 27 December 2017 MTN Nigeria Towers SPV B.V. assigned its shareholder loan of R2 840 million to IHS Group. The shareholder loan arose as part of MTN Nigeria Communications Limited's ('MTN Nigeria') tower transactions whereby MTN Nigeria sold a portfolio of towers to INT in 2014 and 2015 which, through Nigeria Tower Interco BV, was 51% owned by MTN Nigeria Towers SPV B.V. and 49% by IHS. When forming INT, MTN Group (through MTN Nigeria Towers SPV B.V.) as well as IHS, provided proportionate shareholder loans to INT. These loans were subordinated and due for repayment in 2024 and 2025 with interest capitalised until two years prior to repayment. In return for the assignment of the loan, IHS has facilitated certain network volume commitments and provided more attractive terms for MTN Nigeria's future network rollout, applicable from 2018 onwards. The cash flow benefits to be realised from the improved commercial terms of the future rollout have not been capitalised as a prepayment and will be accounted for as and when they are realised. This is due to the Group contractually not controlling the realisation of the future economic benefits referred to above. However, the Group believes it will obtain economic benefits through IHS being incentivised economically to transact with the Group under the current master services agreement. We regarded this matter to be a matter of most significance to the audit because significant judgement was applied by management, due to the complexity embedded in the loan agreement, in arriving at the conclusion that the loan should be written off without capitalising future benefits (as a prepayment) under IFRS. In addition, management exercised judgement in determining the nature of the loss for purposes of presentation thereof in the consolidated income statement. Management presented the loss under the finance section below the EBITDA line in the consolidated income statement.	We obtained and assessed the agreement entered into between the Group and IHS in order to obtain an understanding of the contractual terms and conditions embedded therein. With the assistance of our internal IFRS specialists we evaluated the terms of the agreement against IFRS to consider whether or not a portion of the loan, once assigned, should be capitalised as an asset (prepayment) in lieu of future benefits to be received. Based on the results of our procedures, we found management's accounting treatment of the loss to be appropriate. We evaluated the presentation of the loss on assignment of the loan in the consolidated income statement against the requirements of IFRS and deemed it to be appropriate.

Independent auditors' report to the shareholders of MTN Group Limited continued

for the year ended 31 December 2017

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from business combinations Due to the number of business combinations that the Group has historically entered into, the Group's net assets include a significant amount of goodwill at the reporting date. Some of the businesses that these balances relate to operate in countries subject to political turmoil, worsening economic conditions, hyperinflation and various sanctions. There is a risk that these businesses may not trade in line with expectations and forecasts, resulting in a potential impairment of the carrying amount of goodwill allocated to these businesses. Goodwill is tested annually for impairment at the opted date of 31 December and whenever there is an impairment indicator identified by management. Such indicators were identified by management at the time of preparation of the Group's interim results for the period ended 30 June 2017 in its operations in Guinea-Bissau, Guinea-Conakry, Liberia, Ghana, Afghanistan, Sudan, Yemen and Syria, which indicators still prevailed at year-end. This impairment assessment is considered to be a matter of most significance to the current year audit due to the significant judgements made by management regarding the discount rates, the terminal growth rates and cash flow forecasts included in the analyses used to perform the impairment assessments as well as the magnitude of impairments recognised during the year under review, as further outlined below. Impairments recognised during the year under review include the following entities and amounts: • MTN Afghanistan and MTN Yemen, where goodwill impairments of R841 million and R807 million, respectively, were recognised. • MTN Syria, where impairments of property, plant and equipment and intangible assets amounting to R1 348 million were recognised (as goodwill was previously fully impaired). • MTN Sudan where a goodwill impairment of R983 million and an impairment of property, plant and equipment and intangible assets of R1 690 million were recognised. Goodwill is now fully impaired in this operation.	We tested the mathematical accuracy of the valuation models and found no material exceptions. We also considered the appropriateness of the valuation models applied by management. Based on procedures performed, we are satisfied that the approach adopted by management in the valuation models is principally in line with market practice and the applicable requirements of IAS 36 *Impairment of Assets*, which was also confirmed with our internal valuation expertise. We performed stress testing on the valuation models as prepared by management which involved an assessment of management's cash flow forecasts and assumptions by comparison to actual results, our understanding of the industry, the specific entity circumstances involved, in-country economic environment and other market conditions. Management's cash flow forecasts were agreed to approved in-country budgets. We further assessed the Group's budgeting procedures (which form the basis of the cash flow forecasts) by comparing prior period budgets to actual results and held discussions with management on the reasonability of the forecasts used in the valuations where adjustments were made to the in-country budgets at Group level. The terminal growth rates as used by management were compared to long-term inflation rates obtained from independent sources by our internal valuation experts. Where differences were noted between the respective growth rates, we obtained an understanding of the reasons and incorporated the PwC rates as part of our stress testing to assess the impact of the differences noted on the valuation results. With the assistance of our valuation experts, we independently recalculated a weighted average cost of capital discount rate (which includes a country risk premium) for each territory in the Group taking into account independently obtained data such as the cost of debt, risk-free rates in the applicable market, market risk premiums, debt/equity ratios as well as the beta of comparable companies; which was compared to the discount rates used by management. Where differences were noted between the respective discount rates, we obtained an understanding of the reasons and incorporated the PwC rates as part of our stress testing to assess the impact of the differences noted on the valuation results.

Independent auditors' report to the shareholders of MTN Group Limited continued

for the year ended 31 December 2017

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from business combinations continued These matters are disclosed in the following notes to the consolidated financial statements: Note 1.5.1: Critical accounting judgements, estimates and assumptions – Impairment of goodwill, note 5.1: Property, plant and equipment and note 5.2.1: Goodwill.	We reperformed the value in use calculations as performed by management. We performed a stress test on the value in use calculations with focus on the discount rates, annual growth rates, terminal growth rates and the forecast cash flows for each entity. We recalculated a range of values and compared this to the value as calculated by management. We further performed sensitivity procedures to determine the maximum decline that would result in limited or no headroom being available and compared our results to that of management in order to identify those operations considered sensitive to a change in assumptions for disclosure purposes.
Accounting treatment of current, deferred and other taxes and regulatory exposures in the Group's markets The Group operates across multiple tax and regulatory jurisdictions and due to the inherent nature of exposures, rulings issued and assessments and sanctions by tax and regulatory authorities in developing markets, the Group recognised a significant amount of tax and/or regulatory provisions and contingencies at year-end. Management applies its judgement to estimate the potential exposure where the interpretation of the applicable tax laws and regulations could be subjective. We considered this to be a matter of most significance to the current year's audit due to the magnitude, complexity and nature of these exposures together with a significant level of management judgement involved in interpreting specific acts, regulatory provisions or practices in determining the amounts of these liabilities.	***Tax-related matters*** We utilised our tax specialists to evaluate management's assessment of tax exposures relating to income tax (including transfer pricing and controlled foreign company legislation), withholding tax, VAT and other taxes. Meetings were held between our tax specialists and the Group's in-country internal tax experts and management to discuss the significant exposures and evaluate the reasonableness of management's conclusions. In-country management's tax assessment reports were also considered by our in-country tax specialists and at a Group level, as necessary, by our internal tax specialists to independently assess the conclusions reached by management. To corroborate management's assessment, we also inspected correspondence received by management from the tax authorities and the Group's tax advisors to evaluate the adequacy of provisions and disclosures made. Where required, we performed an independent recalculation of the tax exposures.

Independent auditors' report to the shareholders of MTN Group Limited continued

for the year ended 31 December 2017

Key audit matter	How our audit addressed the key audit matter
Accounting treatment of current, deferred and other taxes and regulatory exposures in the Group's markets continued These matters are disclosed in the following notes to the consolidated financial statements: Note 1.5.4: Critical accounting judgements, estimates and assumptions – Income taxes, note 4.5: Trade and other payables, note 6.3: Provisions and note 6.8: Contingent liabilities.	***Regulatory related matters*** We evaluated management's assessment of regulatory exposures relating to applicable legislation and related regulations and requirements prevalent in each of the jurisdictions in which the Group operates. Meetings were held between ourselves and the Group's local territories' internal legal and regulatory experts and management to discuss the significant exposures and evaluate the reasonableness of management's conclusions. In-country management's assessments were also considered at a Group level through evaluation of reports provided and assessments performed by internal compliance and legal counsel at a Group level. Correspondence with external legal counsel was also inspected, as applicable. To corroborate management's assessment against the requirements of IFRS, we also inspected correspondence received by management from the respective regulatory authorities and external counsel (where applicable), to evaluate the adequacy of provisions and disclosures made. Where required, we performed an independent recalculation of the regulatory exposures noted.

Independent auditors' report to the shareholders of MTN Group Limited continued

for the year ended 31 December 2017

Key audit matter	How our audit addressed the key audit matter
Estimation of the date from which the Nigerian Autonomous Foreign Exchange Rate Fixing ('NAFEX') rate should be applied in consolidating the results of MTN Nigeria	
During April 2017, the Central Bank of Nigeria ('CBN') launched a new Foreign Exchange ('FX') window open to portfolio investors, exporters and end-users of FX, including the CBN, known as the Nigerian Autonomous Foreign Exchange Rate Fixing ('NAFEX')/Autonomous market ('NAFEX'). Following a review by management of the liquidity and sustainability of the newly introduced rate, the Group changed the rate applicable to the translation of the results, cash flows and financial position of MTN Nigeria to the NAFEX rate in the last quarter of 2017. Management considers the NAFEX rate to represent more appropriately the rate at which dividends can be remitted from MTN Nigeria from this date onwards. Management exercised significant judgement in determining the appropriate date from which the NAFEX rate should be applied for consolidation purposes. We considered this to be a matter of most significance to the current year audit due to the significant contribution of MTN Nigeria to the consolidated results of the Group and the amount of judgement required to determine the appropriate date from which the NAFEX rate should be applied for consolidation purposes. These matters are disclosed in the following notes to the consolidated financial statements: Note 1.5.3: Critical accounting judgements, estimates and assumptions – Dual exchange rates and note 7.6: Exchange rates to South African rand.	We assessed the accounting treatment as well as the critical accounting judgements applied by management in determining the appropriate date from which the NAFEX rate should be applied for consolidation purposes, based on an evaluation of the reasonability of management's policy in determining if and when to move to newly introduced official exchange rates in geographies where more than one official exchange rate is available. This included an assessment of the relevant requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* with the assistance of our internal IFRS specialists, management's assessment of data points as to when other market participants started applying the new rate, evidence regarding the rate applied when dividends are repatriated from Nigeria and insights obtained as to the period required to achieve sustainability of newly introduced foreign exchange markets in other global geographies subsequent to these being introduced. The policy established by the Group stipulating from when the NAFEX rate should be applied was found to be in line with the audit evidence that we obtained. We verified that the appropriate rate was applied from the determined date in preparing the consolidated financial statements.

Independent auditors' report to the shareholders of MTN Group Limited continued

for the year ended 31 December 2017

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the *MTN Group Limited Financial statements for the year ended 31 December 2017*, which includes the Directors' report, the Report of the audit committee and the Certificate by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report, and the *MTN Group Limited Integrated report for the year ended 31 December 2017*, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

Independent auditors' report to the shareholders of MTN Group Limited continued

for the year ended 31 December 2017

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 24 years and 15 years, respectively.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JR van Huyssteen
Registered Auditor

Johannesburg
7 March 2018

SizweNtsalubaGobodo Inc

SizweNtsalubaGobodo Inc.
Director: DH Manana
Registered Auditor

Johannesburg
7 March 2018

Group income statement

for the year ended 31 December 2017

	Note	**2017 Rm**	2016 Rm
Revenue	2.2	**132 815**	147 920
Other income	2.3	**6 591**	335
Direct network and technology operating costs		**(25 077)**	(23 520)
Costs of handsets and other accessories		**(10 764)**	(12 304)
Interconnect and roaming		**(10 974)**	(13 393)
Staff costs	2.4	**(9 082)**	(9 152)
Selling, distribution and marketing expenses		**(17 276)**	(19 172)
Government and regulatory costs		**(5 150)**	(5 191)
Other operating expenses		**(14 128)**	(14 273)
EBITDA before Nigeria regulatory fine		**46 955**	51 250
Nigeria regulatory fine	1.5.8	**–**	(10 499)
EBITDA		**46 955**	40 751
Depreciation of property, plant and equipment	5.1	**(19 277)**	(20 988)
Amortisation of intangible assets	5.2	**(4 490)**	(4 748)
Impairment of goodwill	5.2	**(2 631)**	(873)
Operating profit	2.4	**20 557**	14 142
Finance income	2.5	**3 488**	4 424
Finance costs	2.5	**(12 755)**	(14 919)
Loss on derecognition of long-term loan receivable	2.6	**(2 840)**	–
Net monetary gain		**264**	1 723
Share of results of associates and joint ventures after tax	9.2	**841**	(127)
Profit before tax		**9 555**	5 243
Income tax expense	3.1	**(5 014)**	(8 346)
Profit/(loss) after tax		**4 541**	(3 103)
Attributable to:			
Equity holders of the company		**4 414**	(2 614)
Non-controlling interests		**127**	(489)
		4 541	(3 103)
Basic earnings/(loss) per share (cents)	2.7	**246**	(144)
Diluted earnings/(loss) per share (cents)	2.7	**241**	(144)

Group statement of comprehensive income

for the year ended 31 December 2017

	2017 Rm	2016 Rm
Profit/(loss) after tax	**4 541**	(3 103)
Other comprehensive income after tax:		
Items that may be reclassified to profit or loss:	**(6 516)**	(22 122)
Net investment hedges	**1 421**	(1 887)
Foreign exchange movement on hedging instruments	**1 963**	(2 684)
Deferred and current tax	**(542)**	797
Available-for-sale financial assets[1, 2]	**4 439**	2 672
Gains arising during the year	**4 439**	2 672
Exchange differences on translating foreign operations including the effect of hyperinflation[1]	**(12 376)**	(22 907)
Losses arising during the year	**(12 376)**	(22 907)
Items that have been reclassified to profit or loss		
Reclassification of foreign currency translation differences on loss of significant influence[1, 3]	**3 298**	–
Other comprehensive income for the year	**(3 218)**	(22 122)
Attributable to equity holders of the company	**(2 664)**	(21 077)
Attributable to non-controlling interests	**(554)**	(1 045)
Total comprehensive income for the year	**1 323**	(25 225)
Attributable to:		
Equity holders of the company	**1 750**	(23 691)
Non-controlling interests	**(427)**	(1 534)
	1 323	(25 225)

[1] *This component of other comprehensive income does not attract any tax.*
[2] *The available-for-sale investment relates mainly to the group's investment in IHS Holding Limited (IHS) (note 7.2).*
[3] *The reclassification to profit or loss relates to the exercise of the exchange right of IHS (note 2.3).*

Group statement of financial position

at 31 December 2017

	Note	2017 Rm	2016 Rm
ASSETS			
Non-current assets		**182 515**	189 089
Property, plant and equipment	5.1	**91 786**	95 633
Intangible assets and goodwill	5.2	**38 330**	46 473
Investments	7.2	**27 686**	11 841
Investment in associates and joint ventures	9.2	**19 610**	26 669
Loans and other non-current receivables	7.3	**3 510**	7 366
Deferred tax assets	3.2	**1 593**	1 107
Current assets		**59 900**	79 611
Inventories	4.1	**3 000**	3 972
Trade and other receivables	4.2	**30 022**	37 363
Taxation prepaid	3.3	**2 736**	2 019
Current investments	7.4	**5 552**	7 858
Derivative assets	7.5	**205**	4
Restricted cash	4.3	**2 376**	1 020
Cash and cash equivalents	4.4	**16 009**	27 375
Total assets		**242 415**	268 700
EQUITY			
Ordinary share capital and share premium	8.1	**36 786**	36 786
Retained earnings		**56 959**	64 831
Other reserves	8.2	**(972)**	763
Attributable to equity holders of the company		**92 773**	102 380
Non-controlling interests	9.5	**1 494**	2 851
Total equity		**94 267**	105 231
LIABILITIES			
Non-current liabilities		**83 032**	85 743
Borrowings	6.1	**70 567**	67 319
Deferred tax liabilities	3.2	**7 553**	9 059
Other non-current liabilities	6.2	**4 503**	8 985
Provisions	6.3	**409**	380
Current liabilities		**65 116**	77 726
Trade and other payables	4.5	**45 718**	45 142
Unearned income		**5 775**	6 449
Provisions	6.3	**2 030**	2 229
Taxation liabilities	3.3	**2 322**	4 213
Borrowings	6.1	**9 081**	19 635
Derivative liabilities	7.5	**118**	58
Bank overdrafts	4.4	**72**	–
Total liabilities		**148 148**	163 469
Total equity and liabilities		**242 415**	268 700

Group statement of changes in equity

for the year ended 31 December 2017

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Other reserves Rm	Total Rm	Non-con-trolling interests Rm	Total equity Rm
		Attributable to equity holders of the company						
Balance at 1 January 2016		*	40 248	87 526	18 595	146 369	5 469	151 838
Opening reserve adjustment for impact of hyperinflation	1.5.7	–	–	(123)	–	(123)	–	(123)
Adjusted balance at 1 January 2016		*	40 248	87 403	18 595	146 246	5 469	151 715
Total comprehensive income		–	–	(2 614)	(21 077)	(23 691)	(1 534)	(25 225)
Loss after tax		–	–	(2 614)	–	(2 614)	(489)	(3 103)
Other comprehensive income		–	–	–	(21 077)	(21 077)	(1 045)	(22 122)
Transactions with shareholders								
Shares cancelled		(*)	–	–	–	(*)	–	(*)
Treasury shares		*	–	–	–	*	–	*
Share buy-back from MTN Zakhele		(*)	(3 462)	–	–	(3 462)	–	(3 462)
Share-based payment transactions – Zakhele Futhi	8.1	–	–	–	2 919	2 919	–	2 919
Share-based payment transactions – other		–	–	–	1	1	–	1
Dividends declared	8.3	–	–	(19 816)	–	(19 816)	(1 053)	(20 869)
Other movements		–	–	(142)	325	183	(31)	152
Balance at 31 December 2016		*****	**36 786**	**64 831**	**763**	**102 380**	**2 851**	**105 231**
Balance at 1 January 2017		*****	**36 786**	**64 831**	**763**	**102 380**	**2 851**	**105 231**
Total comprehensive income		**–**	**–**	**4 414**	**(2 664)**	**1 750**	**(427)**	**1 323**
Profit after tax		**–**	**–**	**4 414**	**–**	**4 414**	**127**	**4 541**
Other comprehensive income		**–**	**–**	**–**	**(2 664)**	**(2 664)**	**(554)**	**(3 218)**
Transactions with shareholders								
Share-based payment transactions – Zakhele Futhi	8.1	**–**	**–**	**–**	**921**	**921**	**–**	**921**
Share-based payment transactions – other		**–**	**–**	**–**	**237**	**237**	**–**	**237**
Dividends declared	8.3	**–**	**–**	**(12 572)**	**–**	**(12 572)**	**(1 029)**	**(13 601)**
Other movements		**–**	**–**	**286**	**(229)**	**57**	**99**	**156**
Balance at 31 December 2017		*****	**36 786**	**56 959**	**(972)**	**92 773**	**1 494**	**94 267**
Note		8.1	8.1		8.2			

* *Amount less than R1 million.*

Group statement of cash flows

for the year ended 31 December 2017

	Note	2017 Rm	2016 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	2.8	**38 484**	55 681
Finance income received		**2 607**	1 985
Finance costs paid		**(3 409)**	(4 968)
Income tax paid	3.3	**(7 596)**	(11 704)
Dividends paid to equity holders of the company		**(12 565)**	(19 792)
Dividends paid to non-controlling interests		**(956)**	(1 178)
Dividends received from associates		**213**	205
Dividends received from joint ventures		**6 916**	487
Net cash generated from operating activities		**23 694**	20 716
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(23 861)**	(29 899)
Acquisition of intangible assets		**(2 800)**	(5 348)
Proceeds from sale of property, plant and equipment and intangible assets		**74**	388
Increase in non-current investments		**(820)**	(2 199)
Acquisition of businesses, net of cash acquired		**–**	(882)
Loans granted		**(56)**	(52)
Increase in investment in insurance cell captives		**(200)**	(90)
Realisation/(purchase) of bonds, treasury bills and foreign deposits		**1 849**	(2 704)
(Increase)/decrease in restricted cash		**(1 727)**	309
Other investing activities		**(44)**	69
Net cash used in investing activities		**(27 585)**	(40 408)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	2.9	**23 287**	59 647
Repayment of borrowings	2.9	**(24 606)**	(35 169)
Interest paid on borrowings	2.9	**(3 828)**	(2 042)[1]
Buy-back of shares from MTN Zakhele		**–**	(2 645)
Premium received on option issued to MTN Zakhele Futhi		**192**	1 185
Other financing activities		**36**	(25)
Net cash (used in)/from financing activities		**(4 919)**	20 951
Net (decrease)/increase in cash and cash equivalents		**(8 810)**	1 259
Net cash and cash equivalents at the beginning of the year		**27 375**	34 139
Exchange losses on cash and cash equivalents		**(2 664)**	(8 192)
Net monetary gain on cash and cash equivalents		**36**	169
Net cash and cash equivalents at the end of the year	4.4	**15 937**	27 375

[1] *Interest paid on borrowings previously included as part of repayment of borrowings.*

Index to the notes to the group financial statements

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, except for the amendment to IAS 7 *Statement of Cash Flows*, which requires additional disclosure, comprising a reconciliation of the year-on-year movement in liabilities arising from financing activities.

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 that have been measured at fair value, where applicable.

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

Sudan ceased being regarded as a hyperinflationary economy during 2016, resulting in hyperinflation accounting relating to MTN Sudan Company Limited not being applied from 1 July 2016 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's 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 on the following page and in the related notes to the group financial statements, and should be read in conjunction with the financial definitions disclosed on pages 159 and 160 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.*

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies[1] (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, this amount is negative, such negative amount is recognised immediately in profit or loss as a gain on bargain purchase.

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 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 over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests. Any retained interest in the entity is remeasured to its fair value. Any resulting gain or loss is 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.

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies[1] (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 and controlled structured entities (SEs) for the reporting date 31 December 2017 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). The group controls an entity when it is exposed 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. 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 or 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 or disposed of, is 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.

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies[1] (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, including goodwill and fair value adjustments arising on acquisition, 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.
- Foreign exchange translation differences are recognised as other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent the difference is allocated to non-controlling interests.

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 and accumulated in the foreign currency translation reserve.

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

Disposal of foreign operations

On disposal of a foreign operation, all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the group are 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, are not reclassified to profit or loss on settlement of the monetary item.

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 is reattributed to non-controlling interests and is 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.

For more details on judgements applied in the selection of exchange rates in countries operating in dual exchange rate economies please refer to note 1.5.3.

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies[1] (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. Differences between these comparative amounts and current year hyperinflation adjusted equity balances are recognised in other comprehensive income.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the 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.

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

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.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. 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 equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

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 South Sudanese and Syrian economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the group's subsidiaries, MTN South Sudan 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. Sudan ceased being regarded as a hyperinflationary economy during 2016, resulting in hyperinflation accounting relating to MTN Sudan Company Limited not being applied from 1 July 2016 onward.

[1] Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the group financial statements.

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies[1] (continued)

1.3.4 Measurement principles

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

Items included in the statement of financial position	Measurement principle	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	**LIABILITIES** **Non-current liabilities** Borrowings	Amortised cost
Intangible assets	Historical cost, less accumulated amortisation and impairment losses	Deferred tax liabilities	Undiscounted amount measured at the tax rates that have been enacted or substantively enacted and are expected to apply to the period when the liability is settled
Investments	Amortised cost/fair value	Provisions	Present value of the best estimate of the settlement amount
Goodwill	Historical cost, less impairment losses		
Investment in associates and joint ventures	Cost adjusted for share of movements in net assets, less impairment losses		
Loans and other non-current receivables	Amortised cost		
Deferred tax assets	Undiscounted amount measured at the tax rates that have been enacted or substantively enacted and are expected to apply to the period when the asset is realised		
Current assets Inventories	Lower of cost and net realisable value	**Current liabilities** Trade and other payables	Amortised cost
Trade receivables	Amortised cost	Unearned income	Nominal value
Taxation prepaid	Amounts paid in advance to the tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date	Provisions	Present value of the best estimate of the settlement amount
Current investments	Amortised cost/fair value	Taxation liabilities	Amount expected to be paid to the tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date
Derivative assets	Fair value	Borrowings	Amortised cost
Restricted cash	Amortised cost	Derivative liabilities	Fair value
Cash and cash equivalents	Amortised cost	Bank overdrafts	Amortised cost

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

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*	IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The group expects that the most significant impact of the new standard will result from its current property and network site operating leases. For the year ended 31 December 2017 the group has recognised lease expenses of R13,4 billion (refer to note 2.4) and non-cancellable operating lease commitments (undiscounted) of R95 billion (refer to note 6.5). On adoption of IFRS 16 operating lease costs will no longer be recognised as operating expenses. The extent of the reduction in lease expenses is dependent on the application of the practical expedients in IFRS 16 regarding the separation of lease and non-lease components and the impact of the application of the low-value asset exemption. The new standard will require the recognition of lease liabilities and corresponding right-of-use assets. The group will recognise depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss. The initial lease liabilities and right-of-use assets recognised upon transition to IFRS 16 would likely be representative of the non-cancellable lease commitments, discounted at an appropriate rate as applicable to the operation in which the lease arises, after taking into account the impact of the practical expedients and transitional elections applied by the group. It is anticipated that while the EBITDA and the related EBITDA margin will improve significantly, depreciation and finance charges will also increase significantly. Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods. Furthermore, leases denominated in currencies that are not the functional currency of the operation will increase foreign exchange exposure. Application of IFRS 16 will therefore also impact the EBITDA:net interest, net debt and net debt:EBITDA ratios significantly. IFRS 16 permits multiple transition methods, and the group is yet to determine which transition method would be the most appropriate.	1 January 2019

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*	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 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. IFRS 15 also includes comprehensive disclosure requirements that will provide users with information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The group has performed a preliminary assessment of the impact of IFRS 15 and the following is expected: • A change in the timing of the recognition of subscriber acquisition costs, which is currently expensed on inception of the contract but will be capitalised and expensed over the average customer life in accordance with IFRS 15. These costs include agent's commission on postpaid contracts and SIM activation costs on prepaid contracts. • Earlier recognition of revenue in respect of services acquired that are not expected to be utilised (breakage). • Recognition of interest income and a reduction in handset revenue on transactions with a significant financing component where the period between the transfer of handsets and the subscriber payment period exceeds 12 months. • The group previously anticipated early contract upgrades and based the subscriber contract period on the expected term and accounted for any consideration received beyond the anticipated upgrade period as revenue as it was earned (mainly in its South African operation). Following the adoption of IFRS 15 the group will base the subscriber contract period on the contractual term and account for early upgrades as contract modifications that reduce revenue from the subsequent contract. • The impact on earnings is being finalised by management to enable a retrospective transitional approach to be adopted and initial indications are that it is not expected to be significant.	1 January 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.4 New accounting pronouncements (continued)

Topic	Key requirements	Effective date
IFRS 9 *Financial Instruments*	IFRS 9 replaces IAS 39. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The adoption of IFRS 9 will require a review of the current classification of financial assets and liabilities. The categories for financial assets changed from IAS 39 to IFRS 9. The IAS 39 held-to-maturity, loans and receivables and available-for-sale categories have been replaced by fair value through other comprehensive income, fair value through profit or loss and measured at amortised cost. A preliminary assessment of MTN's business model indicates that items classified as loans and receivables are likely to be classified as measured at amortised cost. The remaining classification categories are still being finalised. The hedge accounting requirements are not expected to have a significant impact on the financial results of the group. The group has determined that the application of an expected credit loss model is likely to result in an earlier recognition of credit losses, in particular on postpaid, interconnect and enterprise business unit receivables. A preliminary impact assessment which is being finalised by management indicated that the application of the expected credit loss model is unlikely to result in material adjustments. The group has determined that retrospective restatement would require the application of hindsight. The group has therefore decided not to restate comparatives. The date of initial application of IFRS 9 for the group is 1 January 2018.	1 January 2018

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 its 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 and on the following pages.

