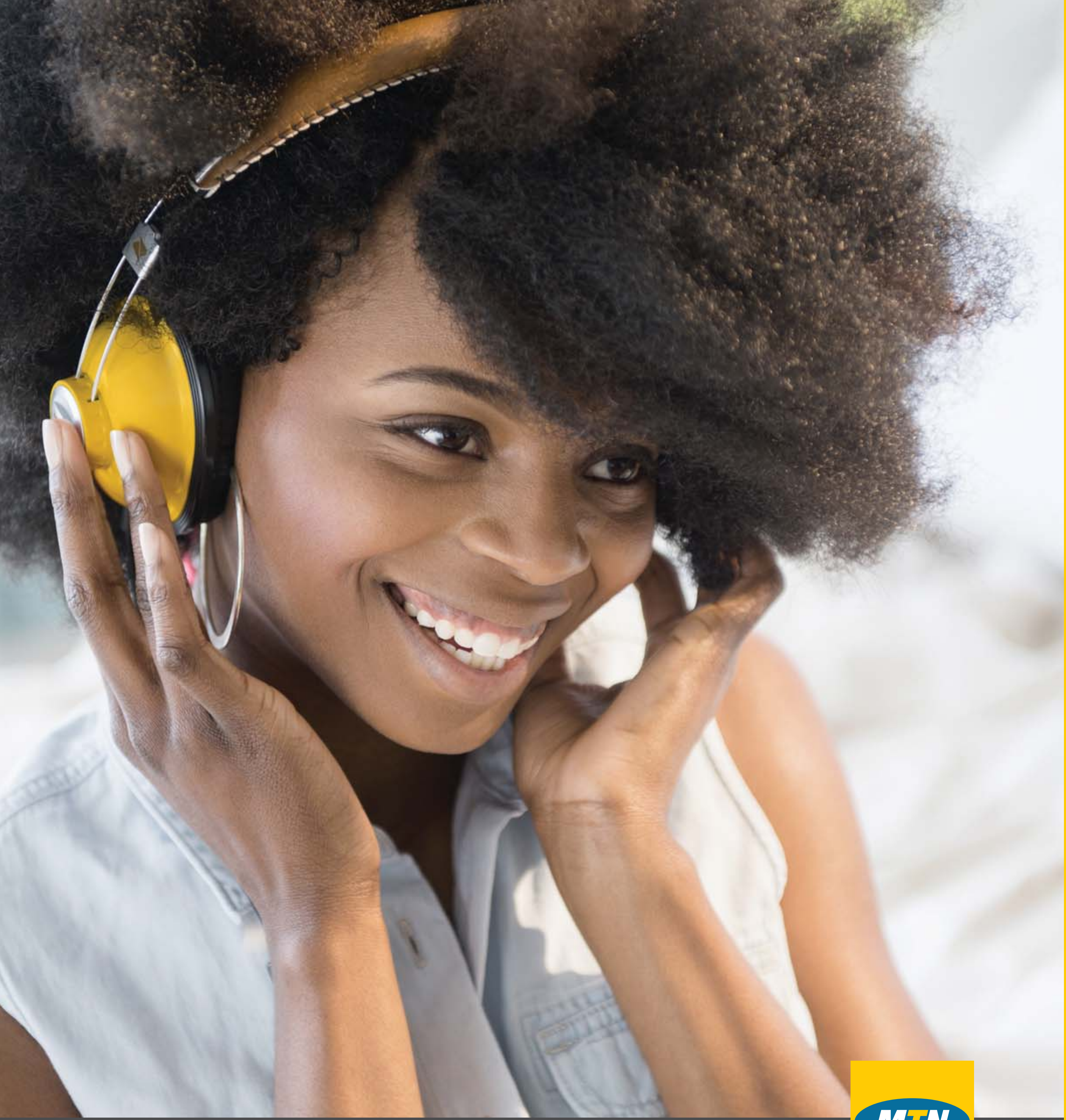

MTN GROUP LIMITED
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2014

Contents

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

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

These annual financial statements were approved for issue on 3 March 2015 by the board of directors.

Statement of directors' responsibility

for the year ended 31 December 2014

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

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 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 Company to satisfy their obligation with respect to the preparation of financial statements.

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

The Group operates in an established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are controlled. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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

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

The going-concern basis has been adopted in preparing the Group and Company annual financial statements. The directors have no reason to believe that the Group or the Company will not be a going concern in the year ahead, based on forecasts and available cash resources. 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 Company annual financial statements and their unqualified audit report is presented on page 9.

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

The Group annual financial statements and Company annual financial statements which appear on pages 1 to 147 were approved for issue by the board of directors on 3 March 2015 and are signed on its behalf by:

PF Nhleko
Chairman

RS Dabengwa
Group president and chief executive officer

Fairland

Certificate by the company secretary

for the year ended 31 December 2014

I certify that MTN Group Limited has filed all its returns and notices for the year ended 31 December 2014, as are required of a public company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008, and that such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

SB Mtshali
Group secretary

Fairland
3 March 2015

Report of the audit committee

The MTN Group audit committee (the committee) presents its report in terms of section 94(7)(f) of the Companies Act and as recommended by King III for the financial year ended 31 December 2014.

TERMS OF REFERENCE

During 2014, the committee reviewed its terms of reference in conjunction with the terms of reference of the risk management, compliance and corporate governance committee, in order to remove some apparent duplication of roles between the two committees and also align the terms of reference with the group business risk management charter. The alignment was conducted in order to create synergy between the function of group business risk management and the oversight role of the committee. The committee and the board have adopted the revised terms of reference.

MEMBERSHIP, MEETING ATTENDANCE AND EVALUATION

Members of the committee are formally nominated by the board for re-election by shareholders. The individual members satisfy the requirements to serve as members of an audit committee as provided in section 94 of the Companies Act and have adequate knowledge and experience. The composition of the committee and the attendance at meetings by its members are set out below for the period January to December 2014:

Members	Attendance
AF van Biljon (Chairman)	**4/4**
NP Mageza	**4/4**
MJN Njeke	**4/4**
J van Rooyen	**4/4**

The biographical details of the members are set out on pages 34 and 35 of the integrated report. The committee meets at least four times a year and members' fees are included in the table of directors' emoluments and related payments on page 120.

Alan van Biljon, who has been a member and committee chairman for over nine years, including 2014, has been withdrawn as chairman of the committee with effect from 1 January 2015. Alan has been a proficient chairman and has served the committee with the utmost integrity and commitment. The board thanks Alan for his valuable contribution and his dedication to the committee over the years.

Christine Ramon is the newly appointed chairman and member of the committee with effect from 1 January 2015. Christine has extensive financial and accounting experience and her knowledge and expertise will prove to be invaluable in her role as chairman.

The board is confident that Christine will make a meaningful contribution to the activities of the committee.

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

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

EXECUTION OF FUNCTIONS OF THE AUDIT COMMITTEE

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

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

EXTERNAL AUDITORS

- Considered and satisfied itself with the independence and objectivity of the joint external auditors and designated registered auditors and ensured that the scope of non-audit services rendered did not impair their independence.
- Approved the non-audit-related services performed by the joint external auditors during the year in accordance with the policy established and approved by the board.
- Determined the joint external auditors' terms of engagement and fees for 2014.
- Pre-approved all agreements for the provision of non-audit services, through the chairman of the committee to whom this authority has been delegated.
- Satisfied itself that the joint external auditors and the designated registered auditors are accredited on the JSE's list of auditors and advisers. The committee recommends the reappointment of the joint external auditors and the appointment of the designated auditors at the next annual general meeting.

Report of the audit committee *continued*

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

- Reviewed the accounting policies and the annual financial statements of the Group for the year ended 31 December 2014, and based on the information provided to it, the committee considers that, in all material respects, they are appropriate and comply with the provisions of the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, financial 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 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.

INTERNAL FINANCIAL CONTROLS

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

INTEGRATED REPORTING AND COMBINED ASSURANCE

- Reviewed the disclosure of the Group's sustainability information as detailed in the integrated report. Nothing has come to the attention of the committee to indicate that the information is in any way in conflict with the information contained in the annual financial statements.
- Discussed the sustainability information with the chairmen of the risk management, compliance and corporate governance committee (risk committee) and the social and ethics committee. The committee is satisfied that assurance coverage as indicated was obtained from internal and external assurance providers. The Group's external assurance provider's independent report is set out in the Group's integrated report on pages 52 to 53. In light of this, the committee has no reason to believe that the information on sustainability as contained in the integrated report is not reliable to the extent of the reported assurance.
- Considered and recommended the integrated report for adoption and approval by the board.

GOING CONCERN STATUS

- Considered the going concern status of the Group and the Company on the basis of review of the annual financial statements and the information available to the committee and recommended such going concern status for adoption by the board. The board statement on the going-concern status of the Group and Company is contained on page 5 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 chief business risk officer, Mr SA Fakie, and was satisfied that he has the necessary expertise and experience to fulfil his role and that he had performed appropriately during the year under review.

FINANCE DIRECTOR AND FINANCE FUNCTION

- Reviewed the performance of the Group chief financial officer, Mr BD Goschen and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review. The committee noted that Mr SA Fakie retired from the Group with effect from 6 February 2015. The committee was satisfied with the experience and expertise of Mr S Sooklal who was appointed as chief business risk officer of the Group with effect from 1 February 2015.
- Considered, and has satisfied itself of the appropriateness of the expertise and experience of the finance function and the adequacy of resources employed in this function.

SOLVENCY AND LIQUIDITY REVIEW

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

The committee also considered guarantees issued on behalf of subsidiaries.

The Group's joint external auditors are Pricewaterhouse-Coopers Inc. and SizweNtsalubaGobodo Inc. Fees paid to the auditors for the year under review are disclosed in note 6 of the annual financial statements on page 36.

AF van Biljon
Audit committee chairman (withdrawn 1 January 2015)

KC Ramon
Audit committee chairman (appointed 1 January 2015)

3 March 2015

Directors' report

for the year ended 31 December 2014

NATURE OF BUSINESS

MTN Group Limited (the Company) incorporated in the Republic of South Africa on 23 November 1994 carries on the business of investing in the telecommunications industry through its subsidiary companies, joint ventures and associated companies. The 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 Company annual financial statements were prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, financial 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 2014 of R37 702 million (2013: R30 862 million[1]).

Full details of the financial results of the Group and Company are set out on pages 10 to 143 of these annual financial statements for the year ended 31 December 2014.

SALE OF TOWERS AND INVESTMENT IN TOWER COMPANY

As part of the Group's strategy to monetise its investment in tower infrastructure, the Group entered into a transaction with IHS Holdings Limited (IHS) which involves the sale of its mobile network towers in MTN Nigeria Communications Limited (note 5).

In addition, the Group acquired an equity investment in IHS (note 13).

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 December 2014 totalled R25 406 million (2013: R30 164 million) which comprise the following:

	2014 Rm	2013 Rm
Property, plant and equipment	**22 154**	26 804
Land and buildings	**380**	581
Leasehold improvements	**196**	181
Network infrastructure	**7 539**	12 332
Information systems, furniture and office equipment	**1 287**	1 496
Capital work-in-progress/ other[1]	**12 604**	11 966
Vehicles	**148**	248
Intangible assets	**3 252**	3 360
Software	**2 144**	1 991
Capital work-in-progress	**1 108**	1 369
	25 406	30 164

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

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out on pages 88 to 90 of these annual financial statements.

YEAR UNDER REVIEW

The detailed reviews of performance and the activities of the Group and Company are contained in the reports of the Group president and chief executive officer, and the Group chief financial officer as set out on pages 18 to 19 and 22 to 23 of the integrated report.

BORROWING POWERS

In terms of the memorandum of incorporation (MOI), the borrowing powers of the Company are unlimited. However, all borrowings by the Company are subject to limitations set out in the delegation of authority of the Group. The details of borrowings are disclosed in note 26.

[1] *Restated, refer to note 48.*

Directors' report

for the year ended 31 December 2014 *continued*

GOING CONCERN

The directors have reviewed the Group's budget and cash flow forecast for the year to 31 December 2015. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the Group and Company 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 Company has a direct or indirect interest are set out in note 47 of the annual financial statements on pages 128 and 129.

All Group entities have year ends consistent with that of the Company with the exception of Afrihost Proprietary Limited and Irancell Telecommunication Company Services (PJSC) (MTN Irancell), that have year ends of February and 21 December, respectively.

DISTRIBUTION TO SHAREHOLDERS

Final dividend

Notice is hereby given that a gross final dividend of 800 cents per share for the period to 31 December 2014 has been declared payable to shareholders. The number of ordinary shares in issue at the date of this declaration is 1 847 410 539 (including 10 704 475 treasury shares).

The dividend will be subject to a maximum local dividend tax rate of 15% which will result in a net dividend of 680 cents per share to those shareholders who bear the maximum rate of dividend withholding tax of 120 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	Friday, 20 March 2015
First trading day ex dividend on the JSE	Monday, 23 March 2015
Record date	Friday, 27 March 2015
Payment date	Monday, 30 March 2015

No share certificates may be dematerialised or rematerialised between Monday, 23 March 2015 and Friday, 27 March 2015, both days inclusive. On Monday, 30 March 2015, the dividend will be transferred electronically to the bank accounts of certificated shareholders who make use of this facility.

In respect of those who do not use this facility, cheques dated Monday, 30 March 2015 will be posted on or about that date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository Participant or broker credited on Monday, 30 March 2015.

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 445 cents per share (2013: 370 cents per share) amounting to R8 225 million (2013: R6 848 million) in respect of the half-year period ended 30 June 2014 was declared on 6 August 2014 and paid to shareholders on 1 September 2014.

Directors' report

for the year ended 31 December 2014 *continued*

Before declaring the interim dividend, the board:

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

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

Shareholders on the South African register who dematerialised their ordinary shares receive payment for their dividend electronically, as provided for by STRATE. For those shareholders who have not yet dematerialised their shareholding in the Company in certificated form, the Company operates an electronic funds transmission service, whereby dividends may be electronically transferred to shareholders' bank accounts. These shareholders are encouraged to mandate this method of payment for all future dividends by approaching the Company's share registrar, Computershare Investor Services Proprietary Limited, whose contact details are set out on page 88 of the integrated report.

SHARE CAPITAL

Authorised share capital

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

Issued share capital

The issued share capital of the Company is R184 836 (2013: R187 328) comprising 1 848 355 889 (2013: 1 873 278 848) ordinary shares of 0,01 cents each.

MTN Zakhele Scheme

Details of the MTN Zakhele Scheme are set out in note 24.

Details of participation in the MTN Zakhele Scheme by directors of the Company, the Group secretary, directors and the company secretary of major subsidiaries are set out on page 127 of the annual financial statements.

SHARE PRICE PERFORMANCE

Details of the share price performance of the Company are set out on page 87 of the integrated report.

CONTROL OF UNISSUED SHARE CAPITAL

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

ACQUISITION OF THE COMPANY'S OWN SHARES

At the last AGM held on 27 May 2014, 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 acquisition of its own shares. As this general approval remains valid only until the next AGM, to be held on Wednesday, 27 May 2015, 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.

During the year under review, a subsidiary of the Group acquired 10 704 475 shares in the Company at an average share price of R226,24, including costs. No shares of the Company were acquired by the Company or any of its subsidiaries in the prior year.

During the year 2 537 561 (2013: 11 443 802) shares were delivered back to the Company by MTN Zakhele. 1 592 211 (2013: 11 443 802) of these shares were cancelled by the Company during the year.

Further details of the authorised and issued shares are set out in note 24.

SHAREHOLDERS' INTEREST

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

Directors' report

for the year ended 31 December 2014 *continued*

DIRECTORATE

The composition and profiles of the board of directors of the Company are set out on pages 34 and 35 of the integrated report and the information on the board and board committees, its activities, meetings, attendance, and any other information are set out in the summarised corporate governance report on pages 37 to 51 of the integrated report.

Details of the directors' remuneration and shareholding are set out in note 46 on pages 120 to 127 of the annual financial statements.

RETIREMENT BY ROTATION OF DIRECTORS

In accordance with the Company's MOI, A Harper, NP Mageza and MLD Marole retire by rotation 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, JHN Strydom and AF van Biljon, who have served on the board for an aggregate period in excess of nine years, retire at the forthcoming AGM and are eligible and offer themselves for re-election, following an evaluation of their independence.

The profiles of the directors retiring by rotation and seeking re-election are set out on pages 34 and 35 of the integrated report.

APPOINTMENTS

During the year under review, KC Ramon was appointed to the board as an independent non-executive director, with effect from 1 June 2014. This appointment is subject to shareholder approval at the next AGM to be held on Wednesday, 27 May 2015. With effect from 1 January 2015, KC Ramon assumed responsibility as chairman of the Group audit committee.

There were no other appointments or resignations during the year under review.

INTERESTS OF DIRECTORS AND PRESCRIBED OFFICERS

Details of the interests of directors and prescribed officers are provided in note 46.

DIRECTORS AND PRESCRIBED OFFICERS' SHAREHOLDINGS AND DEALINGS

Details of the interests of directors and prescribed officers' shareholdings and dealings are provided in note 46.

EMPLOYEE SHARE SCHEMES

Details of the Group's share schemes are provided on pages 62 to 64 of the integrated report and in note 44.

MERGERS AND ACQUISITIONS

Details of the Group's acquisitions and disposals are disclosed in notes 41 and 42.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 39.

AMERICAN DEPOSITARY RECEIPT (ADR)

A sponsored ADR facility has been established. This facility is sponsored by the Bank of New York and details of the administrators are reflected on page 88 of the integrated report.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 27 May 2015. Refer to the notice of the twentieth annual general meeting for further details of the ordinary and special business for consideration at the meeting.

Directors' report

for the year ended 31 December 2014 *continued*

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 2 and 3 of the annual financial statements.

AUDITORS

PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. will continue in office as joint auditors in accordance with section 90 of the Companies Act. Johan van Huyssteen is the registered audit partner undertaking the audit for PricewaterhouseCoopers Inc. Suleman Lockhat will continue as the registered audit partner undertaking the audit for SizweNtsalubaGobodo Inc.

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 2014

We have audited the consolidated annual financial statements and separate annual financial statements of MTN Group Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2014, the consolidated income statement and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of principal accounting policies and other explanatory information on pages 10 to 143.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with IFRS 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 the consolidated and separate annual financial statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of MTN Group Limited as at 31 December 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate annual financial statements for the year ended 31 December 2014, we have read the directors' report, the report of the audit committee and the certificate by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: JR van Huyssteen
Registered auditor

Sunninghill
3 March 2015

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc.

Director: SY Lockhat
Registered auditor

Woodmead
3 March 2015

Group income statement

for the year ended 31 December 2014

	Note	**2014 Rm**	2013[1] Rm
Revenue	4	**146 930**	137 270
Other income	5	**7 928**	1 327
Direct network operating costs		**(21 604)**	(18 299)
Costs of handsets and other accessories		**(11 957)**	(10 744)
Interconnect and roaming		**(13 653)**	(13 816)
Staff costs	6	**(8 838)**	(8 670)
Selling, distribution and marketing expenses		**(15 531)**	(16 362)
Other operating expenses		**(10 084)**	(10 276)
EBITDA		**73 191**	60 430
Depreciation of property, plant and equipment	11	**(18 262)**	(16 458)
Amortisation of intangible assets	12	**(3 251)**	(2 820)
Impairment of goodwill	12	**(2 033)**	–
Operating profit	6	**49 645**	41 152
Finance income	7	**6 772**	11 422
Finance costs	7	**(10 440)**	(12 656)
Net monetary gain		**878**	–
Share of results of associates and joint ventures after tax	14	**4 208**	3 431
Profit before tax		**51 063**	43 349
Income tax expense	8	**(13 361)**	(12 487)
Profit after tax		**37 702**	30 862
Attributable to:			
Equity holders of the Company		**32 079**	26 751
Non-controlling interests		**5 623**	4 111
		37 702	30 862
Basic earnings per share (cents)	9	**1 752**	1 460
Diluted earnings per share (cents)	9	**1 742**	1 452

[1] *Restated, refer to note 48.*

Group statement of comprehensive income

for the year ended 31 December 2014

	2014 Rm	2013[1] Rm
Profit after tax	**37 702**	30 862
Other comprehensive income after tax:		
Exchange differences on translating foreign operations including the effect of hyperinflation[2]	**2 968**	11 078
Attributable to equity holders of the Company	**2 960**	10 179
Attributable to non-controlling interests	**8**	899
Total comprehensive income for the year	**40 670**	41 940
Attributable to:		
Equity holders of the Company	**35 039**	36 930
Non-controlling interests	**5 631**	5 010
	40 670	41 940

[1] *Restated, refer to note 48.*

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

Group statement of financial position

at 31 December 2014

	Note	2014 December Rm	2013[1] December Rm	2013[1] January Rm
ASSETS				
Non-current assets		**163 218**	153 083	127 365
Property, plant and equipment	11	**87 546**	92 903	73 905
Intangible assets and goodwill	12	**36 618**	37 751	32 594
Investments	13	**6 135**	111	–
Investment in associates and joint ventures	14	**25 514**	12 643	10 208
Loans and other non-current receivables	15	**6 296**	7 631	9 367
Deferred tax assets	16	**1 109**	2 044	1 291
Current assets		**90 467**	76 573	56 465
Non-current assets held for sale	17	**3 848**	1 281	1 373
		86 619	75 292	55 092
Inventories	18	**3 412**	3 226	2 547
Trade and other receivables	19	**32 818**	24 821	17 234
Taxation prepaid	31	**564**	859	555
Current investments	20	**5 651**	4 542	6 585
Derivative assets	21	**183**	22	191
Restricted cash	22	**893**	2 222	5 272
Cash and cash equivalents	23	**43 098**	39 600	22 708
Total assets		**253 685**	229 656	183 830
EQUITY				
Ordinary share capital and share premium	24	**40 179**	42 598	42 593
Retained earnings		**91 305**	79 872	69 389
Other reserves	25	**(2 967)**	(5 991)	(15 834)
Attributable to equity holders of the Company		**128 517**	116 479	96 148
Non-controlling interests		**4 925**	5 333	3 881
Total equity		**133 442**	121 812	100 029
LIABILITIES				
Non-current liabilities		**52 613**	49 860	33 327
Borrowings	26	**39 470**	34 664	21 322
Deferred tax liabilities	16	**11 012**	13 470	9 325
Other non-current liabilities	27	**1 585**	1 369	2 262
Provisions	28	**546**	357	416
Derivative liabilities		**–**	–	2
Current liabilities		**67 630**	57 984	50 474
Trade and other payables	29	**33 234**	27 449	22 157
Unearned income		**7 609**	7 004	6 604
Provisions	28	**3 414**	4 637	3 931
Taxation liabilities	31	**9 562**	7 530	6 790
Borrowings	26	**13 783**	11 338	10 593
Derivative liabilities	21	**2**	3	14
Put option liability		**–**	–	216
Bank overdrafts	23	**26**	23	169
Total liabilities		**120 243**	107 844	83 801
Total equity and liabilities		**253 685**	229 656	183 830