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 Impairment of goodwill and property, plant and equipment

The group tests goodwill for impairment on an annual basis, in accordance with the accounting policy disclosed in note 5.2. The group tests property, plant and equipment for impairment when there is an indication of impairment, in accordance with the accounting policy disclosed in note 5.1. The recoverable amounts of cash-generating units (CGU) 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 an appropriate CGU, being impaired. Goodwill impairment in the current year amounted to R2 631 million (2016: R873 million), refer to note 5.2. Property, plant and equipment impairment in the current year amounted to R2 518 million (2016: R175 million), refer to note 5.1.

1.5.2 IHS available-for-sale investment classification and measurement

In January 2017, the group exchanged its 51% interest in Nigeria Tower InterCo B.V., the parent company of INT Towers Limited (INT), the Nigerian telecom tower operator, for an additional shareholding in IHS Holding Limited (IHS Group) (the transaction). As a result of the transaction, the group's economic interest in the IHS Group increased from approximately 15% class B non-voting shares to an economic interest of approximately 29% comprising class A voting shares and class B non-voting shares.

An investor is presumed to have significant influence over an investee when it owns 20% of the investee, unless it can be clearly demonstrated that this is not the case. The original IHS Group shareholders' agreement remains in place and there are no changes to IHS Group's independence as an operator. Neither the interest prior to, nor the interest obtained subsequent to the transaction will allow the group to appoint a board member. In addition, IHS Group has the right to decide what strategic, financial and operational information is shared with the group.

As a result of these restrictions, the group's vote is limited to matters which relate to fundamental changes in the business or which apply in exceptional circumstances and are considered to be protective in nature. The group's rights do not constitute significant influence to participate in the financial and operating policy decisions of IHS Group. Consequently, the group continues to account for its investment in IHS Group as an available-for-sale financial instrument (note 7.2).

Available-for-sale instruments are measured at fair value through other comprehensive income.

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, MTN does not have access to the IHS Group business plans or 2017 actual financial information. Any estimated earnings used to derive the existing fair value are therefore solely based on MTN management assumptions and market estimates on financial growth, currency movements, costs and performance. The investment has therefore been transferred from level 2 to level 3 of the fair value hierarchy for the current reporting period. An increase of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in an increase in the fair value of R2 148 million and a decrease of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in a decrease in the fair value by R2 148 million as at 31 December 2017. An increase of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in an increase in the fair value of R3 201 million and a decrease of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in a decrease in the fair value of R3 201 million as at 31 December 2017 (note 7.1.3).

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.3 Dual exchange rates

The group operates in a number of foreign jurisdictions that have multiple quoted exchange rates. When several quoted exchange rates are available in a foreign jurisdiction, the group uses judgement to determine the rate at which the future cash flows represented by foreign denominated transactions or balances could have been settled if those cash flows had occurred at the measurement date in these foreign entities. For the translation of the results, cash flows and financial position of the foreign entities into the presentation currency of the group, the group uses the rate at which dividends can be remitted. If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made.

Following a review of the liquidity and sustainability of quoted exchange rates introduced in Nigeria and Sudan, the group changed the rates applicable to the relevant transactions and balances as well as the translation of the results, cash flows and financial position of these operations in the last quarter of 2017. The new quoted rates applied are considered to represent more appropriately the rate at which the future cash flows on foreign denominated transaction or balance could have been settled if those cash flows had occurred at the measurement date or the rate at which dividends can be remitted in respect of the translation of foreign entities.

Further information on the relevant exchange rates is provided in note 7.6.

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. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the group, the group seeks, where relevant, expert advice to determine whether an unfavourable outcome is probable or possible. Where payment is determined to be 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 the current and deferred tax in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The group applies judgement in assessing whether future taxable profits will be available. Future taxable profits are determined based on business plans for individual subsidiaries in the group and the probable reversal of taxable temporary differences in future. 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. Such reductions are reversed when the probability of future taxable profits improves. The group's deferred tax assets for the current year amounted to R1 593 million (2016: R1 107 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.
- 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 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

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 previous years the group entered into sale and leaseback transactions with IHS that resulted in the sale of its mobile network towers in Nigeria.

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.

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 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 South 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 South Sudan Company Limited and MTN Syria (JSC) have been expressed in terms of the measuring units current at the reporting date.

MTN South Sudan Company Limited

The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016 and hyperinflation accounting was applied for the year ended 31 December 2016. Upon first application of hyperinflation, prior period losses of R123 million arising from the net monetary position were recognised directly in equity. As at 31 December 2017 and 2016, the property, plant and equipment of South Sudan was fully impaired, resulting in no hyperinflation adjustment on capital expenditure (capex) for the respective year.

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.7 Hyperinflation (continued)

MTN South Sudan Company Limited (continued)

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 2017	2016	4 372	111

The cumulative inflation rate over three years as at 31 December 2017 is 2 472%. The average adjustment factor used for 2017 was 1,6.

MTN Syria (JSC)

The economy of Syria was assessed to be hyperinflationary effective 1 January 2014, and hyperinflation accounting has been applied since. 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 (US$):Syrian pound (SYP) exchange rate.

Until 30 June 2017, hyperinflation accounting was applied by estimating Syria's inflation rate using the change in the US$:SYP exchange rate. The SYP started strengthening against the US$ from October 2017 onwards. Syria's 2017 estimated inflation rate using the change in US$:SYP exchange rate, after the SYP strengthened, was negative, i.e. there was deflation in the second half of 2017.

However, the characteristics of Syria's economy continue to indicate that Syria's economy is hyperinflationary. Recognising deflation in the second half of 2017 was not considered appropriate, due to lack of sufficient available information at 31 December 2017. Therefore, a hyperinflation adjustment factor of 1 was applied from 1 July 2017 to 31 December 2017.

Date	Base year	General price index	Inflation rate (%)
31 December 2017	2014	220	(16)

The cumulative inflation rate over three years as at 31 December 2017 is 120%. The average adjustment factor used for 2017 was 1,04.

As at 31 December 2017, R1 348 million of assets previously written up for hyperinflation have been impaired with the impact being included in EBITDA during the year under review.

MTN Sudan Company Limited and Irancell Telecommunication Company Services (PJSC)

The economy of Sudan was assessed to no longer be hyperinflationary, effective 1 July 2016, and hyperinflation accounting was discontinued from this date onwards. Accordingly, the amounts expressed in terms of the measuring unit at 30 June 2016 were treated as the basis for the carrying amounts with no further hyperinflation adjustments being passed from 1 July 2016 onwards. As at 31 December 2017, the historical increase in the asset value as a result of hyperinflation accounting has been fully impaired, which resulted in a R1 690 million decrease in EBITDA in the current financial year.

In 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015 on the same basis as for MTN Sudan Company Limited with no further hyperinflation adjustments being passed from 1 July 2015 onwards. The group's results from Iran includes expenses resulting from the discontinuation of hyperinflation accounting mainly relating to the subsequent depreciation of assets that were historically written up under hyperinflation accounting. The additional income statement charge reduced equity-accounted earnings from Iran by R1 328 million for the year ended 31 December 2017 (31 December 2016: R1 853 million).

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

	2017 Rm	2016 Rm
Income statement		
Increase in revenue	**504**	1 026
(Decrease)/increase in EBITDA	**(2 948)**	246
Net monetary gain	**264**	1 723
Decrease in share of results of associates and joint ventures after tax	**(1 328)**	(1 853)
Decrease in profit after tax	**(4 925)**	(480)

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.8 Accounting for the Nigeria fine

During October 2015, the Nigerian Communications Commission (NCC) imposed a fine on MTN Nigeria Communications Limited (MTN Nigeria). This fine related to the timing of the disconnection of 5,1 million MTN Nigeria subscribers who were disconnected in August and September 2015. On 10 June 2016, MTN Nigeria resolved the matter with the Federal Government of Nigeria (FGN) after the completion of an extensive negotiation process. In terms of the agreement reached, MTN Nigeria agreed to pay a total cash amount of N330 billion over three years (R25,1 billion[2]) to the FGN as full and final settlement of the matter in accordance with the payment terms as set out below.

The N50 billion (R4 billion[1]) paid in good faith and without prejudice by MTN Nigeria on 24 February 2016 formed part of the monetary component of the settlement which resulted in a cash balance of N280 billion (R21,3 billion[2]) outstanding on 10 June 2016, to be discharged as follows:

- N30 billion on 8 July 2016
- N30 billion on 31 March 2017
- N55 billion on 31 March 2018
- N55 billion on 31 December 2018
- N55 billion on 31 March 2019
- N55 billion on 31 May 2019

The group reclassified the provision on 10 June 2016 to a financial liability of N212,5 billion, the equivalent of R16,2 billion[2], for the outstanding cash payments using a discount rate of 14,71%. Management exercised judgement in determining an appropriate discount rate that represents the incremental borrowing rate for MTN Nigeria for a liability with similar cash flows. The regulatory fine was fully expensed in the prior years with an additional expense recognised in the income statement amounting to R10,5 billion for the year ended 31 December 2016. A discount unwind of R1,0 billion (2016: R1,0 billion) was recognised in finance costs during the current year relating to the outstanding liability. The balance of the liability at 31 December 2017 amounts to R6,6 billion (2016: R8,7 billion) after taking into account the payment of N30 billion (R1,3 billion[3]).

[1] Amount translated at an exchange rate on 24 February 2016 of R1 = N12,55.

[2] Amount translated on 10 June 2016 at an exchange rate of R1 = N13,15.

[3] Amount translated at the March 2017 average rate R1 = N23,68.

1.5.9 Consolidation of MTN Zakhele Futhi

MTN implemented its new BBBEE transaction through a separate legal entity, MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi) during the prior financial year. MTN Zakhele Futhi is a structured entity with the sole business of holding shares of MTN Group Limited and administering the associated funding of these shares. The group was involved in structuring MTN Zakhele Futhi, determining the level of its debt and negotiating the related debt covenants. In addition, the group holds a call option which, if exercised on the occurrence of a trigger event, entitles it to settle MTN Zakhele Futhi's debt with the third-party funders. This gives the group the ability to manage the credit risk of MTN Zakhele Futhi and consequently, the related BBBEE credentials which are dependent on the continued success of MTN Zakhele Futhi. As these activities are considered to be the relevant activities of MTN Zakhele Futhi, it is consolidated by the group.

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 largely grouped according to their geographic locations and reporting lines to the CODM.

The group's underlying operations are now clustered as follows:

- South Africa
- Nigeria
- South and East Africa and Ghana (SEAGHA)
- West and Central Africa (WECA)
- Middle East and North Africa (MENA)

The following changes to the group's segment presentation were made during 2017:

- The results for MTN South Africa and MTN Nigeria are reported separately. These results were previously reported in the SEA (now SEAGHA) and WECA regions respectively. The group appointed regional vice-presidents in 2017 to manage the rest of the operations in the three regions as part of its strategy to bolster leadership in each region.
- The group reallocated its operations in Ghana, which was previously included in the WECA region, to the SEA region and subsequently renamed this regional grouping SEAGHA. The reallocation was performed to balance the operational requirements of each region under each vice-president to further optimise the oversight responsibilities of the regional vice-presidents.
- In addition, during 2017, management changed the way it presents segment results for South Africa. Previously, the South African operating segment included the results of the MTN South Africa sub-group of companies. In 2017, the segment results presented for South Africa only include the results of the MTN South Africa operating company.

Comparative numbers have been restated accordingly.

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

The measure of reporting profit for each segment, that also represents the basis on which the CODM reviews segment results, is EBITDA. EBITDA is defined as earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation and amortisation, and is also presented before recognising the following items:

- Impairment of goodwill
- Loss on derecognition of a long-term loan receivable
- Net monetary gain resulting from the application of hyperinflation
- Share of results of associates and joint ventures after tax

For the purposes of the review of segment results by the CODM, EBITDA also excludes the following items:

- Hyperinflation (note 1.5.7)
- Tower sale profits (note 2.3)
- Nigeria regulatory fine (note 1.5.8)
- MTN Zakhele Futhi share-based payment expense (note 8.1)
- Exchange right profit on IHS investment (note 2.3)

These exclusions have remained unchanged from the prior year, apart from the exchange right profit on the IHS investment that occurred during the year.

Irancell Telecommunication Company Services' (PJSC) (Iran) proportionate results are included in the segment analysis as reviewed by the CODM and excluded from IFRS reported results for revenue, EBITDA and capex due to equity accounting for joint ventures. The results of Iran in the segment analysis exclude the impact of hyperinflation accounting.

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

Revenue	2017 Rm	2016[1] Rm
South Africa	**42 542**	41 303
Nigeria	**36 005**	47 122
SEAGHA	**20 133**	20 511
Ghana	**10 382**	10 291
Uganda	**5 193**	5 465
Other SEAGHA	**4 558**	4 755
WECA	**20 951**	23 242
Cameroon	**5 373**	6 189
Ivory Coast	**7 421**	7 176
Other WECA	**8 157**	9 877
MENA	**12 716**	14 288
Syria	**2 007**	2 123
Sudan	**4 540**	4 585
Other MENA	**6 169**	7 580
Major joint venture – Iran	**16 503**	16 536
Head office companies and eliminations	**(36)**	428
Hyperinflation impact	**504**	1 026
Iran revenue exclusion	**(16 503)**	(16 536)
Consolidated revenue	**132 815**	147 920

[1] *Restated to reflect the segments reallocated.*

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

EBITDA	2017 Rm	2016[1] Rm
South Africa[2]	**14 728**	13 451
Nigeria	**14 041**	21 854
SEAGHA	**6 835**	6 741
Ghana	**4 116**	4 184
Uganda	**1 794**	1 620
Other SEAGHA	**925**	937
WECA	**5 336**	7 007
Cameroon	**1 304**	2 065
Ivory Coast	**2 347**	2 333
Other WECA	**1 685**	2 609
MENA	**3 802**	4 657
Syria	**601**	689
Sudan	**1 592**	1 471
Other MENA	**1 609**	2 497
Major joint venture – Iran	**5 881**	6 455
Head office companies and eliminations[3]	**(449)**	(1 729)
Hyperinflation impact	**(2 948)**	246
Nigeria regulatory fine	**–**	(10 499)
Tower sale profits	**27**	31
Profit on exercise of exchange right of IHS	**6 017**	–
MTN Zakhele Futhi share-based payment expense	**(434)**	(1 008)
Iran EBITDA exclusion	**(5 881)**	(6 455)
EBITDA	**46 955**	40 751
Depreciation, amortisation and impairment of goodwill	**(26 398)**	(26 609)
Net finance cost	**(9 267)**	(10 495)
Net monetary gain	**264**	1 723
Loss on derecognition of long-term loan receivable	**(2 840)**	–
Share of results of joint ventures and associates after tax	**841**	(127)
Profit before tax	**9 555**	5 243

[1] *Restated to reflect the segments reallocated.*
[2] *Excluding MTN Zakhele Futhi expense of R434 million (2016: R1 008 million).*
[3] *Head office companies and eliminations consist mainly of the group's central financing activities, management fees, professional and consulting fees and dividends received from segments as well as intersegment eliminations.*

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

Capital expenditure incurred	2017 Rm	2016[1] Rm
South Africa	**11 470**	10 982
Nigeria	**8 953**	8 701
SEAGHA	**3 794**	4 246
Ghana	**2 196**	2 435
Uganda	**909**	758
Other SEAGHA	**689**	1 053
WECA	**3 696**	6 189
Cameroon	**976**	2 166
Ivory Coast	**1 203**	1 721
Other WECA	**1 517**	2 302
MENA	**2 294**	3 310
Syria	**951**	1 049
Sudan	**545**	1 549
Other MENA	**798**	712
Major joint venture – Iran	**9 274**	5 138
Head office companies and eliminations	**1 173**	1 492
Hyperinflation impact	**81**	348
Iran capex exclusion	**(9 274)**	(5 138)
	31 461	35 268

[1] Restated to reflect the segments reallocated.

The impact of hyperinflation on the segment analysis is as follows:

	2017 Rm		
	Revenue	**EBITDA**	**Capex**
Syria	**384**	**(1 227)**	**81**
Sudan	**–**	**(1 690)**	**–**
South Sudan (included in other SEAGHA)	**120**	**(31)**	**–**
	504	**(2 948)**	**81**
Iran – major joint venture	**–**	**69**	**–**

	2016 Rm		
	Revenue	EBITDA	Capex
Syria	484	164	310
Sudan	122	41	38
South Sudan (included in other SEAGHA)	420	41	–
	1 026	246	348
Iran – major joint venture	–	(294)	326

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, digital 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 the customer to access network services; and
- Digital: revenue is recognised on the usage basis, and includes services such as value-added services, content, mobile money, etc.

The terms and conditions of postpaid bundled airtime products may allow for the carry over 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.

Devices

Revenue on the sale of devices to third parties is recognised only when risks and rewards of ownership are transferred to the buyer.

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue (continued)

	2017 Rm	2016[1] Rm
Airtime and subscription	**64 633**	79 300
Interconnect and roaming	**12 396**	15 476
Data	**28 212**	23 627
Digital	**13 048**	14 022
SMS	**2 701**	3 264
Devices	**8 406**	8 490
Other	**3 419**	3 741
	132 815	147 920

[1] In 2017, the group changed the categories of revenue that are presented to align with the way the group manages and reports data, digital and devices revenue internally. The comparatives have been updated accordingly.

The group's unearned income at the end of the year amounts to R5 775 million (2016: R6 449 million).

2.3 Other income

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

	2017 Rm	2016 Rm
Realisation of deferred gain on Ghana tower sale[1]	**27**	31
Gain on dilution of investment in joint venture (note 9.2)	**28**	277
Profit on exercise of exchange right of IHS	**6 017**	–
Gain on modification of financial liabilities[2]	**323**	–
Other	**196**	27
	6 591	335

[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] In December 2017, MTN (Dubai) Limited (MTN Dubai) entered into individual agreements with various vendors of Areeba Guinea S.A. (MTN Guinea-Conakry) and Lonestar Communications Corporation LLC (MTN Liberia), in terms of which MTN Dubai purchased receivables (owing from MTN Guinea-Conakry and MTN Liberia to the respective vendors), at a discounted price. The group has accounted for this transaction as a modification of a financial liability, as the group has contractually agreed to modify the payment terms of the vendor liabilities. The group has recognised the difference between the fair value of the modified financial liabilities and the carrying amount of the original financial liabilities as a gain in profit or loss.

Profit on exercise of exchange right of IHS

In January 2017, the group exchanged its 51% interest in Nigeria Tower InterCo B.V., the parent company of INT Towers Limited (INT), the Nigerian telecom tower operator, for an additional shareholding in IHS Holding Limited (IHS Group) (the transaction). The transaction, which closed on 23 February 2017, has been accounted for as a disposal of the group's equity-accounted interest in INT and an acquisition of an additional investment in the IHS Group. The net impact on profit before tax is R6 017 million, which was determined as the difference between the fair value of the new interest obtained and the carrying value of the equity-accounted interest in INT and after recycling the applicable amount included in the foreign currency translation reserve (FCTR) (note 8.2) to the income statement. This resulted in a decrease of R4 452 million in investments in associates (note 9.2) and an increase of R13 767 million in available-for-sale investments (note 7.2).

The transaction had no tax impact.

2 RESULTS OF OPERATIONS (continued)
2.4 Operating profit

Employee benefits

Short-term employee benefits

Salaries and wages, including non-monetary benefits and accumulated leave pay (remuneration), that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised as a liability and are measured at the amounts expected to be paid when the liabilities are settled. Remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period.

A liability for bonuses 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

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.
- 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.

2 RESULTS OF OPERATIONS (continued)
2.4 Operating profit (continued)

	2017 Rm	2016 Rm
Staff costs	**(9 082)**	(9 152)
Salaries and wages	**(6 929)**	(7 297)
Post-employment benefits	**(362)**	(388)
Share options granted to directors and employees (note 8.4)	**(193)**	40
Training	**(252)**	(238)
Other	**(1 346)**	(1 269)
The following disclosable items have been included in arriving at operating profit:		
Auditors' remuneration	**(116)**	(138)
Audit fees	**(106)**	(118)
Fees for other services	**(5)**	(15)
Expenses	**(5)**	(5)
Emoluments to directors and prescribed officers (note 10.1 and 10.2)	**(269)**	(229)
Operating lease rentals	**(13 394)**	(12 165)
Network sites and property	**(13 302)**	(12 082)
Equipment and vehicles	**(92)**	(83)
Research and development costs	**(8)**	(34)
Gain on disposal of property, plant equipment and intangible assets	**8**	43
Impairment loss on property, plant and equipment (note 5.1)	**(2 518)**	(175)
Net impairment loss on licences, software and other (note 5.2)	**(527)**	(30)
Write-down of inventories to net realisable value (note 4.1)	**(162)**	(39)
Impairment of trade receivables (note 4.2)	**(836)**	(459)
Professional and consulting fees[1]	**(3 484)**	(5 426)
Loss on dilution of investment in joint venture (note 9.2)	**–**	(626)
Share-based payment transaction with MTN Zakhele Futhi (note 8.1)	**(434)**	(1 008)

[1] *Included in professional and consulting fees are professional fees incurred relating to the settlement of the Nigeria regulatory fine amounting to R1 324 million in 2016 (note 1.5.8).*

In addition, the group incurred legal and other professional consulting fees of R735 million in relation to the listing of MTN Nigeria and the MTN Zakhele Futhi transaction in 2016.

Certain of the fees relating to the listing of MTN Nigeria have been paid based on underlying agreements for which services will be rendered until the listing, which is estimated to occur within 12 months after the reporting date. Such fees are amortised over the period to listing. Fees to date have been expensed as part of other operating expenses as the fees are not considered incremental to the issuance of equity instruments. Fees incurred in the future for the issuance of new shares will be accounted for directly against equity.

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 any 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, fair value movements, 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 or qualifying assets, in which case the directly attributable borrowing costs are capitalised.

	2017 Rm	2016 Rm
Interest income on loans and receivables	**2 109**	2 462
Interest income on bank deposits	**1 379**	1 962
Finance income	**3 488**	4 424
Interest expense on financial liabilities measured at amortised cost[1]	**(8 400)**	(9 020)
Net foreign exchange losses	**(4 355)**	(5 899)
Finance costs	**(12 755)**	(14 919)
Net finance costs recognised in profit or loss	**(9 267)**	(10 495)

[1] *R1,0 billion (2016: R1,0 billion) relates to the discount unwind on the MTN Nigeria regulatory fine liability.*

2.6 Loss on derecognition of long-term loan receivable

With effect from 27 December 2017 MTN Nigeria Towers SPV B.V. assigned its shareholder loan of R2 840 million to IHS Group. The shareholder loan arose as part of MTN Nigeria's tower transactions whereby MTN Nigeria sold a portfolio of towers to INT Towers (Nigeria) (INT) in 2014 and 2015 which, through Nigeria Tower Interco B.V., was 51% owned by MTN Nigeria Towers SPV B.V. and 49% by IHS Group. When forming INT, MTN Group (through MTN Nigeria Towers SPV B.V.) as well as IHS, provided proportionate shareholder loans to INT. These loans were subordinated and due for repayment in 2024 and 2025 with interest capitalised until two years prior to repayment. In return for the assignment of the loan, IHS has facilitated certain network volume commitments and provided more attractive terms for MTN Nigeria's future network rollout, applicable from 2018 onwards.

The cash flow benefits to be realised from the improved commercial terms of the future rollout have not been capitalised as a prepayment and will be accounted for as and when they are realised. This is due to MTN contractually not controlling the realisation of the future economic benefits referred to above. However, the group believes it will obtain economic benefits through IHS being incentivised economically to transact with MTN under the current master services agreement.

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 Futhi transaction (note 8.1).

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).

	2017 '000	2016 '000
Weighted average number of shares (excluding treasury shares) for calculation of basic earnings per share	**1 797 414**	1 819 974
Adjusted for:		
– Share options – MTN Zakhele Futhi	**28 536**	42 509
– Share appreciation rights	**32**	75
– Performance share plan	**3 028**	967
– Employee share ownership plan	**5**	–
Weighted average number of shares for calculation of diluted earnings per share	**1 829 015**	1 863 525

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

During 2016, the group implemented a new BBBEE transaction, structured through MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi) (note 8.1). The shares held by MTN Zakhele Futhi, although legally issued, are not deemed to be issued in terms of IFRS as the MTN Zakhele Futhi transaction has the substance of an option. As at 31 December 2016, 42 508 806 potential ordinary shares held by MTN Zakhele Futhi were not included in the calculation of diluted loss per share as they are antidilutive. In addition, as at 31 December 2016, 1 042 243 potential ordinary shares in the form of share options and share rights issued in terms of the group's share schemes and performance share plan were excluded from the calculation of diluted loss per share due to being antidilutive.

2 RESULTS OF OPERATIONS (continued)

2.7 Earnings per ordinary share (continued)

Reconciliation between net profit/(loss) attributable to the equity holders of the company and headline earnings/(loss):

	2017 Gross Rm	2017 Net[1] Rm	2016 Gross Rm	2016 Net[1] Rm
Profit/(loss) after tax		**4 414**		(2 614)
Adjusted for:				
(Profit)/loss on disposal of property, plant and equipment	**(11)**	**(15)**	(1)	4
– Subsidiaries (IAS 16)	**(8)**	**(13)**	4	8
– Joint ventures (IAS 28)	**(3)**	**(2)**	(5)	(4)
Profit on disposal of intangible assets	**–**	**–**	(47)	(59)
– Subsidiaries (IAS 38)	**–**	**–**	(47)	(59)
Impairment of goodwill (IAS 36)	**2 631**	**2 631**	873	873
Net impairment loss on property, plant and equipment and intangible assets (IAS 36)	**3 045**	**2 319**	205	199
Net (gain)/loss on dilution of investment in joint venture (IAS 28)	**(28)**	**(28)**	349	349
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	**(27)**	**(27)**	(31)	(31)
Profit on disposal of subsidiary (IFRS 10)	**–**	**–**	(130)	(130)
Profit on derecognition of equity-accounted investment (IAS 28)	**(6 017)**	**(6 017)**	–	–
Headline earnings/(loss)		**3 277**		(1 409)

	2017	2016
Earnings/(loss) per ordinary share (cents)		
– Basic	**246**	(144)
– Basic headline	**182**	(77)
– Diluted	**241**	(144)
– Diluted headline	**179**	(77)

[1] *Amounts are measured after taking into account non-controlling interests and tax.*

Headline earnings/(loss) is calculated in accordance with the circular titled 'Headline Earnings' as issued by the South African Institute of Chartered Accountants, as amended from time to time and as required by the JSE Limited.