[1] *Restated, refer to note 48.*

Group statement of changes in equity

for the year ended 31 December 2014

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Other reserves Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
		Attributable to equity holders of the Company						
Balance at 1 January 2013		*	42 593	67 810	(15 834)	94 569	3 881	98 450
Restatement for voluntary change in accounting policy	48	–	–	1 579	–	1 579	–	1 579
Restated balance at 1 January 2013		*	42 593	69 389	(15 834)	96 148	3 881	100 029
Shares issued during the year		*	5	–	–	5	–	5
Shares cancelled		(*)	–	–	–	(*)	–	(*)
Transactions with non-controlling interests	41	–	–	–	(495)	(495)	(138)	(633)
Share-based payment transactions		–	–	–	215	215	–	215
Total comprehensive income		–	–	26 751	10 179	36 930	5 010	41 940
Profit after tax		–	–	26 751	–	26 751	4 111	30 862
Other comprehensive income		–	–	–	10 179	10 179	899	11 078
Dividends declared	10	–	–	(16 210)	–	(16 210)	(3 608)	(19 818)
Other movements		–	–	(58)	(56)	(114)	188	74
Balance at 31 December 2013		*	42 598	79 872	(5 991)	116 479	5 333	121 812
Balance at 1 January 2014		*****	**42 598**	**79 872**	**(5 991)**	**116 479**	**5 333**	**121 812**
Shares issued during the year		*****	**3**	**–**	**–**	**3**	**–**	**3**
Shares cancelled		**(*)**	**–**	**–**	**–**	**(*)**	**–**	**(*)**
Settlement of vested equity rights		**–**	**–**	**(209)**	**–**	**(209)**	**–**	**(209)**
Share-based payment transactions		**–**	**–**	**–**	**110**	**110**	**–**	**110**
Total comprehensive income		**–**	**–**	**32 079**	**2 960**	**35 039**	**5 631**	**40 670**
Profit after tax		**–**	**–**	**32 079**	**–**	**32 079**	**5 623**	**37 702**
Other comprehensive income		**–**	**–**	**–**	**2 960**	**2 960**	**8**	**2 968**
Dividends declared	10	**–**	**–**	**(20 527)**	**–**	**(20 527)**	**(6 176)**	**(26 703)**
Share buy-back		**–**	**(2 422)**	**–**	**–**	**(2 422)**	**–**	**(2 422)**
Other movements		**–**	**–**	**90**	**(46)**	**44**	**137**	**181**
Balance at 31 December 2014		*****	**40 179**	**91 305**	**(2 967)**	**128 517**	**4 925**	**133 442**
Note		24	24		25			

** Amounts less than R1 million.*

Group statement of cash flows

for the year ended 31 December 2014

	Note	**2014 Rm**	2013 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	**64 628**	59 708
Finance income received		**2 584**	1 752
Finance costs paid		**(3 993)**	(3 947)
Income tax paid	31	**(11 779)**	(11 184)
Dividends paid to equity holders of the Company		**(20 527)**	(16 187)
Dividends paid to non-controlling interests		**(4 289)**	(3 571)
Dividends received from associates	14	**233**	220
Dividends received from joint ventures		**275**	234
Net cash generated from operating activities		**27 132**	27 025
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(19 562)**	(24 568)
– to maintain operations		**(33)**	(99)
– to expand operations		**(19 529)**	(24 469)
Acquisition of intangible assets		**(3 282)**	(3 586)
Proceeds from sale of property, plant and equipment and intangible assets		**541**	106
Proceeds on sale of towers		**6 465**	2 378
Increase in investment in joint ventures		**(1 524)**	–
Increase in non-current investments		**(5 657)**	(128)
Acquisition of businesses, net of cash acquired	42	**(1 634)**	(47)
Loans granted		**(1 007)**	(64)
Increase in investment in associates		**–**	(69)
Increase in investment in insurance cell captives		**(173)**	(628)
(Investments in)/proceeds from bonds, treasury bills and foreign deposits		**(1 057)**	3 423
Decrease in restricted cash		**899**	3 348
Net cash used in investing activities		**(25 991)**	(19 835)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of ordinary shares	24	**3**	5
Net cash outflows from changes in shareholding	41.3	**–**	(881)
Proceeds from borrowings		**30 603**	33 279
Repayment of borrowings		**(25 620)**	(25 951)
Share buy-back[1]		**(2 249)**	–
Settlement of vested equity rights		**(209)**	–
Other financing activities		**111**	(188)
Net cash from financing activities		**2 639**	6 264
Net increase in cash and cash equivalents		**3 780**	13 454
Net cash and cash equivalents at beginning of the year		**39 577**	22 539
Exchange (losses)/gains on cash and cash equivalents		**(182)**	3 584
Net monetary loss on cash and cash equivalents		**(103)**	–
Net cash and cash equivalents at end of the year	23	**43 072**	39 577

[1] *An amount of R173 million was paid in January 2015.*

Notes to the Group annual financial statements

for the year ended 31 December 2014

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

The consolidated and separate annual 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 pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008. The Group and the Company have adopted all new accounting pronouncements that became effective in the current reporting period, none of which had a material impact on the Group or the Company.

The annual 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.

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

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 9), number of ordinary shares (note 24) and share-based payments (note 44).

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 consolidated and separate annual financial statements are included in note 2.

1.2 Going concern

The Group and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and 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 Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going-concern basis in preparing the annual financial statements.

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *continued*

1.3 Principal accounting policies[1]

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below and in the related notes to the Group annual financial statements, and should be read in conjunction with the financial definitions disclosed on pages 142 and 143 of the annual financial statements. The principal accounting policies applied are consistent with those adopted in the prior year, except as set out under "Voluntary change in accounting policy" below.

Voluntary change in accounting policy

IAS 18 Revenue

Previously, the Group accounted for arrangements with multiple deliverables (i.e. multiple element revenue arrangements) by dividing these arrangements into separate units of accounting and recognising revenue through the application of the residual value method.

During the year under review, the Group resolved to change its accounting policy in recognising revenue relating to these arrangements from applying the residual value method to the relative fair value method. This change was effected by the Group on a voluntary basis.

Previously under the residual value method, fair value was ascribed to each of the undelivered elements (typically the service contract) and any consideration remaining (after reducing the total consideration of the arrangement with the fair value of the undelivered elements) was allocated to the delivered element(s) in the transaction (typically the handset). This resulted in limited amounts of revenue being allocated to the elements delivered upfront (i.e. the handset). Under the relative fair value method, the consideration received or receivable is allocated to each of the elements (delivered and undelivered) according to the relative fair value of the elements included in the arrangement.

The Group believes that the change results in more relevant and reliable information being presented in respect of revenue recognised in relation to multiple element revenue arrangements, as revenue is now being recognised in relation to each of the elements delivered and to be delivered based on the relative fair value of the elements in relation to the total consideration received or receivable. The new accounting policy also results in an improved correlation between the recognition of revenue and associated costs and also aligns the Group's policy more closely with the requirements of IFRS 15 *Revenue from Contracts with Customers* which is effective for periods commencing on 1 January 2017.

As required in terms of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the change in accounting policy was applied retrospectively which resulted in an increase in revenue, other operating and income tax expenses, trade and other receivables, non-current loans and other receivables, equity and deferred tax liabilities in prior years. The impact on the Group's financial results and position is disclosed in note 48.

1.3.1 Consolidation of subsidiaries

The Group annual financial statements incorporate the financial statements of MTN Group Limited and all its subsidiaries, joint ventures, associates and structured entities (SEs) for the reporting date 31 December 2014 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). 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.

[1] The principal accounting policies applied in the Company annual financial statements are consistent with those applied in the Group annual financial statements.

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *continued*

1.3 Principal accounting policies *continued*

1.3.1 Consolidation of subsidiaries *continued*

The acquisition method is used to account for the acquisition of subsidiaries by the Group. 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 amounts of the identifiable assets acquired and liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), such excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred.

Changes in the fair value of a contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Those that do not qualify are accounted for based on the classification of the contingent consideration. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. 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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from an interest in the acquiree prior to the acquisition date that have been previously recognised in other comprehensive income, are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

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

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

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

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 fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed.

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *continued*

1.3 Principal accounting policies continued

1.3.1 Consolidation of subsidiaries *continued*

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

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

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

1.3.2 Foreign currency

Functional and presentation currency

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

Transactions and balances

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

Translation of foreign operations

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

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

The results, cash flows and financial position of 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 or payable to a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income as part of the foreign currency translation reserve.

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

The exchange rates relevant to the Group are disclosed in note 38.

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *continued*

1.3 Principal accounting policies *continued*

1.3.2 Foreign currency *continued*

Disposal of foreign operations

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

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

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

1.3.3 Hyperinflation

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

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

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

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

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

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

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

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

The results, cash flows and financial position of a joint venture, Irancell Telecommunication Company Services (PJSC), that operates in a hyperinflationary economy have also been expressed in terms of the measuring unit current at the reporting date. For further details, refer to note 14.

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *continued*

1.3 Principal accounting policies *continued*

1.3.4 Measurement principles

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

Items included in the statement of financial position	Measurement principle	Items included in the statement of financial position	Measurement principle
Assets		***Liabilities***	
Non-current assets		Non-current liabilities	
Property, plant and equipment	Historical cost, less accumulated depreciation and impairment losses	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 and are expected to apply to the period when the liability is settled
Goodwill	Historical cost, less impairment losses	Provisions	Present value of settlement amount
Investments	Amortised cost/fair value	Finance lease obligations	Amortised cost
Investment in associates and joint ventures	Pro rata value of investment's equity plus goodwill	Derivative liabilities	Fair value
Loans receivable	Amortised cost		
Prepayments	Nominal value		
Deferred tax assets	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the asset is realised		
Current assets		Current liabilities	
Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell	Trade payables	Amortised cost
Inventories	Lower of cost and net realisable value	Other payables	Nominal value
		Unearned income	Nominal value
Trade receivables	Amortised cost	Provisions	Present value of settlement amount
Prepayments	Nominal value	Taxation liabilities	Amount expected to be paid to tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date
Sundry debtors and advances	Amortised cost	Borrowings	Amortised cost
Taxation prepaid	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date	Derivative liabilities	Fair value
Current investments	Amortised cost/fair value	Bank overdrafts	Amortised cost
Derivative assets	Fair value		
Restricted cash	Amortised cost		
Cash and cash equivalents	Amortised cost		

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *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 requirement	Effective date
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 replaces the two main revenue recognition standards, IAS 18 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 which the entity expects to be entitled to in exchange for those goods or services. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 will be applied retrospectively subject to the application of the transitional provisions. The impact on the annual financial statements has not yet been fully determined but it is expected to result in a change in: ■ the measurement of revenue to adjust for the effects of the time value of money; and ■ the timing of the recognition of subscriber acquisition costs such as agent's commission which will be recognised when the related performance obligations are satisfied. The Group's current accounting policy is to expense such costs when incurred. Refer to Annexure 2 for the Group's full unaudited preliminary assessment on the impact of IFRS 15.	1 January 2017
IFRS 9 *Financial Instruments*	IFRS 9 replaces IAS 39. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. IFRS 9 also replaces the rule-based hedge accounting requirements in IAS 39. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually uses for risk management purposes. IFRS 9 includes an expected credit loss model for calculating impairment on financial assets. This replaces the incurred loss model used under IAS 39. The adoption of IFRS 9 is not expected to change the measurement of the Group's financial assets and liabilities significantly, but will require a review of the current classification of financial assets and liabilities. Any changes in classification will be applied retrospectively. The hedge accounting requirements are not expected to have a significant impact on the financial results of the Group. The impact of an expected credit loss model on the annual financial statements has not yet been fully determined. Refer to Annexure 2 for the Group's preliminary unaudited assessment on its financial results from the application of the expected credit loss model.	1 January 2018

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS[1]

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

The "Critical accounting judgements, estimates and assumptions" note should be read in conjunction with the "Principal accounting policies" disclosed in note 1.

2.1 Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy disclosed in note 12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are performed internally by the Group and require the use of estimates and assumptions.

The input factors most sensitive to change are management's 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 12. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to appropriate cash-generating units being impaired. Goodwill impairment in the current year amounted to R2 033 million (2013: Rnil), refer to note 12.

2.2 Impairment of trade and other non-current receivables

The Group determines impairment of trade and other non-current receivables when objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the receivables. Management exercises significant judgement in assessing the impact of adverse indicators and events on the recoverability of receivables using the indicators disclosed in the accounting policy in note 43.

The impairment loss is determined as the difference between the carrying amount of the receivables and the present value of their estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the receivables' original effective interest rate. In the current year, an impairment charge of R286 million (2013: R743 million[2]) and an impairment reversal of R230 million (2013: R223 million charge) were recognised on trade receivables and non-current receivables respectively (note 6).

2.3 Connection incentives and subscriber acquisition costs

Connection incentives paid to service providers are expensed by the Group in the period incurred. Service providers utilise the incentives received from the Group to fund a variety of administrative costs and/or to provide incentives to maintain/sign up customers on behalf of the Group, at their own discretion. The portion of the incentive used by the respective service providers as an incentive to retain/acquire existing/new subscribers on behalf of the Group is capitalised only to the extent that it is reliably measurable (prepaid discount). In accordance with the Conceptual Framework under IFRS, the Group has resolved not to capitalise these fees due to the portion of incentives utilised to retain/acquire subscribers on behalf of the Group by the respective independent service providers not being reliably measurable.

In accordance with the recognition criteria in IAS 38 *Intangible Assets*, the Group has also resolved not to capitalise commissions paid to dealers, utilised to acquire new subscribers, as intangible assets (subscriber acquisition cost), due to the portion utilised to acquire subscribers on behalf of the Group not being reliably measurable.

[1] The critical accounting judgements, estimates and assumptions applied in the Company annual financial statements are consistent with those applied in the Group annual financial statements.

[2] Restated, refer to note 48.

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *continued*

2.4 Interconnect revenue recognition

Due to the receipt of interconnect revenue in certain operations not being certain at transaction date, the Group has resolved only to recognise interconnect revenue relating to these operations as the cash is received or where a right of set-off exists with interconnect parties in settling outstanding amounts.

2.5 Sale of tower assets

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

The Group determined that its tower assets in Nigeria which were sold during the year (note 5) were an integrated set of activities capable of being conducted and managed for the purpose of providing a return and therefore constituted a sale of a business. In exercising its judgement, the Group considered the following:

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

2.6 Income taxes

The Group is subject to income taxes in numerous jurisdictions. As a result, significant judgement is required in determining the Group's provision for income taxes. There are numerous calculations and transactions for which the ultimate tax position is uncertain during the ordinary course of business. The Group recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact current and deferred tax in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. When recognising deferred tax assets, the Group exercises judgement in determining whether sufficient taxable profits will be available; this is done by assessing the future financial performance of the underlying Group entities to which the deferred tax assets relate. The Group's deferred tax assets for the current year amounted to R1 109 million (2013: R2 044 million), refer to note 16.

2.7 Property, plant and equipment

Property, plant and equipment represent a significant proportion of the Group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis.

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

Useful lives of property, plant and equipment are based on management's 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.

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *continued*

2.7 Property, plant and equipment *continued*

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

	2014 Years	2013 Years
Buildings – owned	**5 – 50**	5 – 50
Buildings – leased[1]	**1 – 20**	1 – 20
Network infrastructure	**2 – 20**	2 – 20
Information systems equipment	**1 – 10**	1 – 10
Furniture and fittings	**3 – 15**	3 – 15
Leasehold improvements[1]	**2 – 15**	2 – 15
Office equipment	**2 – 12**	2 – 12
Motor vehicles	**3 – 10**	3 – 10

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

2.8 Intangible assets with finite useful lives

The relative size of the Group's intangible assets with finite useful lives makes the judgements surrounding their estimated useful lives and residual values critical to the Group's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero.

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

Licences

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

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.

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *continued*

2.8 Intangible assets with finite useful lives continued

Other intangible assets

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

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

	2014 Years	2013 Years
Licences	**3 – 20**	3 – 20
Customer relationships	**5 – 10**	5 – 10
Software	**3 – 6**	3 – 6
Other intangible assets	**3 – 10**	3 – 10

2.9 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.

Irancell Telecommunication Company Services (PJSC)

The Group holds an effective interest of 49% in the issued ordinary share capital of Irancell Telecommunication Company Services (PJSC). Under the contractual agreement unanimous consent is required for all key activities. The entity has therefore been classified as a joint venture of the Group.

Mascom Wireless Botswana Proprietary Limited

The Group holds an effective interest of 53,11% in the issued ordinary share capital of Mascom Wireless Botswana Proprietary Limited (Mascom). The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. The Group has joint control over this arrangement as under the contractual agreement, no party has the right to control the managing company unilaterally. The entity has therefore been classified as a joint venture of the Group.

Middle East Internet Holding

The Group holds an effective interest of 50% in the issued ordinary share capital of Middle East Internet Holding (MEIH). The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. Under the contractual agreement unanimous consent is required for all decisions made with regard to the relevant activities of MEIH. The entity has therefore been classified as a joint venture of the Group.

Africa Internet Holding

The Group holds an effective interest of 33,3% in Africa Internet Holding (AIH). The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. Under the contractual agreement unanimous consent is required for all key activities. The entity has therefore been classified as a joint venture of the Group.

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *continued*

2.10 Provisions

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

The present value of the Group's provisions is based on management's best estimate of the future cash outflows expected to be required to settle the obligations, discounted using appropriate pre-tax discount rates that reflect the current market assessment of the time value of money and the risks specific to each provision. Additional information on provisions is disclosed in note 28.

2.11 Restricted cash

The Group exercises judgement in determining the appropriate treatment of restricted cash. The judgement exercised takes into account the severity of exchange control regulations, the availability of foreign currency in the operations affected and the purpose for which the funds will be used. The Group has determined that an amount of R331 million (2013: R1 633 million) relating to its Syrian operation should be treated as restricted cash, refer to note 22.

2.12 Determining whether an arrangement contains a lease

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

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

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

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

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

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

During the year, the Group entered into a sale and lease back transaction with IHS that resulted in the sale of a portion of its mobile network towers in Nigeria, refer to note 5.

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

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

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *continued*

2.13 Determining whether an arrangement qualifies as an operating lease or a finance lease continued

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 value at which the tower assets were sold which represents the amount at which the tower assets could be exchanged between knowledgeable, willing parties in an arm's-length transaction. The Group resolved that the present value of the minimum lease payments did not equal substantially all of the fair value of the underlying tower assets.

Following the Group's assessment, the leaseback transaction was classified as an operating lease.

2.14 Non-consolidation of entities in which the Group holds more than 50%

The Group has resolved not to 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 day-to-day activities of the entities.

2.15 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%.

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *continued*

2.15 Hyperinflation *continued*

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary. Following management's assessment, the Group's subsidiaries, MTN Sudan Company Limited and MTN Syria (JSC) and Irancell Telecommunication Company Services (PJSC), a joint venture of the Group, have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of MTN Sudan Company Limited and MTN Syria (JSC) have been expressed in terms of the measuring units current at the reporting date and the results and financial position of Irancell Telecommunication Company Services (PJSC) have been adjusted in order to calculate the Group's share of its net assets and profit or loss (note 14).

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

MTN Sudan Company Limited

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

Date	Base year	General price index	Inflation rate (%)
31 December 2014	2007	480	28,7

The cumulative inflation rate over three years as at 31 December 2014 is 163,8%.
The average adjustment factor used for 2014 was 1,16.

MTN Syria (JSC)

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

Date	Base year	General price index	Inflation rate (%)
31 December 2014	2013	138	37,7

The cumulative inflation rate over three years as at 31 December 2014 is 265,7%.
The average adjustment factor used for 2014 was 1,32.

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

Income statement	**2014 Rm**	2013 Rm
Increase in revenue	**776**	–
Increase in EBITDA	**241**	–
Net monetary gain	**878**	–
Increase in share of results of associates and joint ventures after tax[1]	**529**	318
(Decrease)/increase in profit after tax[2]	**(612)**	318

[1] *Including share of net monetary gain amounting to R927 million (2013: R627 million).*
[2] *Including goodwill impairment for the year relating to MTN Sudan Company Limited (note 12).*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

3 OPERATING SEGMENTS

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

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

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

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

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

During the year under review, the Group executive committee resolved to review segment results on a basis excluding profits realised in respect of the sale of towers during the respective financial year. In addition, Irancell Telecommunication Company Services (PJSC), which previously formed part of the large opco cluster in terms of the segmental presentation of financial results, is now presented to the Group executive committee on a stand-alone basis and not as part of the large opco cluster any longer. Due to the change in the segment information presented to the CODM during the current financial year, the comparatives were adjusted accordingly.

Revenue contribution **(%)**[1]	**2014**	2013
South Africa	**25**	27
Nigeria	**34**	33
Iran	**7**	6
Ghana	**5**	6
Syria	**2**	2
Cameroon	**4**	4
Ivory Coast	**4**	4
Uganda	**3**	3
Sudan	**2**	2
Small opco cluster	**14**	13

EBITDA contribution **(%)**[1,2]	**2014**	2013
South Africa	**18**	22
Nigeria	**46**	45
Iran	**7**	6
Ghana	**4**	5
Syria	**1**	1
Cameroon	**4**	3
Ivory Coast	**4**	3
Uganda	**3**	3
Sudan	**1**	1
Small opco cluster	**12**	11

[1] *Includes Iran, excludes adjustments for hyperinflation and head office companies.*
[2] *Excludes adjustments for profit on tower sales.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

3 OPERATING SEGMENTS *continued*

			Large opco cluster			
	South Africa Rm	Nigeria Rm	Ghana Rm	Cameroon Rm	Ivory Coast Rm	Uganda Rm
2014						
Revenue	**38 922**	**53 995**	**7 149**	**6 194**	**6 418**	**5 289**
EBITDA	**12 509**	**31 620**	**2 674**	**2 651**	**2 475**	**2 074**
Depreciation and amortisation						
Impairment of goodwill						
Net finance costs						
Net monetary gain						
Share of results of associates and joint ventures after tax						
Profit before tax						
EBITDA margin (%)	**32,1**	**58,6**	**37,4**	**42,8**	**38,6**	**39,2**
Capital expenditure[4]	**5 676**	**8 375**	**1 400**	**862**	**1 185**	**667**
Capex/revenue (%)	**14,6**	**15,5**	**19,6**	**13,9**	**18,5**	**12,6**
2013[5]						
Revenue	40 482	48 159	8 269	5 204	5 480	4 467
EBITDA	14 067	29 235	3 102	2 215	2 239	1 603
Depreciation and amortisation						
Net finance costs						
Share of results of associates and joint ventures after tax						
Profit before tax						
EBITDA margin (%)	34,7	60,7	37,5	42,6	40,9	35,9
Capital expenditure[4]	5 835	14 298	1 690	768	830	553
Capex/revenue (%)	14,4	29,7	20,4	14,8	15,1	12,4

1 *Excludes adjustments for hyperinflation.*

2 *Head office companies and eliminations consist mainly of the Group's central financing activities, management fees and dividends received from segments as well as intersegment eliminations.*

3 *Irancell Telecommunication Company Services (PJSC) proportionate results are included in the segment analysis as reviewed by the CODM and excluded from IFRS reported results due to equity accounting for joint ventures.*

4 *Capital expenditure comprises additions to property, plant and equipment, software and intangible capital work-in-progress.*

5 *Restated, refer to note 48.*

The Group is domiciled in South Africa.

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

					Adjustments to IFRS			
Syria[1] Rm	Sudan[1] Rm	Small opco cluster Rm	Major joint venture – Iran[1] Rm	Head office companies and eliminations[2] Rm	Iran[3] Rm	Profit on tower sales Rm	Adjustments for hyper-inflation Rm	Consolidated Rm
3 449	**2 701**	**22 385**	**11 631**	**(348)**	**(11 631)**	**–**	**776**	**146 930**
651	**914**	**8 083**	**4 982**	**1 869**	**(4 982)**	**7 430**	**241**	**73 191**
								(21 513)
								(2 033)
								(3 668)
								878
								4 208
								51 063
18,9	**33,8**	**36,1**	**42,8**					**49,8**
357	**1 392**	**3 888**	**3 112**	**1 440**	**(3 112)**	**–**	**164**	**25 406**
10,4	**51,5**	**17,4**	**26,8**					**17,3**
3 229	2 496	19 804	9 514	(320)	(9 514)	–		137 270
561	792	6 732	4 075	(1 084)	(4 075)	968		60 430
								(19 278)
								(1 234)
								3 431
								43 349
17,4	31,7	34,0	42,8					44,0
892	1 072	3 809	1 758	417	(1 758)	–		30 164
27,6	43,0	19,2	18,5					22,0

4 REVENUE

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

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

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

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

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

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

Airtime and subscription, data and SMS

- airtime, data and SMS: revenue is recognised on the usage basis commencing on the date of activation;
- connection fees: revenue is recognised on the date of activation of a new SIM card; and
- SIM kits: revenue is recognised on the date of sale.

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

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

Interconnect/roaming

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

Mobile telephones and accessories

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

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

4 REVENUE *continued*

2014 (%)

Airtime and subscription	60
Roaming	1
Data	19
SMS	3
Interconnect	10
Mobile telephones and accessories	5
Other	2

2013 (%)

Airtime and subscription	62
Roaming	1
Data	15
SMS	4
Interconnect	11
Mobile telephones and accessories	6
Other	1

	2014 Rm	2013[1] Rm
Airtime and subscription	**88 347**	85 464
Roaming	**1 510**	1 292
Data	**27 478**	20 504
SMS	**4 552**	5 364
Interconnect	**15 009**	15 367
Mobile telephones and accessories	**7 890**	7 541
Other	**2 144**	1 738
	146 930	137 270

[1] *Restated, refer to note 48.*

The Group's unearned income at the end of the year amounts to R7 609 million (2013: R7 004 million).

5 OTHER INCOME

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

	2014 Rm	2013 Rm
Profit on tower sales – Nigeria	**7 329**	–
Sale proceeds	**5 406**	–
Contingent consideration	**327**	–
Fair value of retained interest in Nigeria Tower InterCo B.V. and equity derivative	**4 309**	–
Carrying amount of assets and related liabilities disposed	**(2 713)**	–
Profit on tower sales – other subsidiaries	**70**	930
Sale proceeds	**1 059**	2 536
Carrying amount of assets and related liabilities disposed	**(962)**	(1 416)
Warranty provision and consultancy cost	**(27)**	(190)
Total profit on tower sales	**7 399**	930
Realisation of deferred gain on Ghana tower sale[1]	**31**	38
Realisation of deferred gain on asset swap for investment in BICS[2]	**364**	357
Other	**134**	2
	7 928	1 327

[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 TowerCo Ghana which is an associate of the Group. Profit was eliminated to the extent of the Group's interest in the associate. Such unrealised profit is realised by the Group as the underlying assets are depreciated by the associate.*

[2] *The deferred gain arose on the contribution of various assets from MTN Dubai, MTN International Carrier Services and Uniglobe, in exchange for a 20% investment in the associate, Belgacom International Carrier Services (BICS) (note 14). This gain was deferred and is being amortised over a five-year period. The deferred gain was fully amortised during the year.*

5 OTHER INCOME *continued*

As part of the Group's strategy to monetise its investment in tower infrastructure, the Group entered into a transaction with IHS which involves the sale of 9 132 of its mobile network towers in MTN Nigeria Communications Limited, in two tranches to INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V. The transaction resulted in IHS obtaining a 49% interest in Nigeria Tower InterCo B.V., with the remaining 51% interest held by the Group (note 14). Nigeria Tower InterCo B.V. has been classified as an associate of the Group.

The first tranche of the tower sale closed on 24 December 2014 which involved the sale of 4 154 mobile network towers by MTN Nigeria Communications Limited to INT Towers Limited for a cash consideration of US$451 million and the Group recognising its equity interest in Nigeria Tower InterCo B.V. amounting to US$370 million. A receivable amounting to US$29 million has been recognised based on management's estimate of the contingent consideration receivable.

MTN Nigeria Communications Limited will be the anchor tenant on commercial terms on the towers for an initial period of 10 years. The transaction resulted in a sale and leaseback transaction classified as an operating lease (note 2.13).

The second tranche of the transaction is expected to close in the second quarter of 2015 subject to customary closing conditions.

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

In 2013, MTN Côte d'Ivoire S.A. and Mobile Telephone Networks Cameroon Limited concluded transactions with IHS in which IHS acquired 911 mobile network towers from MTN Côte d'Ivoire S.A. for US$141 million and 820 towers from Mobile Telephone Networks Cameroon Limited for US$143 million. IHS is a 100% shareholder of the tower companies set up in each country to manage the towers and other passive infrastructure. The transactions resulted in sale and leaseback transactions classified as operating leases.

6 OPERATING PROFIT

Connection incentives
Connection incentives are expensed in the period in which they are incurred.

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

A liability for unvested short-term benefits is recognised when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:
- there is a formal plan and the amounts to be paid are determined before the time of issuing the annual financial statements; 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 determined before the time of issuing the annual financial statements.

Post-employment benefits
Defined contribution plans
Group companies operate various defined contribution plans. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due. 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 44.

Termination benefits
Termination benefits 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.

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

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

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

6 OPERATING PROFIT *continued*

	2014 Rm	2013 Rm
Staff costs	**(8 838)**	(8 670)
Salaries and wages	**(7 109)**	(6 709)
Post-employment benefits	**(405)**	(381)
Share options granted to directors and employees	**(110)**	(215)
Training	**(244)**	(293)
Other	**(970)**	(1 072)
The following disclosable items have been included in arriving at operating profit:		
Auditors' remuneration	**(129)**	(125)
Audit fees	**(104)**	(105)
Fees for other services	**(14)**	(10)
Expenses	**(11)**	(10)
Emoluments to directors and prescribed officers (note 40)	**(154)**	(149)
Operating lease rentals	**(4 413)**	(3 373)
Property	**(4 312)**	(3 063)
Equipment and vehicles	**(101)**	(310)
Loss on disposal of property, plant and equipment and intangible assets	**(69)**	(42)
Impairment loss on property, plant and equipment (note 11)	**(634)**	(7)
Reversal of impairment charge on property, plant and equipment (note 11)	**–**	35
Impairment loss on other intangible assets (note 12)	**(74)**	–
Reversal of write-down/(write-down charge) of inventories (note 18)	**94**	(64)
Impairment of trade receivables (note 19)	**(286)**	(743)[1]
Reversal of impairment/(impairment) of non-current receivables (note 15)	**230**	(223)

[1] *Restated, refer to note 48.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

7 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, foreign exchange gains and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

	2014 Rm	2013 Rm
Interest income on loans and receivables	**789**	653
Interest income on bank deposits	**2 313**	1 706
Foreign exchange gains[1]	**3 670**	9 063
Finance income	**6 772**	11 422
Interest expense on financial liabilities measured at amortised cost	**(5 669)**	(4 659)
Foreign exchange losses[1]	**(4 771)**	(7 997)
Finance costs	**(10 440)**	(12 656)
Net finance costs recognised in profit or loss	**(3 668)**	(1 234)

[1] *The foreign exchange gains and losses have been determined on an instrument-by-instrument basis.*

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

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

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

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of 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 20% on amounts paid to the Group by its subsidiaries as dividends and management fees.

	2014 Rm	2013[1] Rm
Analysis of income tax expense for the year		
Normal tax	**(13 027)**	(8 974)
Current year	**(13 226)**	(9 106)
Adjustments in respect of the prior year	**199**	132
Deferred tax (note 16)	**1 400**	(2 192)
Current year	**1 466**	(2 453)
Adjustments in respect of the prior year	**(66)**	261
Capital gains tax	**(1)**	1
Foreign income and withholding taxes	**(1 733)**	(1 322)
	(13 361)	(12 487)

[1] *Restated, refer to note 48.*

8 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:

	2014 **%**	2013[1] %
Tax rate reconciliation		
Tax at statutory tax rate	**28,00**	28,00
Expenses not allowed	**1,86**	1,32
Effect of different tax rates in other countries	**0,60**	1,30
Income not subject to tax	**(4,51)**	(1,32)
Share of results of associates and joint ventures	**(2,31)**	(2,22)
Foreign income and withholding taxes	**3,39**	3,05
Other	**(0,86)**	(1,32)
Effective tax rate	**26,17**	28,81

[1] *Restated, refer to note 48.*

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

	Corporate tax rate	
Country	**2014** **%**	2013 %
Afghanistan	**20**	20
Benin[1]	**30**	30
Cameroon	**38,5**	38,5
Congo[1]	**30**	30
Côte d'Ivoire	**30**	30
Cyprus	**12,5**	12,5
Ethiopia	**30**	30
Ghana	**25**	25
Guinea	**35**	35
Guinea-Bissau	**25**	25
Kenya	**30**	30
Liberia	**25**	25
Monaco	**0 – 33**	0 – 33
Namibia	**33**	33
Netherlands	**25**	25
Nigeria	**30**	30
Rwanda	**30**	30
South Africa	**28**	28
South Sudan	**20**	20
Sudan[1]	**2,5**	2,5
Syria	**14,7**	14,7
Uganda	**30**	30
Yemen	**50**	50
Zambia	**35**	35

[1] *The entity has been granted a tax holiday at 31 December 2014.*

9 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 net profit attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

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

For the share options and share rights, a calculation is done to determine the number of the Company's shares that would be required at fair value to settle the monetary value of the rights, after taking into account the unamortised share-based payment value. For the purposes of this calculation the average annual market share price of the Company is used.

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2013 issued by the South African Institute of Chartered Accountants (SAICA).

9 EARNINGS PER ORDINARY SHARE *continued*

In terms of the MTN Zakhele B-BBEE transaction, the Group issued notional vendor financing shares to MTN Zakhele at par value (note 24). The Group has a call option over these shares. As these shares are potentially dilutive shares, these are included in the diluted earnings per share calculation. A calculation is done at each reporting period to determine the number of shares that could have been acquired at fair value.

	2014 '000	2013 '000
Weighted average number of shares (excluding treasury shares)	**1 831 196**	1 832 730
Adjusted for:		
– Share options – MTN Zakhele	**7 193**	6 741
– Share options	**–**	50
– Share appreciation rights	**715**	985
– Performance share plan	**2 150**	1 953
Weighted average number of shares for calculation of diluted earnings per share	**1 841 254**	1 842 459

Refer to note 24 for a reconciliation of total shares in issue.

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

	2014		2013[1]	
	Rm Gross	Rm Net[2]	Rm Gross	Rm Net[2]
Profit after tax		**32 079**		26 751
Adjusted for:				
Net loss on disposal of property, plant and equipment and intangible assets (IAS 16 and IAS 38)	**69**	**63**	45[3]	34
Impairment of goodwill (IAS 36)	**2 033**	**2 033**	–	–
Net impairment loss/(reversal of impairment) of property, plant and equipment and intangible assets (IAS 36)	**708**	**565**	(28)	(20)
Loss on disposal of investment in joint venture (IAS 28)	**15**	**15**	–	–
Realisation of deferred gain (IAS 28)	**(364)**	**(364)**	(357)	(357)
Profit on disposal of non-current assets held for sale (IFRS 5)	**(7 399)**	**(6 237)**	(930)	(510)
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	**(31)**	**(31)**	(38)	(38)
Headline earnings		**28 123**		25 860

	2014	2013[1]
Earnings per ordinary share (cents)		
– Basic earnings	**1 752**	1 460
– Basic headline earnings	**1 536**	1 411
– Diluted earnings	**1 742**	1 452
– Diluted headline earnings	**1 527**	1 404

[1] *Restated, refer to note 48.*
[2] *Amounts are measured after taking into account non-controlling interests and tax.*
[3] *Including profit on disposal of property, plant and equipment from joint ventures.*
Headline earnings is calculated in accordance with Circular 2/2013 Headline Earnings as issued by SAICA at the request of the JSE Limited.

10 DIVIDEND

Dividends distributed 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.

	2014 Cents per share	**2014** Rm	2013 Cents per share	2013 Rm
Dividends paid				
Final dividend paid in respect of the prior year	**665**	**12 302**[2]	503	9 362[2]
Interim dividend paid in respect of the current year	**445**	**8 225**[2]	370	6 848[2]
		20 527		16 210
Dividends declared				
Approved after the reporting date and not recognised as a liability	**800**[1]	**14 694**[2]	665	12 302[2]

[1] *Declared at the board meeting on 3 March 2015.*
[2] *Excluding dividends on 10 704 475 (2013: 22 337 752) treasury shares.*

11 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.

In circumstances whereby the Group enters into an exchange transaction, the Group determines whether such an exchange has commercial substance. Property, plant and equipment acquired in an exchange transaction is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. Any consideration paid or payable is included in the cost of the asset received. Property, plant and equipment received for no consideration is accounted for at zero value.

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

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

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

Useful lives and residual values are reviewed on an annual basis and the effect of any changes in estimate is accounted for on a prospective basis. For a summary of useful lives, refer to note 2.

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.

11 PROPERTY, PLANT AND EQUIPMENT *continued*

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

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

Impairment

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

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

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

Property, plant and equipment with finite useful lives

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

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

11 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 2013	5 540	1 072	53 157	3 266	10 438	432	73 905
Additions	581	181	12 332	1 496	11 966	248	26 804
Disposals	(23)	(4)	(644)	(23)	–	(20)	(714)
Reallocations[3]	240	3	12 104	96	(13 799)	50	(1 306)
Depreciation for the year	(425)	(199)	(14 190)	(1 341)	(126)	(177)	(16 458)
Impairment loss	–	–	(7)	–	–	–	(7)
Reversal of impairment loss	–	–	32	–	3	–	35
Other movements	57	(42)	33	(173)	(131)	–	(256)
Effect of movements in exchange rates	373	111	8 034	518	1 774	90	10 900
Carrying amount at 31 December 2013	6 343	1 122	70 851	3 839	10 125	623	92 903
Comprising:							
Cost	8 221	2 515	137 128	9 866	10 481	1 376	169 587
Accumulated depreciation and impairment losses	(1 878)	(1 393)	(66 277)	(6 027)	(356)	(753)	(76 684)
	6 343	1 122	70 851	3 839	10 125	623	92 903
Carrying amount at 1 January 2014	**6 343**	**1 122**	**70 851**	**3 839**	**10 125**	**623**	**92 903**
Additions	**380**	**196**	**7 539**	**1 287**	**12 604**	**148**	**22 154**
Disposals	**–**	**(3)**	**(172)**	**(25)**	**(179)**	**(40)**	**(419)**
Reallocations[3]	**250**	**18**	**4 883**	**453**	**(11 711)**	**30**	**(6 077)**
Depreciation for the year	**(476)**	**(195)**	**(15 659)**	**(1 570)**	**(171)**	**(191)**	**(18 262)**
Impairment loss	**–**	**–**	**(471)**	**–**	**(163)**	**–**	**(634)**
Other movements	**–**	**8**	**(741)**	**(73)**	**(340)**	**–**	**(1 146)**
Effect of movements in exchange rates[4]	**(74)**	**(13)**	**(983)**	**(43)**	**149**	**(9)**	**(973)**
Carrying amount at 31 December 2014	**6 423**	**1 133**	**65 247**	**3 868**	**10 314**	**561**	**87 546**
Comprising:							
Cost	**8 642**	**2 725**	**134 639**	**10 968**	**11 017**	**1 225**	**169 216**
Accumulated depreciation and impairment losses	**(2 219)**	**(1 592)**	**(69 392)**	**(7 100)**	**(703)**	**(664)**	**(81 670)**
	6 423	**1 133**	**65 247**	**3 868**	**10 314**	**561**	**87 546**

[1] Included in land and buildings are leased assets with a carrying amount of R179 million (2013: R180 million).
[2] Included in vehicles are leased assets with a carrying amount of R48 million (2013: R82 million).
[3] Reallocations include an amount of R5 966 million (2013: R1 265 million) relating to network infrastructure reallocated to non-current assets held for sale (note 17).
[4] Includes the effect of hyperinflation.

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

11 PROPERTY, PLANT AND EQUIPMENT *continued*

11.1 Impairment loss

The following entities recognised impairment losses amounting to R634 million during the year:

	2014 Rm
Scancom Limited (MTN Ghana)	**329**
MTN Nigeria Communications Limited	**133**
Mobile Telephone Networks Proprietary Limited (South Africa)	**169**
Areeba Guinea S.A.	**3**
	634

In 2013, MTN Nigeria Communications Limited reversed a portion of its previously recognised impairment losses amounting to R32 million.

11.2 Leased property, plant and equipment

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

Finance lease commitments are disclosed in note 36.

11.3 Capital work-in-progress

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

	2014 Rm	2013 Rm
Mobile Telephone Networks Proprietary Limited (South Africa)	**766**	385
Scancom Limited (MTN Ghana)	**990**	661
MTN Sudan Company Limited	**961**	117
MTN Nigeria Communications Limited	**987**	1 276
MTN Afghanistan Limited	**195**	295
Areeba Guinea S.A.	**100**	175
MTN Côte d'Ivoire S.A.	**303**	95
MTN Uganda Limited	**313**	263
MTN (Dubai) Limited	**68**	243
MTN Yemen	**209**	240
MTN South Sudan Limited	**391**	601
MTN Syria (JSC)	**513**	467
MTN Congo S.A.	**274**	30[1]
MTN Cameroon Limited	**115**	27[1]
Lonestar Communications Corporation LLC	**130**	42[1]
Other	**304**	194
	6 619	5 111

[1] *Previously included in "Other".*

11 PROPERTY, PLANT AND EQUIPMENT *continued*

11.4 Changes in estimates

During the year, MTN Afghanistan Limited revised the useful life of its network infrastructure from 10 to 6,5 years. This resulted in an increase of R86 million in the depreciation charge for the current and future years.

In 2013, MTN Uganda Limited revised the useful life of its network equipment from 12 to 10 years. MTN Syria (JSC) revised the useful life of its motor vehicles and other fixed assets from 5 to 4 years. This resulted in an increase of R40 million and R104 million in the depreciation charge, respectively.

11.5 Encumbrances

Borrowings are secured by various categories of property, plant and equipment with the following carrying amounts (note 26):

	2014 Rm	2013 Rm
Scancom Limited (MTN Ghana)	**5 600**	6 087
MTN Sudan Company Limited	**4 030**	3 027
MTN Congo S.A.	**27**	–
MTN Uganda Limited	**–**	2 568
MTN Rwandacell Limited	**–**	1 419
MTN Côte d'Ivoire S.A.	**–**	127
	9 657	13 228

12 INTANGIBLE ASSETS AND GOODWILL

Intangible assets with an indefinite useful life

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

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

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

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

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.

12 INTANGIBLE ASSETS AND GOODWILL *continued*

Intangible assets with finite useful lives *continued*

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

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. Amortisation relating to MTN Sudan Company Limited and MTN Syria (JSC) is based on the restated amounts, which have been adjusted for the effects of hyperinflation. For a summary of useful lives, refer to note 2.

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

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

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

Determination of fair values

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

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

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

Impairment

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

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

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

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

12 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 2013	21 320	5 318	–	5 592	364	–	32 594
Additions	–	139	–	1 991	–	1 369	3 499
Disposals	–	–	–	(9)	–	–	(9)
Re-allocations	–	85	–	255	4	(303)	41
Amortisation for the year	–	(829)	–	(1 895)	(96)	–	(2 820)
Other movements	–	(50)	–	36	(33)	148	101
Effect of movements in exchange rates	2 840	966	–	489	32	18	4 345
Carrying amount at 31 December 2013	24 160	5 629	–	6 459	271	1 232	37 751
Comprising:							
Cost	24 160	13 624	4 408	13 480	1 119	1 232	58 023
Accumulated amortisation and impairment losses	–	(7 995)	(4 408)	(7 021)	(848)	–	(20 272)
	24 160	5 629	–	6 459	271	1 232	37 751
Carrying amount at 1 January 2014	**24 160**	**5 629**	**–**	**6 459**	**271**	**1 232**	**37 751**
Additions	**844**	**71**	**816**	**2 144**	**247**	**1 108**	**5 230**
Disposals	**–**	**–**	**–**	**(204)**	**–**	**–**	**(204)**
Re-allocations	**–**	**210**	**–**	**2 197**	**–**	**(2 296)**	**111**
Amortisation for the year	**–**	**(882)**	**(31)**	**(2 320)**	**(18)**	**–**	**(3 251)**
Impairment loss	**(2 033)**	**–**	**–**	**(74)**	**–**	**–**	**(2 107)**
Other movements	**–**	**–**	**11**	**(1)**	**(9)**	**–**	**1**
Effect of movements in exchange rates[2]	**(746)**	**(26)**	**(5)**	**(137)**	**–**	**1**	**(913)**
Carrying amount at 31 December 2014	**22 225**	**5 002**	**791**	**8 064**	**491**	**45**	**36 618**
Comprising:							
Cost	**24 258**	**13 841**	**5 212**	**17 023**	**1 134**	**45**	**61 513**
Accumulated amortisation and impairment losses	**(2 033)**	**(8 839)**	**(4 421)**	**(8 959)**	**(643)**	**–**	**(24 895)**
	22 225	**5 002**	**791**	**8 064**	**491**	**45**	**36 618**

[1] *Included in software are leased assets with a carrying amount of R733 million (2013: R670 million).*
[2] *Includes the effect of hyperinflation.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

12 INTANGIBLE ASSETS AND GOODWILL *continued*

12.1 Goodwill

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

	2014			2013		
	Growth rate %	**Discount rate %**	**Rm**	Growth rate %	Discount rate %	Rm
MTN Côte d'Ivoire S.A.	**2,5**	**12,2**	**2 599**	2,5	13,1	2 697
Scancom Limited (MTN Ghana)	**7,5**	**19,5**	**6 957**	7,0	17,9	8 760
MTN Sudan Company Limited	**10,0**	**32,6**	**784**	10,0	28,4	2 385
MTN Yemen	**7,1**	**26,2**	**3 338**	7,5	36,1	3 040
MTN Afghanistan Limited	**5,0**	**19,2**	**1 645**	5,0	17,0	1 560
MTN Uganda Limited	**5,0**	**17,2**	**676**	5,0	16,1	674
MTN Congo S.A.	**2,7**	**11,6**	**860**	2,6	12,4	892
MTN Syria (JSC)	**6,5**	**25,7**	**146**	6,7	29,2	183
MTN Cyprus Limited	**2,0**	**9,9**	**841**	1,8	12,8	873
Spacetel Benin SA	**2,8**	**14,2**	**1 331**	2,8	11,2	1 381
Areeba Guinea S.A.	**5,9**	**17,0**	**918**	6,0	21,7	860
Mobile Telephone Network Proprietary Limited (South Africa)	**5,9**	**13,4**	**525**	–	–	–
Afrihost Proprietary Limited	**5,9**	**13,4**	**319**	–	–	–
Lonestar Communications Corporation LLC (Liberia)[1]	**5,0**	**16,4**	**332**	5,0	12,4	303
MTN Rwandacell[1]	**5,0**	**14,6**	**370**	5,0	13,3	336
Other			**584**			216
Total			**22 225**			24 160

[1] *Previously included in "Other".*

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 3 to 10-year period. Management is confident that projections covering periods longer than five years are appropriate based on the long-term nature of the Group's infrastructure and operating model. Cash flows beyond the above period were extrapolated using the estimated growth rates measured below. 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 2,0% to 10,0% (2013: 1,8% to 10,0%); and
- discount rates: discount rates ranged from 9,9% to 32,6% (2013: 11,2% to 36,1%). Discount rates used reflect specific risks relating to the relevant CGU.

Goodwill impairment

During the year, an impairment loss amounting to R2 033 million (2013: Rnil) was recognised relating to MTN Sudan Company Limited.

Individually material intangible assets

Other than goodwill, network licences and software, there were no items of intangible assets that were individually material at the end of the current or prior year.

12.2 Encumbrances

Borrowings are secured by intangible assets of Scancom Limited (MTN Ghana) with a carrying amount of R539 million (2013: R560 million).