2 RESULTS OF OPERATIONS (continued)

2.8 Cash generated from operations

	2017 Rm	2016 Rm
Profit before tax	**9 555**	5 243
Adjusted for:		
Finance costs (note 2.5)	**12 755**	14 919
Finance income (note 2.5)	**(3 488)**	(4 424)
Depreciation of property, plant and equipment (note 5.1)	**19 277**	20 988
Amortisation of intangible assets (note 5.2)	**4 490**	4 748
Gain on disposal of property, plant, equipment and intangible assets (note 2.4)	**(8)**	(43)
Loss on disposal of joint venture (note 9.2)	**–**	626
Gain on disposal of subsidiary	**–**	(130)
Gain on dilution of investment in joint venture (note 2.3)	**(28)**	(277)
Share of results of associates and joint ventures after tax (note 9.2)	**(841)**	127
Increase/(decrease) in provisions	**982**	(5 674)
Write-down of inventories (note 4.1)	**162**	39
Impairment of goodwill (note 5.2)	**2 631**	873
Impairment loss on property, plant and equipment (note 5.1)	**2 518**	175
Net impairment loss on licences, software and other (note 5.2)	**527**	30
Impairment of trade receivables (note 4.2)	**836**	459
Realisation of previously deferred gain on Ghana tower sale (note 2.3)	**(27)**	(31)
Share-based payment transactions (note 8.4)	**193**	(40)
Net monetary gain	**(264)**	(1 723)
Share-based payment transaction with MTN Zakhele Futhi (note 8.1)	**434**	1 008
Gain on exercise of exchange right of IHS (note 2.3)	**(6 017)**	–
Loss on derecognition of long-term loan receivable (note 2.6)	**2 840**	–
Gain on modification of financial liabilities (note 2.3)	**(323)**	–
Other	**(299)**	(44)
	45 905	36 849
Changes in working capital	**(7 421)**	18 832
Decrease in inventories	**485**	1 119
Decrease in unearned income	**(23)**	(423)
(Increase)/decrease in receivables and prepayments	**(2 301)**	4 032
(Decrease)/increase in trade and other payables	**(5 582)**	14 104
Cash generated from operations	**38 484**	55 681

2 RESULTS OF OPERATIONS (continued)

2.9 Reconciliation of cash flows arising from financing activities related to borrowings

	2017 Rm
Borrowings at the beginning of the year	**86 954**
– Current	**19 635**
– Non-current	**67 319**
Cash flows	**(5 147)**
– Proceeds from borrowings raised	**23 287**
– Repayment of borrowings	**(24 606)**
– Interest paid on borrowings	**(3 828)**
Non-cash flow movements	**(2 159)**
Effects of changes in foreign exchange rates	**(6 300)**
Interest accrued	**4 156**
Other non-cash movements	**(15)**
Borrowings at the end of the year	**79 648**
Comprising:	
– Current	**9 081**
– Non-current	**70 567**

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 not 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 South Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary 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 certain of their subsidiaries as dividends, interest and management fees.

	2017 Rm	2016 Rm
Analysis of income tax expense for the year		
Normal tax	**(4 990)**	(8 427)
Current year	**(4 845)**	(8 648)
Adjustments in respect of the prior year	**(145)**	221
Deferred tax (note 3.2)	**845**	1 115
Current year	**719**	806
Adjustments in respect of the prior year	**126**	309
Foreign income and withholding taxes	**(869)**	(1 034)
	(5 014)	(8 346)

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:

	2017 %	2016 %
Tax rate reconciliation		
Tax at statutory tax rate	**28**	28
Expenses not allowed	**50,75**	129,81
Nigeria regulatory fine and related expenses[1]	**4,53**	63,47
Sudan non-deductible expenses	**10,98**	22,21
MTN Zakhele Futhi share-based payment expense	**1,27**	5,38
Assessed loss on which deferred tax was not recognised	**2,78**	12,07
Disallowed interest expenses	**2,56**	5,87
Goodwill impairment	**7,71**	4,66
Controlled foreign company legislation imputation	**1,90**	4,88
Loss on derecognition of long-term loan receivable	**8,32**	–
Other	**10,70**	11,27
Effect of different tax rates in other countries	**(7,23)**	(9,39)
Income not subject to tax	**(19,27)**	(5,14)
Exempt income	**(1,13)**	(5,40)
Tower sales income – non-taxable	**–**	0,34
Gain on exchange right exercised	**(18,14)**	–
Profit on sale of shares/towers/assets	**–**	(0,08)
Share of results of associates and joint ventures	**(2,46)**	0,68
Foreign income and withholding taxes	**9,09**	19,73
Other	**(6,40)**	(4,50)
Effective tax rate	**52,48**	159,19

[1] This line item includes unwinding interest on the Nigeria fine liability and the amortisation of fees related to the listing of MTN Nigeria (note 1.5.8 and note 2.4).

3 TAXATION (continued)

3.1 Income tax expense (continued)

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

	Corporate tax rate	
Country	**2017 %**	2016 %
Afghanistan	**20**	20
Benin[1]	**30**	30
Cameroon	**33**	33
Congo[2]	**15**	30
Ivory Coast	**30**	30
Cyprus	**12,5**	12,5
Ethiopia	**30**	30
Ghana	**25**	25
Guinea-Bissau	**25**	25
Guinea	**35**	35
Kenya	**30**	30
Liberia	**25**	25
Namibia	**32**	32
Netherlands	**25**	25
Nigeria	**30**	30
Rwanda	**30**	30
South Africa	**28**	28
South Sudan	**20**	20
Sudan	**5**	5
Syria	**14**	14
Uganda	**30**	30
Yemen	**50**	50
Zambia	**40**	40

[1] *The entity was granted a tax holiday until 31 December 2016.*

[2] *The entity was granted a tax holiday until April 2016. From April 2016 the entity was granted a 50% reduction on its corporate tax rate as a result of its investment agreement with the government. In terms of this agreement, the reduction in the corporate tax rate is valid for five years.*

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 2016 Rm	Recognised in profit or loss Rm	Recognised in other comprehensive income Rm
Provisions	770	822	–
Tax loss carried forward	352	(138)	–
Arising due to fair value adjustments on business combinations/revaluations	(1 164)	(178)	–
Working capital allowances	162	260	–
Tax allowances in excess of depreciation	(12 368)	(280)	–
Losses on net investment	–	–	797
Other temporary differences	(251)	629	–
Net deferred tax liability	(12 499)	1 115	797
Comprising:			
Deferred tax assets	542		
Deferred tax liabilities	(13 041)		
	(12 499)		

There were deductible temporary differences and unused tax losses of R5 065 million (2016: R4 115 million) 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

	2017 Rm	2016 Rm
At the beginning of the year	**(2 194)**	(8 682)
Amount recognised in profit or loss (note 3.1)	**(5 014)**	(8 346)
Deferred tax charge (note 3.1)	**(845)**	(1 115)
Effect of movements in exchange rates	**322**	3 177
Other[1]	**549**	1 068
At the end of the year	**(414)**	2 194
Taxation prepaid	**(2 736)**	(2 019)
Taxation liabilities	**2 322**	4 213
Total tax paid	**(7 596)**	(11 704)

[1] *Mainly comprises tax credits relating to withholding tax.*

Exchange and other movements[1] Rm	31 December 2016 Rm	Recognised in profit or loss Rm	Recognised in other comprehensive income Rm	Exchange and other movements[1] Rm	31 December 2017 Rm
(84)	1 508	**338**	**–**	**74**	**1 920**
5	219	**189**	**–**	**(7)**	**401**
28	(1 314)	**35**	**–**	**(129)**	**(1 408)**
455	877	**493**	**–**	**46**	**1 416**
3 650	(8 998)	**(998)**	**–**	**1 521**	**(8 475)**
–	797	**–**	**(6)**	**–**	**791**
(1 419)	(1 041)	**788**	**–**	**(352)**	**(605)**
2 635	(7 952)	**845**	**(6)**	**1 153**	**(5 960)**
	1 107				**1 593**
	(9 059)				**(7 553)**
	(7 952)				**(5 960)**

[1] *Including the effect of hyperinflation.*

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

	2017 Rm	2016 Rm
Finished goods – at cost	**3 840**	5 053
Handsets	**2 658**	3 110
SIM cards and accessories	**1 182**	1 943
Consumables	**61**	71
Less: Write-down to net realisable value[1]	**(901)**	(1 152)
	3 000	3 972

[1] *The write-down of inventories to net realisable value mainly relates to handsets.*

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its inventories amounting to R56 million (2016: R227 million) (note 6.1).

Reconciliation of write-down of finished goods

	At the beginning of the year Rm	**Additions[1] Rm**	**Reversals[1] Rm**	**Utilised Rm**	**Exchange and other movements Rm**	**At the end of the year Rm**
2017						
Movement in write-down	**(1 152)**	**(297)**	**135**	**376**	**37**	**(901)**
2016						
Movement in write-down	(1 190)	(303)	264	58	19	(1 152)

[1] *A net write-down on inventories of R162 million (2016: R39 million) was recognised in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).*

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 South Sudan 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.

	2017 Rm	2016 Rm
Trade receivables (note 7.1.4)	**19 402**	19 828
Less: Allowance for impairment of trade receivables (note 7.1.4)	**(2 753)**	(2 538)
Net trade receivables	**16 649**	17 290
Loan to Irancell Telecommunication Company Services (PJSC)[1]	**2 071**	1 954
Receivable from Irancell Telecommunication Company Services (PJSC)[2]	**3 355**	9 930
Prepayments and other receivables[3]	**3 085**	4 188
Sundry debtors and advances[4]	**4 862**	4 001
	30 022	37 363

[1] This balance relates to a loan receivable from Irancell and attracts interest at 12% per annum. The loan was due in a bullet payment on 30 September 2017 but remains outstanding at year-end, and engagements on repatriation are ongoing with the Organisation for Investment, Economic and Technical Assistance of Iran (OIETAI) and the Central Bank of Iran (CBI).

[2] With effect from 25 August 2015, MTN Mauritius and Irancell agreed for the unpaid dividends to bear interest at 8% per annum. R6 509 million of the outstanding balance was received during the current financial year.

[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 R836 million (2016: R459 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 055 million (2016: R1 047 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.

	2017 Rm	2016 Rm
Restricted cash deposits	**2 376**	1 020

Restricted cash deposits include amounts of R182 million (2016: R55 million) and R1 427 million (2016: R757 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 deposits required to secure letters of credit. 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 funds placed on deposit to secure letters of credit, which were undrawn and not freely available at the reporting date. Restricted cash balances in MTN Nigeria also consisted of R17 million at 31 December 2017 (2016: R392 million), retained in an escrow account, relating to the acquisition of Visafone Communications Limited in 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:

	2017 Rm	2016 Rm
Cash at bank and on hand	**16 009**	27 375
Bank overdrafts	**(72)**	–
Net cash and cash equivalents	**15 937**	27 375

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its cash and cash equivalents amounting to R542 million (2016: R487 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.

	2017 Rm	2016 Rm
Trade payables	**11 126**	16 186
Sundry creditors	**3 674**	3 447
Accrued expenses[1]	**21 999**	19 866
Nigeria regulatory fine[2]	**3 481**	1 311
Other payables[3]	**5 438**	4 332
	45 718	45 142

[1] *Includes accruals for operating expenses, inventories and capital expenditure for which supplier invoices are outstanding at year-end.*

[2] *The accrual for the Nigeria regulatory fine comprises N110 billion (2016: N30 billion) discounted at 14,71% per annum and translated at the 31 December 2017 closing rate of R1 = N29,05 (2016: R1 = N22,81). The amount of N110 billion is payable in two instalments of N55 billion on 31 March 2018 and 31 December 2018 (note 1.5.8).*

[3] *Includes dealer commissions, withholding taxes and VAT payable.*

MTN Benin frequency fees

On 30 March 2017, the government of Benin issued MTN Benin frequency fees invoices for an amount equivalent to approximately US$213 million for the period March 2016 to December 2017. MTN Benin's licence agreement provides that frequency fees should take into account regional benchmarks, international practices and the local economy. MTN Benin has contested this amount on the basis that, inter alia, the amount is excessive, which has been confirmed by an independent benchmark report commissioned in terms of MTN Benin's licence. MTN Benin will continue to engage with the regulatory authorities in Benin to find an amicable solution to this matter.

The group has recognised a contractual liability in respect of this matter based on the independent benchmark report commissioned.

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 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 are 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 are accounted for at zero value.

As the functional currencies of MTN South 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 South 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.

5 INFRASTRUCTURE INVESTMENTS

5.1 **Property, plant and equipment** (continued)

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

	2017 Years	2016 Years
Buildings – owned	**5 – 50**	5 – 50
Buildings – leased	**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	**2 – 15**	2 – 15
Office equipment	**2 – 12**	2 – 12
Motor vehicles	**3 – 10**	3 – 10

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 CGU exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or CGU 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 CGUs 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 CGU'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.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

	Land and buildings[1] Rm	Leasehold improve-ments Rm	Network infra-structure Rm	Information systems, furniture and office equipment Rm	Capital work in progress/ other Rm	Vehicles[2] Rm	Total Rm
Carrying amount at 1 January 2016	7 038	1 433	80 787	4 222	12 683	539	106 702
Acquisitions through business combinations	–	–	157	–	1	–	158
Additions	186	62	13 383	1 630	16 593	83	31 937
Disposals	–	(1)	(205)	(6)	(63)	(34)	(309)
Reallocations[3]	226	137	13 567	1 033	(15 358)	40	(355)
Depreciation for the year	(449)	(298)	(17 871)	(1 840)	(334)	(196)	(20 988)
Impairment loss	–	(9)	(147)	(6)	(12)	(1)	(175)
Other movements	(10)	(4)	234	(64)	19	(2)	173
Effect of movements in exchange rates[4]	(765)	(244)	(17 025)	(897)	(2 466)	(113)	(21 510)
Carrying amount at 31 December 2016	6 226	1 076	72 880	4 072	11 063	316	95 633
Comprising:							
Cost	9 021	3 194	159 615	13 244	12 444	971	198 489
Accumulated depreciation and impairment losses	(2 795)	(2 118)	(86 735)	(9 172)	(1 381)	(655)	(102 856)
	6 226	1 076	72 880	4 072	11 063	316	95 633
Carrying amount at 1 January 2017	**6 226**	**1 076**	**72 880**	**4 072**	**11 063**	**316**	**95 633**
Additions	**474**	**165**	**16 520**	**1 317**	**9 423**	**105**	**28 004**
Disposals	**–**	**(2)**	**(105)**	**(3)**	**(38)**	**–**	**(148)**
Reallocations	**166**	**391**	**8 331**	**551**	**(9 729)**	**88**	**(202)**
Depreciation for the year	**(417)**	**(256)**	**(16 471)**	**(1 663)**	**(314)**	**(156)**	**(19 277)**
Impairment loss	**(49)**	**(11)**	**(1 673)**	**(40)**	**(742)**	**(3)**	**(2 518)**
Other movements	**–**	**1**	**4**	**8**	**130**	**6**	**149**
Effect of movements in exchange rates[4]	**(307)**	**(81)**	**(7 949)**	**(342)**	**(1 144)**	**(32)**	**(9 855)**
Carrying amount at 31 December 2017	**6 093**	**1 283**	**71 537**	**3 900**	**8 649**	**324**	**91 786**
Comprising:							
Cost	**9 136**	**3 459**	**160 983**	**13 359**	**10 701**	**955**	**198 593**
Accumulated depreciation and impairment losses	**(3 043)**	**(2 176)**	**(89 446)**	**(9 459)**	**(2 052)**	**(631)**	**(106 807)**
	6 093	**1 283**	**71 537**	**3 900**	**8 649**	**324**	**91 786**

[1] *Included in land and buildings are leased assets with a carrying amount of R128 million (2016: R144 million).*
[2] *Included in vehicles are leased assets with a carrying amount of R47 million (2016: R60 million).*
[3] *Reallocations in 2016 include an amount of R69 million relating to property, plant and equipment reallocated to non-current assets held for sale which were disposed of in 2016.*
[4] *Includes the effect of hyperinflation.*

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.1 Impairment loss

The following entities recognised impairment losses/(reversals) in other operating expenses in profit or loss:

	2017 Rm	2016 Rm
MTN Nigeria Communications Limited	**(31)**	4
MTN South Sudan Limited	**16**	139
MTN Afghanistan Limited	**21**	–
MTN Sudan Company Limited	**1 518**	–
MTN Syria (JSC)	**994**	–
MTN Yemen	**–**	32
	2 518	175

MTN Sudan was operating in a hyperinflationary economy up to 30 June 2016 while MTN Syria (JSC) continues to operate in a hyperinflationary economy. Hyperinflation accounting resulted in the write up of non-monetary assets and a resulting increase in the carrying value of these operations. The value in use of these assets did not exceed the hyperinflated carrying values resulting in the non-monetary assets being impaired, as the goodwill relating to MTN Sudan Company Limited and MTN Syria (JSC) was fully impaired. Further information is disclosed in note 5.2.1.

5.1.2 Leased property, plant and equipment

The group leases various premises and sites which have varying terms, escalation clauses and renewal rights. The carrying amount of the leased items of property, plant and equipment is disclosed in note 5.1.

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:

	2017 Rm	2016 Rm
Mobile Telephone Networks Proprietary Limited (South Africa)	**151**	800
Scancom Limited (Ghana)	**676**	833
MTN Sudan Company Limited	**9**	767
MTN Nigeria Communications Limited	**519**	620
Areeba Guinea S.A.	**111**	122
MTN Côte d'Ivoire S.A.	**100**	132
Spacetel Benin S.A.	**158**	259
MTN (Dubai) Limited	**168**	205
MTN Yemen	**186**	312
MTN Syria (JSC)	**873**	1 266
MTN Congo S.A.	**315**	263
MTN Cameroon Limited	**728**	456
Lonestar Communications Corporation LLC	**153**	107
MTN Zambia Limited[1]	**80**	50
MTN Uganda Limited[1]	**103**	16
MTN Cyprus Limited[1]	**53**	25
Spacetel Guinea-Bissau S.A.[1]	**15**	90
Other	**128**	143
	4 526	6 466

[1] *Previously included in other.*

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.4 Changes in estimates

There were no material changes in the depreciation method, residual values or useful lives for any of the categories of property, plant and equipment during the current or prior year.

5.1.5 Encumbrances

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

	2017 Rm	2016 Rm
Scancom Limited (Ghana)	**6 226**	5 973
MTN Sudan Company Limited	**1 325**	4 786
MTN Congo S.A.	**–**	4
	7 551	10 763

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 South 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 South 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 South 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.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

Intangible assets with finite useful lives (continued)

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

Licences

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

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 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:

	2017 Years	2016 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.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Costs associated with maintaining software programs are recognised as an expense as incurred. Research and development expenditure that does not meet the criteria above is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

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 CGU exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or CGU 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 CGUs 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 CGU'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.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

	Goodwill Rm	Licences Rm	Customer relation-ships Rm	Software[1] Rm	Other intangible assets Rm	Capital work in progress Rm	Total Rm
Carrying amount at 1 January 2016	27 231	19 100	664	8 169	484	239	55 887
Additions[2, 5]	–	3 298	12	1 867	7	1 305	6 489
Acquisitions through business combinations	229	–	455	1	–	–	685
Disposals	(117)	(15)	–	–	–	–	(132)
Reallocations[4]	–	(37)	(49)	957	(205)	(634)	32
Amortisation for the year	–	(1 798)	(206)	(2 733)	(11)	–	(4 748)
Impairment loss	(873)	–	–	(30)	–	–	(903)
Other movements	49	(169)	9	262	(9)	(7)	135
Effect of movements in exchange rates[3]	(4 451)	(5 564)	(2)	(892)	(16)	(47)	(10 972)
Carrying amount at 31 December 2016	22 068	14 815	883	7 601	250	856	46 473
Comprising:							
Cost	25 478	23 746	1 341	17 949	5 413	856	74 783
Accumulated amortisation and impairment losses	(3 410)	(8 931)	(458)	(10 348)	(5 163)	–	(28 310)
	22 068	14 815	883	7 601	250	856	46 473
Carrying amount at 1 January 2017	**22 068**	**14 815**	**883**	**7 601**	**250**	**856**	**46 473**
Additions[2, 5]	**–**	**699**	**–**	**2 197**	**9**	**1 260**	**4 165**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reallocations	**–**	**105**	**–**	**1 355**	**–**	**(1 258)**	**202**
Amortisation for the year	**–**	**(1 703)**	**(205)**	**(2 579)**	**(3)**	**–**	**(4 490)**
(Impairment loss)/impairment loss reversal[6]	**(2 631)**	**(533)**	**–**	**(17)**	**23**	**–**	**(3 158)**
Other movements	**–**	**–**	**–**	**–**	**(25)**	**1**	**(24)**
Effect of movements in exchange rates[3]	**(2 799)**	**(1 672)**	**(1)**	**(365)**	**3**	**(4)**	**(4 838)**
Carrying amount at 31 December 2017	**16 638**	**11 711**	**677**	**8 192**	**257**	**855**	**38 330**
Comprising:							
Cost	**22 679**	**21 045**	**1 341**	**20 074**	**5 375**	**855**	**71 369**
Accumulated amortisation and impairment losses	**(6 041)**	**(9 334)**	**(664)**	**(11 882)**	**(5 118)**	**–**	**(33 039)**
	16 638	**11 711**	**677**	**8 192**	**257**	**855**	**38 330**

[1] Included in software are leased assets with a carrying amount of R690 million (2016: R739 million).
[2] Included in additions are capitalised borrowing costs of R11 million (2016: R25 million). The capitalisation rate for the year was 8,6% (2016: 8,6%).
[3] Includes the effect of hyperinflation.
[4] Included in reallocations is an amount of R254 million relating to intangible assets reallocated to non-current assets held for sale which were disposed of in 2016.
[5] Included in additions is internally generated software amounting to R701 million (2016: R1 134 million).
[6] The impairment loss in respect of licences included an amount of R172 million and R354 million relating to MTN Sudan and MTN Syria, respectively, for the current financial year.

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 is presented below:

	2017 Growth rate %	2017 Discount rate %	2017 Carrying amount Rm	2016 Growth rate %	2016 Discount rate %	2016 Carrying amount Rm
MTN Côte d'Ivoire S.A.	**2,0**	**9,7**	**2 682**	2,0	11,4	2 678
Scancom Limited (MTN Ghana)	**6,0**	**17,5**	**4 330**	6,0	20,0	5 293
MTN Sudan Company Limited	**14,0**	**39,0**	**–**	13,7	32,9	1 214
MTN Yemen	**9,0**	**31,7**	**1 202**	9,0	23,9	2 950
MTN Afghanistan Limited	**6,0**	**17,6**	**490**	7,0	20,2	1 482
MTN Uganda Limited	**5,0**	**15,1**	**551**	5,0	17,3	618
MTN Congo S.A.	**2,4**	**16,0**	**909**	3,6	17,0	891
MTN Syria (JSC)	**15,0**	**41,9**	**–**	15,0	35,5	–
MTN Cyprus Limited	**2,0**	**10,1**	**787**	1,9	9,5	759
Spacetel Benin S.A.	**2,0**	**24,7**	**1 192**	2,3	11,3	1 190
Areeba Guinea S.A.	**7,9**	**22,0**	**–**	5,0	22,7	–
Mobile Telephone Networks Proprietary Limited (South Africa)	**5,5**	**12,0**	**2 583**	5,5	13,3	2 583
Lonestar Communications Corporation LLC (Liberia)	**7,1**	**25,0**	**312**	7,5	23,4	350
MTN Rwandacell	**5,0**	**15,1**	**313**	5,0	17,3	361
MTN Nigeria Communications Limited (Visafone)	**14,5**	**25,5**	**345**	9,1	20,6	439
MTN Zambia	**8,0**	**19,2**	**204**	5,0	18,2	228
Spacetel Guinea-Bissau S.A.	**2,5**	**13,6**	**322**	3,0	13,7	321
Other			**416**			711
Total			**16 638**			22 068

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 five-year (2016: three to 10-year) period. Management is confident that projections covering periods longer than three years (MTN Yemen) (2016: MTN Syria (JSC) and MTN Sudan Company Limited) are appropriate in order for terminal values to be determined using steady state cash flows. Cash flows beyond the above period were extrapolated using the estimated growth rates as mentioned above. These growth rates are in line with industry norms.

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 2% to 15,0% (2016: 1,9% to 15,0%); and
- Discount rates: discount rates ranged from 9,7% to 41,9% (2016: 9,5% to 35,5%). Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill (continued)

Goodwill impairment

Impairment losses were recognised relating to the following entities:

	Impairment losses		Recoverable amount[1]	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
MTN Afghanistan	**841**	–	**2 317**	–
MTN Yemen	**807**	–	**1 769**	–
MTN Sudan Company Limited	**983**	–	**2 963**	6 117
MTN Syria (JSC)	**–**	269	**2 888**	3 426
Areeba Guinea S.A. (Conakry)	**–**	402	**–**	578
Afrihost Proprietary Limited	**–**	202	**–**	325
	2 631	873	**9 937**	10 446

[1] This includes any minority portion of the recoverable amount of the CGU.

In a number of the group's operations in the MENA region the socio-political instability experienced in these markets resulted in suppressed revenue growth and lower operating margins in the current year, resulting in decreased forecast cash flows at 30 June 2017. This necessitated impairment reviews being performed on the group's operations in Guinea-Bissau, Guinea-Conakry, Liberia, Ghana, Afghanistan, Sudan, Yemen and Syria where the carrying amounts of these cash-generating units were compared to their respective recoverable amounts.

The goodwill of MTN Syria and MTN Sudan was fully impaired as at 31 December 2016 and 30 June 2017, respectively. The remaining goodwill in MTN Afghanistan and MTN Yemen amount to R490 million and R1 202 million at 31 December 2017, respectively.

The group performed the annual impairment assessments on all goodwill balances at 31 December 2017 and have not identified any further impairments at that date.

Areeba Guinea S.A. (Conakry)

During 2016, Areeba Guinea S.A. (Conakry) experienced a decline in EBITDA and Guinea-Conakry experienced poor economic performance countrywide. Consequently, a review of the recoverable amount of Conakry was undertaken subsequent to which an impairment loss was recognised. The recognition of the impairment loss resulted in the goodwill for Conakry being fully impaired.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill (continued)

Goodwill impairment (continued)

Afrihost Proprietary Limited

Based on an agreement concluded by the group to sell its 50,02% investment in Afrihost Proprietary Limited (Afrihost) for R325 million, a goodwill impairment loss was recognised at 30 June 2016 on the remeasurement of assets to fair value less costs to sell in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The investment was disposed of in 2016.

Recoverable amounts are represented by a CGU's value in use. A specific change in the discount and growth rates (see below) would result in the recoverable amount being equal to the carrying amount of the net assets of the following CGUs:

	2017		2016	
	Change to discount rate %	**Change to growth rate %**	Change to discount rate %	Change to growth rate %
MTN Afghanistan	**5,25**	**(1,50)**	–	–
MTN Liberia	**3,45**	**(3,10)**	–	–
MTN Sudan Company Limited	**–**	**–**	10,89	(1,79)
MTN Yemen	*****	*****	6,34	(0,54)

* *A minimal change in the discount and growth rates at 31 December 2017 would result in the recoverable amount being equal to the carrying amount of the net assets of MTN Yemen.*

5.2.2 Encumbrances

Borrowings are secured by intangible assets of Scancom Limited (MTN Ghana) with a carrying amount of R934 million (2016: R1 083 million) (note 6.1).

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	29/01/2003	Renewable annually
	1 800MHz	29/10/2004	Renewable annually
	2 100MHz	02/02/2005	Renewable annually
	6GHz	14/06/2010	Renewable annually
	7GHz	14/06/2010	Renewable annually
	8Ghz	14/06/2010	Renewable annually
	10,5GHz	07/02/2006	Renewable annually
	11GHz	23/03/2009	Renewable annually
	13GHz	06/04/2009	Renewable annually
	15GHz	21/10/2005	Renewable annually
	18GHz	14/06/2010	Renewable annually
	23GHz	14/06/2010	Renewable annually
	26GHz Sub 17	21/10/2005	Renewable annually
	26GHz Sub 18	07/02/2006	Renewable annually
	28GHz	12/04/2012	Renewable annually
	38GHz	07/10/2005	Renewable annually
MTN Uganda Limited	900MHz	15/04/1998	20 years
	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	National service licence	31/08/2010	15 years
	International network licence	31/08/2010	15 years
MTN Nigeria Communications Limited	1 800MHz	03/11/2015	5 years
	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	2007	Renewable annually
	Microwave spectrum 8GHz – 26GHz	2001	Renewable annually
	Digital terrestrial TV broadcasting licence	12/08/2015	10 years
	800MHz spectrum (Visafone)	01/01/2015	10 years
	2,6GHz spectrum	01/08/2016	10 years
	Unified access[1] service licence (Visafone)	01/07/2007	10 years

[1] The unified access service licence (Visafone) has expired and renewal of the licence is under discussion.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences (continued)

Licence agreements	Type	Granted/ renewed	Term
Scancom Limited (MTN Ghana)	900MHz	02/12/2004	15 years
	1 800MHz	02/12/2004	15 years
	3G	23/01/2009	15 years
	Fixed access service of unified access	06/07/2015	4 years
	International gateway	08/11/2014	5 years
	4G (LTE) spectrum	01/06/2016	15 years
Mobile Telephone Networks Cameroon Limited	2G	15/02/2015	15 years
	3G	15/02/2015	15 years
	4G	15/02/2015	15 years
MTN Côte d'Ivoire S.A.[1]	3G/UMTS 1,9/2,1GHz	31/05/2012	10 years
	Universal networks	04/01/2016	17 years
Spacetel Benin S.A.	900MHz	19/10/2007	25 years
	1 800MHz	19/10/2007	25 years
	Universal licence	10/08/2012	20 years
Areeba Guinea S.A.	900MHz	31/08/2005	18 years
	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
	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
	LTE spectrum	09/12/2016	15 years
Lonestar Communications Corporation LLC (Liberia)	Universal telecommunication licence (Novafone)	04/08/2015	15 years
	WiMax	24/03/2009	15 years
	3G	19/02/2013	10 years
Spacetel Guinea-Bissau S.A.	900MHz	23/05/2014	10 years
	1 800MHz	23/05/2014	10 years
	3G	17/07/2015	10 years
	4G	17/07/2015	10 years
MTN Syria (JSC)	Freehold licence[2]	01/01/2015	20 years
	900MHz	01/01/2016	19 years
	1 800MHz	01/01/2016	19 years
	2 000MHz	01/01/2016	19 years
	Additional frequency 1 800MHz	07/01/2017	17,5 years

[1] *The WiMax 2,5GHz – 3,5GHz licence became obsolete (no longer in use) and was derecognised in 2016.*

[2] *The 900MHz, 1 800MHz and 3G licences from 2015 were replaced during the prior year upon termination of the BOT arrangement and entering into a freehold arrangement.*

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences (continued)

Licence agreements	Type	Granted/ renewed	Term
MTN Sudan Company Limited	2G +3G	25/10/2003	20 years
	Transmission	25/10/2003	20 years
	VSAT gateway	25/10/2003	20 years
	VSAT hub	25/10/2003	20 years
	VSAT terminal	25/10/2003	20 years
	Frequency 4G	25/10/2017	7 years
MTN Afghanistan Limited	3G unified licence	01/07/2012	15 years
	New number range RTU	31/10/2012	15 years
	New number range RTU	25/08/2013	14 years
	New number range RTU	31/10/2014	13 years
	New number range RTU	31/05/2015	12 years
MTN Yemen	900MHz[1]	01/08/2015	2 years and 5 months
	1 800MHz[1]	01/08/2015	2 years and 5 months
MTN Cyprus Limited	900MHz	01/12/2003	20 years
	1 800MHz	01/12/2003	20 years
	4G (LTE) 2 100MHz	01/12/2003	20 years
	800MHz	05/09/2016	12 years
	2 600MHz	05/09/2016	12 years

[1] *These licences expired during the year and are still under negotiation for renewal.*

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 that 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:

	2017 Rm	2016 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
Unsecured						
Mobile Telephone Networks Holdings Limited	**28 785**	27 657				
	–	3 117	ZAR[2, 3]	9,1	Semi-annual	December 2017
	1 493	–	ZAR[1, 2]	9,2	Quarterly	December 2020
	5 535	5 532	ZAR[1, 2]	9,1	Quarterly	February 2021
	2 811	2 808	ZAR[1, 2]	9,4	Quarterly	August 2021
	3 656	4 034	US$[1, 2, 3]	3,6	Quarterly	August 2021
	1 502	–	ZAR[2, 3]	9,4	Quarterly	October 2022
	–	1 372	ZAR[4, 5]	10,1	Semi-annual	July 2017
	–	481	ZAR[4, 5]	9,2	Annual	March 2017
	201	204	ZAR[4, 5]	10,1	Quarterly	April 2019
	–	2 000	ZAR[2, 6]	8,5	Quarterly	May 2017
	1 447	1 508	ZAR[2, 6]	9,7	Quarterly	August 2021
	2 601	2 559	ZAR[2, 3]	9,1	Quarterly	February 2021
	3 009	991	ZAR[2, 3]	9,6	Monthly	February 2021
	–	778	ZAR[2, 7]	8,7	Quarterly	January 2017
	652	1 008	ZAR[2, 7]	7,8	Monthly	January 2018
	–	298	ZAR[2, 4]	8,6	Annual	March 2017
	978	967	ZAR[2, 4]	8,9	Quarterly	April 2019
	1 529	–	ZAR[2, 4]	8,8	Quarterly	July 2020
	1 020	–	ZAR[2, 4]	9,0	Quarterly	July 2022
	310	–	ZAR[2, 4]	8,1	Quarterly	May 2018
	463	–	ZAR[2, 4]	8,7	Quarterly	October 2020
	540	–	ZAR[2, 4]	8,9	Quarterly	October 2022
	1 038	–	ZAR[2, 4]	9,2	Quarterly	October 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
[13] Preference shares

* *Contractual interest rates on loans as at 31 December 2017.*

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

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

	2017 Rm	2016 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN Nigeria Communications Limited	**8 792**	12 709				
	4 326	8 254	NGN[1, 2]	21,4	Quarterly	November 2019
	1 012	1 914	US$[1, 2]	4,4	Semi-annual	April 2019
	608	1 036	US$[2, 8]	2,5	Semi-annual	August 2019
	406	691	US$[5, 8]	1,7	Semi-annual	August 2019
	504	814	US$[2, 8]	4,5	Semi-annual	June 2022
	862	–	US$[2, 8]	7,2	Semi-annual	March 2022
	931	–	US$[2, 8]	2,6	Semi-annual	December 2019
	143	–	US$[2, 3]	6,9	Repayment on demand	Repayment on demand
MTN International (Mauritius) Limited	**6 816**	7 547				
	1 239	1 372	US$[2, 3]	2,5	Quarterly	November 2019
	5 577	6 175	US$[1, 2]	3,6	Quarterly	August 2021
MTN (Mauritius) Investments Limited	**21 765**	24 059				
	9 297	10 354	US$[5, 10]	4,8	Semi-annual	November 2024
	6 239	6 849	US$[5, 10]	5,4	Semi-annual	February 2022
	6 229	6 856	US$[5, 10]	6,5	Semi-annual	October 2026
MTN Zambia Limited	**993**	1 241				
	248	458	US$[2, 11]	5,0	Semi-annual	June 2019
	526	537	ZAR[2, 11]	11,0	Quarterly	September 2018
	219	246	ZMK[2, 6]	15,2	Quarterly	June 2018
MTN Uganda Limited	**1 174**	1 538				
	399	564	UGX[1, 2]	12,4	Quarterly	February 2021
	446	601	US$[1, 2]	5,2	Quarterly	February 2021
	329	373	UGX[1, 2, 3]	12,3	Quarterly	February 2021
Spacetel Benin S.A.	**935**	794				
	495	659	CFA[1, 5]	7,3	Semi-annual	June 2020
	–	135	CFA[5, 6]	7,5	Semi-annual	September 2019
	440	–	CFA[1, 5]	7,3	Semi-annual	April 2022

[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*
[13] Preference shares

* *Contractual interest rates on loans as at 31 December 2017.*

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

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

	2017 Rm	2016 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN Côte d'Ivoire S.A.	**2 928**	2 525	CFA[1, 5]	6,0	Quarterly	June 2023
MTN Cyprus Limited	**724**	804				
	578	618	EUR[2, 6]	4,9	Semi-annual	October 2020
	146	186	EUR[2, 6]	5,5	Quarterly	June 2020
Mobile Telephone Networks Cameroon Limited	**2 560**	2 234				
	1 097	1 241	XAF[1, 5]	4,3	Semi-annual	July 2020
	1 350	993	XAF[1, 5]	5,0	Semi-annual	July 2020
	113	–	XAF[5, 11]	5,0	Monthly	March 2018
MTN Congo S.A.	**1 097**	1 323	CFA CB[1, 5]	4,8	Quarterly	March 2021
MTN Zakhele Futhi (RF) Limited	**1 785**	2 179	ZAR[2, 13]	7,7	Semi-annual	November 2021
Other unsecured borrowings	**146**	206				
Total unsecured borrowings	**78 500**	84 816				

[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*
[13] *Preference shares*

* *Contractual interest rates on loans as at 31 December 2017.*

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

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

	2017 Rm	2016 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity	Security collateral
Secured							
MTN Sudan Company Limited	**202**	1 618					
	–	458	EUR[2, 9]	6,0	Quarterly	June 2020	Pledge of network and capital work in progress assets
	97#	373	US$[5, 9]	10,0	Quarterly	September 2017	Pledge of network and capital work in progress assets
	–	787	EUR[2, 9]	4,0 – 6,0	Quarterly	June 2020	Pledge of network and capital work in progress assets
	105	–	US$[5, 9]	8,5	Annual	September 2019	Pledge of network and capital work in progress assets
Scancom Limited (MTN Ghana)	**946**	516					
	–	218	GHS[1, 2]	23,3	Semi-annual	May 2017	Floating charge on company assets
	–	195	GHS[1, 2]	20,9	Quarterly	May 2017	Floating charge on company assets
	–	103	US$[1, 2]	0,9	Semi-annual	May 2017	Floating charge on company assets
	946	–	GHS[1, 2]	18,6	Semi-annual	December 2022	Floating charge on company assets
Other secured borrowings	**–**	4					
Total secured borrowings	**1 148**	2 138					
Total unsecured borrowings	**78 500**	84 816					
Total borrowings	**79 648**	86 954					

[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*
[13] *Preference shares*

* *Contractual interest rates on loans as at 31 December 2017.*
\# *This balance relates to unpaid interest on the loan at year-end.*

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

	2017 Rm	2016 Rm
The classification of the group's borrowings is as follows:		
Current	**9 081**	19 635
Non-current	**70 567**	67 319
	79 648	86 954
The carrying amounts of the group's borrowings are denominated in the following currencies:		
Nigerian naira	**4 326**	8 254
United States dollar	**37 599**	41 630
South African rand	**27 440**	26 321
Euro	**724**	2 049
Benin Communauté Financière Africaine franc	**935**	794
Côte d'Ivoire Communauté Financière Africaine franc	**2 928**	2 525
Zambian kwacha	**219**	246
Congo-Brazzaville Communauté Financière Africaine franc	**1 097**	1 323
Ugandan shilling	**728**	937
Cameroon Communauté Financière Africaine franc	**2 560**	2 234
Other currencies	**1 092**	641
	79 648	86 954
The group has the following undrawn committed facilities:		
Floating rate	**43 396**	43 945
Fixed rate	**16 107**	18 452
	59 503	62 397

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.

	2017 Rm	2016 Rm
Finance lease obligations (note 6.6)	**645**	673
Deferred income[1]	**270**	382
Licence renewal liability	**–**	172
Other	**432**	389
Nigeria regulatory fine[2]	**3 156**	7 369
	4 503	8 985

[1] *Relates to the deferred gain for tower sales and IRU swap transactions which occurred in previous years. The amounts are amortised to the income statement on a monthly basis.*

[2] *At 31 December 2017 the accrual for the Nigeria regulatory fine comprises N110 billion (2016: N220 billion) discounted at 14,71% (2016: 14,71%) per annum and translated at the 31 December 2017 closing rate of R1 = N29,05 (2016: R1 = N22,81).*

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 the beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange and other movements[1] Rm	At the end of the year Rm
2017						
Non-current						
Decommissioning provision	245	38	–	(13)	(26)	244
Other provisions	135	26	(18)	(7)	29	165
	380	64	(18)	(20)	3	409
Current						
Bonus provision	622	928	(67)	(423)	(92)	968
Decommissioning provision	2	–	–	–	(1)	1
Licence obligations	130	–	–	(39)	–	91
Other provisions	1 475	621	(472)	(374)	(280)	970
	2 229	1 549	(539)	(836)	(373)	2 030

[1] *Includes the effect of hyperinflation.*

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

	At the beginning of the year Rm	Additions Rm	Reversals Rm	Reclassification to financial instruments Rm	Utilised Rm	Net monetary gain	Exchange and other movements[1] Rm	At the end of the year Rm
2016								
Non-current								
Decommissioning provision	293	81	(112)	–	–	–	(17)	245
Licence obligations	77	–	–	–	–	–	(77)	–
Nigeria provision for regulatory fine	4 104	–	–	(4 237)	–	–	133	–
Other provisions	150	32	(27)	–	(20)	–	–	135
	4 624	113	(139)	(4 237)	(20)	–	39	380
Current								
Bonus provision	790	646	(263)	–	(403)	1	(149)	622
Decommissioning provision	6	–	–	–	–	–	(4)	2
Licence obligations	94	–	–	–	(87)	–	123	130
Nigeria provision for regulatory fine	5 183	–	–	(1 421)	(3 983)	–	221	–
Other provisions	1 920	553	(909)	–	(205)	–	116	1 475
	7 993	1 199	(1 172)	(1 421)	(4 678)	1	307	2 229

[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 Group entity's 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.

Other provisions

The group is involved in various regulatory and direct 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.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.4 Capital commitments

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

	2017 Rm	2016 Rm
Capital expenditure authorised not yet incurred at the reporting date is as follows:		
Contracted	**6 958**	11 458
– Property, plant and equipment	**6 519**	10 883
– Software	**439**	575
Not contracted	**20 789**	23 295
– Property, plant and equipment	**17 787**	18 992
– Software	**3 002**	4 303
Total commitments for property, plant, equipment and software	**27 747**	34 753

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 substantially all 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.

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.

	2017 Rm	2016 Rm
The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:		
Not later than one year	**9 066**	10 712
Later than one year but no later than five years	**34 576**	59 919
Later than five years	**51 335**	53 462
	94 977	124 093

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.

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
2017			
Current			
Not later than one year	**85**	**(31)**	**54**
Non-current (note 6.2)	**809**	**(164)**	**645**
Later than one year but no later than five years	**361**	**(95)**	**266**
Later than five years	**448**	**(69)**	**379**
	894	**(195)**	**699**
2016			
Current			
Not later than one year	86	(33)	53
Non-current (note 6.2)	871	(198)	673
Later than one year but no later than five years	407	(118)	289
Later than five years	464	(80)	384
	957	(231)	726

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 2017 was 853 562 (2016: 572 235) and the estimated commitment in respect of these incentives amounts to R583 million (2016: R677 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 recognised.

	2017 Rm	2016 Rm
Contingent liabilities	**9 847**	8 127
Uncertain tax exposure	**8 667**	7 611
Legal and regulatory matters	**1 180**	516

Uncertain tax exposures

The group operates in numerous tax jurisdictions and the group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the group and the relevant tax authority. The outcome of such disputes may not be favourable to the group. At year-end, there were a number of tax disputes ongoing in various of the group's operating entities, the most significant of which relates to a transfer pricing dispute which the group is contesting.

The group has applied its judgement and has recognised liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable.

Legal and regulatory matters

The group is involved in various legal and regulatory matters, the outcome of which may not be favourable to the group and none of which are considered individually material. The group has applied its judgement and has recognised liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable.

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.
- 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 and deferred income), 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 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.

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.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Subsequent measurement (continued)

Financial liabilities

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

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 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.

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. 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.

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.

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.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

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 considers natural hedges that may exist and, in addition, where possible, uses derivative financial instruments such as forward exchange contracts to hedge exposures. As a matter of principle, the group does not enter into derivative contracts for speculative purposes. The group applies hedge accounting to manage its risk of currency exchange rate volatility associated with certain of its investments in foreign operations.

Risk management is carried out under policies approved by the board of directors of the group and of relevant subsidiaries. The MTN Group treasury committee identifies, evaluates and hedges financial risks in cooperation 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 cash. Group treasury is responsible for managing the group's exposure to financial risk within the policies set by the board of directors, under the guidance of the group CFO and group board audit and risk committees.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments

	Assets				Liabilities		
	Loans and receiv-ables 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
2017							
Non-current financial assets							
Loans and other non-current receivables	2 574	–	–	–	–	–	2 574
Investments	–	–	–	27 686	–	–	27 686
Current financial assets							
Trade and other receivables	26 368	–	–	–	–	–	26 368
Current investments	2 040	1 669	1 500	343	–	–	5 552
Derivative assets	–	205	–	–	–	–	205
Restricted cash	2 376	–	–	–	–	–	2 376
Cash and cash equivalents	16 009	–	–	–	–	–	16 009
	49 367	1 874	1 500	28 029	–	–	80 770
Non-current financial liabilities							
Borrowings	–	–	–	–	70 567	–	70 567
Nigeria regulatory fine	–	–	–	–	3 156	–	3 156
Other non-current liabilities	–	–	–	–	964	2	966
Current financial liabilities							
Trade and other payables	–	–	–	–	40 345	–	40 345
Nigeria regulatory fine	–	–	–	–	3 481	–	3 481
Borrowings	–	–	–	–	9 081	–	9 081
Derivative liabilities	–	–	–	–	–	118	118
Bank overdrafts	–	–	–	–	72	–	72
	–	–	–	–	127 666	120	127 786

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

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 receiv-ables 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
2016							
Non-current financial assets							
Loans and other non-current receivables	6 249	–	–	–	–	–	6 249
Investments	–	–	221	11 620	–	–	11 841
Current financial assets							
Trade and other receivables	32 297	–	–	–	–	–	32 297
Current investments	619	1 870	5 087	282	–	–	7 858
Derivative assets	–	4	–	–	–	–	4
Restricted cash	1 020	–	–	–	–	–	1 020
Cash and cash equivalents	27 375	–	–	–	–	–	27 375
	67 560	1 874	5 308	11 902	–	–	86 644
Non-current financial liabilities							
Borrowings	–	–	–	–	67 319	–	67 319
Nigeria regulatory fine	–	–	–	–	7 369	–	7 369
Other non-current liabilities	–	–	–	–	1 122	–	1 122
Current financial liabilities							
Trade and other payables	–	–	–	–	42 243	–	42 243
Nigeria regulatory fine	–	–	–	–	1 311	–	1 311
Borrowings	–	–	–	–	19 635	–	19 635
Derivative liabilities	–	–	–	–	–	58	58
	–	–	–	–	138 999	58	139 057

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

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
2017			
Current financial assets			
Trade and other receivables	**3 839**	**(1 714)**	**2 125**
Current financial liabilities			
Trade and other payables	**4 525**	**(1 714)**	**2 811**
2016			
Current financial assets			
Trade and other receivables	4 004	(1 395)	2 609
Current financial liabilities			
Trade and other payables	1 446	(1 395)	51

The amounts subject to offsetting include interconnect receivables and payables as well as sundry receivables and payables. The group has entered into agreements with the respective counterparties which permit it to offset any payables owing to the counterparty against receivables owing to the group. This right to offset exists in all circumstances and the group intends to settle on a net basis.

7.1.3 Fair value estimation

A number of the group's accounting policies and disclosures require the measurement of fair values. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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).

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 measured at fair value:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2017				
Financial assets				
Investment in IHS	**–**	**–**	**27 045**	**27 045**
Unlisted equity investments	**–**	**–**	**641**	**641**
Investment in treasury bills classified as at fair value through profit or loss	**307**	**–**	**–**	**307**
Investment in treasury bills classified as available-for-sale	**343**	**–**	**–**	**343**
Investment in cell captives	**–**	**–**	**1 362**	**1 362**
Forward exchange options	**–**	**205**	**–**	**205**
Total assets	**650**	**205**	**29 048**	**29 903**
Financial liabilities				
Fair value through profit or loss	**–**	**–**	**2**	**2**
Derivative liabilities	**–**	**118**	**–**	**118**
Total liabilities	**–**	**118**	**2**	**120**
2016				
Financial assets				
Investment in IHS	–	11 240	–	11 240
Unlisted equity investments	–	–	380	380
Investment in treasury bills classified as at fair value through profit or loss	669	–	–	669
Investment in treasury bills classified as available-for-sale	282	–	–	282
Investment in cell captives	–	–	1 201	1 201
Forward exchange contracts	–	4	–	4
Total assets	951	11 244	1 581	13 776
Financial liabilities				
Derivative liabilities	–	58	–	58
Total liabilities	–	58	–	58

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Valuation methods and assumptions

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

IHS unlisted equity investment – The fair value of the investment at 31 December 2016 was determined with reference to recent transactions between market participants and consequently the investment was categorised within level 2 of the fair value hierarchy. At 31 December 2017, the absence of transactions between market participants resulted in the fair value being determined using models considered to be appropriate by management. The fair value was calculated using an earnings multiple technique and was based on unobservable market inputs including tower industry earnings multiples of between 13x to 17x applied to MTN management's estimates of earnings, less estimated net debt.

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, MTN does not have access to the IHS Group business plans or 2017 actual financial information. Any estimated earnings used to derive the existing fair value are therefore solely based on MTN management assumptions and market estimates on financial growth, currency movements, costs and performance. The investment has therefore been transferred from level 2 to level 3 of the fair value hierarchy for the current reporting period. An increase of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in an increase in the fair value of R2 148 million and a decrease of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in a decrease in the fair value by R2 148 million as at 31 December 2017. An increase of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in an increase in the fair value of R3 201 million and a decrease of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in a decrease in the fair value of R3 201 million as at 31 December 2017.

An increase of R4 249 million (December 2016: R2 672 million) has been recognised for the year under review in other comprehensive income resulting from the change in fair value.

Other unlisted equity investments – Fair values have been estimated using a discounted cash flow model. The discounted cash flow model requires management to make 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. The net asset value is determined from statements received from the insurer in respect of the net assets of the cell.

Investment in treasury bills – The fair value of these investments is determined by reference to published price quotations in an active market.

Fair value measurements for financial instruments not measured at fair value

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.

The fair values of the majority of the non-current receivables and liabilities measured at amortised cost, other than for the instruments listed below, are also not significantly different to their carrying values.

The group has listed long-term fixed interest rate senior unsecured notes in issue which were issued in prior years, with a carrying amount of R9 297 million at 31 December 2017 (2016: R10 354 million) and a fair value of R9 284 million (2016: R9 494 million). The notes are listed on the Irish bond market and the fair values of these instruments are determined by reference to quoted prices in this market. The market for these bonds is not liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Fair value measurements for financial instruments not measured at fair value (continued)

During the 2016 year, the group issued US$1 billion listed long-term fixed interest rate unsecured notes. Notes with a face value of US$500 million are redeemable in 2022 (the 2022 notes), with the remaining US$500 million redeemable in 2026 (the 2026 notes). At 31 December 2017, the carrying amount of the 2022 notes is R6 239 million (2016: R6 849 million) and the fair value is R6 432 million (2016: R6 958 million); and the carrying amount of the 2026 notes is R6 229 million (2016: R6 856 million) and the fair value is R6 718 million (2016: R6 727 million). The notes are listed on the Irish bond market and the fair value of these instruments is determined by reference to quoted prices in this market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

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 2016	1 187
Contributions paid to insurance cell captives	527
Claims received by cell captives	(617)
Gain recognised in profit or loss	104
Balance at 31 December 2016	1 201
Balance at 1 January 2017	**1 201**
Contributions paid to insurance cell captives	**409**
Claims received by cell captives	**(209)**
Loss recognised in profit or loss	**(39)**
Balance at 31 December 2017	**1 362**

	Investments Rm
Balance at 1 January 2016	9 707
Transfers to level 2 (IHS)[1]	(9 250)
Acquisitions	61
Foreign exchange differences	(138)
Balance at 31 December 2016	380
Balance at 1 January 2017	**380**
Transfers from level 2 (IHS)[1]	**11 240**
Acquisition	**132**
Exchange right exercise (IHS)	**13 767**
Gain on available-for-sale investment	**4 439**
Foreign exchange differences	**(2 272)**
Balance at 31 December 2017	**27 686**

[1] The group considers transfers between fair value hierarchy levels to have occurred at the beginning of the year.

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:

	2017 Rm	2016 Rm
Loans and other non-current receivables	**2 574**	6 249
Investments	**–**	221
Trade and other receivables	**26 368**	32 297
Current investments	**5 552**	7 858
Derivative assets	**205**	4
Restricted cash	**2 376**	1 020
Cash and cash equivalents – net of overdraft	**15 937**	27 375
	53 012	75 024

Cash and cash equivalents and current investments

The group determines appropriate internal credit limits for each counterparty. In determining these limits, the group considers the counterparty's credit rating established by an accredited ratings agency and performs internal risk assessments. The group manages its exposure to a single counterparty by spreading transactions among approved financial institutions. The group treasury committee regularly reviews and monitors the group's credit exposure.

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 AA- (2016: B- to AA+).

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

Investment in cell captives

The group has exposure to the credit risk of the insurance company through its investment in preference shares in its cell captive arrangements. However, the group has access to the assets of the cell which reduces this risk.