12 INTANGIBLE ASSETS AND GOODWILL *continued*

12.3 Licences

Licence agreements	Type	Granted/ renewed	Term
Mobile Telephone Networks Proprietary Limited (South Africa)	ECS licence	15/01/2009	15 years
	ECNS licence	15/01/2009	20 years
	900MHz 1 800MHz 3G	1/01/2010	Renewable annually
MTN Uganda Limited	900MHz 1 800MHz	15/04/1998	20 years
MTN Rwandacell Limited	GSM	1/07/2008	13 years
	SNO	30/06/2006	15 years
MTN Zambia Limited	900MHz 1 800MHz 2 100MHz	23/09/2010	15 years
MTN Nigeria Communications Limited	1 800MHz	9/02/2001	15 years
	3G spectrum licence	1/05/2007	15 years
	Unified access licence (including international gateway)	1/09/2006	15 years
	WACS	1/01/2010	20 years
	WiMax 3,5GHz spectrum	2007	Renewable annually
	Microwave spectrum 8GHz – 26GHz	2001	Renewable annually
Scancom Limited (MTN Ghana)	900MHz 1 800MHz	2/12/2004	15 years
	3G	23/01/2009	15 years
Mobile Telephone Network Cameroon Limited	900MHz[1]	15/02/2000	15 years
	First category network for internet access and VPN	31/03/2006	10 years
MTN Côte d'Ivoire S.A.	900MHz 1 800MHz	2/04/1996	20 years
	WiMax 2,5 – 3,5GHz	31/07/2002	20 years
	3G/UMTS 1,9/2,1GHz	31/05/2012	10 years
Spacetel Benin SA	900MHz 1 800MHz	19/10/2007	25 years
	Universal licence	19/03/2012	20 years
Areeba Guinea S.A.	900MHz 1 800MHz	31/08/2005	18 years
	WiMax[1]	4/06/2009	5 years
	3G	14/08/2013	10 years

[1] *Renewal application lodged.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

12 INTANGIBLE ASSETS AND GOODWILL *continued*

12.3 Licences continued

Licence agreements	Type	Granted/ renewed	Term
MTN Congo S.A.	900MHz	25/11/2011	15 years
	1 800MHz	25/11/2011	15 years
	International gateway	5/02/2002	15 years
	Optical fibre licence	2/04/2010	15 years
	3G	25/11/2011	17 years
	2G	25/11/2011	15 years
	International gateway by optical fibre	3/06/2013	10 years
Lonestar Communications Corporation LLC (Liberia)	900MHz 1 800MHz WiMax	24/03/2009	15 years
	3G	19/02/2013	10 years
Spacetel Guinea-Bissau SA	1 800MHz 900MHz	23/05/2014	10 years
MTN Syria (JSC)[1]	900MHz	29/06/2002	15 years
	1 800MHz	22/03/2007	10 years
	3G	29/04/2009	8 years
	ISP	2009	Renewable annually
MTN Sudan Company Limited	Frequency 2G + 3G Transmission VSAT gateway VSAT hub VSAT terminal	25/10/2003	20 years
MTN Afghanistan Limited	3G unified licence	1/07/2012	15 years
MTN Yemen	900MHz	31/07/2000	15 years
	1 800MHz	17/02/2008	15 years
MTN Cyprus Limited	900MHz 1 800MHz 4G (LTE) 2 100MHz	1/12/2003	20 years

[1] *Refer to note 39.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

13 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 43.

	2014 Rm	2013 Rm
Held-to-maturity financial assets		
Treasury bills with a fixed interest rate of 6,3% (2013: 6,3%) which mature in 2018[1]	**107**	111
Bonds with a fixed interest rate of 5,8% which mature in 2019[1]	**116**	–
Available-for-sale		
Investment in IHS	**5 773**	–
Unlisted equity investment	**139**	–
	6 135	111

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

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

There were no held-to-maturity or available-for-sale financial assets disposed of in 2013 or in 2014.

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

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

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

Dilution gains or losses arising on investments in associates and joint ventures are recognised in profit or loss. If the ownership interests in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss. Profits or losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's annual 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.

Accounting policies of associates and joint ventures have been changed where necessary to align them with the policies of the Group.

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES *continued*

	2014 Rm	2013 Rm
Investment in associates	**5 975**	2 095
Investment in joint ventures	**19 539**	10 548
Total investment in associates and joint ventures	**25 514**	12 643
Share of results of associates after tax	**(127)**	23
Share of results of joint ventures after tax	**4 335**	3 408
Total share of results of associates and joint ventures after tax	**4 208**	3 431
Share of results of associates after tax comprises:		
Share of results of associates after tax	**(28)**	120
Amortisation of customer relationships – BICS	**(146)**	(150)
	(174)	(30)
Unwind of deferred tax on customer relationships – BICS	**47**	53
	(127)	23

Investment in associates

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:

Associate	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2014	2013
Belgacom International Carrier Services SA (BICS)	Telecommunications	Belgium	**20**	20
Nigeria Tower InterCo B.V.	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**	–

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES *continued*

Investment in associates *continued*

	Belgacom International Carrier Services SA (BICS) Rm	Uganda Tower InterCo B.V. Rm	Ghana Tower InterCo B.V. Rm	Nigeria Tower InterCo B.V.[1] Rm	Other Rm	Total Rm
2013						
Balance at beginning of the year	1 493	270	–	–	2	1 765
Additions	–	69	–	–	–	69
Other income (note 5)	–	–	38	–	–	38
Share of results after tax including amortisation of customer relationships	44	(77)	–	–	3	(30)
Dividend income	(220)	–	–	–	–	(220)
Other equity movements	–	(45)	(38)	–	–	(83)
Effect of movements in exchange rates	469	87	–	–	–	556
Balance at end of the year	1 786	304	–	–	5	2 095
2014						
Balance at beginning of the year	**1 786**	**304**	**–**	**–**	**5**	**2 095**
Additions	**–**	**46**	**–**	**4 178**	**–**	**4 224**
Other income (note 5)	**–**	**–**	**31**	**–**	**–**	**31**
Share of results after tax including amortisation of customer relationships	**112**	**(221)**	**–**	**(64)**	**(1)**	**(174)**
Dividend income	**(233)**	**–**	**–**	**–**	**–**	**(233)**
Other equity movements	**–**	**–**	**(31)**	**–**	**–**	**(31)**
Effect of movements in exchange rates	**(4)**	**34**	**–**	**34**	**(1)**	**63**
Balance at end of the year	**1 661**	**163**	**–**	**4 148**	**3**	**5 975**

[1] *During the year, the Group entered into a transaction with IHS in which it sold its mobile network towers in MTN Nigeria Communications Limited to INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V. The transaction resulted in IHS obtaining a 49% interest in Nigeria Tower InterCo B.V. and the Group increasing its equity interest by US$370 million (note 5).*

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES *continued*

Investment in associates *continued*

Summarised financial information of associates

Set out below is the summarised financial information of each associate that is material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method as required by IFRS 12 *Disclosure of Interests In Other Entities.*

	Belgacom International Carrier Services SA (BICS)		Uganda Tower InterCo B.V.	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Summarised statement of financial position				
Total assets	**12 652**	12 918	**2 597**	2 406
Non-current assets	**2 441**	3 386	**2 308**	2 190
Current assets	**10 211**	9 532	**289**	216
Total liabilities	**9 195**	8 629	**2 264**	1 785
Non-current liabilities	**139**	99	**1 767**	1 459
Current liabilities	**9 056**	8 530	**497**	326
Net assets	**3 457**	4 289	**333**	621
% ownership interest held	**20**	20	**49**	49
Interest in associate excluding goodwill	**691**	858	**163**	304
Goodwill	**970**	928	**–**	–
Balance at end of the year	**1 661**	1 786	**163**	304
Summarised income statement				
Revenue	**22 784**	21 279	**608**	474
EBITDA	**1 944**	1 798	**109**	42
Profit before tax	**908**	500	**(450)**	(156)
Income tax expense	**(348)**	(283)	**–**	–
Profit/(loss) after tax	**560**	217	**(450)**	(156)
% ownership interest held	**20**	20	**49**	49
Share of results of associates after tax including amortisation of customer relationships	**112**	44	**(221)**	(77)

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES *continued*

Investment in associates *continued*

Summarised financial information of associates *continued*

	Nigeria Tower InterCo B.V.		Ghana Tower InterCo B.V.	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Summarised statement of financial position				
Total assets	**10 152**	–	**2 248**	3 169
Non-current assets	**9 627**	–	**1 047**	2 001
Current assets	**525**	–	**1 201**	1 168
Total liabilities	**2 019**	–	**4 817**	4 185
Non-current liabilities	**2 005**	–	**4 124**	3 557
Current liabilities	**14**	–	**693**	628
Net assets	**8 133**	–	**(2 569)**	(1 016)
% ownership interest held	**51**	–	**49**	49
Interest in associate excluding goodwill	**4 148**	–	**(1 259)**	(498)
Unrecognised share of losses from associate	**–**	–	**982[1]**	331[1]
Unrecognised share of other comprehensive losses from associate	**–**	–	**277[1]**	167[1]
Balance at end of the year	**4 148**	–	**–**	–
Summarised income statement				
Revenue	**–**	–	**1 053**	893
EBITDA	**(125)**	–	**445**	367
Loss before tax	**(125)**	–	**(1 227)**	(879)
Income tax expense	**–**	–	**33**	260
Loss after tax	**(125)**	–	**(1 194)**	(619)
% ownership interest held	**51**	–	**49**	49
Share of results after tax including amortisation of customer relationships	**(64)**	–	**(585)**	(303)
Unrecognised share of losses from associate	**–**	–	**585**	303
Share of results of associates after tax	**(64)**	–	**–**	–

[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.

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES *continued*

Investment in joint ventures

The Group has the following effective interests in joint ventures:

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2014	2013
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
MTN Mobile Money Holdings Proprietary Limited	Wireless banking services	South Africa	**–**	50
Deci Investments	Holding company	Botswana	**33,3**	33,3
Middle East Internet Holding S.A.R.L (MEIH)[1]	Telecommunications	Luxemburg	**50**	–
Africa Internet Holding GmbH (AIH)[2]	Telecommunications	Berlin	**33,3**	–

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

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

During the year the Group acquired a 50% interest in Middle East Internet Holding S.A.R.L (MEIH), a joint venture, for EUR120 million consisting of a EUR40 million cash payment and EUR80 million contingent consideration, and a 33,3% interest in Africa Internet Holding GmbH (AIH) for EUR168 million.

The net fair values of the joint ventures' assets and liabilities at acquisition date are provisional and will be finalised in 2015.

The economy of Iran has been classified as hyperinflationary. As a result, the Group's joint venture in Iran has been accounted for as an entity operating in a hyperinflationary economy. The results for the period ended 31 December 2014 and 2013 and financial position at 31 December 2014 and 2013 of the joint venture have been restated in order to calculate the Group's share of its net assets and profit or loss. The general price index used as published by the IMF is set out below:

	Base year	General price index	Inflation rate %
31 December 2014	2011	224	20,00
31 December 2013	2011	187	19,69

The cumulative inflation rate over three years as at 31 December 2014 is 102,80%.

The average adjustment factor used for 2014 was 1,11 (2013: 1,09).

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

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES *continued*

Investment in joint ventures *continued*

	Irancell Telecommunication Company Services (PJSC) Rm	Mascom Wireless Botswana Proprietary Limited Rm	Africa Internet Holding GmbH (AIH) Rm	Other Rm	Total Rm
2013					
Balance at beginning of the year	1 543	1 039	–	298	2 880
Hyperinflation adjustment[1]	5 563	–	–	–	5 563
Share of results after tax	3 115	237	–	56	3 408
Dividend income	(1 391)	–	–	(61)	(1 452)
Other comprehensive income and effect of movements in exchange rates	–	120	–	29	149
Balance at end of the year	8 830	1 396	–	322	10 548
2014					
Balance at beginning of the year	**8 830**	**1 396**	**–**	**322**	**10 548**
Additions	**–**	**–**	**2 453**	**1 773**	**4 226**
Share of results after tax	**4 113**	**250**	**(94)**	**66**	**4 335**
Dividend income	**(2 400)**	**(243)**	**–**	**(71)**	**(2 714)**
Other equity movements	**–**	**(87)**	**–**	**–**	**(87)**
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[1]	**3 433**	**13**	**(106)**	**(109)**	**3 231**
Balance at end of the year	**13 976**	**1 329**	**2 253**	**1 981**	**19 539**

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

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES *continued*

Investment in joint ventures *continued*

Summarised financial information of joint ventures

Set out below is the summarised financial information of each joint venture that is material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method.

	Irancell Telecommunication Company Services (PJSC)		Africa Internet Holding GmbH		Mascom Wireless Botswana Proprietary Limited	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Summarised statement of financial position						
ASSETS						
Non-current assets	**35 184**	27 657	**44**	–	**1 050**	875
Property, plant and equipment	**28 221**	21 020	**38**	–	**903**	726
Intangible assets	**6 955**	2 702	**5**	–	**128**	133
Loans and other non-current receivables	**8**	3 935	**1**	–	**1**	–
Deferred tax assets	**–**	–	**–**	–	**18**	16
Current assets	**25 925**	14 591	**3 586**	–	**679**	1 086
Inventories	**141**	76	**109**	–	**10**	6
Trade and other receivables	**11 856**	3 238	**3 116**	–	**108**	772
Restricted cash	**1 345**	253	**–**	–	**–**	–
Cash and cash equivalents	**12 583**	11 024	**329**	–	**561**	308
Other current assets	**–**	–	**32**	–	**–**	–
Total assets	**61 109**	42 248	**3 630**	–	**1 729**	1 961
LIABILITIES						
Non-current liabilities	**4 193**	3 360	**13**	–	**301**	428
Borrowings	**–**	–	**–**	–	**121**	240
Deferred tax liabilities	**3 951**	2 788	**–**	–	**109**	103
Provisions	**242**	548	**–**	–	**–**	–
Other non-current liabilities	**–**	24	**13**	–	**71**	85
Current liabilities	**28 575**	20 895	**336**	–	**381**	345
Trade and other payables	**20 034**	13 444	**223**	–	**337**	329
Unearned income	**1 507**	1 450	**–**	–	**–**	–
Provisions	**183**	185	**16**	–	**–**	–
Taxation liabilities	**1 714**	1 332	**74**	–	**4**	16
Borrowings	**5 137**	4 484	**15**	–	**40**	–
Other current liabilities	**–**	–	**8**	–	**–**	–
Total liabilities	**32 768**	24 255	**349**	–	**682**	773
Net assets	**28 341**	17 993	**3 281**	–	**1 047**	1 188
Non-controlling interests-deficit in net assets	**–**	–	**268**	–	**–**	–
Total net assets	**28 341**	17 993	**3 549**	–	**1 047**	1 188
% ownership interest held	**49**	49	**33,3**	–	**53,1**	53,1
Interest in joint venture excluding goodwill	**13 887**	8 816	**1 183**	–	**556**	631
Adjustment up to 31 December 2014[1]	**–**	–	**(42)**	–	**–**	–
Goodwill	**89**	14	**1 112**	–	**773**	765
Balance at end of the year	**13 976**	8 830	**2 253**	–	**1 329**	1 396

[1] Summarised financial information presented above with regards to the Group's interest in AIH is as per the latest available management accounts at 30 September 2014. Preparation of the financial statements at 31 December 2014 by AIH was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES *continued*

Investment in joint ventures *continued*

Summarised financial information of joint ventures *continued*

	Irancell Telecommunication Company Services (PJSC)		Africa Internet Holding GmbH		Mascom Wireless Botswana Proprietary Limited	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Summarised income statement						
Revenue	**27 113**	22 916	**383**	–	**1 578**	1 483
Other income	**119**	–	**–**	–	**–**	–
Operating expenses	**(15 480)**	(13 090)	**(888)**	–	**(763)**	(721)
EBITDA	**11 752**	9 826	**(505)**	–	**815**	762
Depreciation of property, plant and equipment	**(4 300)**	(3 438)	**–**	–	**(131)**	(179)
Amortisation of intangible assets	**(955)**	(645)	**–**	–	**(90)**	(10)
Operating profit/(loss)	**6 497**	5 743	**(505)**	–	**594**	573
Finance income	**2 459**	1 452	**224**	–	**15**	17
Finance costs	**(692)**	(587)	**(1)**	–	**(13)**	(19)
Net monetary gain	**1 892**	1 280	**–**	–	**–**	–
Profit/(loss) before tax	**10 156**	7 888	**(282)**	–	**596**	571
Income tax expense	**(1 763)**	(1 531)	**–**	–	**(125)**	(125)
Profit/(loss) after tax	**8 393**	6 357	**(282)**	–	**471**	446
% ownership interest held	**49**	49	**33,3**	–	**53,1**	53,1
Share of results after tax	**4 113**	3 115	**(94)**	–	**250**	237

Summarised financial information has not been presented with regards to the Group's interest in MEIH as the entity is in its start-up phase and preparation of financial statements at the Group reporting date 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 up to the reporting date.

Cash and cash equivalents and other funds relating to Irancell Telecommunication Company Services (PJSC) are subject to sanctions, but is available for use within the Iranian operation. Dividends receivable of R5 640 million (2013: R3 110 million) declared by Irancell Telecommunication Company Services (PJSC) have not been received by the Group as at 31 December 2014 but are still considered recoverable. The Group continues to explore acceptable channels that are compliant with ongoing sanctions for repatriation of these funds.

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES *continued*

Investment in 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.

	2014 Rm	2013 Rm
Capital commitments		
Share of capital expenditure of joint ventures for the acquisition of property, plant and equipment and software not yet incurred at the reporting date is as follows:		
– Contracted	**3 153**	1 653
– Authorised but not contracted	**1 064**	1 610
	4 217	3 263
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	**16**	–
	16	–

Contingent liabilities relating to joint ventures

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

Licences

Licences awarded to the joint ventures are set out below:

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

[1] *Renewal application lodged.*

15 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 43.

	2014 Rm	2013[1] Rm
Loan to Uganda Tower InterCo B.V.[2]	**887**	704
Loan to Ghana Tower InterCo B.V.[3]	**2 023**	1 688
Loan to Nigeria Tower InterCo B.V.[4]	**1 039**	–
Non-current interconnect receivables	**355**	203
Other non-current receivables	**973**	2 398
Non-current prepayments and advances	**1 019**	2 638
	6 296	7 631

[1] *Restated, refer to note 48.*
[2] *The loan to Uganda Tower InterCo B.V. attracts interest at LIBOR +5,3% per annum. The loan is repayable in 2019.*
[3] *The loan to Ghana Tower InterCo B.V. attracts interest at a fixed interest rate of 9,0% per annum. The loan is repayable in 2016.*
[4] *The loan to Nigeria Tower InterCo B.V. attracts interest at a fixed interest rate of 10,0% per annum subject to review, and is repayable in 2024.*

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

An impairment reversal of R230 million (2013: R223 million charge) in respect of non-current interconnect receivables was recognised in 2014 (note 6).

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

16 DEFERRED TAXES

Deferred tax is accounted for in accordance with the accounting policy disclosed in note 8.

	1 January 2013[1] Rm	Recognised in profit or loss Rm	Exchange and other movements Rm	31 December 2013[1] Rm	**Recognised in profit or loss Rm**	**Exchange and other movements[2] Rm**	**31 December 2014 Rm**
Provisions	952	301	(179)	1 074	**(127)**	**13**	**960**
Tax loss carried forward	30	540	17	587	**(248)**	**(30)**	**309**
Arising due to fair value adjustments on business combinations/ revaluations	(250)	(23)	227	(46)	**45**	**23**	**22**
Working capital allowances	209	(188)	1	22	**549**	**–**	**571**
Tax allowances in excess of depreciation	(8 579)	(3 124)	(1 303)	(13 006)	**805**	**418**	**(11 783)**
Other temporary differences	(396)	302	37	(57)	**376**	**(301)**	**18**
Net deferred tax liability	(8 034)	(2 192)	(1 200)	(11 426)	**1 400**	**123**	**(9 903)**
Comprising:							
Deferred tax assets	1 291			2 044			**1 109**
Deferred tax liabilities	(9 325)			(13 470)			**(11 012)**
	(8 034)			(11 426)			**(9 903)**

[1] *Restated, refer to note 48.*
[2] *Includes the effect of hyperinflation.*

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

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

17 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as non-current assets held for sale and are stated at the lower of their carrying amounts and fair value less costs to sell when their carrying amounts are to be recovered principally through sale rather than continued use and the sale is considered to be highly probable.

	2014 Rm	2013 Rm
Balance at beginning of the year	**1 281**	1 373
Additions	**6 899**	1 265
Re-allocations from property, plant and equipment	**5 966**	1 265
Other additions	**933**	–
Disposals	**(3 675)**	(1 416)
Effect of movements in exchange rates	**(657)**	59
Balance at end of the year	**3 848**	1 281

The Group entered into a transaction with IHS which involves the sale of its mobile network towers in MTN Nigeria Communications Limited in two tranches to INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V.

The first tranche of the tower sale closed on 24 December 2014 which involved the sale of 4 154 mobile network towers by MTN Nigeria Communications Limited to INT Towers Limited (note 5).

The second tranche of the transaction involves approximately 4 978 mobile network towers and is expected to close in the second quarter of 2015 subject to customary closing conditions. The carrying value of the mobile towers to be sold has been included in non-current assets held for sale.

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

18 INVENTORIES

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

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

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

	2014 Rm	2013 Rm
Finished goods (handsets, SIM cards and accessories) – at cost	**3 775**	3 746
Consumables	**100**	51
Less: Write-down to net realisable value	**(463)**	(571)
	3 412	3 226
The following subsidiaries have secured facilities through the pledge of their inventories (note 26):		
Scancom Limited (MTN Ghana)	**39**	64
MTN Uganda Limited	**–**	33
	39	97

Reconciliation of write-down of inventory

	At beginning of the year Rm	**Additions[1] Rm**	**Reversals[1] Rm**	**Utilised Rm**	**Exchange movements Rm**	**At end of the year Rm**
2014						
Movement in write-down	**(571)**	**(7)**	**101**	**10**	**4**	**(463)**
2013						
Movement in write-down	(469)	(95)	31	1	(39)	(571)

[1] *A reversal of impairment charges on inventories of R94 million (2013: R64 million write-down) was recognised in the current year. This amount is included in other operating expenses in profit or loss (note 6).*

19 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 43.

Prepayments and other receivables are stated at their nominal values.

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

	2014 Rm	2013[1] Rm
Trade receivables	**17 253**	15 020
Less: Allowance for impairment of trade receivables (note 43.4)	**(2 514)**	(2 679)
Net trade receivables	**14 739**	12 341
Loan to Irancell Telecommunication Company Services (PJSC)[2]	**5 120**	4 468
Dividend receivable from Irancell Telecommunication Company Services (PJSC)[2]	**5 640**	3 110
Prepayments and other receivables[3]	**2 961**	2 943
Sundry debtors and advances[4]	**4 358**	1 959
	32 818	24 821

An impairment loss of R286 million (2013: R743 million[1]) was incurred in the current year. This amount is included in other operating expenses in profit or loss (note 6).

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its trade and other receivables amounting to R1 427 million (2013: R949 million).

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 43.

[1] *Restated, refer to note 48.*
[2] *The loan to Irancell Telecommunication Company Services (PJSC) attracts interest at Libor +4% per annum which is capitalised against the loan. The loan and capitalised interest were payable in 2014; however, due to sanctions imposed on Iran, this loan and dividends declared remain unpaid. The Group continues to explore acceptable channels that are compliant with ongoing sanctions for repatriation of these funds. The recoverability of these funds was assessed at the reporting date and was found not to be impaired.*
[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.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

20 CURRENT INVESTMENTS

Current investments consist of loans and receivables, financial assets held at fair value and held-to-maturity financial assets that are accounted for in accordance with the accounting policy disclosed in note 43.

	2014 Rm	2013 Rm
Loans and receivables		
Foreign currency fixed deposits with fixed interest rates of 2,0% – 2,8% (2013: 1,1% – 2,5%)[1]	**1 098**	1 283
Foreign currency fixed deposits with a fixed interest rate of 2,0%[1]	**178**	–
	1 276	1 283
Financial assets held at fair value		
Investment in insurance cell captives (note 43.3)	**906**	691
Held-to-maturity financial assets		
Treasury bills with fixed interest rates of 10,8% – 14,5% (2013: 11,6% – 12,4%) and maturity dates between January and December 2015 (2013: January and April 2014)[2]	**3 469**	2 568
Total current investments	**5 651**	4 542

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

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

There were no disposals of held-to-maturity financial assets in 2013 or in 2014.