Trade receivables

A large portion of the group's postpaid market revenues are generated in South Africa. There are no other significant concentrations of credit risk, since the other operations within the group operate largely within the prepaid market. The group has policies in place to ensure that retail sales of products and services are made to customers with an appropriate credit history. Before credit is granted to a customer, the group performs credit risk assessments through credit bureaus. The group insures some of its trade receivables in its South African operation, in which instance the credit risk assessments are performed by the credit insurer prior to the granting of credit by the group. In terms of this arrangement, R7,9 billion has been insured for which the group's risk is limited to R25 million. In addition, some entities within the group require potential customers to obtain guarantees from banks before credit is granted.

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 enable collection of outstanding amounts.

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

	2017 Gross Rm	**2017 Impaired Rm**	**2017 Net Rm**	2016 Gross Rm	2016 Impaired Rm	2016 Net Rm
Fully performing trade receivables	**10 713**	**–**	**10 713**	10 390	–	10 390
Interconnect receivables	**1 528**	**–**	**1 528**	1 034	–	1 034
Contract receivables	**1 311**	**–**	**1 311**	1 979	–	1 979
Other receivables	**7 874**	**–**	**7 874**	7 377	–	7 377
Past due trade receivables	**8 689**	**(2 753)**	**5 936**	9 438	(2 538)	6 900
Interconnect receivables	**2 845**	**(773)**	**2 072**	2 827	(736)	2 091
0 to 3 months	**567**	**(17)**	**550**	673	(1)	672
3 to 6 months	**610**	**(94)**	**516**	394	(39)	355
6 to 9 months	**296**	**(33)**	**263**	416	(96)	320
9 to 12 months	**1 372**	**(629)**	**743**	1 344	(600)	744
Contract receivables	**2 042**	**(1 217)**	**825**	2 984	(1 361)	1 623
0 to 3 months	**756**	**(396)**	**360**	977	(46)	931
3 to 6 months	**322**	**(215)**	**107**	989	(583)	406
6 to 9 months	**111**	**(50)**	**61**	183	(132)	51
9 to 12 months	**853**	**(556)**	**297**	835	(600)	235
Other receivables	**3 802**	**(763)**	**3 039**	3 627	(441)	3 186
0 to 3 months	**1 297**	**(147)**	**1 150**	1 875	(16)	1 859
3 to 6 months	**1 486**	**(347)**	**1 139**	979	(353)	626
6 to 9 months	**121**	**(91)**	**30**	109	(27)	82
9 to 12 months	**898**	**(178)**	**720**	664	(45)	619
Total	**19 402**	**(2 753)**	**16 649**	19 828	(2 538)	17 290

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Trade receivables (continued)

Total past due per significant operation

	Interconnect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
2017				
MTN South Africa	**72**	**689**	**1 687**	**2 448**
MTN Nigeria	**769**	**344**	**98**	**1 211**
MTN Côte d'Ivoire	**61**	**292**	**322**	**675**
MTN Yemen	**405**	**75**	**39**	**519**
MTN Cameroon	**88**	**49**	**375**	**512**
MTN Benin	**342**	**288**	**138**	**768**
Other operations	**1 108**	**305**	**1 143**	**2 556**
	2 845	**2 042**	**3 802**	**8 689**
2016				
MTN South Africa	158	1 300	2 002	3 460
MTN Nigeria	718	473	–	1 191
MTN Côte d'Ivoire	356	252	237	845
MTN Yemen	504	118	37	659
MTN Cameroon	100	196	–	296
MTN Benin	193	37	146	376
Other operations	798	608	1 205	2 611
	2 827	2 984	3 627	9 438

Allowance for impairment of trade receivables

	At the beginning of the year Rm	Additions[1] Rm	Reversals[1] Rm	Utilised	Net monetary gain Rm	Exchange differences and other movements[2] Rm	At the end of the year Rm
2017							
Allowance for impairment of trade receivables	**(2 538)**	**(857)**	**21**	**442**	**2**	**177**	**(2 753)**
2016							
Allowance for impairment of trade receivables	(3 459)	(1 001)	542	625	18	737	(2 538)

[1] *A net impairment loss of R836 million (2016: R459 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.

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.

Group treasury develops strategies to ensure that the group has sufficient cash on demand or access to facilities to meet expected operational expenses, and to service financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Group treasury performs regular cash flow forecasts, monitors cash holdings of the group, negotiates lines of credit and sets policies for maturity profiles of loans.

The following liquid resources are available:

	2017 Rm	2016 Rm
Trade and other receivables	**26 368**	32 297
Current investments	**5 552**	2 771
Cash and cash equivalents, net of overdrafts	**15 937**	27 375
	47 857	62 443

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

Although cash held by MTN Nigeria, MTN Sudan, MTN South Sudan and Areeba Guinea S.A. is available to settle liabilities denominated in the local currency in the respective country of operation, access to foreign currency in the country is constrained.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.5 Liquidity risk (continued)

The following are the undiscounted 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
2017								
Borrowings	**79 648**	**91 945**	**2 438**	**1 469**	**9 433**	**9 825**	**50 898**	**17 882**
Other non-current liabilities	**966**	**1 139**	**–**	**–**	**–**	**153**	**252**	**734**
Nigeria regulatory fine	**6 637**	**7 576**	**–**	**1 894**	**1 894**	**3 788**	**–**	**–**
Trade and other payables	**40 345**	**40 345**	**23 634**	**9 997**	**6 714**	**–**	**–**	**–**
Derivative liabilities	**118**	**118**	**68**	**–**	**50**	**–**	**–**	**–**
Bank overdrafts	**72**	**72**	**–**	**72**	**–**	**–**	**–**	**–**
	127 786	**141 195**	**26 140**	**13 432**	**18 091**	**13 766**	**51 150**	**18 616**
2016								
Borrowings	86 954	97 982	4 142	1 785	17 291	9 000	41 284	24 480
Other non-current liabilities	1 122	1 185	–	–	–	361	211	613
Nigeria regulatory fine	8 680	10 961	–	1 315	–	4 823	4 823	–
Trade and other payables	42 243	42 245	26 288	10 892	5 065	–	–	–
Derivative liabilities	58	58	36	22	–	–	–	–
	139 057	152 431	30 466	14 014	22 356	14 184	46 318	25 093

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk

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

Derivatives are entered into solely for risk management purposes and not as speculative investments. The group treasury policy specifies approved instruments which may be used to economically hedge the group's exposure to variability in interest rates and foreign currency and to manage and maintain market risk exposures within the parameters set by the group's board of directors.

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, borrowings, 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 floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the cash balances which exist. The group aims to maintain its mix of fixed and floating rate debt within internally determined parameters, however, this depends on the market conditions in the geographies where the group operates.

Holding companies' (as disclosed in note 9.1), including MTN (Mauritius) Investments Limited, debt is managed on an optimal fixed versus floating interest rate basis, in line with the approved group treasury policy.

Debt in the majority of the group's non-South African operations is mainly at floating interest rates. This is due to the environment and availability of funding in the market in which the entity operates. The group continues to monitor developments which may create opportunities as these markets evolve in order to align each underlying operation with the group treasury policy. Group treasury reports on the interest rate profile, in particular that of the holding companies, to the group treasury, board, audit and risk committees on a regular basis.

Where appropriate, the group uses interest rate derivatives and other suitable hedging tools as a way to manage interest rate risk. The group does not apply hedge accounting to these derivatives.

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:

	2017		2016	
	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	**1 357**	**–**	3 914	1 099
Investments	**–**	**–**	221	–
Current financial assets				
Trade and other receivables	**5 670**	**1 457**	10 084	2 028
Current investments	**4 190**	**–**	6 657	–
Restricted cash	**273**	**183**	44	142
Cash and cash equivalents	**4 215**	**4 937**	11 570	9 174
	15 705	**6 577**	32 490	12 443
Non-current financial liabilities				
Borrowings	**28 017**	**42 550**	31 704	35 808
Other non-current liabilities	**704**	**250**	909	185
Current financial liabilities				
Trade and other payables	**2 423**	**1 255**	3 234	1 008
Borrowings	**2 125**	**6 859**	4 523	14 623
Bank overdrafts	**72**	**–**	–	–
	33 341	**50 914**	40 370	51 624

7 **FINANCIAL RISK** (continued)
7.1 **Financial risk management and financial instruments** (continued)
7.1.6 Market risk (continued)
7.1.6.2 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.

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 2016.

	2017 (Decrease)/increase in profit before tax			2016 (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**	**(262,9)**	**262,9**	1	(199,6)	199,6
LIBOR	**1**	**(132,3)**	**132,3**	1	(122,2)	122,2
Three-month LIBOR	**1**	**1,9**	**(1,9)**	1	(0,6)	0,6
NIBOR	**1**	**(70,9)**	**70,9**	1	(82,5)	82,5
EURIBOR	**1**	**(5,0)**	**5,0**	1	(18,7)	18,7
Money market	**1**	**8,3**	**(8,3)**	1	6,9	(6,9)
Prime	**1**	**38,4**	**(38,4)**	1	73,1	(73,1)
Other	**1**	**(9,3)**	**9,3**	1	(28,7)	28,7

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.3 Currency risk

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

Currency risk arises on recognised financial assets and liabilities which are denominated in a currency that is not the entity's functional currency. The group aims to maintain its foreign currency exposure within internally determined parameters, however, this depends on the market conditions in the geographies where the group operates. Group treasury reports on the status of foreign currency positions or derivatives to the group treasury committee on a regular basis.

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.

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the estimated change to profit or loss and to 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 and Iranian rial. This analysis considers the impact of changes in foreign exchange rates on profit or loss and equity.

The analysis excludes 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.

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 group has changed the presentation to indicate the impact of the foreign exchange exposure on both profit or loss before tax and equity. Intercompany balances that are denominated in a currency other than the functional currency of the entity are reflected as either impacting profit or loss before tax, or equity in the case of loans that are not repayable in the foreseeable future.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.3 Currency risk (continued)

Sensitivity analysis (continued)

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

	Increase/(decrease) in profit before tax, or (increase)/decrease in loss before tax				Increase/(decrease) in equity		
Denominated:functional currency	Net assets/ (liabilities) denominated in foreign currency	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm
2017							
US$:ZAR[1]	**2 259**	**10**	**226,0**	**(226,0)**	**10**	**–**	**–**
US$:SYP	**(522)**	**10**	**(0,4)**	**0,4**	**10**	**(51,8)**	**51,8**
US$:SDG	**(993)**	**10**	**195,7**	**(195,7)**	**10**	**(295,0)**	**295,0**
US$:SSP	**(4 654)**	**10**	**(21,9)**	**21,9**	**10**	**(443,5)**	**443,5**
US$:NGN[1]	**(5 352)**	**10**	**(535,2)**	**535,2**	**10**	**–**	**–**
EUR:SDG	**(1 491)**	**10**	**(149,1)**	**149,1**	**10**	**–**	**–**
EUR:US$	**873**	**10**	**87,3**	**(87,3)**	**10**	**–**	**–**
US$:GNF	**(2 457)**	**10**	**(30,7)**	**30,7**	**10**	**(215,0)**	**215,0**
US$:ZMK	**(618)**	**10**	**(61,8)**	**61,8**	**10**	**–**	**–**
IRR:ZAR	**5 425**	**10**	**542,5**	**(542,5)**	**10**	**–**	**–**
EUR:ZAR	**(812)**	**10**	**(81,2)**	**81,2**	**10**	**–**	**–**
2016							
US$:ZAR[1]	1 669	10	166,9	(166,9)	10	–	–
US$:SYP	(452)	10	(2,2)	2,2	10	(43,0)	43,0
US$:SDG	(1 386)	10	(21,2)	21,2	10	(117,4)	117,4
US$:SSP	(4 909)	10	(25,2)	25,2	10	(465,7)	465,7
US$:NGN[1]	(4 036)	10	(403,6)	403,6	10	–	–
EUR:SDG	(1 850)	10	(185,0)	185,0	10	–	–
EUR:US$	1 592	10	159,2	(159,2)	10	–	–
US$:GNF	(2 674)	10	(38,8)	38,8	10	(228,6)	228,6
US$:ZMK	(792)	10	(79,2)	79,2	10	–	–
IRR:ZAR	11 752	10	1 175,2	(1 175,2)	10	–	–
EUR:ZAR	(1 845)	10	(184,5)	184,5	10	–	–

[1] *Reduced by the impact of the net investment hedge as disclosed in note 7.5.*

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.4 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.

7.1.7 Capital management

The group's policy is to borrow using a mixture of long-term and short-term borrowing facilities to meet anticipated funding requirements. Borrowings are managed within the group's established debt:equity ratios. The group seeks 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.

Management regularly monitors and reviews net debt:EBITDA, and net interest:EBITDA ratios.

Under the terms of the major borrowing facilities, the group is required to comply with financial covenants relating to net debt:EBITDA and net interest:EBITDA. The group has complied with all externally imposed covenants during the current and prior year.

The group's net debt:EBITDA, net debt:equity and net interest:EBITDA at the end of the year are set out below. 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 finance costs less finance income and EBITDA is defined as earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation and amortisation and is also presented before recognising the following items:

- Impairment of goodwill.
- Loss in derecognition of long-term loan receivable.
- Net monetary gain resulting from the application of hyperinflation.
- Share of results of associates and joint ventures after tax.

	2017	2016
Net debt:EBITDA		
Borrowings and bank overdrafts (Rm)	**79 720**	86 954
Less: Cash and cash equivalents, restricted cash and current investments (Rm)	**(22 575)**	(35 052)
Net debt (Rm)	**57 145**	51 902
EBITDA (Rm)	**46 955**	40 751
Net debt:EBITDA ratio	**1,2**	1,3
Net debt:total equity		
Net debt (Rm)	**57 145**	51 902
Total equity (Rm)	**94 267**	105 231
Net debt:total equity (%)	**60,6**	49,3
Net interest:EBITDA		
Net finance costs (Rm)	**(9 267)**	(10 495)
EBITDA (Rm)	**46 955**	40 751
Net interest:EBITDA (%)	**(19,7)**	(25,8)

7 FINANCIAL RISK (continued)

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.

	2017 Rm	2016 Rm
Held-to-maturity financial assets		
Treasury bills and bonds with fixed rates of 4,5% to 6,3% and maturity dates between 2018 and 2019[1]	**–**	221
Available-for-sale financial assets		
Investment in IHS[2]	**27 045**	11 240
Unlisted equity investment	**641**	380
	27 686	11 841

[1] *Denominated in Côte d'Ivoire Communauté Financière Africaine franc.*
[2] *The investment in IHS mainly increased during the current year due to the exchange of the group's 51% interest in Nigeria Tower InterCo B.V. the parent company of INT Towers Limited (INT), the Nigerian telecom tower operator, for an additional shareholding in IHS Holding Limited (notes 2.3 and 7.1.3).*

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

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.

	2017 Rm	2016 Rm
Loan to Uganda Tower InterCo B.V.[1]	**452**	1 099
Loan to Ghana Tower InterCo B.V.[2]	**905**	1 051
Loan to Nigeria Tower InterCo B.V.[3]	**–**	2 863
Non-current interconnect receivables	**124**	224
Other non-current receivables	**1 276**	1 253
Non-current prepayments[4]	**753**	876
	3 510	7 366

[1] *During the current year, the group converted its variable interest loan to its associate, Uganda Tower InterCo B.V. with a balance of US$80,1 million, into additional equity of US$48,3 million and a replacement note in Ugandan shillings for the remaining balance. The replacement note attracts interest at a fixed rate of 16,8% per annum, and is repayable in 2023. The original note attracted interest at LIBOR + 5,3% per annum and was repayable in 2019.*
[2] *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.*
[3] *The loan to INT Towers attracted interest at a fixed interest rate of 10% per annum, subject to review, and was repayable in 2024 and 2025. This loan was assigned to IHS on 27 December 2017. Refer to note 2.6 for further information.*
[4] *Includes prepaid rent and Global Carrier Services cables.*

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 or prior year.

7 FINANCIAL RISK (continued)

7.4 Current investments

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

	2017 Rm	2016 Rm
Loans and receivables		
Foreign currency fixed deposits with fixed interest rates of 0,4% to 8% (2016: 4,7% to 10%)[1]	**1 759**	340
Commercial paper with fixed interest rates of 4,7% to 10%[2]	**–**	262
Foreign currency fixed deposits with a fixed interest rate of 9%[3]	**–**	17
Foreign currency fixed deposits with a fixed interest rate of 0,03%[4]	**281**	–
	2 040	619
Financial assets held at fair value through profit or loss		
Investment in insurance cell captives – Guardrisk (note 7.1.3)	**1 362**	1 201
Treasury bills with fixed interest rates of 17,7% to 17,8% (2016: 17,8% to 18,5%) and maturity dates between May and June 2018 (2016: June and December 2017)[2]	**307**	669
	1 669	1 870
Held-to-maturity financial assets		
Treasury bills with fixed interest rates of 17,8% to 18,6% (2016: 12,7% to 22,7%) and maturity dates between January and May 2018 (2016: February and November 2017)[2]	**1 468**	5 087
Treasury bill with a fixed interest rate of 10,5% and a maturity date of June 2018[3]	**32**	–
	1 500	5 087
Available-for-sale		
Treasury bills with fixed interest rates of 14,9% to 18,6% (2016: 18,5%) and maturity dates between February and August 2018 (2016: August and December 2017)[2]	**343**	282
Total current investments	**5 552**	7 858

[1] *Denominated in United States dollar.*
[2] *Denominated in Nigerian naira.*
[3] *Denominated in Rwandan franc.*
[4] *Denominated in euro.*

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 2017 or 2016.

7 FINANCIAL RISK (continued)

7.5 Derivatives and hedges

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 that do not qualify for hedge accounting are recognised immediately in profit or loss.

	2017 Rm	2016 Rm
Derivatives held for trading		
Current assets		
Forward exchange options	**205**	4
	205	4
Current liabilities		
Forward exchange contracts	**(118)**	(58)
	87	(54)
Gains/(losses) accounted for directly in profit or loss	**51**	(39)
Notional principal amount (US$ forward exchange contracts)	**84**	335

Net investment hedges

During 2016 and for the year ended 31 December 2017, the group hedged a designated portion of its dollar net assets in MTN (Dubai) Limited (MTN Dubai) for forex exposure arising between the US$ and ZAR as part of the group's risk management objectives. The group designated external borrowings (Eurobonds) denominated in US$ held by MTN (Mauritius) Investments Limited with a value of R22,4 billion (December 2016: R23,2 billion) and external borrowings denominated in US$ held by MTN Nigeria Communications Limited with a value of R2,6 billion (December 2016: R4,5 billion) as hedging instruments.

For the period of the hedge relationship, foreign exchange movements on these hedging instruments are recognised in other comprehensive income as part of the foreign currency translation reserve (FCTR), offsetting the exchange differences recognised in other comprehensive income, arising on translation of the designated dollar net assets of MTN Dubai to ZAR. The cumulative forex movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control over MTN Dubai. There was no hedge ineffectiveness recognised in profit or loss during the current or prior years.

The fair value of the financial liabilities designated as net investment hedges are:

	2017 Rm	2016 Rm
US$ denominated bonds held by MTN (Mauritius) Investments Limited	**22 434**	23 179
US$ denominated loans held by MTN Nigeria Communications Limited	**2 612**	4 455

There was no hedge ineffectiveness recognised in profit or loss during the current or prior year.

The determination of fair value of these liabilities is disclosed in note 7.1.3.

7 FINANCIAL RISK (continued)

7.6 Exchange rates to South African rand

		Closing rates		Average rates	
		2017	2016	**2017**	2016
United States dollar	US$	**0,08**	0,07	**0,07**	0,07
Uganda shilling	UGX	**293,68**	261,73	**270,09**	232,52
Rwanda franc	RWF	**68,34**	59,15	**61,68**	53,10
Cameroon Communauté Financière Africaine franc	XAF	**44,44**	45,34	**44,06**	40,23
Nigerian naira	NGN	**29,05**	22,81	**24,61**	18,28
Iranian rial	IRR	**2 893,16**	2 355,36	**2 493,01**	2 119,83
Botswana pula	BWP	**0,80**	0,78	**0,78**	0,75
Côte d'Ivoire Communauté Financière Africaine franc	CFA	**45,50**	45,56	**43,92**	40,55
Congo-Brazzaville Communauté Financière Africaine franc	XAF	**44,44**	45,56	**44,11**	40,30
Zambian kwacha	ZMK	**0,81**	0,72	**0,71**	0,70
Swaziland lilangeni	E	**1,00**	1,00	**1,00**	1,00
Afghanistan afghani	AFN	**5,62**	4,87	**5,08**	4,66
Euro	EUR	**0,07**	0,07	**0,07**	0,06
Ghanaian cedi	GHS	**0,36**	0,31	**0,33**	0,27
Benin Communauté Financière Africaine franc	XOF	**45,50**	45,56	**44,97**	40,17
Guinean franc	GNF	**726,65**	667,63	**680,92**	626,24
Sudanese pound	SDG	**1,61**	0,48	**0,55**	0,43
Syrian pound[1]	SYP	**35,18**	37,71	**37,76**	32,41
Guinea-Bissau Communauté Financière Africaine franc	XOF	**45,50**	45,56	**43,96**	40,96
Yemen rial	YER	**31,71**	18,25	**20,51**	16,17
Ethiopian birr	ETB	**2,20**	1,60	**1,74**	1,47
South Sudanese pound[1]	SSP	**10,51**	6,19	**8,98**	2,62

[1] *The financial results, positions and cash flows of foreign operations trading in hyperinflationary economies are translated as set out in note 1.3.2.*

Subsidiaries operating in dual exchange rate economies

Following a review of the liquidity and sustainability of quoted exchange rates introduced in Nigeria and Sudan, the group changed the rates applicable to the relevant transactions and balances as well as the translation of the results, cash flows and financial position of these operations in the last quarter of 2017.

In MTN Nigeria the group changed its reference rate from the Interbank rate to the Nigeria Autonomous Foreign Exchange (NAFEX) rate and in MTN Sudan the group changed from the Central Bank rate to the Margin Resource Incentive rate.

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)	**2017 Number of shares**	2016 Number of shares
Authorised	**2 500 000 000**	2 500 000 000
Issued (fully paid up)	**1 884 269 758**	1 884 269 758
In issue at the beginning of the year	**1 884 269 758**	1 845 493 245
MTN Zakhele shares cancelled and delisted[4]	**–**	(38 058 865)
Shares issued to MTN Zakhele Futhi[1]	**–**	76 835 378
In issue at the end of the year	**1 884 269 758**	1 884 269 758
Treasury shares[2]	**(9 983 286)**	(10 206 255)
Options held by MTN Zakhele Futhi[1]	**(76 835 378)**	(76 835 378)
In issue at the end of the year – excluding MTN Zakhele Futhi transactions and treasury shares[3]	**1 797 451 094**	1 797 228 125

[1] These shares, although legally issued to MTN Zakhele Futhi, are not deemed to be issued in terms of IFRS as the MTN Zakhele Futhi transaction has the substance of an option and are shown as such in the share capital reconciliation.

[2] Treasury shares held by MTN Holdings Limited.

[3] There are no restrictions, rights or preferences including restrictions on dividend distributions attached to these shares.

[4] Included in shares cancelled and delisted are 1 444 172 shares acquired in 2015 and delisted in 2016.

	2017 Rm	2016 Rm
Share capital		
Balance at the beginning of the year	*****	*
Treasury shares	*****	*
Shares cancelled	**–**	(*)
Share buy-back	**–**	(*)
Balance at the end of the year	*****	*
Share premium		
Balance at the beginning of the year	**36 786**	40 248
Shares repurchased from MTN Zakhele	**–**	(3 462)
Balance at the end of the year	**36 786**	36 786

** Amounts less than R1 million.*

8 EQUITY STRUCTURE (continued)

8.1 Ordinary share capital and share premium (continued)

MTN Zakhele Futhi and unwind of MTN Zakhele

The group unwound its BBBEE transaction 'MTN Zakhele' during November 2016. On unwind, the company cancelled and delisted the following shares received from MTN Zakhele:

- 5 882 100 shares delivered to the company in settlement of the outstanding NVF funding of R662 million;
- 23 479 083 shares repurchased by the company for cash; and
- 7 253 510 shares to facilitate the reinvestment by existing MTN Zakhele shareholders into the new BBBEE vehicle of the group, as described below.

As a consequence of the unwind of MTN Zakhele, a new BBBEE transaction was structured through a separate legal entity, MTN Zakhele Futhi (RF) Limited (hereafter referred to as MTN Zakhele Futhi). MTN Zakhele Futhi is consolidated by MTN. The transaction is designed to provide long-term, sustainable benefits to all BBBEE participants and will run for a period of eight years.

MTN Zakhele Futhi acquired 76 835 378 of the company's shares at a price of R128,50 per share. The acquisition of 35 747 139 shares (and transaction costs of R36 million incurred by MTN Zakhele Futhi) was funded using equity raised from the allotment of MTN Zakhele Futhi shares totalling R1 651 million (including R557 million obtained from the group for the purchase of MTN Zakhele Futhi shares in terms of its underwrite option); reinvestment of R817 million from the existing MTN Zakhele shareholders and third-party preference share funding of R2 161 million. The acquisition of 15 367 075 shares was funded through a donation of shares to the amount of R1 975 million received from the group. The company also issued 25 721 164 notional vendor finance shares (NVF shares) at par value to MTN Zakhele Futhi amounting to approximately R3 305 million.

MTN Zakhele Futhi is a structured entity with the sole business of holding shares of MTN Group Limited and administering the associated funding of these shares. The group was involved in structuring MTN Zakhele Futhi, determining the level of its debt and negotiating the related debt covenants. In addition, the group holds a call option which, if exercised on the occurrence of a trigger event, entitles it to settle MTN Zakhele Futhi's debt with the third-party funders. This gives the group the ability to manage the credit risk of MTN Zakhele Futhi and consequently, the related BBBEE credentials which are dependent on the continued success of MTN Zakhele Futhi. As these activities are considered to be the relevant activities of MTN Zakhele Futhi, it is consolidated by the group.

MTN Zakhele Futhi must repay the preference shares and NVF before the company's shares held by it become unencumbered, while the company's shares are the only security offered by MTN Zakhele Futhi for the debt funding obtained. Until the company's shares held by MTN Zakhele Futhi become unencumbered, the ordinary shareholders of MTN Zakhele Futhi are exposed to the gains on the company's shares, while their exposure to downside risk or risk of loss is limited to their equity contributions (i.e. the purchase price paid by them for the MTN Zakhele Futhi shares). Consequently, the company does not recognise its shares issued to MTN Zakhele Futhi and does not recognise the NVF as outstanding but treats it as an option for accounting purposes.

Further, no non-controlling interest is recognised in respect of the shares held by the ordinary shareholders of MTN Zakhele Futhi. From a consolidated perspective, their equity contributions (comprising cash received from new investors and the reinvestment by existing MTN Zakhele shareholders in MTN Zakhele Futhi) are in substance treated as a premium paid for the option to acquire the company's shares in future.

During the 2017 year, an additional 24 388 294 MTN Zakhele Futhi shares were sold to external parties, that were previously acquired by the company in terms of the underwrite option during the allotment of MTN Zakhele Futhi shares in 2016. The shares were sold in four tranches on different grant dates for a total consideration of R487 million. The total increase in equity resulting from these share-based payment transactions amounted to R921 million of which R434 million (2016: R1 008 million) relates to the share-based payment expense, included in other operating expenses, and R487 million relates to the option premium on the shares sold during the year.

8 EQUITY STRUCTURE (continued)

8.1 Ordinary share capital and share premium (continued)

Share-based payment expense in respect of MTN Zakhele Futhi

The current year sale of the different tranches occurred on multiple grant dates (2016: 23 November). The fair value of the share-based payment at grant date was determined using a Monte Carlo valuation model.

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

	2017[2]	2016
Price per share (R)	**113,00 – 135,24**	114,1
NVF balance (Rm)	**3 473 – 3 619**	3 305
Preference share liability balance (Rm)	**1 770 – 1 914**	2 161
Shares issued to MTN Zakhele Futhi (number)	**–**	76 835 378
Volatility (%)	**31,03 – 31,26**	33,05
Dividend yield[1] (%)	**4,66**	6,04
Expected option life (years)	**7**	8
Annual risk-free rate (%)	**7,59 – 7,72**	8,42
Contribution from equity participants and MTN underwrite (Rm)	**2 468**	2 468

[1] *Calculated based on a risk adjusted MTN share price of R113,00 to R135,24 (2016: R114,10) at the date of valuation. The term structure dividend yield is based on dividend market forecasts obtained from Bloomberg. A fixed dividend forecast of 700 cents per share was applied in the 2016 valuation.*

[2] *A range of significant inputs for the various tranches has been provided.*

Third-party preference share funding obtained by MTN Zakhele Futhi

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

	2017 Rm	2016 Rm
Class A cumulative redeemable non-participating preference shares		
Balance at the beginning of the year	**2 179**	–
Preference shares issued	**–**	2 161
Interest accrued at the effective interest rate	**140**	18
Accrued interest paid	**(135)**	–
Redemption of preference shares during the year	**(399)**	–
Balance at the end of the year	**1 785**	2 179

The class A preference shares are held by Jabisan 04 Proprietary Limited. The preference shares are mandatorily redeemable five years following the date of issue. Dividends are paid semi-annually on 30 April and 30 September. The preference share dividend rate is 75% of prime.

8 EQUITY STRUCTURE (continued)
8.2 Other reserves

	2017 Rm	2016 Rm
Balance at the beginning of the year	**763**	18 595
Share-based payment transactions	**1 158**	2 920
Exchange differences on translating foreign operations	**(8 524)**	(21 862)
Foreign exchange movement on hedging instruments	**1 421**	(1 887)
Net change in fair value of available-for-sale investments	**4 439**	2 672
Other	**(229)**	325
Balance at the end of the year	**(972)**	763
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]	**7 124**	5 966
Foreign currency translation reserve[5]	**(4 029)**	3 074
Available-for-sale reserve[6]	**7 111**	2 672
Other	**3**	232
	(972)	763

[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 the reserve relates, 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 regard 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 group's functional and presentation currency is rand. The strengthening of the closing rate of the rand against the functional currencies of the group's largest operations contributed significantly to the decrease in assets and liabilities and the resulting foreign currency translation reserve net reduction of R8 524 million (2016: R21 862 million) since 31 December 2016. The amount also comprises foreign currency gains arising on the translation of financial liabilities designated as net investment hedges in a foreign operation of R1 421 million (2016: R1 887 million losses). Following the exercise of the exchange right in INT Towers Limited (note 2.3 other income), a foreign currency translation loss of R3 298 million was released to the income statement.

[6] This comprises all fair value adjustments on all financial assets that have been classified as available-for-sale. On the disposal or impairment of available-for-sale financial assets, the cumulative gains recognised on these instruments are recognised in profit or loss.

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.

	2017		2016	
Dividends declared during the year	**Cents per share**	**Rm**	Cents per share	Rm
Final dividend paid in respect of the prior year	**450**	**8 078**[2]	830	15 231[2]
Interim dividend paid in respect of the current year	**250**	**4 494**[2]	250	4 585[2]
		12 572		19 816
Dividends declared after year-end				
Approved after the reporting date and not recognised as a liability	**450**[1]	**8 089**[2]	450	8 088[2]

[1] *Declared at the board meeting on 7 March 2018.*

[2] *Excluding 9 983 286 (2016: 10 206 255) treasury shares held by MTN Holdings and 76 835 378 (2016: 76 835 378) shares held by MTN Zakhele Futhi.*

8.4 Share-based payments

Equity-settled share-based payments

The schemes described on the following page 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.

Cash-settled share-based payments

The fair value of the amount payable to employees in respect of cash-settled share-based payments is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured to fair value at each reporting date and at settlement date. Any changes in the liability are recognised in profit or loss.

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. Employees are not entitled to receive dividends on the shares during the vesting period.

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 94 213 488 shares as approved by shareholders in 2001.

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

The Share Appreciation Rights Scheme was implemented on 31 May 2006.

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.

Details of the outstanding Share Appreciation Rights are as follows:

	Strike price R	Number outstanding at 31 December 2016	**Forfeited during 2017**	**Exercised during 2017**	**Number outstanding at 31 December 2017**
Offer date					
22 June 2007	96,00	12 240	**–**	**(12 240)**	**–**
19 March 2008	126,99	52 400	**–**	**–**	**52 400**
Total		64 640	**–**	**(12 240)**	**52 400**

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

Details of the outstanding share rights are as follows:

	Strike price R	Number outstanding at 31 December 2016	Forfeited during 2017	Exercised during 2017	Number outstanding at 31 December 2017
Offer date					
1 September 2008	118,64	102 090	**(4 300)**	**(10 980)**	**86 810**
28 June 2010	107,49	284 110	**(1 000)**	**(63 060)**	**220 050**
Total		386 200	**(5 300)**	**(74 040)**	**306 860**

The share rights and share appreciation rights outstanding at the end of the year have a weighted average remaining contractual life of two years (2016: two years).

There were no new grants during the current and prior years.

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 levels 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 generally vest after three years from date of grant. For the grants made between 2014 and 2016, 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**	**–**

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 75th 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 6% and 10% compound annual growth in the adjusted free cash flow for the three years before the grant date compared to the three years after the grant date, 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.

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

The performance conditions were revised during the year and apply to new grants on and after 29 September 2017. 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	25,0	25,0
Cumulative operating free cash flow	25,0	25,0
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0	25,0
Return on average capital employed	25,0	8,33 – 25,0
Compliance to the dti and ICASA	–	8,33 – 12,5
Black economic empowerment	–	8,33

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 75th percentile of the performance of the MSCI Emerging Markets Telecoms Index comparator group. For the cumulative operating free cash flow vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at 90% of the target to 100% vesting at 110% of the target cumulative operating free cash flow over the measurement period. The individual return retention condition is guaranteed subject to the employee remaining employed by the group for the duration of the vesting period. The return on average capital employed is based on a sliding scale that ranges from 25% vesting at 90% of the budget to 100% vesting at 100% of the budgeted return on average capital employed. The vesting conditions with regards to compliance to the dti and ICASA are based on reasonable efforts made to ensure compliance with the relevant targets and codes. For the black economic empowerment vesting condition, vesting is based on the achievement of previously agreed upon deliverables as applicable in South Africa.

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

	Number outstanding at 31 December 2016	Offered	Forfeited	Exercised during 2017	Number outstanding at 31 December 2017
Offer date					
20 December 2013[1]	1 521 513	–	(1 298 419)	(223 094)	–
19 December 2014	1 658 396	–	(111 643)	–	1 546 753
30 June 2016	3 627 038	–	(372 822)	–	3 254 216
28 December 2016	5 549 103	–	(567 659)	–	4 981 444
9 March 2017	–	66 500	–	–	66 500
29 September 2017	–	213 600	–	–	213 600
18 December 2017	–	6 025 000	(5 300)	–	6 019 700
Total	12 356 050	6 305 100	(2 355 843)	(223 094)	16 082 213

[1] *The options granted in 2013 were forfeited due to the applicable conditions not being met.*

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

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 current and prior year.

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

	March 2017	September 2017	December 2017
Share price (R)	**120,80**	**124,38**	**134,46**
Expected life	**3 years**	**2 years**	**3 years**
Risk-free rate	**7,36% – 7,57%**	**7,09% – 7,93%**	**7,60% – 7,93%**
Expected volatility	**32,55% – 36,55%**	**26,14% – 35,44%**	**24,08% – 32,88%**
Dividend yield	**9,17%**	**7,16%**	**6,33%**

	June 2016	December 2016
Share price (R)	144,09	126,17
Expected life	3 years	3 years
Risk-free rate	7,45% – 7,83%	7,88% – 8,01%
Expected volatility	31,80% – 43,19%	32,10% – 37,65%
Dividend yield	8,58%	9,43%

The risk-free rate was estimated using the nominal bond curve as compiled by the JSE of South Africa and obtained from I-Net Bridge (2016: the risk-free rate was estimated using the implied yield on SA zero-coupon government bonds).

Volatility was estimated using annualised standard deviation of the continuously compounded rates of return of the share and the daily dividend yield was provided by I-Net Bridge (2016: 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).

Employee share ownership programme

On 1 December 2017 approximately 2 million shares were granted to qualifying employees for no consideration and subject to a service condition. The shares will vest in three tranches, i.e. a third will vest on the third, fourth and fifth anniversary of the grant date respectively. The plan is facilitated through a structured entity (the 2016 MTN ESOP trust). MTN will provide shares and funding to the 2016 MTN ESOP trust to enable the trust to satisfy its objectives.

Cash-settled share-based payment transactions

During the year, the group granted newly appointed executives cash-settled onboarding incentives to compensate the executives in respect of the actualised pre-tax amount of stocks or equity relinquished by the executives with their previous employers. The value of each incentive will be determined based on the market value of the specified number of ordinary listed shares in MTN Group Limited at the end of the incentive period for each respective executive. The remaining incentive period at 31 December 2017 is approximately two years. The total number of MTN Group shares on which the incentives are based is 837 664. The fair value of these incentives was determined as at 31 December 2017 using a Black-Scholes valuation methodology and a cash-settled share-based payment expense of R30 million was accounted for. None of the incentives granted have been forfeited since the respective grant dates. In addition, throughout the group there are various notional share schemes. The total income recorded for these schemes in the current year is R74 million (2016: R41 million), arising from the reversal of previously recorded expenses.

	2017 Rm	2016 Rm
Expense arising from equity-settled share-based payment transactions	**237**	1
Income arising from cash-settled share-based payment transactions	**(44)**	(41)
Total (note 2.4)[1]	**193**	(40)

[1] *The expense/(income) has fluctuated due to non-market vesting conditions not being met and termination of employment before the vesting date.*

9 GROUP COMPOSITION

9.1 Interest in subsidiaries and joint ventures

MTN GROUP

HOLDING COMPANIES

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

MANAGEMENT SERVICES

MTN Group Management Services Proprietary Limited South Africa	100%

HOLDING COMPANY

MTN International (Mauritius) Limited Mauritius	100%

TELECOMMUNICATIONS/ISP

MTN Business Solutions Botswana Proprietary Limited Botswana	80%
MTN Business Limited (Kenya) Kenya	70%
MTN Business Kenya Limited Kenya	70%
Satellite 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%
MTN Media Holdings Proprietary Limited South Africa	100%
Smart Village Proprietary Limited[2]	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	31,28%

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[5]	70%
MTN Network Solutions Limited Cameroon[5]	70%
Afnet Côte d'Ivoire[3]	58,83%
Arobase Côte d'Ivoire[3]	58,83%
MTN Côte d'Ivoire S.A. Côte d'Ivoire[3]	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 Nigeria[2]	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) Investments Limited Mauritius	100%

[1] *Joint venture.*
[2] *Subsidiary acquired during 2016.*
[3] *Effective shareholding of 66,8% (see note 9.5).*
[4] *Incorporated during the year.*
[5] *Effective shareholding of 80% (see note 9.5).*

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

9 GROUP COMPOSITION (continued)
9.1 Interest in subsidiaries and joint ventures (continued)

MTN GROUP

MTN (Dubai) Limited – 100%

HOLDING COMPANIES

- 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

- 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

- Inteltec Offshore SAL, Lebanon – 99,8%

INTERNATIONAL BUSINESS

- Interserve Overseas Limited, British Virgin Islands – 99%

ELECTRONIC SERVICES

- MTN Mobile Money Benin[4] – 75%
- Middle East Internet Holding SARL[1], Luxembourg – 50%
- aYo Holdings[1, 2] Limited, Mauritius – 50%
- TravelLab[1, 2] AB (Travelstart), Sweden – 39,1%
- Amadeus IV Digital 1 – 98%

TELECOMMUNICATIONS/ISP

- 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%
- Novafone Incorporated[2], Liberia – 100%

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 interest 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.

	2017 Rm	2016 Rm
Investment in associates	**2 634**	6 369
Investment in joint ventures	**16 976**	20 300
Total investment in associates and joint ventures	**19 610**	26 669
Share of results of associates after tax	**33**	(1 988)
Share of results of joint ventures after tax	**808**	1 861
Total share of results of associates and joint ventures after tax	**841**	(127)

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates

Significant judgement

The group, together with another shareholder, hold the shares in Uganda Tower InterCo B.V. and Ghana Tower InterCo B.V. The group does not have 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 interests in associates:

			Effective % interest in issued ordinary share capital	
Associate	Principal activity	Country of incorporation	**2017**	2016
Belgacom International Carrier Services SA (BICS)	Telecommunications	Belgium	**20**	20
Nigeria Tower InterCo B.V.[1]	Management of telecommunication infrastructure	Netherlands	**–**	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
International Digital Services Middle East Limited (iME)[2]	Telecommunications	United Arab Emirates	**33,3**	*

[1] *In January 2017, the group exchanged its 51% interest in Nigeria Tower InterCo B.V., the parent company of INT, the Nigerian telecom tower operator, for an additional shareholding in the IHS Group. Refer to note 2.3 for additional information on this exchange transaction.*

[2] *The entity operates in Iran.*

* *In January 2017, MTN Irancell (a joint venture of the group) acquired a 33,3% interest in iME, which resulted in a dilution of the interest held directly by MTN Dubai from 50% to 33,3%. Due to this loss of joint control, the interest in iME has since been reclassified as an associate.*

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

Significant judgement (continued)

	Belgacom International Carrier Services SA (BICS) Rm	Uganda Tower InterCo B.V. Rm	Ghana Tower InterCo B.V. Rm	Nigeria Tower InterCo B.V.[1] Rm	International Digital Services Middle East Limited (iME)[2] Rm	Other Rm	Total Rm
2016							
Balance at the beginning of the year	1 989	48	–	10 582	–	5	12 624
Other income (note 2.3)	–	–	31	–	–	–	31
Share of results after tax	273	(8)	(29)	(2 227)	–	3	(1 988)
Dividend income	(205)	–	–	–	–	–	(205)
Other equity movements	–	–	(31)	–	–	–	(31)
Effect of movements in exchange rates	(287)	(40)	29	(3 765)	–	1	(4 062)
Balance at the end of the year	1 770	–	–	4 590	–	9	6 369
2017							
Balance at the beginning of the year	**1 770**	**–**	**–**	**4 590**	**–**	**9**	**6 369**
Reclassification from joint venture	**–**	**–**	**–**	**–**	**375**	**–**	**375**
Other income (note 2.3)	**–**	**–**	**27**	**–**	**–**	**–**	**27**
Disposal[1]	**–**	**–**	**–**	**(7 880)**	**–**	**–**	**(7 880)**
Additional investment[3]	**–**	**641**	**–**	**–**	**–**	**–**	**641**
Share of results after tax	**235**	**(66)**	**26**	**(8)**	**(157)**	**3**	**33**
Dividend income	**(213)**	**–**	**–**	**–**	**–**	**–**	**(213)**
Effect of movements in exchange rates	**21**	**(42)**	**(53)**	**3 298**	**59**	**(1)**	**3 282**
Balance at the end of the year	**1 813**	**533**	**–**	**–**	**277**	**11**	**2 634**

[1] *In January 2017, the group exchanged its 51% interest in Nigeria Tower InterCo B.V., the parent company of INT, the Nigerian telecom tower operator, for an additional shareholding in IHS Group. Please refer to note 2.3 for additional information on this exchange transaction.*

[2] *Previously classified as a joint venture.*

[3] *The additional investment in Uganda Tower Interco B.V. arose from the conversion of the loan to Uganda Tower Interco B.V. into additional equity of US$48,3 million and a replacement note in Uganda shillings for the remaining balance (note 7.3).*

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (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.		International Digital Services Middle East Limited (iME)[1]
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**
Summarised statement of financial position					
Total assets	**15 129**	12 499	**2 522**	2 660	**302**
Non-current assets	**5 936**	2 140	**1 732**	2 015	**40**
Current assets	**9 193**	10 359	**790**	645	**262**
Total liabilities	**11 596**	9 110	**1 513**	2 799	**161**
Non-current liabilities	**2 824**	96	**924**	2 264	**8**
Current liabilities	**8 772**	9 014	**589**	535	**153**
Net assets	**3 533**	3 389	**1 009**	(139)	**141**
% ownership interest held	**20**	20	**49**	49	**33,33**
Interest in associate	**707**	678	**494**	(68)	**47**
Goodwill	**1 106**	1 092	**–**	–	**212**
Adjustment up to 31 December[2]	**–**	–	**–**	–	**18**
Accumulated unrecognised share of losses from associate	**–**	–	**–**	29	**–**
Forex losses on net investment loan recorded in equity	**–**	–	**39**	39	**–**
Balance at the end of the year	**1 813**	1 770	**533**	–	**277**
Summarised income statement					
Revenue	**20 023**	23 647	**729**	847	**718**
EBITDA	**2 103**	2 419	**252**	380	**(496)**
Profit/(loss) before tax	**1 364**	1 831	**(75)**	(156)	**(505)**
Income tax expense	**(190)**	(466)	**–**	–	**–**
Profit/(loss) after tax	**1 174**	1 365	**(75)**	(156)	**(505)**
% ownership interest held	**20**	20	**49**	49	**33,33**
Share of results after tax	**235**	273	**(37)**	(76)	**(185)[1]**
Unrecognised share of losses from associate	**–**	–	**(29)**	29	**–**
Forex losses on net investment loan recorded in equity	**–**	–	**–**	39	**–**
Share of results after tax	**235**	273	**(66)**	(8)	**(185)[1]**

[1] iME was reclassified to an associate in January 2017 after the loss of joint control in the company. The losses presented includes R28 million 50% share of results as a joint venture in January 2017 and R157 million 33,33% share of results as an associate for the rest of the year.

[2] Summarised financial information presented with regard to the group's interest in iME is as per the latest available management accounts at 30 November 2017. Preparation of financial statements at 31 December 2017 by 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 one month up to the reporting date.

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Summarised financial information of associates (continued)

	Nigeria Tower InterCo B.V.	Ghana Tower InterCo B.V.	
	2016 Rm	**2017 Rm**	2016 Rm
Summarised statement of financial position			
Total assets	12 965	**2 280**	2 308
Non-current assets	12 965	**198**	566
Current assets	–	**2 082**	1 742
Total liabilities	3 966	**2 454**	2 744
Non-current liabilities	3 956	**1 713**	2 058
Current liabilities	10	**741**	686
Net assets	8 999	**(174)**	(436)
% ownership interest held	51	**49**	49
Interest in associate excluding goodwill	4 590	**(85)**	(214)
Accumulated unrecognised share of losses from associate[1]	–	**10**	49
Accumulated unrecognised share of other comprehensive income from associate[1]	–	**75**	165
Balance at the end of the year	4 590	**–**	–
Summarised income statement			
Revenue	4 624	**1 505**	1 695
EBITDA	(1 692)	**666**	526
Profit/(loss) before tax	(5 658)	**133**	(131)
Income tax expense	1 291	**(1)**	(29)
Profit/(loss) after tax	(4 367)	**132**	(160)
% ownership interest held	51	**49**	49
Share of results after tax	(2 227)	**65**	(78)
Unrecognised share of losses from associate	–	**(39)**	49
Share of (loss)/profit of associates after tax	(2 227)	**26**	(29)

[1] *Translated at rates of exchange ruling at the reporting date.*

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

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures

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 SARL (MEIH) (50%)
- Africa Internet Holding GmbH (AIH) (31,28%)

The group has the following effective interests in joint ventures:

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2017	2016
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 SARL (MEIH)[1]	Telecommunications	Luxembourg	**50**	50
Africa Internet Holding GmbH (AIH)[2]	Telecommunications	Germany	**31,28**	31,28
International Digital Services Middle East Limited (iME)[3]	Telecommunications	United Arab Emirates	*****	50
aYo Holdings Limited	Mobile insurance	Mauritius	**50**	50
TravelLab Global AB (Travelstart)	Online travel services	Sweden	**37,16**	37,16

[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.*
* *In January 2017, MTN Irancell acquired a 33,3% interest in iME, which resulted in a dilution of the interest held directly by MTN Dubai from 50% to 33,3%. Due to this loss of joint control, the interest in iME has since been reclassified as an associate.*

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

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.

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 Holdings GmbH (AIH) Rm	Middle East Internet Holdings SARL Rm	International Digital Services Middle East Limited (iME)[2] Rm	TravelLab Global AB[3] Rm	Other Rm	Total Rm
2016								
Balance at the beginning of the year	17 274	1 351	2 267	1 145	578	–	313	22 928
Additions	–	–	2 312	109	–	405	22	2 848
Share of results after tax	2 073	398	(478)	(121)	(110)	(6)	105	1 861
Dividend income	(2 797)	(400)	–	–	–	–	(87)	(3 284)
Other equity movements	–	15	(246)	–	–	–	–	(231)
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[1]	(2 968)	(92)	(526)	(157)	(65)	(13)	(1)	(3 822)
Balance at the end of the year	13 582	1 272	3 329	976	403	386	352	20 300
2017								
Balance at the beginning of the year	**13 582**	**1 272**	**3 329**	**976**	**403**	**386**	**352**	**20 300**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**113**	**113**
Share of results after tax	**931**	**439**	**(456)**	**(145)**	**(28)**	**(14)**	**81**	**808**
Dividend income	**(1 321)**	**(340)**	**–**	**–**	**–**	**–**	**(103)**	**(1 764)**
Reclassification to associate	**–**	**–**	**–**	**–**	**(375)**	**–**	**–**	**(375)**
Other equity movements	**3**	**279**	**–**	**119**	**–**	**–**	**–**	**401**
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[1]	**(2 438)**	**88**	**(139)**	**28**	**–**	**(39)**	**(7)**	**(2 507)**
Balance at the end of the year	**10 757**	**1 738**	**2 734**	**978**	**–**	**333**	**436**	**16 976**

[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 hyperinflationary economy.

[2] iME was reclassified to an associate in January 2017 after the loss of joint control in the company. The losses presented include R28 million 50% share of results as a joint venture in January 2017 and R157 million 33,33% share of results as an associate for the rest of the year.

[3] On 22 January 2016, the group made an investment in TravelLab Global AB (Travelstart) amounting to US$27 million. Travelstart is an online travel agency focused on emerging markets. MTN Group jointly controls Travelstart through funds managed by its venture capital manager, Amadeus Capital Partners.

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and 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 Holdings GmbH (AIH)[1]		Mascom Wireless Botswana Proprietary Limited	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Summarised statement of financial position						
ASSETS						
Non-current assets	**46 221**	45 693	**3 280**	5 396	**1 255**	1 355
Property, plant and equipment	**40 179**	38 858	**51**	63	**1 110**	1 123
Intangible assets	**4 542**	6 319	**9**	7	**144**	210
Loans and other non-current receivables	**180**	227	**3 217**	5 326	**–**	–
Investment in associate	**508**	89	**–**	–	**1**	1
Investments	**537**	–	**–**	–	**–**	–
Deferred tax assets	**275**	200	**3**	–	**–**	21
Current assets	**13 350**	23 489	**1 370**	749	**1 822**	323
Inventories	**70**	160	**265**	74	**5**	9
Trade and other receivables	**7 431**	9 058	**309**	286	**194**	111
Restricted cash	**32**	52	**–**	–	**–**	–
Cash and cash equivalents	**5 817**	14 219	**690**	318	**1 612**	203
Other current assets	**–**	–	**106**	71	**11**	–
Total assets	**59 571**	69 182	**4 650**	6 145	**3 077**	1 678
LIABILITIES						
Non-current liabilities	**3 533**	5 253	**–**	–	**114**	161
Deferred tax liabilities	**3 216**	4 956	**–**	–	**110**	111
Provisions	**309**	291	**–**	–	**–**	–
Other non-current liabilities	**8**	6	**–**	–	**4**	50
Current liabilities	**34 212**	36 299	**1 128**	813	**1 261**	717
Trade and other payables	**26 591**	21 492	**798**	526	**1 221**	618
Unearned income	**1 654**	1 764	**90**	29	**10**	–
Provisions	**305**	338	**13**	11	**–**	–
Taxation liabilities	**1 143**	1 351	**227**	228	**30**	14
Borrowings	**1 731**	1 971	**–**	19	**–**	85
Dividends declared	**2 788**	9 383	**–**	–	**–**	–
Total liabilities	**37 745**	41 552	**1 128**	813	**1 375**	878
Net assets	**21 826**	27 630	**3 522**	5 332	**1 702**	800
Non-controlling interests	**–**	–	**551**	962	**–**	–
Total net assets	**21 826**	27 630	**4 073**	6 294	**1 702**	800
% ownership interest held	**49**	49	**31,28**	31,28	**53,1**	53,1
Interest in joint venture excluding goodwill	**10 695**	13 539	**1 274**	1 969	**904**	425
Adjustment up to 31 December[1]	**–**	–	**313**	242	**–**	–
Other comprehensive adjustments to equity	**9**	–	**–**	–	**–**	–
Goodwill	**53**	43	**1 147**	1 118	**834**	847
Balance at the end of the year	**10 757**	13 582	**2 734**	3 329	**1 738**	1 272

[1] *Summarised financial information presented with regard to the group's interest in AIH is as per the latest available management accounts at 30 November 2017 (2016: 30 September 2016). Preparation of financial statements at 31 December 2017 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 one month up to the reporting date.*

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Summarised financial information of joint ventures (continued)

	Irancell Telecommunication Company Services (PJSC)		Africa Internet Holdings GmbH (AIH)[1]		Mascom Wireless Botswana Proprietary Limited	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Summarised income statement						
Revenue	**33 680**	33 746	**1 503**	1 381	**2 899**	1 891
Other income	**6**	–	**–**	–	**18**	–
Operating expenses	**(21 543)**	(21 174)	**(3 518)**	(2 909)	**(1 445)**	(772)
EBITDA	**12 143**	12 572	**(2 015)**	(1 528)	**1 472**	1 119
Depreciation of property, plant and equipment	**(8 552)**	(7 742)	**(31)**	–	**(178)**	(200)
Amortisation of intangible assets	**(1 491)**	(1 718)	**–**	–	**(176)**	(7)
Operating profit/(loss)	**2 100**	3 112	**(2 046)**	(1 528)	**1 118**	912
Finance income	**1 172**	3 320	**19**	–	**28**	22
Finance costs	**(614)**	(1 556)	**–**	–	**(9)**	(3)
Share results of associates after tax	**(149)**	–	**–**	–	**–**	–
Profit/(loss) before tax	**2 509**	4 876	**(2 027)**	(1 528)	**1 137**	931
Income tax expense	**(610)**	(646)	**(79)**	–	**(311)**	(182)
Profit/(loss) after tax	**1 899**	4 230	**(2 106)**	(1 528)	**826**	749
Non-controlling interests	**–**	–	**(647)**	(290)	**–**	–
Profit/(loss) attributable to equity holders of the company	**1 899**	4 230	**(1 459)**	(1 238)	**826**	749
% ownership interest held	**49**	49	**31,28**	31,28	**53,1**	53,1
Share of results after tax	**931**	2 073	**(456)**	(478)	**439**	398

[1] *Summarised financial information presented with regard to the group's interest in AIH is as per the latest available management accounts at 30 November 2017 (2016: 30 September 2016). Preparation of financial statements at 31 December 2017 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 one month up to the reporting date.*

A receivable of R3 355 million (2016: R9 930 million) from Irancell Telecommunication Company Services (PJSC) has not been received by the group as at 31 December 2017, but is still considered recoverable, as the financial sanctions in Iran have been lifted.