21 DERIVATIVES

Derivatives are accounted for in accordance with the accounting policy disclosed in note 43.

	2014 Rm	2013 Rm
Derivatives held for trading		
Current assets		
Forward exchange contracts	**49**	20
Floating-to-fixed interest rate swap	**–**	2
Equity derivative	**134**	–
	183	22
Current liabilities		
Floating-to-fixed interest rate swap	**(2)**	(3)
	181	19
Gains/(losses) accounted for directly in profit or loss	**23**	(29)
Notional principal amount (US$ forward exchange contracts)	**3 837**	305
Notional principal amount (EUR forward exchange contracts)	**83**	29
Notional principal amount (US$ interest rate swap)	**672**	152

22 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 43.

	2014 Rm	2013 Rm
Restricted cash deposits	**893**	2 222

Restricted cash deposits include an amount of R331 million (2013: R1 633 million) relating to the Syrian operations which is not available for use by the Group due to exchange control regulations and a lack of foreign currency in Syria. The cash balance is considered to represent excess cash not required for payment of Syrian pound denominated liabilities.

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

23 NET 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 43.

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 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:

	2014 Rm	2013 Rm
Cash at bank and on hand	**43 098**	39 600
Bank overdrafts	**(26)**	(23)
	43 072	39 577

The following subsidiaries have secured facilities through the pledge of their cash and cash equivalents (note 26):

	2014 Rm	2013 Rm
Scancom Limited (MTN Ghana)	**876**	1 325
MTN Sudan Company Limited	**–**	29
MTN Uganda Limited	**–**	628
	876	1 982

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

24 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 re-issued. Where such ordinary shares are subsequently re-issued, 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.

	Number of shares	
	2014	2013
Ordinary share capital (par value of 0,01 cents)		
Authorised	**2 500 000 000**	2 500 000 000
Issued *(fully paid up)*	**1 848 355 889**	1 873 278 848
In issue at beginning of the year	**1 873 278 848**	1 883 484 324
Options exercised and allotted	**72 170**	173 160
Strike price		
R27,00	**8 340**[5]	169 850
R40,50	**63 830**	3 310
MTN Zakhele shares cancelled	**(2 657 377)**	(10 378 636)
Treasury shares cancelled	**(22 337 752)**	–
In issue at end of the year	**1 848 355 889**	1 873 278 848
Shares cancelled but not delisted at year end[1]	**–**	(1 065 166)
Options – MTN Zakhele transaction[2]	**(14 492 564)**	(17 030 125)
Treasury shares[3]	**(11 649 825)**	(22 337 752)
In issue at end of the year – excluding MTN Zakhele transaction and treasury shares[4]	**1 822 213 500**	1 832 845 805

[1] *These shares were delisted on 2 January 2014.*
[2] *Due to the call option over the notional vendor finance shares, these shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.*
[3] *Treasury shares held by the Company and MTN Holdings Proprietary Limited.*
[4] *There are no restrictions, rights and preferences including restrictions on dividend distributions attached to these shares.*
[5] *8 340 share options exercised and allotted in 2013 were listed in 2014.*

24 ORDINARY SHARE CAPITAL AND SHARE PREMIUM *continued*

	2014 Rm	2013 Rm
Share capital		
Balance at beginning of the year	*	*
Options exercised	*	*
Shares cancelled	(*)	(*)
Balance at end of the year	*	*
Share premium		
Balance at beginning of the year	42 598	42 593
Options exercised	3	5
Share buy-back	(2 422)	–
Balance at end of the year	40 179	42 598

**Amounts less than R1 million.*

MTN Zakhele transaction

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

MTN Zakhele acquired 75 363 138 of the Company's shares at a price of R107,46 per share. The acquisition of 45 368 186 shares was funded using equity raised from the allotment of MTN Zakhele shares totalling R1 618 million, third-party preference share funding of R2 160 million and a donation of R1 294 million (equal to 12 045 412 shares) received from the Group. The Company also issued 29 994 952 notional vendor finance shares (NVF shares) at par value to MTN Zakhele amounting to approximately R3 214 million. A total of 14 557 038 (2013: 12 964 827) of these shares were cancelled and delivered back to the Group as at 31 December 2014. An additional 945 350 shares were delivered back to the Group, and cancelled after year end. These shares were treated as treasury shares as at 31 December 2014.

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

The MTN Zakhele shares started trading on an over the counter platform (managed by an independent party) from 22 November 2013 onwards, on which date, MTN Holdings Proprietary Limited provided a guarantee in favour of the funders to MTN Zakhele. The guarantee expires on extinguishment of funding in MTN Zakhele, which is estimated at three years. The guarantee is provided for potential claims arising out of losses suffered as a result of operating the share trading platform.

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

MTN has not provided any additional funding or liquidity to MTN Zakhele and there is no intention to do so at 31 December 2014.

24 ORDINARY SHARE CAPITAL AND SHARE PREMIUM *continued*

Notional vendor finance (NVF) shares

The Group has a call option over the NVF shares. The fair value of the call option is R1 593 million (2013: R1 463 million) and was determined using a Monte Carlo valuation model.

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

	2014	2013
Share price (R)	**221,41**	217,02
NVF balance (Rm)	**1 220**	1 685
NVF shares (number)	**14 492 564**	17 030 125
Volatility (%)	**25,47**	26,28
Dividend yield (%)	**6,14**	5,37
Expected option life (years)	**2**	3
Annual risk-free rate (%)	**6,7**	6,6

	Rm	Rm
A reconciliation of the NVF balance is provided below:		
Balance at beginning of the year	**1 685**	3 525
Interest accrued	**117**	216
Settlement	**(582)**	(2 056)
Balance at end of the year	**1 220**	1 685

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

MTN Zakhele settled R582 million (2013: R2 056 million) of the NVF in 2014 via acquiring 2 537 561 (2013: 11 443 802) of the Company's shares in the open market and delivering an equivalent number of shares, initially issued by the Company to MTN Zakhele, back to the Company. MTN Group Limited cancelled 1 592 211 of these shares delivered by MTN Zakhele and 945 350 was held as treasury shares, cancelled subsequent to year end.

Third-party preference share funding acquired by MTN Zakhele

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

	2014 Rm	2013 Rm
Class A cumulative redeemable non-participating preference shares		
Balance at beginning of the year	**3 176**	1 492
Issued	**–**	1 700
Accrued interest paid	**(202)**	(153)
Interest accrued at effective interest rate	**208**	137
Balance at end of the year	**3 182**	3 176

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

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

24 ORDINARY SHARE CAPITAL AND SHARE PREMIUM *continued*

Preference shares refinancing

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

Dividends paid to MTN Zakhele

Dividends paid by the Company to MTN Zakhele amounted to R837 million (2013: R658 million) for the year.

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

Share buy-back

In the current year, MTN Holdings Proprietary Limited acquired 10 704 475 shares at an average price of R226,24 per share, inclusive of transaction costs, in the Company on the JSE Limited. The total amount paid to acquire the shares, inclusive of transaction costs, was R2 422 million. The shares are fully paid shares and are held as treasury shares.

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

25 OTHER RESERVES

	2014 Rm	2013 Rm
Balance at beginning of the year	**(5 991)**	(15 834)
Transactions with non-controlling interests	**–**	(495)
Share-based payment transactions	**110**	215
Exchange differences on translating foreign operations	**2 960**	10 179
Other	**(46)**	(56)
Balance at end of the year	**(2 967)**	(5 991)
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]	**2 514**	2 404
Foreign currency translation reserve[5]	**5 791**	2 831
Other	**(91)**	(45)
	(2 967)	(5 991)

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

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

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

[4] Refer to the accounting policy in note 44 with regards to equity-settled share-based payments.

[5] Refer to the translation and disposal of foreign operations sections in accounting policy 1.3.2 Foreign currency.

26 BORROWINGS

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 43.

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

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

	2014 Rm	2013 Rm	Denominated currency	Nominal interest* %	Repayment details
Unsecured					
MTN Holdings Proprietary Limited	**13 139**	12 886			
	4 506	4 482	ZAR[1,2]	7,4	Quarterly. Final repayment: December 2015
	2 767	751	ZAR[2,3]	7,6	Quarterly. Final repayment: June 2016
	2 618	3 953	ZAR[4,5]	9,4 – 10,2	Semi-annual. Final repayment: July 2015 – July 2017
	1 994	–	ZAR[2,6]	7,2	Quarterly. Final repayment: May 2017
	1 003	–	ZAR[2,3]	7,1	Quarterly. Final repayment: March 2015
	251	–	ZAR[5,7]	6,5	Monthly. Final repayment: January 2015
	–	1 096	ZAR[5,8]	5,5	Loan repaid during the year
	–	1 000	ZAR[2,6]	7,1	Loan repaid during the year
	–	1 604	ZAR[5,7]	5,6 – 5,7	Loan repaid during the year
MTN Nigeria Communications Limited	**24 673**	24 757			
	17 697	18 515	NGN[1,2]	15,0	Annual. Final repayment: November 2019
	2 904	2 932	US$[1,2]	3,2	Semi-annual. Final repayment: April 2019
	1 351	1 031	US$[2,9]	1,3	Semi-annual. Final repayment: August 2019
	1 009	–	US$[5,9]	1,7	Semi-annual. Final repayment: June 2015
	915	373	US$[2,10]	3,4	Semi-annual. Final repayment: December 2019
	381	796	US$[5,9]	1,4	Semi-annual. Final repayment: December 2015
	291	825	US$[5,9]	3,3	Semi-annual. Final repayment: December 2015
	65	152	US$[2,9]	1,1	Semi-annual. Final repayment: December 2015
	60	133	US$[2,9]	3,0	Semi-annual. Final repayment: June 2015
MTN (Mauritius) Investments Limited	**8 686**	–	US$[5,11]	4,8	Semi-annual. Final repayment: November 2024

[1] *Syndicated term loan facility* [2] *Variable interest rate* [3] *Revolving credit facility* [4] *Domestic medium-term notes*
[5] *Fixed interest rate* [6] *Bilateral term loan facility* [7] *General bank facility* [8] *Commercial paper*
[9] *Export credit facility* [10] *Vendor finance facility* [11] *Senior unsecured notes* [12] *Bank borrowings*
**Nominal interest rates are the contractual interest rates on loans as at 31 December 2014.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

26 BORROWINGS *continued*

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

	2014 Rm	2013 Rm	Denominated currency	Nominal interest* %	Repayment details
***Unsecured** continued*					
MTN (Zambia) Limited	**1 362**	1 495			
	688	340	US$[2,12]	3,8	Semi-annual. Final repayment: June 2019
	674	–	ZMK[1,2]	19,5	Semi-annual. Final repayment: January 2016
	–	1 155	ZMK[1,2]	13,4	Loan repaid during the year
Spacetel Benin SA	**945**	1 186			
	664	965	XOF[1,5]	7,8	Semi-annual. Final repayment: March 2017
	281	–	XOF[5,6]	7,5	Semi-annual. Final repayment: September 2019
	–	221	XOF[1,5]	8,3	Loan repaid during the year
MTN Côte d'Ivoire S.A.	**745**	1 114			
	426	–	XOF[5,12]	3,9	Semi-annual. Final repayment: May 2015
	319	–	XOF[5,12]	4,0	Semi-annual. Final repayment: May 2015
	–	8	XOF[5,6]	8,3	Loan repaid during the year
	–	442	XOF[5,12]	4,0	Loan repaid during the year
	–	442	XOF[5,12]	4,8	Loan repaid during the year
	–	222	XOF[5,12]	4,8	Loan repaid during the year
Other unsecured borrowings	**938**	1 428			
Total unsecured borrowings	**50 488**	42 866			

**Nominal interest rates are the contractual interest rates on loans as at 31 December 2014.*

26 BORROWINGS *continued*

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

	2014 Rm	2013 Rm	Denominated currency	Nominal interest* %	Repayment details	Security/ collateral
Secured						
MTN Sudan Company Limited	**1 933**	1 872				
	817	815	EUR[2, 10]	6,0	Quarterly. Final repayment: June 2020	Pledge of network and capital work-in-progress assets
	506	697	US$[5, 10]	10,0	Quarterly. Final repayment: December 2016	Pledge of network and capital work-in-progress assets
	588	339	EUR[2, 10]	5,0	Semi-annual. Final repayment: December 2019	Pledge of network and capital work-in-progress assets
	22	21	US$[5, 12]	10,0	Repayment: July 2015	Deposit equivalent to 140% of the loan
MTN Uganda Limited	**–**	184				
	–	131	UGX[1, 2]	13,7	Loan repaid during the year	
	–	53	US$[1, 2]	4,4	Loan repaid during the year	
MTN Afghanistan Limited	**138**	294				
	32	69	US$[2, 6]	5,5	Quarterly. Final repayment: September 2015	Pledge of shares
	106	225	US$[2, 6]	5,5	Quarterly. Final repayment: September 2015	Pledge of shares

[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] Commercial paper*
[9] Export credit facility *[10] Vendor finance facility* *[11] Senior unsecured notes* *[12] Bank borrowings*

**Nominal interest rates are the contractual interest rates on loans as at 31 December 2014.*

26 BORROWINGS *continued*

	2014 Rm	2013 Rm	Denominated currency	Nominal interest* %	Repayment details	Security/ collateral
Secured *(continued)*						
Scancom Limited (MTN Ghana)	**646**	621				
	211	77	GHS[1,2]	26,4	Semi-annual. Final repayment: May 2017	Floating charge on company assets
	–	22	GHS[2,3]	19,3	Loan repaid during the year	
	435	522	US$[1,2]	3,7	Semi-annual. Final repayment: May 2017	Floating charge on company assets
Other secured borrowings	**48**	165				
Total secured borrowings	**2 765**	3 136				
Total unsecured borrowings	**50 488**	42 866				
Total borrowings	**53 253**	46 002				

**Nominal interest rates are the contractual rates on loans as at 31 December 2014.*

	2014 Rm	2013 Rm
The classification of the Group's borrowings is as follows:		
Current	**13 783**	11 338
Non-current	**39 470**	34 664
	53 253	46 002
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
Nigerian naira	**17 697**	18 515
United States dollar	**17 722**	8 496
South African rand	**13 139**	12 886
Euro	**1 659**	1 454
Benin Communauté Financière Africaine franc	**945**	1 186
Côte d'Ivoire Communauté Financière Africaine franc	**745**	1 155
Zambian kwacha	**674**	1 155
Congo-Brazzaville Communauté Financière Africaine franc	**306**	487
Cameroon Communauté Financière Africaine franc	**134**	418
Various currencies	**232**	250
	53 253	46 002
The Group has the following undrawn committed facilities:		
Floating rate	**25 282**	34 785
Fixed rate	**7 561**	8 766
	32 843	43 551

for the year ended 31 December 2014 *continued*

27 OTHER NON-CURRENT LIABILITIES

Finance leases are accounted for in accordance with the accounting policy disclosed in note 36 and other liabilities are accounted for in accordance with the accounting policy disclosed in note 43.

	2014 Rm	2013 Rm
Finance lease obligations (note 36)	**696**	756
Deferred gain on asset swap[1]	**–**	358
Deferred income	**542**	128[2]
Other	**347**	485
	1 585	1 727
Less: current portion of deferred gain on asset swap	**–**	(358)
	1 585	1 369

[1] *The deferred gain arose on the contribution of various assets from MTN (Dubai) Limited, MTN International Carrier Services and Uniglobe in exchange for a 20% investment in the associate, Belgacom International Carrier Services SA (BICS) (note 5). This gain was deferred and is being amortised over a five-year period, which is the period of the commitment to use the international gateway of BICS (note 14). The deferred gain was fully amortised during the year.*

[2] *Previously included in "Other".*

28 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.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

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

[1] *Includes the effect of hyperinflation.*

28 PROVISIONS *continued*

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange and other movements Rm	At end of the year Rm
2013						
Non-current						
Decommissioning provision	158	33	(49)	(15)	59	186
Other provisions	258	92	(14)	(5)	(160)	171
	416	125	(63)	(20)	(101)	357
Current						
Bonus provision	760	788	(105)	(915)	235	763
Decommissioning provision	79	32	(1)	–	(26)	84
Licence obligations	257	–	–	–	–	257
Other provisions	2 835	1 190	(357)	(260)	125	3 533
	3 931	2 010	(463)	(1 175)	334	4 637

Bonus provision

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

Decommissioning provision

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

29 TRADE AND OTHER PAYABLES

Trade payables 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 43.

Other payables are stated at their nominal values.

	2014 Rm	2013 Rm
Trade payables	**11 187**	7 451
Sundry creditors	**2 728**	1 254
Accrued expenses	**15 711**	15 502
Current portion of deferred gain (note 27)	**–**	358
Other payables	**3 608**	2 884
	33 234	27 449

30 CASH GENERATED FROM OPERATIONS

	2014 Rm	2013[1] Rm
Profit before tax	**51 063**	43 349
Adjusted for:		
Finance costs (note 7)	**10 440**	12 656
Finance income (note 7)	**(6 772)**	(11 422)
Depreciation of property, plant and equipment (note 11)	**18 262**	16 458
Amortisation of intangible assets (note 12)	**3 251**	2 820
Loss on disposal of property, plant and equipment and intangible assets (note 6)	**69**	42
Loss on disposal of joint venture	**15**	–
Share of results of associates and joint ventures after tax (note 14)	**(4 208)**	(3 431)
Increase in provisions	**140**	1 437
(Reversal of write-down)/write-down of inventories (note 18)	**(94)**	64
Impairment of goodwill (note 12)	**2 033**	–
Impairment loss on intangible assets (note 12)	**74**	–
Impairment loss on property, plant and equipment (note 11)	**634**	7
Reversal of impairment charge on property, plant and equipment (note 11)	**–**	(35)
Impairment of trade receivables (note 19)	**286**	743
(Reversal of impairment)/impairment of non-current receivable (note 15)	**(230)**	223
Profit on sale of towers (note 5)	**(7 399)**	(930)
Realisation of previously deferred profit on Ghana tower sale (note 5)	**(31)**	(38)
Realisation of deferred gain on asset swap (note 5)	**(364)**	(357)
Equity-settled share-based payment transactions (note 6)	**110**	215
Net monetary gain	**(878)**	–
Other	**(35)**	166
	66 366	61 967
Changes in working capital	**(1 738)**	(2 259)
Increase in inventories	**(65)**	(627)
Increase/(decrease) in unearned income	**654**	(183)
Increase in receivables and prepayments	**(1 926)**	(1 827)
(Decrease)/increase in trade and other payables	**(401)**	378
Cash generated from operations	**64 628**	59 708

31 INCOME TAX PAID

	2014 Rm	2013[1] Rm
At beginning of the year	**(6 671)**	(6 235)
Amount recognised in profit or loss (note 8)	**(13 361)**	(12 487)
Deferred tax charge (note 8)	**(1 400)**	2 192
Effect of movements in exchange rates	**343**	(1 497)
Net monetary gain	**12**	–
Other	**300**	172
At end of the year	**8 998**	6 671
Taxation prepaid	**(564)**	(859)
Taxation liabilities	**9 562**	7 530
Total tax paid	**(11 779)**	(11 184)

[1] *Restated, refer to note 48.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

32 CONTINGENT LIABILITIES

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

	2014 Rm	2013 Rm
Contingent liabilities	**932**	1 023
Licence fee and regulatory matters	**598**	502
Litigation and other matters	**323**	521
Other	**11**	–

33 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 2014 was 1 555 033 (2013: 1 268 708) and the estimated commitment in respect of these incentives amounts to R841 million (2013: R859 million).

34 CAPITAL COMMITMENTS

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

	2014 Rm	2013 Rm
Capital expenditure not yet incurred at the reporting date is as follows:		
– Contracted	**10 034**	11 260
– Authorised but not contracted	**19 659**	14 891
Total commitments for property, plant and equipment and software	**29 693**	26 151

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

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

35 OPERATING LEASE COMMITMENTS

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

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

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

Sale and leaseback

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

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

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

	2014 **Rm**	2013[1] Rm
The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:		
Not later than one year	**4 280**	2 326
Later than one year and no later than five years	**16 203**	7 572
Later than five years	**13 973**	6 117
	34 456	16 015

[1] *Restated, refer to note 49.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

36 FINANCE LEASE COMMITMENTS

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

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

Sale and leaseback

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

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

	Minimum lease payments Rm	Future finance charges Rm	Present value Rm
2014			
Current			
Not later than one year	**143**	**(36)**	**107**
Non-current (note 27)	**921**	**(225)**	**696**
Later than one year and no later than five years	**395**	**(135)**	**260**
Later than five years	**526**	**(90)**	**436**
	1 064	**(261)**	**803**
2013			
Current			
Not later than one year	195	(91)	104
Non-current (note 27)	1 088	(332)	756
Later than one year and no later than five years	471	(183)	288
Later than five years	617	(149)	468
	1 283	(423)	860

37 JOINT OPERATIONS

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

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

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

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

The Group has the following interests in jointly controlled operations:

	Ownership interest held	
	2014 %	2013 %
Joint operation		
Europe India Gateway Submarine Cable System	**7,09**	7,09
West Africa Cable System	**11,45**	11,78
EASSy Cable System	**16,26**	15,31

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:

	2014 Rm	2013 Rm
Revenue	**21**	199
Expenses	**(212)**	(201)
Total assets	**1 977**	1 827
Total liabilities (excluding unearned income)	**(124)**	(114)
Unearned income	**(132)**	(132)

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

38 EXCHANGE RATES TO SOUTH AFRICAN RAND

		Closing rates		Average rates	
		2014	2013	**2014**	2013
United States dollar	US$	**0,09**	0,10	**0,09**	0,10
Uganda shilling	UGX	**239,02**	239,81	**240,06**	264,66
Rwanda franc	RWF	**58,02**	63,90	**63,12**	67,01
Cameroon Communauté Financière Africaine franc	XAF	**46,94**	45,23	**45,77**	51,96
Nigerian naira	NGN	**15,93**	15,23	**15,27**	16,46
Iranian rial[1]	IRR	**2 341,99**	2 355,94	**2 389,54**	2 554,14
Botswana pula	BWP	**0,82**	0,83	**0,83**	0,87
Côte d'Ivoire Communauté Financière Africaine franc	CFA	**46,94**	45,23	**45,81**	51,50
Congo-Brazzaville Communauté Financière Africaine franc	XAF	**46,94**	45,23	**45,81**	51,96
Zambian kwacha	ZMK	**0,55**	0,53	**0,57**	0,55
Swaziland lilangeni	E	**1,00**	1,00	**1,00**	1,00
Lebanese pound	LBP	**130,77**	142,82	**135,05**	157,10
Afghanistan afghani	AFN	**5,05**	5,33	**5,31**	5,72
Euro	EUR	**0,07**	0,07	**0,07**	0,08
Ghanaian cedi	GHS	**0,28**	0,22	**0,27**	0,21
Benin Communauté Financière Africaine franc	XOF	**46,94**	45,23	**45,71**	51,44
Guinean franc	GNF	**612,70**	654,29	**643,39**	705,86
Sudanese pound[1]	SDG	**0,52**	0,54	**0,53**	0,50
Syrian pound[1]	SYP	**17,15**	13,67	**15,43**	13,57
Guinea-Bissau Communauté Financière Africaine franc	XOF	**46,94**	45,23	**45,97**	51,64
Yemen rial	YER	**18,62**	20,44	**19,93**	22,39
Ethiopian birr	ETB	**1,74**	1,81	**1,79**	1,86

[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.*

39 EVENTS AFTER THE REPORTING PERIOD

Syria freehold licence

MTN Syria (JSC) operated under a contractual service arrangement granted and controlled by the Syrian Telecommunication Establishment (STE). The contract known as Build, Operate and Transfer (BOT) provided for revenue sharing between MTN Syria (JSC) and the STE and required the handing over of the network to the STE at the end of the licence period. Subsequent to the reporting period, the Group concluded its negotiations with the STE for a freehold licence. This resulted in the termination of the BOT contract and acquisition of a freehold licence with a term of 20 years with effect from 1 January 2015. The initial licence fee of SYP25 billion was funded through cash balances maintained within the local operation.