The group's investment of R2 312 million in AIH, made in terms of the rights obtained in 2015, became effective during March 2016. This additional investment increased the group's interest in this joint venture from 33,3% to 41,4%. Subsequently, AIH received additional investments from new investors which became effective during April, May, June and July 2016. These additional investments diluted the group's investment in AIH from 41,4% to 31,28%. Following a share swap transaction during 2016 with non-controlling interest (NCI) of Africa eCommerce Holdings GmbH (AEH), a subsidiary of AIH, AEH became a wholly owned subsidiary of AIH and the NCI received shares in AIH in exchange. The group recognised a net dilution loss of R349 million (comprising a gain of R277 million and a loss of R626 million) in 2016. The group retains joint control over AIH.

Notes to the group financial statements continued

for the year ended 31 December 2017

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Summarised financial information of joint ventures (continued)

	Middle East Internet Holdings SARL		TravelLab Global AB		International Digital Services Middle East Limited (iME)[2]
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	2016 Rm
Summarised statement of financial position					
ASSETS					
Non-current assets	**233**	587	**593**	548	86
Current assets	**674**	574	**102**	251	111
Total assets	**907**	1 161	**695**	799	197
LIABILITIES					
Non-current liabilities	**2**	9	**487**	505	4
Current liabilities	**222**	118	**61**	41	30
Total liabilities	**224**	127	**548**	546	34
Net assets	**683**	1 034	**147**	253	163
Non-controlling interest	**193**	12	**–**	–	–
Total net assets	**876**	1 046	**147**	253	163
% ownership interest held	**50**	50	**37,16**	37,16	50
Interest in joint venture excluding goodwill	**438**	523	**55**	94	82
Adjustment up to 31 December[1]	**(24)**	(97)	**–**	–	11
Goodwill	**564**	550	**278**	292	310
Balance at the end of the year	**978**	976	**333**	386	403
Summarised income statement					
Revenue	**679**	487	**340**	300	112
Other income	**–**	–	**–**	–	–
Operating expenses	**(195)**	(729)	**(299)**	(319)	(332)
EBITDA	**484**	(242)	**41**	(19)	(220)
Profit before tax	**(291)**	(242)	**(13)**	(19)	(220)
Income tax expense	**–**	–	**(25)**	3	–
Profit after tax	**(291)**	(242)	**(38)**	(16)	(220)
% ownership interest held	**50**	50	**37,16**	37,16	50,00
Share of results after tax	**(145)**	(121)	**(14)**	(6)	(110)

[1] *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 November 2017 (2016: 30 September 2016). Preparation of financial statements at 31 December 2017 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 one month up to the reporting date.*

[2] *Reclassified to an associate in the current year. Please refer to summarised financial information of associates for current year information.*

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Commitments relating to joint ventures

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.

	2017 Rm	2016 Rm
Capital commitments		
Share of capital commitments of joint ventures not yet incurred at the reporting date:		
Contracted	**2 084**	2 819
– Property, plant and equipment	**2 043**	2 819
– Software	**41**	–
Authorised but not contracted	**2 744**	2 884
– Property, plant and equipment	**2 437**	1 542
– Software	**307**	1 342
	4 828	5 703
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	**1**	2
Later than one year and no later than five years	**1**	1
	2	3

Contingent liabilities relating to joint ventures

There are no significant contingent liabilities relating to the group's interests in its joint ventures during the current or prior year.

Licences

Licences awarded to the joint ventures are set out below:

Licence agreements	Type	Granted/ renewed	Term
Irancell Telecommunication Company Services (PSJC)	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		
	1 800MHz	28/11/2008	10 years
	2 100MHz	26/09/2011	7 years
	4G LTE	3/11/2016	3 years

[1] *Renewal application lodged in 2016.*

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

There were no material changes in shareholding during the current year.

9.3.2 Prior year changes in shareholding

There were no material changes in shareholding during 2016.

9.4 Joint operations

In respect of its interest in joint operations, the group recognises in its financial statements its share of the assets jointly held, 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	
	2017 %	2016 %
Joint operation		
Europe India Gateway Submarine Cable System	**6,89**	6,89
West Africa Cable System	**11,06**	11,06
Eassy Cable System	**16,26**	16,26
Africa Coast to Europe Cable System	**8,67**	8,67

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:

	2017 Rm	2016 Rm
Revenue	**95**	39
Expenses	**(346)**	(304)
Total assets	**2 348**	2 791
Total liabilities (excluding unearned income)	**(130)**	(169)
Unearned income	**(110)**	(122)

9 GROUP COMPOSITION (continued)

9.5 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	**2017 Rm**	2016 Rm
Subsidiary			
MTN Nigeria Communications Limited	Nigeria	**793**	725
MTN Côte d'Ivoire S.A.	Côte d'Ivoire	**995**	983
Spacetel Benin S.A.	Benin	**61**	172
Mobile Telephone Networks Cameroon Limited	Cameroon	**302**	396
MTN Sudan Company Limited	Sudan	**(793)**	36
Other		**136**	539
		1 494	2 851

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below and 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 places of operation. The summarised financial information presented is before intercompany eliminations.

	MTN Nigeria Communications Limited		MTN Côte d'Ivoire S.A.	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
% ownership interest held by non-controlling interests	**21,17**	21,17	**33,17**[1]	33,17[1]
Summarised statement of financial position				
Non-current assets	**25 226**	28 704	**8 091**	8 070
Current assets	**8 809**	16 493	**1 426**	2 003
Total assets	**34 035**	45 197	**9 517**	10 073
Non-current liabilities	**10 849**	19 855	**2 665**	2 702
Current liabilities	**19 439**	21 916	**3 852**	4 408
Total liabilities	**30 288**	41 771	**6 517**	7 110
Summarised income statement				
Revenue	**36 005**	47 122	**7 421**	7 176
EBITDA	**14 041**	11 355	**2 347**	2 333
Profit/(loss) before tax	**4 772**	(947)[2]	**922**	1 004
Income tax expense	**(1 206)**	(3 156)	**(212)**	(230)
Profit/(loss) after tax	**3 566**	(4 103)[2]	**710**	774
Profit/(loss) attributable to non-controlling interests	**756**	(869)[2]	**236**	257
Dividends attributable to non-controlling interests	**425**	–	**269**	527
Summarised statement of cash flows				
Net cash generated from operating activities	**5 680**	13 692	**674**	755
Net cash used in investing activities	**(5 844)**	(11 165)	**(1 241)**	(748)
Net cash (used in)/from financing activities	**(2 123)**	(5 034)	**412**	41
Net (decrease)/increase in cash and cash equivalents	**(2 287)**	(2 507)	**(155)**	48
Net cash and cash equivalents at the beginning of the year	**6 412**	15 577	**445**	430
Exchange (loss)/gains on cash and cash equivalents	**(1 035)**	(6 658)	**1**	(33)
Net cash and cash equivalents at the end of the year	**3 090**	6 412	**291**	445

[1] *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.*

[2] *The summarised financial information is restated to reflect the timing of the recognition of the regulatory fine for all income statement line items affected in accordance with the financial period in which MTN Group recognised the fine.*

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries (continued)

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

	Spacetel Benin S.A.		Mobile Telephone Networks Cameroon Limited		MTN Sudan Co Limited	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
% ownership interest held by non-controlling interests	**25**	25	**20[1]**	20[1]	**15**	15
Summarised statement of financial position						
Non-current assets	**2 587**	2 434	**6 335**	6 347	**1 624**	8 532
Current assets	**2 278**	1 721	**1 988**	2 362	**894**	1 284
Total assets	**4 865**	4 155	**8 323**	8 709	**2 518**	9 816
Non-current liabilities	**771**	563	**2 330**	1 253	**2 202**	866
Current liabilities	**3 852**	2 906	**4 484**	5 478	**2 104**	4 817
Total liabilities	**4 623**	3 469	**6 814**	6 731	**4 306**	5 683
Summarised income statement						
Revenue	**3 470**	4 012	**5 373**	6 189	**4 540**	4 707
EBITDA	**655**	1 038	**1 304**	2 065	**(98)**	1 512
Profit/(loss) before tax	**48**	478	**94**	830	**(1 640)[2]**	(572)
Income tax	**(45)**	1	**(179)**	(297)	**(177)**	(179)
Profit/(loss) after tax	**3**	479	**(85)**	533	**(1 817)**	(751)
Profit/(loss) attributable to non-controlling interests	*****	120	**(17)**	107	**(273)**	(113)
Dividends attributable to non-controlling interests	**120**	300	**84**	110	**–**	–
Summarised statement of cash flows						
Net cash generated from/(used in) operating activities	**329**	612	**(47)**	900	**1 188**	1 374
Net cash used in investing activities	**(489)**	(573)	**(573)**	(2 222)	**(547)**	(883)
Net cash from/(used in) financing activities	**269**	(173)	**25**	1 701	**627**	(405)
Net increase/(decrease) in cash and cash equivalents	**109**	(134)	**(595)**	379	**1 268**	86
Net cash and cash equivalents at the beginning of the year	**747**	970	**944**	644	**370**	546
Exchange (loss)/gains on cash and cash equivalents	**(4)**	(89)	**38**	(79)	**(1 184)**	(262)
Net cash and cash equivalents at the end of the year	**852**	747	**387**	944	**454**	370

[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 during prior years.*

[2] *The significant devaluation in the Sudanese pound resulted in a large foreign exchange loss on loan balances. These balances are classified as part of the net investment in MTN Sudan Company Limited and is therefore accounted for in the foreign currency translation reserve in the MTN Group results.*

* *Amounts less than R1 million.*

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.

	2017 Rm	2016 Rm
Key management compensation		
Salaries and other short-term employee benefits	**123**	112
Post-employment benefits	**7**	5
Other benefits	**26**	61
Bonuses	**113**	47
Compensation for loss of office	**–**	4
Total	**269**	229

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 material transactions with non-controlling shareholders or changes in shareholding in any of the group's subsidiaries during the current or prior years (note 9.3).

Joint ventures and associates

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

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

	Joint ventures		Associates	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Balances outstanding at 31 December				
Trade and other payables owing to joint ventures/associates	**233**	216	**156**	145
Loan receivable from joint ventures/associates	**5 426**	11 884	**1 357**	5 013
Trade and other receivables from joint ventures/associates	**773**	696	**250**	242
Capital call commitments payable to joint ventures/associates	**1 195**	1 934	**–**	–
Transactions for the year ended 31 December				
Dividends declared by joint ventures/associates	**1 764**	3 284	**213**	205
Interest income	**213**	1 142	**298**	230
Capital call notices paid	**892**	1 098	**–**	–
Repayment of loan receivable from joint venture	**6 509**	6 478	**–**	–

10 RELATED PARTIES (continued)

10.1 Related party transactions (continued)

Transactions between members of the group

Scancom Limited (MTN Ghana) entered into operating lease agreements with Ghana Tower InterCo B.V. in prior years. The operating lease commitments amount to R8 446 million at 31 December 2017 (2016: R6 795 million). The expense recorded amounted to R627 million for the 2017 financial year (2016: R532 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. in prior years. The operating lease commitments amount to R1 636 million at 31 December 2017 (2016: R2 187 million). The expense recorded amounted to R558 million for the 2017 financial year (2016: R432 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 Nigeria Communications Limited entered into operating lease agreements with INT Towers Limited in prior years, a wholly owned subsidiary of Nigeria Tower InterCo B.V. INT Towers Limited is no longer part of MTN Group from 31 January 2017, refer to note 9.2 and 2.3. The operating lease commitments amounted to R85 810 million as at 31 December 2016. The expense recorded amounted to R464 million for the 2017 financial year (2016: R4 254 million) representing one month's lease costs to January 2017. The initial term is 10 years (extended to 15 years in 2016), followed by four times five-year renewal periods.

Transactions with an entity associated with a director

On 28 December 2017, 14 750 000 MTN Zakhele Futhi shares, acquired by the group in terms of the 2016 MTN Zakhele Futhi underwrite option, were sold for a total consideration of R295 million. The shares were purchased by Main Street 1561 Proprietary Limited, a wholly owned company of PF Nhleko, non-executive chairman of MTN Group.

Shareholders

The principal shareholders of the company are disclosed in annexure 1, which is unaudited.

10.2 Emoluments, equity compensation and dealings in ordinary shares

Directors' emoluments and related payments

	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
2017								
Executive directors								
RA Shuter#	**13/03/2017**	**11 528**	**1 225**	**10 581**	**17 122**	**40 456**	**–**	**40 456**
RT Mupita	**03/04/2017**	**5 944**	**673**	**384**	**10 672**	**17 673**	**–**	**17 673**
PF Nhleko^^^∞@	**09/11/2015**	**19 950**	**–**	**–**	**22 477**	**42 427**	**–**	**42 427**
Total		**37 422**	**1 898**	**10 965**	**50 271**	**100 556**	**–**	**100 556**

* *Includes medical aid and unemployment insurance fund.*

^^^ *Fees paid to Captrust Investments Proprietary Limited.*

∞ *Contractual service fees and bonus in accordance with the agreement between the group and Captrust Investments Proprietary Limited.*

@ *Executive director until 12/03/2017.*

\# *Other benefits include an amount paid in lieu of forfeited benefits from previous employer.*

10 RELATED PARTIES (continued)

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

Directors' emoluments and related payments (continued)

	Date appointed	Retainer# R000	Attend-ance# R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
2017							
Non-executive directors							
KC Ramon@	01/06/2014	385	489	12	106	44	1 036
KP Kalyan	13/06/2006	449	433	12	106	–	1 000
AT Mikati*†	18/07/2006	823	387	11	221	62	1 504
AF van Biljon**	01/11/2002	212	226	12	106	60	616
J van Rooyen	18/07/2006	397	661	12	106	52	1 228
MLD Marole	01/01/2010	370	597	12	106	–	1 085
NP Mageza	01/01/2010	408	577	–	–	–	985
A Harper*	01/01/2010	932	497	11	222	4	1 666
S Kheradpir*	08/07/2015	961	306	7	228	19	1 521
PF Nhleko^	28/05/2013	2 694	1 042	12	280	–	4 028
PB Hanratty*	01/08/2016	986	457	11	236	65	1 755
SP Miller*	01/08/2016	855	352	11	229	27	1 474
NL Sowazi	01/08/2016	324	359	12	106	–	801
Total		**9 796**	**6 383**	**135**	**2 052**	**333**	**18 699**

^ Fees paid to Captrust Investments Proprietary Limited.
@ Fees paid to AngloGold Ashanti Limited.
** Fees have been paid in euro.*
† Fees are paid to M1 Limited.
 # Retainer and attendance fees for board and committee representation and meetings.
*** Resigned on 31 December 2017.*

	Date appointed	Salaries R000	Post-employ-ment benefits R000	Other benefits* R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
2016								
Executive directors								
RS Dabengwa^	1/10/2001	–	–	19 564±	–	19 564	–	19 564
BD Goschen^^	22/07/2013	5 975	716	3 458	–	10 149	–	10 149
PF Nhleko^^^∞	9/11/2015	30 000	–	–	38 191	68 191	–	68 191
Total		35 975	716	23 022	38 191	97 904	–	97 904

** Includes medical aid and unemployment insurance fund.*
^ Resigned 09/11/2015.
^^ Resigned 30/09/2016.
^^^ Fees paid to Captrust Investments Proprietary Limited.
± Represents compensation for loss of office comprising notice pay and a restraint of trade payment.
∞ Contractual service fees and bonus in accordance with the agreement between MTN and Captrust Investments Proprietary Limited.

10 RELATED PARTIES

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

Directors' emoluments and related payments (continued)

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
2016							
Non-executive directors							
PF Nhleko^	28/05/2013	2 568	638	351	420	–	3 977
KC Ramon@	01/06/2014	325	429	174	159	–	1 087
KP Kalyan	13/06/2006	346	451	178	159	–	1 134
AT Mikati*†	18/07/2006	1 302	764	295	368	480	3 209
MJN Njeke~	13/06/2006	130	219	20	54	–	423
JHN Strydom~	11/03/2004	125	241	28	54	–	448
AF van Biljon	01/11/2002	213	267	178	159	120	937
J van Rooyen	18/07/2006	373	486	166	159	120	1 304
MLD Marole	01/01/2010	349	644	178	159	–	1 330
NP Mageza	01/01/2010	408	547	166	159	–	1 280
A Harper*	01/01/2010	1 304	696	291	368	763	3 422
NL Sowazi&	01/08/2016	107	122	73	–	–	302
SP Miller*&	01/08/2016	485	256	247	–	–	988
PB Hanratty*&	01/08/2016	488	264	251	–	–	1 003
S Kheradpir*	08/07/2015	1 275	565	138	239	1 166	3 383
Total		9 798	6 589	2 734	2 457	2 649	24 227

^ *Fees paid to Captrust Investments Proprietary Limited.*
@ *Fees paid to AngloGold Ashanti Limited.*
* *Fees have been paid in euro.*
† *Fees are paid to M1 Limited.*
~ *Retired on 25/05/2016.*
& *Appointed on 01/08/2016.*
# *Retainer and attendance fees for board and committee representation and meetings.*

Prescribed officers' emoluments and related payments

	Salaries R000	Post-employment benefits R000	Other benefits# R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
2017							
Prescribed officers							
PD Norman	5 232	616	3 920@	5 090	14 858	–	14 858
J Schulte-Bockum*	8 218	876	303	10 492	19 889	–	19 889
E Asante**	1 451	113	329	2 744	4 637	–	4 637
G Motsa***	6 384	722	5 294##	6 409	18 809	–	18 809
F Sekha^	3 440	389	183	1 884	5 896	–	5 896
M Fleischer	6 706	789	478	6 204	14 177	–	14 177
M Nyati^^	765	87	694	–	1 546	–	1 546
I Jaroudi	10 481	–	1 517@	6 686	18 684	–	18 684
K Toriola	6 236	72	1 178	3 781	11 267	–	11 267
F Moolman	9 032	448	518	7 604	17 602	–	17 602
S van Coller	7 723	874	612	10 276	19 485	–	19 485
G Engling∞	1 092	124	294	1 200	2 710	–	2 710
JA Desai+	526	–	–	–	526	–	526
Total	**67 286**	**5 110**	**15 320**	**62 370**	**150 086**	**–**	**150 086**

* *Appointed on 16/01/2017.*
** *Appointed on 01/10/2017.*
*** *Appointed on 01/01/2017.*
^ *Appointed on 01/06/2017.*
^^ *Resigned on 10/03/2017.*
∞ *Ceased to be prescribed officer on 03/04/2017.*
\+ *Ceased to be prescribed officer on 16/01/2017.*
@ *Other benefits include compensation in lieu of employment agreement amendments in respect of revised notice period and restraint of trade.*
Other benefits include a retention payment made in lieu of forfeiture of performance bonus from previous employer. Payment to be spread over three years.
Includes medical aid and Unemployment Insurance Fund.

10 RELATED PARTIES (continued)

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

Prescribed officers' emoluments and related payments (continued)

	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
2016 Prescribed officers								
JA Desai	10 783	1 078	2 225	–	–	14 086	–	14 086
PD Norman	4 731	564	286	–	–	5 581	–	5 581
MD Fleischer[1]	6 089	710	10 454	–	–	17 253	–	17 253
M Nyati	3 855	444	3 584	–	–	7 883	–	7 883
I Jaroudi	11 083	–	1 418	–	6 353	18 854	–	18 854
K Toriola	6 017	695	4 838	–	1 969	13 519	–	13 519
F Moolman	6 700	548	2 882	–	–	10 130	–	10 130
S van Coller[2, 3]	1 846	208	13 071	–	–	15 125	–	15 125
G Engling[4]	687	64	26	–	–	777	–	777
M Ikpoki[5]	–	–	–	4 064	–	4 064	–	4 064
Total	51 791	4 311	38 784	4 064	8 322	107 272	–	107 272

[1] *Other benefits include a long-term retention amount of R10 million, of which a portion is forfeitable.*
[2] *Appointed on 01/10/2016.*
[3] *Other benefits include an amount of R13 million paid in lieu of forfeited benefits from previous employer.*
[4] *Appointed on 01/10/2016.*
[5] *Mutual separation on 31/12/2015.*
Includes medical aid and Unemployment Insurance Fund.

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' shareholding and dealings in ordinary shares

	December 2017	December 2016	Beneficial
NP Mageza	**400**	400	Indirect
PD Norman#*	**300 970**	300 970	Direct
PD Norman#*	**10 000**	–	Indirect
S Ntsele#	**6 000**	6 000	Direct
KC Ramon	**3 244**	3 244	Direct
KC Ramon	**9 901**	9 901	Indirect
KP Kalyan	**1 373**	1 373	Direct
SB Mtshali	**3 199**	3 199	Direct
BD Goschen@	**–**	44 393	Direct
MJN Njeke^	**–**	10	Direct
RT Mupita#*	**41 670**	–	Direct
RT Mupita#*	**680**	–	Indirect
G Motsa#*	**269**	–	Direct
Total	**377 706**	369 490	

* *Prescribed officer.*
\# *Major subsidiary director.*
^ *Retired on 25/05/2016.*
@ *Resigned on 30/09/2016.*

Subsequent to year-end there were no changes in the directors' beneficial interest in MTN Group.

Directors, prescribed officers, company secretary of the MTN Group and directors and company secretaries of major subsidiaries' shareholding relating to MTN Zakhele Futhi

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 Futhi shares which has a shareholding in MTN Group Limited shares:

Beneficiary	December 2017	December 2016	Beneficial
KP Kalyan	**83 967**	83 967	Direct
NP Mageza	**155 870**	155 870	Indirect
SB Mtshali	**39 703**	39 703	Indirect
J van Rooyen	**500**	500	Indirect
KC Ramon	**23 500**	23 500	Direct
LWC Phalatse	**5 000**	5 000	Direct
LWC Phalatse	**5 000**	5 000	Indirect
SA Fakie	**6 061**	1 000	Direct
SA Fakie	**13 031**	2 000	Indirect
RT Mupita	**33 562**	–	Indirect
Total	**366 194**	316 540	

Subsequent to year-end there were no changes in the directors' beneficial interest in MTN Zakhele Futhi.