40 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.

	2014 Rm	2013 Rm
Key management compensation		
Salaries and other short-term employee benefits	**77**	69
Post-employment benefits	**7**	6
Other benefits	**8**	15
Bonuses	**62**	59
Total	**154**	149

Details of directors' remuneration are disclosed in note 46 of the annual financial statements.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 47 of the annual financial statements.

Changes in shareholding

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

The following changes in shareholding transactions took place in 2013 (note 41):

- The Group increased its shareholding in MTN Cyprus Limited from 50% to 100% for R690 million.
- The Group sold 0,84% of its shareholding in MTN Côte d'Ivoire S.A. for R57 million.
- The non-controlling shareholders of MTN Afghanistan Limited sold their shareholding of 9,1% to MTN (Dubai) Limited for R248 million in terms of a put option.

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

40 RELATED PARTY TRANSACTIONS *continued*

Joint ventures

Details of the Group's investments in and share of results and dividend income from its joint ventures are disclosed in note 14 of the annual financial statements.

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

	Net income for the year		Net balance receivable/ (payable)	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Swazi MTN Limited	**6**	40	**36**	42
Mascom Wireless Botswana Proprietary Limited	**2**	3	**–**	2
Irancell Telecommunication Company Services (PJSC)	**212**	184	**11 070**	7 810
Middle East Internet Holding S.A.R.L (MEIH)	**–**	–	**(1 115)**	–
African Internet Holding GmbH (AIH)	**–**	–	**(1 592)**	–

Associates

Details of the Group's investments in and share of results and dividend income from its associates are disclosed in note 14 of the annual financial statements.

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

	Net income for the year		Net balance receivable	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Belgacom International Carrier Services SA (BICS)	**386**	460	**141**	125
Ghana Tower InterCo B.V.	**159**	131	**2 025**	1 689
Uganda Tower InterCo B.V.	**44**	38	**889**	705
Nigeria Tower InterCo B.V.	**–**	–	**1 039**	–

40 RELATED PARTY TRANSACTIONS *continued*

Associates *continued*

Scancom Limited (MTN Ghana) entered into operating lease agreements with Ghana Tower InterCo B.V. The operating lease commitments amounted to R2 762 million at 31 December 2014 (2013: R3 516 million[1]). The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

MTN Uganda Limited entered into operating lease agreements with Uganda Tower InterCo B.V. The operating lease commitments amounted to R2 364 million at 31 December 2014 (2013: R2 411 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, a wholly owned subsidiary of Nigeria Tower InterCo B.V. The operating lease commitments amounted to R17 843 million at 31 December 2014. The initial term of the lease agreements is 10 years, followed by four times five-year renewal periods.

Shareholders

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

[1] *Restated, refer to note 49.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

41 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 and are accounted for as transactions with non-controlling shareholders as disclosed in note 1.3.1.

41.1 Current year changes in shareholding

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

41.2 Prior year changes in shareholding

41.2.1 MTN Cyprus Limited

The Group increased its shareholding in MTN Cyprus Limited from 50% to 100% for R690 million.

The impact on equity arising from the acquisition was as follows:

	Carrying amount on acquisition date Rm
Purchase consideration	(690)
Net asset value acquired	163
Difference included in equity on consolidation	(527)

41.2.2 MTN Côte d'Ivoire S.A.

The Group sold 0,84% of its shareholding in MTN Côte d'Ivoire S.A. for R57 million.

The impact on equity arising from the disposal was as follows:

	Carrying amount on disposal date Rm
Consideration received	57
Net asset value disposed	(25)
Difference included in equity on consolidation	32

41.2.3 MTN Afghanistan Limited

The International Finance Corporation (IFC) exercised its put option and sold its non-controlling interest of 9,1% in MTN Afghanistan to MTN (Dubai) Limited for R248 million. MTN Afghanistan Limited is now a wholly owned subsidiary of MTN (Dubai) Limited.

41 CHANGES IN SHAREHOLDING *continued*

41.3 Net cash flows relating to changes in shareholdings

	2014 Rm	2013 Rm
Changes in shareholding of subsidiaries		
Consideration for acquisition of shares from non-controlling interests		
– MTN Cyprus Limited	–	(690)
Proceeds from sale of shares to non-controlling interests		
– MTN Côte d'Ivoire S.A.	–	57
Consideration for the settlement of put option		
– MTN Afghanistan Limited	–	(248)
	–	(881)

42 BUSINESS COMBINATIONS

42.1 Current year business combinations

42.1.1 Afrihost Proprietary Limited

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

Since acquisition, the entity contributed revenue of R55 million and profit of R4 million to the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that the Group's revenue and profit for the year would have increased by R512 million and reduced by R6 million, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

42 BUSINESS COMBINATIONS *continued*

42.1 Current year business combinations *continued*

The following table summarises the consideration transferred by the Group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

42.1.1 Afrihost Proprietary Limited *continued*

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

Measurement of fair values

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

Assets acquired	***Valuation technique***
Property, plant and equipment	Replacement cost
Intangible assets	Multi-period excess earnings method and royalty payments avoided
Trade receivables	Discounted cash flow method
Inventories	Replacement cost

The fair value of the acquired identifiable assets has been determined on a provisional basis in terms of IFRS 3.

42 BUSINESS COMBINATIONS *continued*

42.1 Current year business combinations *continued*

42.1.2 Nashua subscriber base

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

Since acquisition to 31 December 2014, the subscriber base contributed revenue of R120 million and profit of R113 million to the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that the Group's revenue and profit for the year would have increased by R1 276 million and R1 202 million respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

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

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

Measurement of fair values

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

Assets acquired	***Valuation technique***
Intangible assets	Multi-period excess earnings method and royalty payments avoided
Loans and other non-current receivables	Discounted cash flow method

The fair values of the acquired identifiable assets have been determined on a provisional basis in terms of IFRS 3.

42.2 Prior year business combinations

During 2013, the Group increased its shareholding in Satalite Data Networks Limited from 60% to 100% for R47 million. The entity was previously a joint venture of the Group.

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

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

Offsetting financial instruments

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

Financial instrument classification

The Group classifies its financial instruments into the following categories:

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Loans and other non-current 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.

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

Subsequent measurement *continued*

Held-to-maturity investments

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

Available-for-sale

Available-for-sale 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 are recognised in other comprehensive income.

Financial liabilities

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

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

Derecognition

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

Impairment

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

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

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

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

All impairment losses are recognised in profit or loss.

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

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

Impairment of trade receivables

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

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

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 and interest rate 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 annual financial statements.

Risk profile

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

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

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.1 Categories of financial instruments

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

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

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.1 Categories of financial instruments continued

	Assets				Liabilities		
	Loans and receivables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Available-for-sale Rm	Amortised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount Rm
2013[2]							
Non-current financial assets							
Loans and other non-current receivables	4 993	–	–	–	–	–	4 993
Investments	–	–	111	–	–	–	111
Current financial assets							
Trade and other receivables	21 710	–	–	–	–	–	21 710
Current investments	1 283	691	2 568	–	–	–	4 542
Derivative assets	–	22	–	–	–	–	22
Restricted cash	2 222	–	–	–	–	–	2 222
Cash and cash equivalents	39 600	–	–	–	–	–	39 600
	69 808	713	2 679	–	–	–	73 200
Non-current financial liabilities							
Borrowings	–	–	–	–	34 664	–	34 664
Other non-current liabilities	–	–	–	–	1 093	–	1 093
Current financial liabilities							
Trade and other payables	–	–	–	–	25 354	–	25 354
Borrowings	–	–	–	–	11 338	–	11 338
Derivative liabilities	–	–	–	–	–	3	3
Bank overdrafts	–	–	–	–	23	–	23
	–	–	–	–	72 472	3	72 475

[1] *All financial instruments at fair value through profit or loss are held for trading.*
[2] *Restated, refer to note 48.*

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.2 *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
2014			
Current financial assets			
Trade and other receivables	**3 130**	**(987)**	**2 143**
Current financial liabilities			
Trade and other payables	**1 920**	**(987)**	**933**
2013			
Current financial assets			
Trade and other receivables	3 826	(1 238)	2 588
Current financial liabilities			
Trade and other payables	2 798	(1 238)	1 560

43.3 *Fair value estimation*

The table below 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).

The following table presents the Group's assets and liabilities that are measured at fair value:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Current financial assets				
Investments	**–**	**5 912**	**–**	**5 912**
Current investments	**–**	**–**	**906**	**906**
Derivative assets	**42**	**141**	**–**	**183**
Total assets	**42**	**6 053**	**906**	**7 001**
Current financial liabilities				
Derivative liabilities	**–**	**2**	**–**	**2**

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.3 Fair value estimation *continued*

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2013				
Current financial assets				
Current investments	–	–	691	691
Derivative assets	20	2	–	22
Total assets	20	2	691	713
Current financial liabilities				
Derivative liabilities	–	3	–	3

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date;
- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value of the remaining financial instruments.

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.3 *Fair value estimation* *continued*

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):

	Rm
Balance at 1 January 2013	–
Reclassification of investment in insurance cell captives[1]	557
Contributions paid to insurance cell captives	281
Claims received from cell captives	(177)
Gain recognised in profit or loss	30
Balance at 31 December 2013	691
Balance at 1 January 2014	**691**
Contributions paid to insurance cell captives	**563**
Claims received from cell captives	**(390)**
Gain recognised in profit or loss	**42**
Balance at 31 December 2014	**906**

The effect on profit or loss of a reasonable possible change in assumptions used in determining the fair value of current investments is negligible.

[1] *The Group invested in insurance cell captives created by Guardrisk, whereby Guardrisk's insurance licence was extended for use for the insurance of the Group's own assets (first-party cells). The Group previously considered the insurance cells to be separate portions of an entity subject to consolidation under IAS 27* Consolidated and Separate Financial Statements *and SIC 12* Consolidation – Special Purpose Entities (*effective for periods prior to 1 January 2013). With the adoption of IFRS 10* Consolidated Financial Statements, *the Group concluded that the cell captive structures did not satisfy the criteria of IFRS 10 to be regarded "deemed separate entities" and are accordingly not subject to consolidation. The cell captive arrangements have therefore been accounted for as financial assets receivable from these cells.*

43.4 *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:

	2014 Rm	2013[2] Rm
Loans and other non-current receivables	**5 277**	4 993
Investments	**223**	111
Trade and other receivables	**29 655**	21 710
Current investments	**5 651**	4 542
Derivative assets	**183**	22
Restricted cash	**893**	2 222
Cash and cash equivalents	**43 098**	39 600
	84 980	73 200

[2] *Restated, refer to note 48.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

***43.4 Credit risk** continued*

Cash and cash equivalents and current investments

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

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

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

Trade receivables

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

The recoverability of interconnect receivables in certain international operations is uncertain; however, this is actively managed within acceptable limits and has been incorporated in the assessment of an appropriate revenue recognition policy (note 4) and the impairment of trade receivables, where applicable. In addition, in certain countries there exists a right of set-off with interconnect parties to assist in settling outstanding amounts.

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.4 ***Credit risk*** *continued*

Ageing and impairment analysis

	2014 Rm Gross	2014 Rm Impaired	2014 Rm Net	2013[1] Rm Gross	2013[1] Rm Impaired	2013[1] Rm Net
Fully performing trade receivables	**12 994**	**–**	**12 994**	9 750	–	9 750
Interconnect receivables	**2 165**	**–**	**2 165**	1 701	–	1 701
Contract receivables	**3 826**	**–**	**3 826**	2 131[2]	–	2 131[2]
Other receivables	**7 003**	**–**	**7 003**	5 918[2]	–	5 918[2]
Past due trade receivables	**4 259**	**(2 514)**	**1 745**	5 270	(2 679)	2 591
Interconnect receivables	**1 352**	**(752)**	**600**	1 666	(1 033)	633
0 to 3 months	**234**	**(1)**	**233**	232	(1)	231
3 to 6 months	**103**	**–**	**103**	130	(38)	92
6 to 9 months	**54**	**–**	**54**	120	(25)	95
9 to 12 months	**961**	**(751)**	**210**	1 184	(969)	215
Contract receivables	**2 195**	**(1 344)**	**851**	2 599	(1 287)	1 312
0 to 3 months	**674**	**(243)**	**431**	900	(77)	823
3 to 6 months	**592**	**(454)**	**138**	503	(266)	237
6 to 9 months	**183**	**(48)**	**135**	407	(243)	164
9 to 12 months	**746**	**(599)**	**147**	789	(701)	88
Other receivables	**712**	**(418)**	**294**	1 005	(359)	646
0 to 3 months	**102**	**(4)**	**98**	141	(2)	139
3 to 6 months	**137**	**(27)**	**110**	77	(7)	70
6 to 9 months	**210**	**(126)**	**84**	533	(201)	332
9 to 12 months	**263**	**(261)**	**2**	254	(149)	105
Total	**17 253**	**(2 514)**	**14 739**	15 020	(2 679)	12 341

[1] Restated, refer to note 48.
[2] An amount of R4 billion relating to retail contracts was reclassified from contract receivables to other receivables.

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.4 Credit risk *continued*

Total past due per significant operation

	Interconnect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
2014				
MTN South Africa	**59**	**850**	**80**	**989**
MTN Nigeria Communications Limited	**839**	**327**	**26**	**1 192**
Other operations	**454**	**1 018**	**606**	**2 078**
	1 352	**2 195**	**712**	**4 259**
2013				
MTN South Africa	177	1 017	334	1 528
MTN Nigeria Communications Limited	766	502	19	1 287
Other operations	723	1 080	652	2 455
	1 666	2 599	1 005	5 270

Provision for impairment of trade receivables

	At beginning of the year Rm	Additions[2] Rm	Reversals[2] Rm	Utilised Rm	Net monetary gain Rm	Exchange differences and other movements[3] Rm	At end of the year Rm
2014							
Provision for impairment of trade receivables	**(2 679)**	**(650)**	**364**	**443**	**43**	**(35)**	**(2 514)**
2013[1]							
Provision for impairment of trade receivables	(1 925)	(831)	88	192	–	(203)	(2 679)

[1] *Restated, refer to note 48.*

[2] *A net impairment charge of R286 million (2013: R743 million) was recognised during the year. This amount is included in other operating expenses in profit or loss (note 6).*

[3] *Includes the effect of hyperinflation.*

The Group does not hold any collateral for trade receivables.

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.4 *Credit risk continued*

Loans and other non-current receivables

The recoverability of all loans was assessed at reporting date and none were found to be impaired.

An impairment reversal of R230 million (2013: R223 million charge) in respect of non-current interconnect receivables was recognised in 2014. The impairment analysis is set out below:

	Gross Rm	Impaired Rm	Net Rm
2014			
Non-current interconnect receivables	**355**	**–**	**355**
2013			
Non-current interconnect receivables	426	(223)	203

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange differences and other movements Rm	At end of the year Rm
2014						
Provision for impairment on non-current interconnect receivables	**(223)**	**–**	**230**	**–**	**(7)**	**–**
2013						
Provision for impairment on non-current interconnect receivables	–	(223)	–	–	–	(223)

43.5 *Liquidity risk*

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

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

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

The following liquid resources are available:

	2014 Rm	2013 Rm
Trade and other receivables	**18 895**	14 132[1]
Current investments	**2 182**	1 974
Cash and cash equivalents, net of overdrafts	**43 072**	39 577
	64 149	55 683

[1] *Restated, refer to note 48.*

The Group's undrawn borrowing facilities are disclosed in note 26.

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.5 Liquidity risk *continued*

The following are the contractual cash flows of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within one month or on demand Rm	More than one month but not exceeding three months Rm	More than three months but not exceeding one year Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm
2014								
Borrowings	**53 253**	**68 775**	**442**	**3 227**	**14 510**	**14 288**	**25 537**	**10 771**
Other non-current liabilities	**1 016**	**1 273**	**–**	**–**	**–**	**134**	**323**	**816**
Trade and other payables	**31 208**	**31 208**	**14 873**	**9 760**	**6 575**	**–**	**–**	**–**
Derivative liabilities	**2**	**2**	**–**	**–**	**2**	**–**	**–**	**–**
Bank overdrafts	**26**	**26**	**26**	**–**	**–**	**–**	**–**	**–**
	85 505	**101 284**	**15 341**	**12 987**	**21 087**	**14 422**	**25 860**	**11 587**
2013								
Borrowings	46 002	61 491	3 517	3 492	8 294	14 693	26 005	5 490
Other non-current liabilities	1 093	1 453	–	–	–	225	260	968
Trade and other payables	25 354	25 354	13 868	9 118	2 368	–	–	–
Derivative liabilities	3	3	–	3	–	–	–	–
Bank overdrafts	23	23	23	–	–	–	–	–
	72 475	88 324	17 408	12 613	10 662	14 918	26 265	6 458

43.6 Market risk

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

43.6.1 Interest rate risk

Interest rate risk is the risk borne by 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, current investments, trade and other receivables/payables, loans receivable/payable, bank overdrafts and other non-current liabilities. The interest rates applicable to these financial instruments are a combination of floating and fixed rates in line with those currently available in the market.

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

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

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.6 Market risk *continued*

43.6.1 Interest rate risk *continued*

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

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

Profile

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

	2014		2013	
	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	**3 071**	**905**	1 736	856
Investments	**223**	**–**	111	–
Current financial assets				
Trade and other receivables	**74**	**5 988**	123	5 255
Current investments	**4 745**	**–**	3 851	–
Restricted cash	**155**	**366**	189	1 663
Cash and cash equivalents	**20 788**	**7 395**	25 729	7 252
	29 056	**14 654**	31 739	15 026
Non-current financial liabilities				
Borrowings	**11 947**	**27 523**	4 850	29 772
Other non-current liabilities	**693**	**298**	723	347
Current financial liabilities				
Trade and other payables	**107**	**54**	128	69
Borrowings	**4 220**	**9 563**	7 623	3 715
Bank overdrafts	**–**	**26**	12	11
	16 967	**37 464**	13 336	33 914

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.6 Market risk *continued*

43.6.2 Interest rate risk *continued*

Sensitivity analysis

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

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

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as was used for 2013.

	2014 (Decrease)/increase in profit before tax			2013 (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**	**(102,7)**	**102,7**	1	(62,5)	62,5
LIBOR	**1**	**1,4**	**(1,4)**	1	(187,3)	187,3
Three-month LIBOR	**1**	**(0,8)**	**0,8**	1	(3,6)	3,6
NIBOR	**1**	**(174,9)**	**174,9**	1	–	–
EURIBOR	**1**	**(14,3)**	**14,3**	1	(10,2)	10,2
Money market	**1**	**22,8**	**(22,8)**	1	31,1	(31,1)
Prime	**1**	**–**	**–**	1	(1,3)	1,3
Other	**1**	**40,4**	**(40,4)**	1	44,9	(44,9)

43.6.3 Currency risk

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

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

Where possible, entities in the Group use forward contracts to hedge their actual exposure to foreign currency. Refer to note 21 for the Group's outstanding foreign exchange contracts. The Group's Nigerian subsidiary manages foreign currency risk on major foreign purchases by placing foreign currency on deposit as security against Letters of Credit (LCs) when each order is placed.

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.6 Market risk *continued*

43.6.3 Currency risk *continued*

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

Foreign currency exposure

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

	2014 Rm	2013 Rm
ASSETS		
Non-current assets		
– United States dollar	**318**	203
	318	203
Current assets		
– United States dollar	**9 169**	6 935
– Euro	**2 477**	1 406
– Iranian rial	**5 640**	3 110
– South African rand	**29**	13
	17 315	11 464
Total assets	**17 633**	11 667
LIABILITIES		
Non-current liabilities		
– United States dollar	**14 651**	5 832
– Euro	**1 135**	540
	15 786	6 372
Current liabilities		
– United States dollar	**8 375**	6 624
– Euro	**1 043**	1 332
– South African rand	**57**	32
– British pound sterling	**6**	3
– Botswana pula	**2**	4
	9 483	7 995
Total liabilities	**25 269**	14 367

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.6 Market risk continued

43.6.3 Currency risk *continued*

Sensitivity analysis

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

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

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as applied in 2013.

	Increase/(decrease) in profit before tax		
Denominated:functional currency	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm
2014			
US$:ZAR	**10**	**(144,8)**	**144,8**
US$:SYP	**10**	**(42,8)**	**42,8**
US$:SDG	**10**	**(109,2)**	**109,2**
US$:SSP	**10**	**(265,5)**	**265,5**
US$:NGN	**10**	**(492,0)**	**492,0**
EUR:SDG	**10**	**(160,5)**	**160,5**
EUR:US$	**10**	**(28,1)**	**28,1**
US$:GNF	**10**	**(155,3)**	**155,3**
US$:ZMK	**10**	**(63,4)**	**63,4**
IRR:ZAR	**10**	**564,0**	**(564,0)**
2013			
US$:ZAR	10	365,8	(365,8)
US$:SYP	10	(80,2)	80,2
US$:SDG	10	(91,5)	91,5
US$:SSP	10	(181,3)	181,3
US$:NGN	10	(627,3)	627,3
EUR:SDG	10	(121,3)	121,3
EUR:US$	10	59,0	(59,0)
US$:GNF	10	(109,5)	109,5
US$:ZMK	10	(151,5)	151,5
IRR:ZAR	10	311,0	(311,0)

43 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

43.6 Market risk *continued*

43.6.4 Price risk

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group.

The Group is not directly exposed to commodity price risk. The Group is exposed to material equity securities price risk on its investments in available-for-sale financial assets held at 31 December 2014 (note 13). The Group had no exposure to equity securities price risk at 31 December 2013.

Sensitivity analysis

The estimated change in other comprehensive income of an instantaneous 10% appreciation or depreciation of the market value to which the Group is exposed at the reporting date would have increased/(decreased) other comprehensive income before tax by the amounts shown below:

	2014 Increase/(decrease) in other comprehensive income before tax	
	Appreciation in market value Rm	**Depreciation in market value Rm**
Available-for-sale financial assets	**591**	**(591)**

43.7 Capital risk management

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

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

The board of directors has approved three key debt protection ratios at a consolidated level, being net debt:EBITDA, net debt:equity and net interest:EBITDA. Net debt is defined as borrowings and bank overdrafts less cash and cash equivalents, restricted cash and current investments (excluding investments in cell captives). Equity approximates share capital and reserves. Net interest comprises finance charges less finance income and EBITDA is defined as earnings before interest, tax, depreciation, amortisation and goodwill impairment.

These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies, being Moody's and Fitch.

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

	2014	2013
Net debt:EBITDA		
Borrowings and bank overdrafts (Rm)	**53 279**	46 025
Less: Cash and cash equivalents, restricted cash and current investments (Rm)	**(48 736)**	(45 673)
Net debt (Rm)	**4 543**	352
EBITDA (Rm)	**73 191**	60 430[1]
Net debt/EBITDA ratio	**0,1**	0,0
Net debt: total equity		
Net debt (Rm)	**4 543**	352
Total equity (Rm)	**133 442**	121 812[1]
Net debt/total equity (%)	**3,4**	0,3
Net interest:EBITDA		
Net finance costs (Rm)	**(3 668)**	(1 234)
EBITDA (Rm)	**73 191**	60 430[1]
Net interest/EBITDA (%)	**(5,0)**	(2,0)[1]

[1] *Restated, refer to note 48.*

44 SHARE-BASED PAYMENTS

Equity-settled share-based payments

The schemes described below are accounted for as equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of 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, 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 Performance Share Plan (PSP) awards is done through the acquisition of shares on the open market and the subsequent delivery to participants.

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 MTN Group Limited shares on the day prior to the date of allocation. Unexercised options and rights lapse 10 years from the date of grant and are forfeited if the employee leaves the Group before they vest.