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 outstanding as at 31 December 2016	Exercised 2017	Forfeited	Exercise date	Exercise price R	Number outstanding as at 31 December 2017
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**

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 as at 31 December 2016	Offered	Exercised	Forfeited	Exercise date	Exercise price R	Number outstanding as at 31 December 2017
PD Norman								
20/12/2013	19/12/2016	28 400	–	–	(28 400)	–	–	**–**
19/12/2014	18/12/2017	27 000	–	–	–	–	–	**27 000**
29/06/2016	29/12/2018	46 100	–	–	–	–	–	**46 100**
28/12/2016	28/12/2019	56 300	–	–	–	–	–	**56 300**
18/12/2017	18/12/2020	–	57 700	–	–	–	–	**57 700**
Total		157 800	57 700	–	(28 400)	–	–	**187 100**
RA Shuter*								
29/09/2017	31/12/2019	–	213 600	–	–	–	–	**213 600**
18/12/2017	18/12/2020	–	200 200	–	–	–	–	**200 200**
Total		–	413 800	–	–	–	–	**413 800**
RT Mupita**								
18/12/2017	18/12/2020	–	118 300	–	–	–	–	**118 300**
Total		–	118 300	–	–	–	–	**118 300**
J Schulte-Bockum***								
18/12/2017	18/12/2020	–	125 500	–	–	–	–	**125 500**
Total		–	125 500	–	–	–	–	**125 500**
G Motsa^^								
09/03/2017	28/12/2019	–	66 500	–	–	–	–	**66 500**
18/12/2017	18/12/2020	–	69 700	–	–	–	–	**69 700**
Total		–	136 200	–	–	–	–	**136 200**
F Sekha#								
28/12/2016	28/12/2019	27 200	–	–	–	–	–	**27 200**
18/12/2017	18/12/2020	–	40 400	–	–	–	–	**40 400**
Total		27 200	40 400	–	–	–	–	**67 600**
M Nyati^								
19/12/2014	18/12/2017	21 900	–	–	(21 900)	–	–	**–**
29/06/2016	29/12/2018	37 500	–	–	(37 500)	–	–	**–**
28/12/2016	28/12/2019	45 800	–	–	(45 800)	–	–	**–**
Total		105 200	–	–	(105 200)	–	–	**–**

* *Appointed on 13/03/2017. On appointment, RA Shuter was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive will be determined based on the market value of 327 214 ordinary listed shares in MTN Group Limited. The incentive will be paid on 12/03/2020.*

** *Appointed on 03/04/2017. On appointment, RT Mupita was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive will be determined based on the market value of 446 027 ordinary listed shares in MTN Group Limited. The incentive will be paid on 28/10/2019.*

*** *Appointed on 16/01/2017. On appointment, J Schulte-Bockum was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive will be determined based on the market value of 64 423 ordinary listed shares in MTN Group Limited. The incentive will be paid on 15/01/2020.*

^^ *Appointed on 01/01/2017.*

\# *Appointed on 01/06/2017.*

^ *Resigned on 10/03/2017.*

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 as at 31 December 2016	Offered	Exercised	Forfeited	Exercise date	Exercise price R	**Number outstanding as at 31 December 2017**
JA Desai*								
20/12/2013	19/12/2016	44 400	–	–	(44 400)	–	–	**–**
19/12/2014	18/12/2017	44 500	–	–	(3 208)	–	–	**41 292**
29/06/2016	29/12/2018	90 400	–	–	(45 003)	–	–	**45 397**
28/12/2016	28/12/2019	107 300	–	–	(80 182)	–	–	**27 118**
Total		286 600	–	–	(172 793)	–	–	**113 807**
M Fleischer								
19/12/2014	18/12/2017	30 400	–	–	–	–	–	**30 400**
29/06/2016	29/12/2018	51 900	–	–	–	–	–	**51 900**
28/12/2016	28/12/2019	75 200	–	–	–	–	–	**75 200**
18/12/2017	18/12/2020	–	73 000	–	–	–		**73 000**
Total		157 500	73 000	–	–	–	–	**230 500**
F Moolman								
20/12/2013	19/12/2016	15 700	–	–	(15 700)	–	–	**–**
19/12/2014	18/12/2017	15 700	–	–	–	–	–	**15 700**
29/06/2016	29/12/2018	44 700	–	–	–	–	–	**44 700**
28/12/2016	28/12/2019	66 400@	–	–	–	–	–	**66 400**
18/12/2017	18/12/2020	–	66 100	–	–	–	–	**66 100**
Total		142 500	66 100	–	(15 700)	–	–	**192 900**
SB Mtshali								
20/12/2013	19/12/2016	6 000	–	(1 500)	(4 500)	14/03/2017	122,23	**–**
19/12/2014	18/12/2017	5 800	–	–	–	–	–	**5 800**
29/06/2016	29/12/2018	10 100	–	–	–	–	–	**10 100**
28/12/2016	28/12/2019	12 800	–	–	–	–	–	**12 800**
18/12/2017	18/12/2020	–	12 600	–	–	–	–	**12 600**
Total		34 700	12 600	(1 500)	(4 500)	–	–	**41 300**

* *Retired on 16/01/2017.*

@ *Restated. 28/12/2016 award reduced by 200.*

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 as at 31 December 2016	Offered	Exercised	Forfeited	Exercise date	Exercise price R	**Number outstanding as at 31 December 2017**
S Ntsele								
20/12/2013	19/12/2016	5 300	–	(1 325)	(3 975)	14/03/2017	122,23	**–**
19/12/2014	18/12/2017	5 000	–	–	–	–	–	**5 000**
29/06/2016	29/12/2018	25 500	–	–	–	–	–	**25 500**
28/12/2016	28/12/2019	31 400	–	–	–	–	–	**31 400**
18/12/2017	18/12/2020	–	30 700	–	–	–	–	**30 700**
Total		67 200	30 700	(1 325)	(3 975)	–	–	**92 600**
K Toriola								
20/12/2013	19/12/2016	15 500	–	–	(15 500)	–	–	**–**
19/12/2014	18/12/2017	22 300	–	–	–	–	–	**22 300**
29/06/2016	29/12/2018	54 700	–	–	–	–	–	**54 700**
28/12/2016	28/12/2019	55 900	–	–	–	–	–	**55 900**
18/12/2017	18/12/2020	–	69 100	–	–	–	–	**69 100**
Total		148 400	69 100	–	(15 500)	–	–	**202 000**
S van Coller								
28/12/2016	28/12/2019	100 800	–	–	–	–	–	**100 800**
18/12/2017	18/12/2020	–	108 600	–	–	–		**108 600**
Total		100 800	108 600	–	–	–	–	**209 400**
G Engling*								
20/12/2013	19/12/2016	10 700	–	–	(10 700)	–	–	**–**
19/12/2014	18/12/2017	10 000	–	–	–	–	–	**10 000**
29/06/2016	29/12/2018	28 800	–	–	–	–	–	**28 800**
28/12/2016	28/12/2019	21 400	–	–	–	–	–	**21 400**
Total		70 900	–	–	(10 700)	–	–	**60 200**
I Jaroudi								
20/12/2013	19/12/2016	19 600	–	–	(19 600)	–	–	**–**
19/12/2014	18/12/2017	24 600	–	–	–	–	–	**24 600**
29/06/2016	29/12/2018	60 000	–	–	–	–	–	**60 000**
28/12/2016	28/12/2019	89 000	–	–	–	–	–	**89 000**
18/12/2017	18/12/2020	–	77 600	–	–	–	–	**77 600**
Total		193 200	77 600	–	(19 600)	–	–	**251 200**

* *Ceased to be a prescribed officer on 03/04/2017.*

Company statement of comprehensive income

for the year ended 31 December 2017

	Note	**2017 Rm**	2016 Rm
Dividend income	1	**12 500**	20 200
Management fees received	1	**208**	163
Finance income	2	**894**	531
Other income		**1**	–
Operating expenses	3	**(278)**	(394)
Profit before tax		**13 325**	20 500
Income tax expense	4	**(10)**	(1)
Profit and total comprehensive income for the year		**13 315**	20 499

Company statement of financial position

at 31 December 2017

	Note	**2017 Rm**	2016 Rm
ASSETS			
Non-current assets		**23 758**	23 325
Investment in subsidiaries	5	**23 758**	23 325
Current assets		**889**	1 609
Trade and other receivables	6	**509**	242
Cash and cash equivalents	7	**380**	1 367
Total assets		**24 647**	24 934
SHAREHOLDERS' EQUITY			
Ordinary share capital and share premium	8	**37 040**	37 040
Accumulated loss		**(22 923)**	(23 058)
Other reserves		**7 619**	6 698
Total equity		**21 736**	20 680
LIABILITIES			
Current liabilities		**2 911**	4 254
Taxation liability	11	**1**	5
Trade and other payables	9	**279**	750
Financial guarantee contracts	13	**2 631**	3 499
Total liabilities		**2 911**	4 254
Total equity and liabilities		**24 647**	24 934

Company statement of changes in equity

for the year ended 31 December 2017

	Share capital Rm	Share premium Rm	Accumulated losses Rm	Other reserves[1] Rm	Total Rm
Balance at 1 January 2016	*	40 502	(23 633)	1 662	18 531
Profit and total comprehensive income	–	–	20 499	–	20 499
Transactions with shareholders					
Shares cancelled	(*)	–	–	–	(*)
Share buy-back from MTN Zakhele (note 8)	(*)	(3 462)	–	–	(3 462)
Share-based payment transaction – MTN Zakhele Futhi transaction (note 8)	–	–	–	5 034	5 034
Dividends declared[#]	–	–	(19 928)	–	(19 928)
Other movements	–	–	4	2	6
Balance at 31 December 2016	*	37 040	(23 058)	6 698	20 680
Balance at 1 January 2017	*****	**37 040**	**(23 058)**	**6 698**	**20 680**
Profit and total comprehensive income	**–**	**–**	**13 315**	**–**	**13 315**
Transactions with shareholders					
Share-based payment transaction – MTN Zakhele Futhi transaction (note 8)	**–**	**–**	**–**	**921**	**921**
Dividends declared[#]	**–**	**–**	**(13 180)**	**–**	**(13 180)**
Balance at 31 December 2017	*****	**37 040**	**(22 923)**	**7 619**	**21 736**
Note	8	8			

[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 2017

	Note	2017 Rm	2016 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilised in)/generated from operations	10	**(523)**	399
Finance income received		**31**	16
Income tax paid	11	**(14)**	(49)
Dividends paid		**(13 173)**	(19 904)
Dividends received	1	**12 500**	20 200
Net cash (utilised in)/generated from operating activities		**(1 179)**	662
CASH FLOWS FROM FINANCING ACTIVITIES			
Buy-back of shares from MTN Zakhele		**–**	(2 645)
Premium received on option issued to MTN Zakhele Futhi		**192**	3 209
Net cash generated from financing activities		**192**	564
Net (decrease)/increase in cash and cash equivalents		**(987)**	1 226
Cash and cash equivalents at the beginning of the year		**1 367**	141
Cash and cash equivalents at the end of the year	7	**380**	1 367

Notes to the company financial statements

for the year ended 31 December 2017

1 REVENUE

Revenue comprises dividend income and management fees received. Dividend income is recognised when the right to receive payment is established. Management fees received are recognised as and when the services are rendered.

	2017 Rm	2016 Rm
Dividend income	**12 500**	20 200
Management fees received	**208**	163
	12 708	20 363

2 FINANCE INCOME

Finance income
Finance income mainly comprises amortisation of the financial guarantee contracts and the related net foreign exchange gains.

	2017 Rm	2016 Rm
Interest income on bank deposits	**31**	23
Amortisation of financial guarantee contracts	**581**	296
Net foreign exchange gains	**282**	212
Finance income	**894**	531

3 OPERATING EXPENSES

The following disclosable items have been included in arriving at profit before tax:

	2017 Rm	2016 Rm
Directors' emoluments	**(19)**	(24)
Fees paid for services	**(227)**	(323)
– Professional fees	**(38)**	(175)
– Management fees paid	**(189)**	(148)
Auditors' remuneration	**(8)**	(9)
– Audit fees	**(8)**	(9)

4 INCOME TAX EXPENSE

Refer to note 3.1 of the group financial statements for the applicable accounting policy.

	2017 Rm	2016 Rm
Normal tax – current year	**(10)**	(1)

South African normal taxation is calculated at 28% (2016: 28%) of the estimated taxable income for the year.

	2017 %	2016 %
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	**(28,8)**	(28,8)
Expenses not allowed	**0,9**	0,8
Effective tax rate	**0,1**	*

** Percentage less than 0,1%.*

5 INVESTMENT IN SUBSIDIARIES

The company accounts for investments 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.

The group structure and company's subsidiaries are disclosed in note 9.1 of the group financial statements.

	2017 Rm	2016 Rm
Total interest in Mobile Telephone Networks Holdings Limited[1]	**22 260**	22 260
Total interest in MTN Group Management Services Proprietary Limited	**57**	57
Total interest in Mobile Telephone Networks Proprietary Limited[2]	**1 441**	1 008
Total interest in subsidiary companies	**23 758**	23 325

[1] During the 2016 year, the company provided guarantees to Mobile Telephone Networks Holdings Limited for no compensation and the fair values thereof have been recognised as part of the cost of the investment.

[2] The increase in the investment in Mobile Telephone Networks Proprietary Limited during 2017 relates to the share-based payment transaction undertaken by the group with MTN Zakhele Futhi (note 8).

6 TRADE AND OTHER RECEIVABLES

Refer to note 4.2 of the group financial statements for the applicable accounting policy.

	2017 Rm	2016 Rm
Trade receivables due from related parties	**491**	223
Prepayments and other receivables	**1**	4
Sundry debtors and advances	**17**	15
	509	242

7 CASH AND CASH EQUIVALENTS

Refer to note 4.4 of the group financial statements for the applicable accounting policy.

	2017 Rm	2016 Rm
Cash at bank	**380**	1 367

8 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

Refer to note 8.1 of the group financial statements for the applicable accounting policy.

	2017 Number of shares	2016 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)	**1 884 269 758**	1 884 269 758
In issue at the beginning of the year	**1 884 269 758**	1 845 493 245
MTN Zakhele shares cancelled and delisted[1]	**–**	(38 058 865)
Shares issued to MTN Zakhele Futhi	**–**	76 835 378
In issue at the end of the year	**1 884 269 758**	1 884 269 758
Options held by MTN Zakhele Futhi[2]	**(76 835 378)**	(76 835 378)
In issue at the end of the year – excluding MTN Zakhele Futhi	**1 807 434 380**	1 807 434 380

[1] *Included in the shares cancelled are 1 444 172 shares acquired in 2015 and delisted in 2016.*

[2] *These shares, although legally issued to MTN Zakhele Futhi, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.*

8 ORDINARY SHARE CAPITAL AND SHARE PREMIUM (continued)

	2017 Rm	2016 Rm
Share capital		
Balance at the beginning of the year	*	*
Shares cancelled	–	(*)
Share buy-back	–	(*)
Balance at the end of the year	*	*
Share premium		
Balance at the beginning of the year	**37 040**	40 502
Share buy-back	–	(3 462)
Balance at the end of the year	**37 040**	37 040

Amounts less than R1 million.

Share-based payment transaction

The group unwound its broad-based black economic empowerment (BBBEE) transaction 'MTN Zakhele' during November 2016. As a consequence of the unwind of MTN Zakhele, the group concluded a new BBBEE transaction. The new BBBEE transaction was structured through a separate legal entity, MTN Zakhele Futhi (RF) Limited (hereafter referred to as MTN Zakhele Futhi). The transaction is designed to provide long-term, sustainable benefits to all BBBEE participants and will run for a period of eight years.

MTN Zakhele Futhi acquired 76 835 378 of the company's shares at a price of R128,50 per share. The acquisition of 35 747 139 shares (and transaction costs of R36 million incurred by MTN Zakhele Futhi) was funded using equity raised from the allotment of MTN Zakhele Futhi shares totalling R1 651 million (including R557 million obtained from the group for the purchase of MTN Zakhele Futhi shares in terms of its underwrite option), reinvestment of R817 million from the existing MTN Zakhele shareholders and third-party preference share funding of R2 161 million. The acquisition of 15 367 075 shares was funded through a donation of R1 975 million received from the group. The company also issued 25 721 164 notional vendor finance shares (NVF shares) at par value to MTN Zakhele Futhi amounting to approximately R3 305 million.

The BBBEE transaction with MTN Zakhele Futhi has the substance of an option for accounting purposes. MTN Zakhele Futhi must repay the preference shares and NVF before the company's shares held by it become unencumbered, while the company's shares are the only security offered by MTN Zakhele Futhi for the debt funding obtained. Until the company's shares held by MTN Zakhele Futhi become unencumbered, the ordinary shareholders of MTN Zakhele Futhi are exposed to the gains on the company's shares, while their exposure to downside risk or risk of loss is limited to their equity contributions (i.e. the purchase price paid by them for the MTN Zakhele Futhi shares). Consequently, although legally issued, the company does not recognise its shares issued to MTN Zakhele Futhi and does not recognise the NVF as outstanding for accounting purposes. Equity contributions from external parties comprising cash received from new investors (including amounts funded from the preference shares) and the reinvestment by existing MTN Zakhele shareholders, are in substance a premium paid for the option to acquire the company's shares in future. The resultant premium recognised by the company in the share-based payment reserve is R4 036 million. Securities transfer tax of R10 million was paid by MTN on the acquisition of shares from MTN Zakhele, which was recognised in the share-based payment reserve.

The transaction with MTN Zakhele Futhi's shareholders is an equity-settled share-based payment transaction among group entities in terms of which the company will issue shares in future to MTN Zakhele Futhi's shareholders in exchange for BBBEE benefits received by Mobile Telephone Networks Proprietary Limited (note 5).

During the 2017 year, an additional 24 388 294 MTN Zakhele Futhi shares were sold to external parties, that were previously acquired by the company in terms of the underwrite option during the allotment of MTN Zakhele Futhi shares in 2016. The shares were sold in four tranches on different grant dates for a total consideration of R487 million. The total increase in equity resulting from these share-based payment transactions amounted to R921 million of which R434 million (2016: R1 008 million) relates to the share-based payment expense capitalised as part of the investment in subsidiaries and R487 million relates to the option premium on the shares sold during the year.

9 TRADE AND OTHER PAYABLES

Refer to note 4.5 of the group financial statements for the applicable accounting policy.

	2017 Rm	2016 Rm
Payables due to related parties	**99**	560
Accrued expenses and other payables	**180**	190
	279	750

10 CASH (UTILISED IN)/GENERATED FROM OPERATIONS

	2017 Rm	2016 Rm
Profit before tax	**13 325**	20 500
Adjusted for:		
Dividend Income (note 1)	**(12 500)**	(20 200)
Finance income (note 2)	**(894)**	(531)
	(69)	(231)
Changes in working capital	**(454)**	630
Decrease in trade and other receivables	**27**	70
(Decrease)/increase in trade and other payables	**(481)**	560
	(523)	399

11 INCOME TAX PAID

	2017 Rm	2016 Rm
Balance at the beginning of the year	**(5)**	(52)
Amounts recognised in profit or loss (note 4)	**(10)**	(1)
Other	**–**	(1)
Balance at the end of the year	**1**	5
Total tax paid	**(14)**	(49)

12 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 year with related parties.

The following is a summary of significant transactions with subsidiaries during the year and significant balances at the reporting date:

	2017 Rm	2016 Rm
Dividends paid		
– Mobile Telephone Networks Holdings Limited	**(70)**	(112)
– MTN Zakhele Futhi (RF) Limited	**(538)**	–
Dividends received		
– Mobile Telephone Networks Holdings Limited	**12 500**	20 200
Management fees paid		
– MTN Group Management Services Proprietary Limited	**(189)**	(148)
Management fees received		
– MTN International Proprietary Limited	**208**	163
Professional fees paid		
– MTN Group Management Services Proprietary Limited	**–**	(2)
Receivables		
– Mobile Telephone Networks Holdings Limited	**93**	111
– MTN Group Management Services Proprietary Limited	**29**	6
– Mobile Telephone Networks Proprietary Limited	**7**	3
– MTN (Dubai) Limited[1]	*****	33
– MTN International Proprietary Limited	**66**	55
– MTN Zakhele Futhi (RF) Limited[2]	**–**	13
– MTN (Mauritius) Investments Limited[3]	*****	2
– MTN International (Mauritius) Limited	*****	–
Payables		
– MTN Group Management Services Proprietary Limited	**(68)**	(14)
– MTN (Dubai) Limited[1]	**(31)**	(8)
– Mobile Telephone Networks Holdings Limited	**–**	(538)
Share dealings		
– Main Street 1561 Proprietary Limited[4]	**295**	–

[1] The balances result from transactions whereby MTN Dubai Limited and the company extinguished liabilities on behalf of each other.

[2] The balance arose from the MTN Zakhele Futhi transaction (note 8).

[3] The balance results from transactions whereby the company extinguished liabilities on behalf of MTN (Mauritius) Investments Limited.

[4] On 28 December 2017, 14 750 000 MTN Zakhele Futhi shares, acquired by the company in terms of the 2016 MTN Zakhele Futhi underwrite option (note 8), were sold for a total consideration of R295 million. The shares were purchased by Main Street 1561 Proprietary Limited, a wholly owned company of PF Nhleko, non-executive chairman of MTN Group.

** Amounts less than R1 million.*

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 3 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.

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 *Revenue*.

Where guarantees in relation to loans to related parties are provided for no compensation, the fair values are accounted for as capital contributions and recognised as part of the cost of the investment.

The company along with other subsidiaries has guaranteed the bonds, revolving credit facilities and general banking facilities of Mobile Telephone Networks Holdings Limited and MTN (Mauritius) Investments 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]	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Bond guarantees				
Bonds[1] and commercial paper	**20 000**	20 000	**5 957**	3 259
Syndicated and other loan facilities				
ZAR long-term loan	**23 738**	23 800	**18 238**	18 615
US$ long-term loan	**24 748**	27 445	**10 518**	11 676
General banking facilities				
ZAR facilities	**2 000**	3 000	**–**	778
	70 486	74 245	**34 713**	34 328

[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 Limited and suretyship to the amount of R5 850 million (2016: 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 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) Investments Limited on the Irish Stock Exchange amounting to US$1 750 million (2016: US$1 750 million). A financial liability was recognised at the fair value of the guarantees 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 US$ syndicated loan facilities with Citibank amounting to US$1 billion (2016: US$1 billion). An amount of US$450 million was drawn down by MTN International (Mauritius) Limited during the prior year. 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 R2 631 million (2016: R3 499 million) as at 31 December 2017 and R581 million (2016: R296 million) was amortised to profit or loss for the year.

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
2017				
Trade and other receivables	**508**	**–**	**508**	#
Cash and cash equivalents	**380**	**–**	**380**	#
	888	**–**	**888**	#
Trade and other payables	**–**	**279**	**279**	#
Financial guarantee contracts	**–**	**2 631**	**2 631**	**1 432**
	–	**2 910**	**2 910**	**1 432**
2016				
Trade and other receivables	238	–	238	#
Cash and cash equivalents	1 367	–	1 367	#
	1 605	–	1 605	#
Trade and other payables	–	750	750	#
Financial guarantee contracts	–	3 499	3 499	3 194
	–	4 249	4 249	3 194

 # The carrying amount of the financial instrument approximates its fair value.

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
2017				
Current financial liabilities				
Financial guarantee contracts	**–**	**–**	**1 432**	**1 432**
2016				
Current financial liabilities				
Financial guarantee contracts	–	–	3 194	3 194

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.1 Categories of financial instruments (continued)

14.1.1 Fair value estimation (continued)

Valuation methods and assumptions

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

Citibank 1

The fair value of the financial guarantee contract is 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.

Citibank 2

The fair value of the financial guarantee contract is determined using the fixed exposure method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default, the maximum recovery and interest rate curve.

Eurobonds

The fair value of the financial guarantee contract is determined using the relative valuation method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default, the maximum recovery and interest rate curve.

14.2 Credit risk

Refer to note 7.1.4 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:

	2017 Rm	2016 Rm
Cash and cash equivalents	**380**	1 367
Trade and other receivables	**508**	238
Financial guarantee contracts	**34 713**	34 328
	35 601	35 933

Credit risk is mitigated to the extent that the majority of trade receivables consist of related party receivables of R491 million (2016: R223 million).

The company holds its cash balances in financial institutions with a rating of AA-. Given this rating, management does not expect the counterparty to fail to meet its obligations.

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.2 Credit risk (continued)

Trade and other receivables

Ageing and impairment analysis

	2017			2016		
	Gross Rm	**Impaired Rm**	**Net Rm**	Gross Rm	Impaired Rm	Net Rm
Fully performing other receivables	**96**	**–**	**96**	65	–	65
Sundry debtors and advances	**–**	**–**	**–**	–	–	–
Trade receivables due from related parties	**96**	**–**	**96**	65	–	65
Past due other receivables	**412**	**–**	**412**	173	–	173
Sundry debtors and advances	**17**	**–**	**17**	15	–	15
0 to 3 months	**8**	**–**	**8**	8	–	8
3 to 6 months	**–**	**–**	**–**	–	–	–
6 to 9 months	**–**	**–**	**–**	–	–	–
9 to 12 months	**9**	**–**	**9**	7	–	7
Trade receivables due from related parties	**395**	**–**	**395**	158	–	158
0 to 3 months	**296**	**–**	**296**	1	–	1
3 to 6 months	**5**	**–**	**5**	13	–	13
6 to 9 months	**1**	**–**	**1**	40	–	40
9 to 12 months	**93**	**–**	**93**	104	–	104
	508	**–**	**508**	238	–	238

14.3 Liquidity risk

Refer to note 7.1.5 of the group financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2017 Rm	2016 Rm
Cash and cash equivalents	**380**	1 367
Trade and other receivables	**508**	238
	888	1 605

The company and other subsidiaries in the group have undrawn borrowing facilities of R19 730 million (2016: R16 100 million) available for use.

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.3 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within 1 month or on demand Rm	More than 1 month but not exceeding 3 months Rm	More than 3 months but not exceeding 1 year Rm
2017					
Trade and other payables	**279**	**279**	**279**	**–**	**–**
Financial guarantee contracts	**34 713**	**34 713**	**34 713**	**–**	**–**
	34 992	**34 992**	**34 992**	**–**	**–**
2016					
Trade and other payables	750	750	750	–	–
Financial guarantee contracts	34 328	34 328	34 328	–	–
	35 078	35 078	35 078	–	–

Further details of financial guarantee contracts are provided in note 13.

14.4 Market risk

14.4.1 Interest rate risk

Refer to note 7.1.6 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
2017	
Financial assets	
Cash and cash equivalents	**380**
Trade and other receivables	**196**
	576
Financial liabilities	
Trade and other payables	**99**
2016	
Financial assets	
Cash and cash equivalents	1 367
Trade and other receivables	223
	1 590
Financial liabilities	
Trade and other payables	560

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk (continued)

14.4.1 Interest rate risk (continued)

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 purposes only, as in practice market rates rarely change in isolation.

The company is mainly exposed to fluctuations in the following market interest rates: JIBAR, prime and LIBOR 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 2016.

	2017 Increase/(decrease) in profit before tax			2016 Increase/(decrease) in profit before tax		
	Change in interest rate %	**Upward change in interest rate %**	**Downward change in interest rate Rm**	Change in interest rate %	Upward change in interest rate %	Downward change in interest rate Rm
JIBAR	**1**	**1,3**	**(1,3)**	1	(3,6)	3,6
Prime	**1**	**3,8**	**(3,8)**	1	13,6	(13,6)
LIBOR	**1**	**(0,3)**	**0,3**	1	–	–

14.4.2 Currency risk

Refer to note 7.1.6.3 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.

	2017 Rm	2016 Rm
Current assets		
United States dollar	*****	33
Current liabilities		
United States dollar	**2 662**	3 507

* *Amounts less than R1 million.*

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk (continued)

14.4.2 Currency risk (continued)

Sensitivity analysis (continued)

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
2017			
US$:ZAR	**10**	**(266)**	**266**
2016			
US$:ZAR	10	(347)	347

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 group 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.
dti	Department of Trade and Industry
EBITDA	Earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation and amortisation and is also presented before recognising the following items: • Impairment of goodwill • Loss on derecognition of a long-term loan receivable • Net monetary gain resulting from the application of hyperinflation • Share of results of associates and joint ventures after tax
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.
ICASA	Independent Communications Authority of South Africa
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 asset 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 adjustment	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 handset and a service contract.
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 standalone 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. The group controls an entity 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 to direct the activities of the entity.
Termination benefits	Benefits that may be payable when an employee's employment is terminated before the normal retirement date due to death or 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 share-holders	%	Number of shares	%
1 – 1 000 shares	110 390	88,27	24 307 588	1,29
1 001 – 10 000 shares	12 433	9,94	32 480 025	1,72
10 001 – 100 000 shares	1 408	1,13	46 672 967	2,48
100 001 – 1 000 000 shares	640	0,51	198 710 600	10,55
1 000 001 shares and over	189	0,15	1 582 098 578	83,96
Total	125 060	100,00	1 884 269 758	100,00

NOMINEES HOLDING SHARES IN EXCESS OF 5% OF THE ISSUED ORDINARY CAPITAL OF THE COMPANY

	2017		2016	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Standard Bank Nominees (Tvl) Proprietary Limited	**776 198 061**	**41,19**	772 384 542	40,99
Nedcor Bank Nominees Limited	**155 482 281**	**8,25**	136 004 278	7,22
First National Nominees Proprietary Limited	**132 429 927**	**7,03**	323 267 810	17,16
Goudstad Nominees	**111 828 812**	**5,93**	95 369 655	5,06

SPREAD OF ORDINARY SHAREHOLDERS

	2017			2016	
	Number of share-holdings	**Number of shares**	**% of issued share capital**	Number of shares	% of issued share capital
Public	**125 020**	**1 325 341 372**	**70,33**	1 330 035 300	70,59
Non-public	**40**	**558 928 386**	**29,67**	554 234 458	29,41
Directors and associates of the company holdings	**11**	**377 706**	**0,02**	325 087	0,02
MTN Zakhele Futhi (RF) Limited	**1**	**76 835 378**	**4,08**	76 835 378	4,08
Lombard Odier Darier Hentsch & Cie (M1 Limited)	**7**	**189 330 000**	**10,05**	185 657 322	9,85
Government Employees Pension Fund	**20**	**282 402 016**	**14,99**	281 210 416	14,92
MTN Telephone Network Holdings Limited	**1**	**9 983 286**	**0,53**	10 206 255	0,54
Total	**125 060**	**1 884 269 758**	**100,00**	1 884 269 758	100,00

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE

	2017		2016	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Government Employees Pension Fund	**282 402 016**	**14,99**	281 210 416	14,92
Lombard Odier Darier Hentsch & Cie (M1 Limited)	**189 330 000**	**10,05**	185 657 322	9,85