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

The total number of shares which may be allocated for the purposes of the schemes shall not exceed 5% of the total issued ordinary share capital of the Company, being 91 110 675 shares (2013: 91 642 290) (excluding Zakhele transaction and treasury shares) as approved by shareholders in 2001.

44 SHARE-BASED PAYMENTS *continued*

MTN Group share options

Details of the outstanding share options under this scheme are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2013	**Forfeited during 2014**	**Exercised during 2014**	**Number outstanding at 31 December 2014**
1 December 2004	40,50	63 830	**–**	**(63 830)**	**–**
Total		63 830	**–**	**(63 830)**	**–**

No new options were granted in the current or prior year and no expense was recognised as the above options vested in prior periods.

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

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

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

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

Share rights under the rights schemes are granted to eligible employees by the relevant employer subsidiary company.

Exercised rights are equity-settled whereby the relevant subsidiary purchases the required MTN shares in the open market.

Details of the outstanding share appreciation rights are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2013	**Forfeited during 2014**	**Exercised during 2014**	**Number outstanding at 31 December 2014**
31 May 2006	56,83	209 810	**–**	**(23 610)**	**186 200**
21 November 2006	71,00	127 430	**–**	**(80 930)**	**46 500**
22 June 2007	96,00	41 600	**–**	**(29 360)**	**12 240**
19 March 2008	126,99	226 611	**–**	**(34 810)**	**191 801**
Total		605 451	**–**	**(168 710)**	**436 741**

44 SHARE-BASED PAYMENTS *continued*

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

Details of the outstanding share rights are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2013	**Forfeited during 2014**	**Exercised during 2014**	**Number outstanding at 31 December 2014**
1 September 2008	118,64	432 170	**–**	**(234 464)**	**197 706**
28 June 2010	107,49	1 358 947	**(31 290)**	**(626 227)**	**701 430**
Total		1 791 117	**(31 290)**	**(860 691)**	**899 136**

The share rights and share appreciation rights outstanding at the end of the year have a weighted average remaining contractual life of four years (2013: five years).

There were no new grants during the 2013 or 2014 financial year.

MTN performance share plan (PSP)

During the 2013 and 2014 financial years, the Group granted eligible employees share rights under the PSP, established in 2010. The rights were granted to employees on level 3 – 4 and 5 – 6. The PSP was established in order to attract, retain and reward selected employees who are able to contribute to the business of the employer companies and to stimulate their personal involvement thereby encouraging their continued service and encouraging them to advance the interests of the relevant employer company and the Group in general.

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

	Proportion of grant	
Vesting conditions for shares granted	Employee level 3 – 4 %	Employee level 5 – 6 %
Total shareholder return	37,5	50,0
Adjusted free cash flow	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 75 percentile of the performance of a comparable group of companies listed on the JSE. For the adjusted free cash flow vesting condition, vesting is based on a sliding scale between 11% – 19% compound annual growth in the adjusted free cash flow, for all grants prior to 2014. The sliding scale has been revised by the board of directors to between 6% – 10% compound annual growth in the adjusted free cash flow, for all grants made in 2014 and thereafter. The individual retention condition is guaranteed subject to the employee remaining employed by the Group for the duration of the vesting period.

44 SHARE-BASED PAYMENTS *continued*

MTN performance share plan (PSP) *continued*

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

Offer date	Number outstanding at 31 December 2013	**Offered during 2014**	**Forfeited during 2014**	**Exercised during 2014**	**Number outstanding at 31 December 2014**
29 June 2011	1 330 426	**–**	**(1 009 306)**	**(321 120)**	**–**
29 December 2011	1 195 293	**–**	**(49 712)**	**–**	**1 145 581**
28 December 2012	1 733 727	**–**	**(176 794)**	**–**	**1 556 933**
20 December 2013	2 427 307	**–**	**(336 904)**	**–**	**2 090 403**
19 December 2014	–	**2 292 700**	**(900)**	**–**	**2 291 800**
Total	6 686 753	**2 292 700**	**(1 573 616)**	**(321 120)**	**7 084 717**

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 year.

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

	2014	2013
Share price	**221,41**	207,02
Expected life	**3 years**	3 years
Risk-free rate	**6,48% – 6,85%**	5,61% – 6,57%
Expected volatility	**20,63% – 21,26%**	24,63% – 22,15%
Dividend yield	**4,66%**	4,60%

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

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

	2014 Rm	2013 Rm
Expense arising from equity-settled share-based payment transactions (note 6)	**110**	215

45 INTEREST IN SUBSIDIARIES

The subsidiaries in which MTN Group Limited has direct and indirect interests in are set out in note 47.

A summary of the Group's subsidiaries with material non-controlling interests is presented below.

Subsidiary	Principal place of business	Non-controlling interests 2014 Rm	Non-controlling interests 2013 Rm
MTN Nigeria Communications Limited	Nigeria	**2 306**	2 795
MTN Côte d'Ivoire S.A.	Côte d'Ivoire	**971**	955
Spacetel Benin SA	Benin	**346**	305
Mobile Telephone Networks Cameroon Limited	Cameroon	**450**	627
Other		**852**	651
		4 925	5 333

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 place of operation. The summarised financial information presented is before intercompany eliminations.

	MTN Nigeria Communications Limited		MTN Côte d'Ivoire S.A.	
	2014	2013	**2014**	2013
% ownership interest held by non-controlling interests	**21,17**	21,17	**33,17**	33,17
	Rm	Rm	**Rm**	Rm
Summarised statement of financial position				
Non-current assets[1]	**35 423**	47 020	**4 818**	4 540
Current assets	**25 267**	16 226	**1 676**	1 887
Total assets	**60 690**	63 246	**6 494**	6 427
Non-current liabilities	**27 541**	30 937	**302**	248
Current liabilities	**22 256**	19 107	**3 264**	3 300
Total liabilities	**49 797**	50 044	**3 566**	3 548
Summarised income statement				
Revenue	**53 995**	48 159	**6 418**	5 480
EBITDA	**31 620**	29 235	**2 475**	2 813[2]
Profit before tax	**19 184**	18 862	**1 704**	2 165
Income tax expense	**(5 360)**	(5 707)	**(587)**	(447)
Profit after tax	**13 824**	13 155	**1 117**	1 718
Profit attributable to non-controlling interests	**2 927**	2 785	**371**	568
Dividends paid to non-controlling interests	**3 366**	2 378	**341**	667

[1] *Excludes goodwill on consolidation of subsidiaries.*
[2] *Includes profit on sale of towers.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

45 INTEREST IN SUBSIDIARIES *continued*

	MTN Nigeria Communications Limited		MTN Côte d'Ivoire S.A.	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Summarised statement of cash flows				
Net cash generated from/(used in) operating activities	**11 226**	11 037	**1 195**	(578)
Net cash (used in)/from investing activities	**(7 078)**	(12 799)	**(1 158)**	377
Net cash (used in)/from financing activities	**(49)**	8 517	**(286)**	293
Net increase/(decrease) in cash and cash equivalents	**4 099**	6 755	**(249)**	92
Net cash and cash equivalents at beginning of the year	**9 513**	1 939	**707**	489
Exchange (losses)/gains on cash and cash equivalents	**(580)**	819	**(21)**	126
Net cash and cash equivalents at end of the year	**13 032**	9 513	**437**	707

	Spacetel Benin SA		Mobile Telephone Networks Cameroon Limited	
	2014	2013	**2014**	2013
% ownership interest held by non-controlling interests	**25**	25	**20[1]**	20[1]
	Rm	Rm	**Rm**	Rm
Summarised statement of financial position				
Non-current assets[2]	**2 204**	2 473	**2 629**	2 707
Current assets	**1 424**	782	**4 058**	3 747
Total assets	**3 628**	3 255	**6 687**	6 454
Non-current liabilities	**683**	694	**200**	154
Current liabilities	**1 562**	1 342	**4 235**	3 168
Total liabilities	**2 245**	2 036	**4 435**	3 322
Summarised income statement				
Revenue	**3 316**	2 659	**6 194**	5 204
EBITDA	**1 380**	1 065	**2 651**	2 550[3]
Profit before tax	**878**	592	**1 905**	1 875
Income tax expense	**1**	1	**(852)**	(545)
Profit after tax	**879**	593	**1 053**	1 330
Profit attributable to non-controlling interests	**220**	148	**211**	266
Dividends paid to non-controlling interests	**173**	113	**365**	173

[1] The non-controlling interests hold 30% of the issued ordinary share capital of Mobile Telephone Networks Cameroon Limited; 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 Limited.

[2] Excludes goodwill on consolidation of subsidiaries.

[3] Includes profit on sale of towers.

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

45 INTEREST IN SUBSIDIARIES *continued*

	Spacetel Benin SA		Mobile Telephone Networks Cameroon Limited	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Summarised statement of cash flows				
Net cash generated from operating activities	**961**	544	**1 105**	609
Net cash (used in)/from investing activities	**(264)**	(428)	**(608)**	549
Net cash used in financing activities	**(204)**	(195)	**(272)**	(243)
Net increase/(decrease) in cash and cash equivalents	**493**	(79)	**225**	915
Net cash and cash equivalents at beginning of the year	**467**	428	**2 857**	1 359
Exchange (losses)/gains on cash and cash equivalents	**(33)**	118	**(111)**	583
Net cash and cash equivalents at end of the year	**927**	467	**2 971**	2 857

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

46 EMOLUMENTS, EQUITY COMPENSATION BENEFITS AND DEALINGS IN ORDINARY SHARES

46.1 Directors' emoluments and related payments

2014	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Sub-total R000	Share gains** R000	Total R000
Executive directors								
RS Dabengwa	01/10/01	**9 334**	**1 197**	**858**	**13 257**	**24 646**	**3 482**	**28 128**
BD Goschen	22/07/13	**5 567**	**714**	**286**	**6 777**	**13 344**	**–**	**13 344**
Total		**14 901**	**1 911**	**1 144**	**20 034**	**37 990**	**3 482**	**41 472**

* *Includes medical aid and unemployment insurance fund.*
** *Pre-tax gains and post-brokerage cost on share appreciation rights scheme and share rights plan.*

	Date appointed	Retainer# R000	Attendance# R000	Special projects R000	Strategy session R000	Ad hoc work R000	Total R000
Non-executive directors							
PF Nhleko	28/05/13	**1 084**	**608**	**92**	**183**	**–**	**1 967**
KC Ramon^	01/06/14	**123**	**187**	**–**	**96**	**21**	**427**
KP Kalyan	13/06/06	**332**	**487**	**97**	**96**	**–**	**1 012**
AT Mikati*†	18/07/06	**1 163**	**707**	**111**	**219**	**97**	**2 297**
MJN Njeke	13/06/06	**311**	**388**	**20**	**96**	**–**	**815**
JHN Strydom	11/03/04	**299**	**459**	**20**	**96**	**42**	**916**
AF van Biljon	01/11/02	**312**	**401**	**68**	**96**	**63**	**940**
J van Rooyen	18/07/06	**364**	**533**	**90**	**96**	**21**	**1 104**
MLD Marole	01/01/10	**310**	**775**	**21**	**96**	**–**	**1 202**
NP Mageza	01/01/10	**361**	**566**	**42**	**96**	**20**	**1 085**
A Harper*	01/01/10	**1 177**	**852**	**–**	**219**	**–**	**2 248**
F Titi	01/07/12	**253**	**352**	**–**	**48**	**–**	**653**
Total		**6 089**	**6 315**	**561**	**1 437**	**264**	**14 666**

* *Fees have been paid in Euro.*
† *Fees are paid to M1 Limited.*
\# *Retainer and attendance fees include fees for board and committee representation and meetings.*
^ *4th quarter fees paid to Anglogold Ashanti Limited.*

2013	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Sub-total R000	Share gains** R000	Total R000
Executive directors								
RS Dabengwa	01/10/01	8 913	1 143	2 621	16 163	28 840	19 237	48 077
NI Patel†	27/11/09	3 081	395	2 856	–	6 332	1 223	7 555
BD Goschen	22/07/13	2 336	292	37	3 661	6 326	–	6 326
Total		14 330	1 830	5 514	19 824	41 498	20 460	61 958

* *Includes medical aid and unemployment insurance fund.*
** *Pre-tax gains and post-brokerage cost on share appreciation rights scheme and share rights plan.*
† *Resigned 21 July 2013.*

46 EMOLUMENTS, EQUITY COMPENSATION BENEFITS AND DEALINGS IN ORDINARY SHARES *continued*

46.1 *Directors' emoluments and related payments continued*

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Special projects R000	Ad hoc work R000	Total R000
Non-executive directors							
MC Ramaphosa^	01/10/01	412	191	248	–	–	851
PF Nhleko^^	28/05/13	624	218	284	175	–	1 301
KP Kalyan	13/06/06	316	348	226	132	–	1 022
AT Mikati*†	18/07/06	1 054	578	657	339	10	2 638
MJN Njeke	13/06/06	296	282	268	111	–	957
JHN Strydom	11/03/04	296	324	289	132	51	1 092
AF van Biljon	01/11/02	298	304	268	169	10	1 049
J van Rooyen	18/07/06	370	440	268	209	–	1 287
MLD Marole	01/01/10	285	325	268	112	–	990
NP Mageza	01/01/10	339	410	222	189	–	1 160
A Harper*	01/01/10	1 083	593	557	291	10	2 534
F Titi	01/07/12	231	243	246	150	–	870
Total		5 604	4 256	3 801	2 009	81	15 751

^ *Resigned 28 May 2013.*
^^ *Appointed 28 May 2013.*
* *Fees have been paid in Euro.*
† *Fees are paid to M1 Limited.*
\# *Retainer and attendance fees include fees for board and committee representation and meetings.*

46.2 *Prescribed officers' emoluments and related payments*

2014	**Salaries R000**	**Post-employment benefits R000**	**Other benefits R000**	**Bonuses R000**	**Sub-total R000**	**Share gains R000**	**Total R000**
Prescribed officers							
JA Desai	**7 865**	**786**	**2 230**	**9 217**	**20 098**	**1 460**	**21 558**
PD Norman	**4 233**	**543**	**256**	**3 634**	**8 666**	**1 179**	**9 845**
A Farroukh	**7 747**	**775**	**942**	**6 573**	**16 037**	**1 440**	**17 477**
SA Fakie	**3 161**	**412**	**402**	**2 991**	**6 966**	**911**	**7 877**
KW Pienaar	**4 570**	**586**	**363**	**5 309**	**10 828**	**1 018**	**11 846**
P Verkade	**4 144**	**414**	**1 067**	**3 515**	**9 140**	**–**	**9 140**
Z Bulbulia	**3 527**	**452**	**286**	**858**	**5 123**	**598**	**5 721**
M Ikpoki	**6 505**	**586**	**1 896**	**4 440**	**13 427**	**–**	**13 427**
M Fleischer^	**4 433**	**568**	**40**	**4 271**	**9 312**	**–**	**9 312**
M Nyati^^	**871**	**112**	**18**	**837**	**1 838**	**–**	**1 838**
Total	**47 056**	**5 234**	**7 500**	**41 645**	**101 435**	**6 606**	**108 041**

^ *Appointed 1 February 2014.*
^^ *Appointed 1 October 2014.*

46 EMOLUMENTS, EQUITY COMPENSATION BENEFITS AND DEALINGS IN ORDINARY SHARES *continued*

46.2 *Prescribed officers' emoluments and related payments* continued

2013	Salaries R000	Post-employment benefits R000	Other benefits R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
Prescribed officers							
JA Desai	6 957	790	1 791	10 178	19 716	–	19 716
PD Norman	4 041	518	251	4 501	9 311	–	9 311
C de Faria^	517	52	2 353	–	2 922	–	2 922
A Farroukh	6 853	685	932	6 982	15 452	–	15 452
KL Shuenyane^^	1 946	249	869	–	3 064	–	3 064
SA Fakie	3 013	400	142	4 171	7 726	3 530	11 256
KW Pienaar	4 356	558	210	3 637	8 761	–	8 761
BD Goschen	3 310	274	65	3 528	7 177	–	7 177
P Verkade*	3 402	340	794	3 763	8 299	–	8 299
Z Bulbulia**	2 057	264	419	–	2 740	4 925	7 665
M Ikpoki***	2 603	201	1 053	2 411	6 268	3 032	9 300
Total	39 055	4 331	8 879	39 171	91 436	11 487	102 923

^ *Retired 31 January 2013.*
^^ *Resigned 30 June 2013.*
* *Appointed 1 February 2013.*
** *Appointed 1 June 2013.*
*** *Appointed 24 July 2013.*

46.3 *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 at 31 December 2013	**Exercised 2014**	Exercise date	Exercise price R	**Number outstanding at 31 December 2014**
RS Dabengwa							
31/5/2006	56,83	30/11/2008	13 920	**–**	–	–	**13 920**
31/5/2006	56,83	30/11/2009	26 440	**–**	–	–	**26 440**
31/5/2006	56,83	30/11/2010	40 440	**–**	–	–	**40 440**
21/11/2006	71,00	21/11/2008	8 680	**–**	–	–	**8 680**
21/11/2006	71,00	21/11/2009	8 680	**–**	–	–	**8 680**
21/11/2006	71,00	21/11/2010	13 020	**–**	–	–	**13 020**
21/11/2006	71,00	21/11/2011	13 020	**–**	–	–	**13 020**
19/3/2008	126,99	19/03/2010	14 440	**–**	–	–	**14 440**
19/3/2008	126,99	19/03/2011	14 440	**–**	–	–	**14 440**
19/3/2008	126,99	19/03/2012	21 660	**–**	–	–	**21 660**
19/3/2008	126,99	19/03/2013	21 660	**–**	–	–	**21 660**
Total			196 400	**–**			**196 400**
AR Bing*							
31/5/2006	56,83	30/11/2010	4 860	**(4 860)**	18/03/2014	211,97	**–**
21/11/2006	71,00	21/11/2010	960	**(960)**	18/03/2014	211,97	**–**
21/11/2006	71,00	21/11/2011	960	**(960)**	18/03/2014	211,97	**–**
22/6/2007	96,00	22/6/2011	6 330	**(6 330)**	18/03/2014	211,97	**–**
22/6/2007	R96,00	22/6/2012	6 330	**(6 330)**	18/03/2014	211,97	**–**
Total			19 440	**(19 440)**			**–**

* *Retrenched 31 August 2014.*

46 EMOLUMENTS, EQUITY COMPENSATION BENEFITS AND DEALINGS IN ORDINARY SHARES *continued*

46.3 *Equity compensation benefits for executive directors and directors of major subsidiaries in respect of the share appreciation rights and share rights schemes* continued

Offer date	Strike price R	Vesting date	Number outstanding at 31 December 2013	Exercised 2014	Exercise date	Exercise price R	Number outstanding at 31 December 2014
BD Goschen							
19/03/2008	126,99	19/03/2010	12 260	**–**	–	–	**12 260**
19/03/2008	126,99	19/03/2011	12 260	**–**	–	–	**12 260**
19/03/2008	126,99	19/03/2012	18 390	**–**	–	–	**18 390**
19/03/2008	126,99	19/03/2013	18 390	**–**	–	–	**18 390**
Total			61 300	**–**			**61 300**
P Sibiya							
28/06/2010	107,49	28/06/2011	5 800	**(5 800)**	19/05/2014	224,10	**–**
28/06/2010	107,49	28/06/2012	5 800	**(5 800)**	19/05/2014	224,10	**–**
28/06/2010	107,49	28/06/2013	8 700	**(8 700)**	19/05/2014	224,10	**–**
28/06/2010	107,49	28/06/2014	8 700	**(8 700)**	11/08/2014	234,44	**–**
Total			29 000	**(29 000)**			**–**
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**

^ Appointed 1 August 2014.

46.4 *Equity compensation benefits for executive directors, prescribed officers and directors of major subsidiaries in respect of the performance share plan*

Offer date	Vesting date	Offered	Exercised 2014	Forfeited 2014	Exercise date	Exercise price R	Number outstanding at 31 December 2014
PD Norman							
29/06/2011	31/12/2013	36 500	**(5 931)**	**(30 569)**	25/03/2014	198,80	**–**
29/12/2011	29/12/2014	36 100	**–**	**–**	–	–	**36 100**
28/12/2012	28/12/2015	30 600	**–**	**–**	–	–	**30 600**
20/12/2013	19/12/2016	28 400	**–**	**–**	–	–	**28 400**
19/12/2014	18/12/2017	27 000	**–**	**–**	–	–	**27 000**
Total		158 600	**(5 931)**	**(30 569)**			**122 100**
Z Bulbulia							
29/06/2011	31/12/2013	18 500	**(3 006)**	**(15 494)**	25/03/2014	198,80	**–**
29/12/2011	29/12/2014	15 300	**–**	**–**	–	–	**15 300**
28/12/2012	28/12/2015	15 500	**–**	**–**	–	–	**15 500**
20/12/2013	19/12/2016	24 500	**–**	**–**	–	–	**24 500**
19/12/2014	18/12/2017	22 200	**–**	**–**	–	–	**22 200**
Total		96 000	**(3 006)**	**(15 494)**			**77 500**

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

46 EMOLUMENTS, EQUITY COMPENSATION BENEFITS AND DEALINGS IN ORDINARY SHARES *continued*

46.4 *Equity compensation benefits for executive directors, prescribed officers and directors of major subsidiaries in respect of the performance share plan* continued

Offer date	Vesting date	Offered	Exercised 2014	Forfeited 2014	Exercise date	Exercise price R	Number outstanding at 31 December 2014
RS Dabengwa							
29/06/2011	13/06/2006	107 800	**(17 517)**	**(90 283)**	25/03/2014	198,80	**–**
29/12/2011	18/07/2006	111 600	**–**	**–**	–	–	**111 600**
28/12/2012	13/06/2006	94 600	**–**	**–**	–	–	**94 600**
20/12/2013	11/03/2004	87 800	**–**	**–**	–	–	**87 800**
19/12/2014	01/11/2002	83 100	**–**	**–**	–	–	**83 100**
Total		484 900	**(17 517)**	**(90 283)**			**377 100**
KW Pienaar							
29/06/2011	01/01/2010	31 500	**(5 119)**	**(26 381)**	25/03/2014	198,80	**–**
29/12/2011	01/01/2010	24 200	**–**	**–**	–	–	**24 200**
28/12/2012	01/07/2012	33 000	**–**	**–**	–	–	**33 000**
20/12/2013	19/12/2016	30 600	**–**	**–**	–	–	**30 600**
19/12/2014	18/12/2017	29 100	**–**	**–**	–	–	**29 100**
Total		148 400	**(5 119)**	**(26 381)**			**116 900**
AR Bing*							
29/06/2011	31/12/2013	20 600	**(3 347)**	**(17 253)**	25/03/2014	198,80	**–**
29/12/2011	29/12/2014	15 600	**–**	**–**	–	–	**15 600**
28/12/2012	28/12/2015	14 900	**–**	**–**	–	–	**14 900**
20/12/2013	19/12/2016	16 000	**–**	**–**	–	–	**16 000**
Total		67 100	**(3 347)**	**(17 253)**			**46 500**
SA Fakie							
29/06/2011	31/12/2013	28 200	**(4 582)**	**(23 618)**	25/03/2014	198,80	**–**
29/12/2011	29/12/2014	18 609	**–**	**–**	–	–	**18 609**
Total		46 809	**(4 582)**	**(23 618)**			**18 609**
BD Goschen							
29/12/2011	29/12/2014	22 300	**–**	**–**	–	–	**22 300**
28/12/2012	28/12/2015	26 500	**–**	**–**	–	–	**26 500**
20/12/2013	19/12/2016	43 700	**–**	**–**	–	–	**43 700**
19/12/2014	18/12/2017	54 700	**–**	**–**	–	–	**54 700**
Total		147 200	**–**	**–**			**147 200**
A Farroukh							
29/06/2011	31/12/2013	44 600	**(7 247)**	**(37 353)**	25/03/2014	198,80	**–**
29/12/2011	29/12/2014	42 900	**–**	**–**	–	–	**42 900**
28/12/2012	28/12/2015	40 800	**–**	**–**	–	–	**40 800**
20/12/2013	19/12/2016	43 800	**–**	**–**	–	–	**43 800**
19/12/2014	18/12/2017	43 900	**–**	**–**	–	–	**43 900**
Total		216 000	**(7 247)**	**(37 353)**			**171 400**

** Retrenched 31 August 2014.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

46 EMOLUMENTS, EQUITY COMPENSATION BENEFITS AND DEALINGS IN ORDINARY SHARES *continued*

46.4 *Equity compensation benefits for executive directors, prescribed officers and directors of major subsidiaries in respect of the performance share plan* *continued*

Offer date	Vesting date	Offered	Exercised 2014	Forfeited 2014	Exercise date	Exercise price R	Number outstanding at 31 December 2014
JA Desai							
29/06/2011	31/12/2013	45 200	**(7 345)**	**(37 855)**	25/03/2014	198,80	**–**
29/12/2011	29/12/2014	43 600	**–**	**–**	–	–	**43 600**
28/12/2012	28/12/2015	41 400	**–**	**–**	–	–	**41 400**
20/12/2013	19/12/2016	44 400	**–**	**–**	–	–	**44 400**
19/12/2014	18/12/2017	44 500	**–**	**–**	–	–	**44 500**
Total		219 100	**(7 345)**	**(37 855)**			**173 900**
SB Mtshali^							
29/06/2011	31/12/2013	6 500	**(2 417)**	**(4 083)**	25/03/2014	198,80	**–**
29/12/2011	29/12/2014	9 005	**–**	**–**	–	–	**9 005**
28/12/2012	28/12/2015	6 400	**–**	**–**	–	–	**6 400**
20/12/2013	19/12/2016	6 000	**–**	**–**	–	–	**6 000**
19/12/2014	18/12/2017	5 800	**–**	**–**	–	–	**5 800**
Total		33 705	**(2 417)**	**(4 083)**			**27 205**
MML Mokoka^^†							
29/06/2011	31/12/2013	5 300	**(1 971)**	**(3 329)**	25/03/2014	198,80	**–**
29/12/2011	29/12/2014	6 400	**–**	**–**	–	–	**6 400**
28/12/2012	28/12/2015	5 800	**–**	**–**	–	–	**5 800**
20/12/2013	19/12/2016	5 500	**–**	**–**	–	–	**5 500**
Total		23 000	**(1 971)**	**(3 329)**			**17 700**
M Ikpoki							
20/12/2013	19/12/2016	39 600	**–**	**–**	–	–	**39 600**
19/12/2014	18/12/2017	37 400	**–**	**–**	–	–	**37 400**
Total		77 000	**–**	**–**			**77 000**
P Sibiya							
20/12/2013	19/12/2016	14 700	**–**	**–**	–	–	**14 700**
19/12/2014	18/12/2017	15 700	**–**	**–**	–	–	**15 700**
Total		30 400	**–**	**–**			**30 400**

^ *Group secretary.*
^^ *Company secretary.*
† *Retrenched 30 September 2014.*

46 EMOLUMENTS, EQUITY COMPENSATION BENEFITS AND DEALINGS IN ORDINARY SHARES *continued*

46.4 *Equity compensation benefits for executive directors, prescribed officers and directors of major subsidiaries in respect of the performance share plan* continued

Offer date	Vesting date	Offered	Exercised 2014	Forfeited 2014	Exercise date	Exercise price R	Number outstanding at 31 December 2014
P Verkade							
29/11/2011	31/06/2014	15 900	–	–	–	–	**15 900**
28/12/2012	28/12/2015	13 200	–	–	–	–	**13 200**
20/12/2013	19/12/2016	25 400	–	–	–	–	**25 400**
Total		54 500	–	–			**54 500**
M Fleischer#							
19/12/2014	18/12/2017	30 400	–	–	–	–	**30 400**
Total		30 400	–	–			**30 400**
M Nyati+							
19/12/2014	18/12/2017	21 900	–	–	–	–	**21 900**
Total		21 900	–	–			**21 900**
F Moolman*							
29/12/2011	29/12/2014	15 200	–	–	–	–	**15 200**
28/12/2012	28/12/2015	14 600	–	–	–	–	**14 600**
20/12/2013	19/12/2016	15 700	–	–	–	–	**15 700**
19/12/2014	18/12/2017	15 700	–	–	–	–	**15 700**
Total		61 200	–	–			**61 200**

Appointed 1 February 2014.
+ *Appointed 1 October 2014.*
* *Appointed 1 August 2014.*

46 EMOLUMENTS, EQUITY COMPENSATION BENEFITS AND DEALINGS IN ORDINARY SHARES *continued*

46.5 Directors, prescribed officers, company secretary of the MTN Group and directors and company secretaries of major subsidiaries shareholding and dealings in ordinary shares

	December 2014	December 2013	Beneficial
RS Dabengwa	**1 473 552**	1 473 552	Direct
NP Mageza	**400**	400	Indirect
PD Norman#*	**300 970**	266 002	Direct
KL Shuenyane	**–**	1 640	Direct
MJN Njeke	**10**	10	Direct
BD Goschen*#	**40 000**	40 000	Direct
KW Pienaar*	**455 261**	455 261	Direct
AR Bing^	**–**	136 836	Direct
Total	**2 270 193**	2 373 701	

**Prescribed officer.*
#Major subsidiary director.
^Retrenched 31 August 2014.

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

The following persons, being directors of MTN Group Limited and its major subsidiaries, and the company secretary were allocated the following number of MTN Zakhele shares. MTN Zakhele has a shareholding in MTN Group Limited shares.

Beneficiary	Nature of interest	**Shares**
PF Nhleko	Direct beneficial	**2 010 700**
KP Kalyan	Direct beneficial	**27 700**
MLD Marole	Direct beneficial	**15 700**
MJN Njeke	Direct beneficial	**6 700**
NP Mageza	Indirect beneficial	**51 420**
SB Mtshali	Indirect beneficial	**6 500**
F Jakoet	Direct beneficial	**30 700**
CWN Molope	Direct beneficial	**1 000**
F Titi	Indirect beneficial	**15 500**
SA Fakie	Direct beneficial	**1 000**
Total		**2 166 920**

47 INTERESTS IN SUBSIDIARIES AND JOINT VENTURES

MTN Group

HOLDING COMPANIES

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

MANAGEMENT SERVICES

Company	Country	Holding
MTN Group Management Services Proprietary Limited	South Africa	100%

HOLDING COMPANY

Company	Country	Holding
MTN International (Mauritius) Limited	Mauritius	100%

TELECOMMUNICATIONS/ISP

Company	Country	Holding
MTN Business Solutions Botswana Proprietary Limited	Botswana	80%
MTN Business Limited (Kenya)	Kenya	70%
MTN Business Kenya Limited	Kenya	70%
Satalite Data Networks Mauritius Proprietary Limited	Mauritius	100%
MTN Business Solutions Namibia Proprietary Limited	Namibia	100%
Cell Place Proprietary Limited	South Africa	100%
iTalk Cellular Proprietary Limited	South Africa	100%
Mobile Telephone Networks Proprietary Limited	South Africa	100%
MTN Business Solutions Proprietary Limited	South Africa	100%
MTN Network Solutions Proprietary Limited	South Africa	100%
MTN Business Solutions Limited (Zambia)[2]	Zambia	80%
Swazi MTN Limited[1]	Swaziland	30%
Afrihost Proprietary Limited[3]	South Africa	50,2%

PROPERTY

Company	Country	Holding
Aconcagua 11 Proprietary Limited	South Africa	100%
MTN Propco Proprietary Limited	South Africa	100%

DORMANT

Company	Country	Holding
MTN Service Provider Proprietary Limited	South Africa	100%
Satalite Data Networks Proprietary Limited		100%

ELECTRONIC SERVICES

Company	Country	Holding
Africa Internet Holding GmbH[1]	Berlin	33,3%

HOLDING COMPANIES

Company	Country	Holding
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

Company	Country	Holding
Mobile Telephone Networks Cameroon Limited	Cameroon	70%
MTN Network Solutions Limited	Cameroon	70%
Afnet	Côte d'Ivoire	66,83%
Arobase	Côte d'Ivoire	66,83%
MTN Côte d'Ivoire S.A.	Côte d'Ivoire	66,83%
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%

ELECTRONIC SERVICES

Company	Country	Holding
MTN Mobile Money Limited	Zambia	86%
Middle East Internet Holding[1]	Luxemburg	50%
Electronic Funds Transfer Operations Nigeria Limited	Nigeria	50%

STRUCTURED ENTITY

Company	Country	Holding
Munyati Buffalo Zambia Limited	Zambia	100%
MTN (Mauritius) Investment Limited[4]	Mauritius	100%

[1] Joint venture.
[2] The operation has been restructured in 2014 and forms part of MTN (Zambia) Limited.
[3] Subsidiary acquired during the year (note 42).
[4] Subsidiary incorporated during the year.

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

47 INTERESTS IN SUBSIDIARIES AND JOINT VENTURES *continued*

MTN Group

HOLDING COMPANY

MTN (Dubai) Limited
100%

HOLDING COMPANIES

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

PROCUREMENT

Company	Country	Interest
Global Trading Company LLC	UAE	100%
Global Sourcing Company LLC	UAE	100%
Telecom Sourcing Services FZ-LLC	UAE	100%
MTN Investments Limited	UAE	100%
MTN SEA Shared Services Limited[1]	Uganda	100%

DORMANT

Company	Country	Interest
Spacetel International Limited	United Kingdom	100%
Investom International Limited	British Virgin Islands	99%

MANAGEMENT SERVICES

Company	Country	Interest
Inteltec Offshore SAL	Lebanon	99,8%

INTERNATIONAL BUSINESS

Company	Country	Interest
Interserve Overseas Limited	British Virgin Islands	99%

TELECOMMUNICATIONS/ISP

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

[1] *The shared services hub has been restructured in 2014 and forms part of MTN Uganda Limited.*

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

48 RESTATEMENTS

Voluntary change in accounting policy

Previously, the Group accounted for arrangements with multiple deliverables (i.e. multiple element revenue arrangements) by dividing these arrangements into separate units of accounting and recognising revenue through the application of the residual value method.

During the period under review, the Group resolved to change its accounting policy in recognising revenue relating to these arrangements from applying the residual value method to the relative fair value method. This change was effected by the Group on a voluntary basis.

Under the relative fair value method, the consideration received or receivable is allocated to each of the elements (delivered and undelivered) according to the relative fair value of the elements included in the arrangement.

The use of the relative fair value method results in more relevant and reliable information being presented in respect of revenue recognised in relation to multiple element revenue arrangements, as revenue is now being recognised in relation to each of the elements delivered and to be delivered based on the relative fair value of the elements in relation to the total consideration received. In addition, there is an improved correlation between the recognition of revenue and associated costs and a closer alignment of the Group's policy with the requirements of IFRS 15 *Revenue from Contracts with Customers,* which is effective for periods commencing on 1 January 2017.

The impact of the voluntary change in accounting policy on the Group's financial results is disclosed below:

Group income statement

	31 December 2013		
	Previously reported Rm	Adjustments for change in accounting policy Rm	Restated Rm
Revenue	136 495	775	137 270
Other operating expenses	(10 143)	(133)	(10 276)
EBITDA	59 788	642	60 430
Operating profit	40 510	642	41 152
Profit before tax	42 707	642	43 349
Income tax expense	(12 307)	(180)	(12 487)
Profit after tax	30 400	462	30 862
Profit attributable to equity holders of the Company	26 289	462	26 751
Headline earnings	25 398	462	25 860
Earnings per share (cents)			
– Basic earnings	1 434	26	1 460
– Diluted earnings	1 427	25	1 452
Headline earnings per share (cents)			
– Basic headline earnings	1 386	25	1 411
– Diluted headline earnings	1 378	26	1 404

Notes to the Group annual financial statements

for the year ended 31 December 2014 *continued*

48 RESTATEMENTS *continued*

Group statement of financial position

	31 December 2013			1 January 2013		
	Previously reported Rm	Adjustments for change in accounting policy Rm	Restated Rm	Previously reported Rm	Adjustments for change in accounting policy Rm	Restated Rm
ASSETS						
Non-current assets	150 910	2 173	153 083	125 762[1]	1 603	127 365
Adjusted for:						
Loans and other non-current receivables	5 458	2 173	7 631	7 764	1 603	9 367
Current assets	75 911	662	76 573	55 875	590	56 465
Adjusted for:						
Trade and other receivables	24 159	662	24 821	16 644	590	17 234
Total assets	226 821	2 835	229 656	181 637	2 193	183 830
EQUITY						
Total equity	119 771	2 041	121 812	98 450[1]	1 579	100 029
Adjusted for:						
Retained earnings	77 831	2 041	79 872	67 810[1]	1 579	69 389
LIABILITIES						
Non-current liabilities	49 066	794	49 860	32 713	614	33 327
Adjusted for:						
Deferred tax liabilities	12 676	794	13 470	8 711	614	9 325
Current liabilities	57 984	–	57 984	50 474	–	50 474
Total liabilities	107 050	794	107 844	83 187	614	83 801
Total equity and liabilities	226 821	2 835	229 656	181 637[1]	2 193	183 830

[1] *Including restatement of investment in associates and joint ventures for impact of hyperinflation at 1 January 2013.*

49 RECLASSIFICATION OF OPERATING LEASE COMMITMENTS

IAS 17 requires a lessee to disclose the total minimum lease payments under non-cancellable operating leases. This refers to any lease payments that are unavoidable in the future, reflecting the least net cost of fulfilling or exiting from the lease contract.

Following a review of the underlying contracts, certain operating lease commitments that were previously identified and disclosed as cancellable have been reclassified as non-cancellable as at 31 December 2013. This has resulted in reclassification adjustments in the disclosure of non-cancellable operating lease commitments (note 35), as set out below.

	31 December 2013		
	Previously reported Rm	Adjustments Rm	Restated Rm
The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:			
Not later than one year	417	1 909	2 326
Later than one year and not later than five years	220	7 352	7 572
Later than five years	1	6 116	6 117
	638	15 377	16 015

As a result, the operating lease commitments of Scancom Limited (MTN Ghana) to Ghana Tower InterCo B.V. have also been restated (note 40).

Company statement of comprehensive income

for the year ended 31 December 2014

	Note	2014 Rm	2013 Rm
Finance income	1	**20 674**	16 520
Finance costs	1	**(38)**	(3)
Management fees received		**68**	86
Other income		**5**	–
Operating expenses	2	**(126)**	(154)
Profit before tax		**20 583**	16 449
Income tax (expense)/recovery	3	**(3)**	20
Total comprehensive income after tax attributable to equity holders of the Company		**20 580**	16 469

Company statement of financial position

at 31 December 2014

	Note	2014 Rm	2013 Rm
ASSETS			
Non-current assets		**19 237**	23 715
Investment in subsidiaries	4	**19 223**	23 708
Deferred tax asset		**14**	7
Current assets		**390**	334
Trade and other receivables	5	**23**	174
Cash and cash equivalents	6	**367**	160
Total assets		**19 627**	24 049
SHAREHOLDERS' EQUITY			
Ordinary share capital and share premium	7	**40 502**	45 616
Retained earnings		**(23 482)**	(23 387)
Reserves		**1 662**	1 662
Total equity		**18 682**	23 891
LIABILITIES			
Current liabilities		**945**	158
Taxation liability	10	**50**	39
Trade and other payables	8	**166**	119
Financial guarantee contracts	13	**729**	–
Total liabilities		**945**	158
Total equity and liabilities		**19 627**	24 049

Company statement of changes in equity

for the year ended 31 December 2014

	Share capital Rm	Share premium Rm	Retained earnings Rm	Share-based payment reserve Rm	Total Rm
Balance at 1 January 2013	*	45 611	(23 451)	1 662	23 822
Shares issued during the year	*	5	–	–	5
Shares cancelled	(*)	–	–	–	(*)
Total comprehensive income	–	–	16 469	–	16 469
Dividends declared	–	–	(16 405)	–	(16 405)
Balance at 31 December 2013	*	45 616	(23 387)	1 662	23 891
Balance at 1 January 2014	*****	**45 616**	**(23 387)**	**1 662**	**23 891**
Shares issued during the year	*****	**3**	**–**	**–**	**3**
Shares cancelled	(*)	**–**	**–**	**–**	(*)
Total comprehensive income	**–**	**–**	**20 580**	**–**	**20 580**
Share buy-back	**–**	**(5 117)**	**–**	**–**	**(5 117)**
Dividends declared	**–**	**–**	**(20 675)**	**–**	**(20 675)**
Balance at 31 December 2014	*****	**40 502**	**(23 482)**	**1 662**	**18 682**
Note	7	7			

**Amount less than R1 million.*

Company statement of cash flows

for the year ended 31 December 2014

	Note	2014 Rm	2013 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	9	**114**	(145)
Finance income received		**17**	19
Income tax (paid)/refunded	10	**(2)**	29
Dividends paid		**(20 675)**	(16 382)
Dividends received		**20 650**	16 500
Net cash generated from operating activities		**104**	21
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loan granted		**100**	–
Net cash from investing activities		**100**	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of ordinary shares		**3**	5
Net cash generated from financing activities	7	**3**	5
Net increase in cash and cash equivalents		**207**	26
Cash and cash equivalents at beginning of the year		**160**	134
Cash and cash equivalents at end of the year	6	**367**	160

Notes to the Company annual financial statements

for the year ended 31 December 2014

1 FINANCE INCOME AND FINANCE COSTS

Finance income
Finance income comprises interest income on funds invested, dividend income and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Finance costs
Refer to note 7 of the Group annual financial statements for the applicable accounting policy.

	2014 Rm	2013 Rm
Interest income	**24**	19
Foreign exchange gains	**–**	1
Dividend income	**20 650**	16 500
Finance income	**20 674**	16 520
Interest on borrowings	**(3)**	(2)
Foreign exchange losses	**(35)**	(1)
Finance costs	**(38)**	(3)
Net finance income recognised in profit or loss	**20 636**	16 517

2 OPERATING EXPENSES

The following disclosable items have been included in operating expenses:

	2014 Rm	2013 Rm
Directors' emoluments	**(15)**	(16)
Fees paid for services	**(82)**	(87)
– Professional fees	**(20)**	(9)
– Management fees (note 11)	**(62)**	(78)
Auditors' remuneration	**(8)**	(6)
– Audit fees	**(8)**	(5)
– Fees for other services	**–**	(1)

3 INCOME TAX EXPENSE

Refer to note 8 of the Group annual financial statements for the applicable accounting policy.

	2014 Rm	2013 Rm
Normal tax – current year	**(10)**	12
Deferred tax – current year	**7**	8
	(3)	20

South African normal taxation is calculated at 28% (2013: 28%) of the estimated taxable income for the year.

Notes to the Company annual financial statements

for the year ended 31 December 2014 *continued*

3 INCOME TAX EXPENSE *continued*

	2014 %	2013 %
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	**(28,1)**	(28,1)
Expenses not allowed	**0,1**	–
	–	(0,1)

4 INVESTMENT IN SUBSIDIARIES

Refer to note 1.3.1 of the Group annual financial statements for the applicable accounting policy.

	2014 Rm	2013 Rm
Total interest in Mobile Telephone Networks Holdings Proprietary Limited	**19 166**	23 651
Total interest in MTN Group Management Services Proprietary Limited	**57**	57
MTN Group Management Services Proprietary Limited – investment	*****	*
Loan owing by subsidiary	**57**	57
Total interest in subsidiary companies	**19 223**	23 708

**Amount less than R1 million.*

5 TRADE AND OTHER RECEIVABLES

Refer to note 19 of the Group annual financial statements for the applicable accounting policy.

	2014 Rm	2013 Rm
Trade receivables due from related parties	**17**	168
Prepayments and other receivables	**3**	3
Sundry debtors and advances	**3**	3
	23	174

6 CASH AND CASH EQUIVALENTS

Refer to note 23 of the Group annual financial statements for the applicable accounting policy.

	2014 Rm	2013 Rm
Cash at bank and on hand	**367**	160

Notes to the Company annual financial statements

for the year ended 31 December 2014 *continued*

7 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

Refer to note 24 of the Group annual financial statements for the applicable accounting policy.

	2014 Number of shares	2013 Number of shares
Authorised	**2 500 000 000**	2 500 000 000
Issued *(fully paid up)*	**1 848 355 889**	1 873 278 848
In issue at beginning of the year	**1 873 278 848**	1 883 484 324
Options exercised and allotted	**72 170**	173 160
MTN Zakhele shares cancelled	**(2 657 377)**	(10 378 636)
Treasury shares cancelled	**(22 337 752)**	–
In issue at end of the year	**1 848 355 889**	1 873 278 848
Shares cancelled but not delisted at year end[1]	**–**	(1 065 166)
Options – MTN Zakhele transaction[2]	**(14 492 564)**	(17 030 125)
Treasury shares[3]	**(945 350)**	–
In issue at end of the year – excluding MTN Zakhele transaction and treasury shares[2]	**1 832 917 975**	1 855 183 557

[1] *The shares were delisted on 2 January 2014.*

[2] *Due to the call option over the notional vendor finance shares, these shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.*

[3] *Treasury shares held by the Company which were delivered to the Company by MTN Zakhele and cancelled after year end. Treasury shares held by MTN Holdings Proprietary Limited are excluded from this reconciliation. Refer to note 24 of the Group annual financial statements.*

	2014 Rm	2013 Rm
Share capital		
Balance at beginning of the year	*****	*
Options exercised	*****	*
Shares cancelled	**(*)**	(*)
Balance at end of the year	*****	*
Share premium		
Balance at beginning of the year	**45 616**	45 611
Options exercised	**3**	5
Share buy-back	**(5 117)**	–
Balance at end of the year	**40 502**	45 616

During the year, the Company acquired 22 337 752 shares from MTN Holdings Proprietary Limited. The total amount paid to acquire the shares, inclusive of transaction costs was R5 117 million.

**Amount less than R1 million.*

8 TRADE AND OTHER PAYABLES

Refer to note 29 of the Group annual financial statements for the applicable accounting policy.

	2014 Rm	2013 Rm
Payables due to related parties	**12**	8
Accrued expenses and other payables	**154**	111
	166	119

Notes to the Company annual financial statements

for the year ended 31 December 2014 *continued*

9 CASH GENERATED FROM/(UTILISED IN) OPERATIONS

	2014 Rm	2013 Rm
Profit before tax	**20 583**	16 449
Adjusted for:		
Finance income (note 1)	**(20 674)**	(16 520)
Finance costs (note 1)	**38**	3
Other	**(1)**	(1)
	(54)	(69)
Changes in working capital	**168**	(76)
Decrease/(increase) in trade and other receivables	**152**	(38)
Increase/(decrease) in trade and other payables	**16**	(38)
	114	(145)

10 INCOME TAX PAID

	2014 Rm	2013 Rm
Balance at beginning of the year	**(39)**	(21)
Amounts recognised in profit or loss (note 3)	**(3)**	20
Deferred tax	**(7)**	(8)
Other	**(3)**	(1)
Balance at end of the year	**50**	39
Total tax (paid)/refunded	**(2)**	29

11 RELATED PARTY TRANSACTIONS

Refer to note 40 of the Group annual 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 related parties during the year and significant balances receivable/payable at the reporting date:

	2014 Rm	2013 Rm
Dividends paid		
– Mobile Telephone Networks Holdings Proprietary Limited	**148**	195
Dividends received		
– Mobile Telephone Networks Holdings Proprietary Limited	**20 650**	16 500
Management fees paid		
– MTN Group Management Services Proprietary Limited	**(62)**	(78)
Management fees received		
– MTN International Proprietary Limited	**68**	86
Professional fees paid		
– MTN Group Management Services Proprietary Limited	**(10)**	(33)
Receivables		
– Mobile Telephone Networks Holdings Proprietary Limited	**6**	151

Financial guarantee contracts

Details of financial guarantee contracts are disclosed in note 13 of the Company annual financial statements.

Directors

Details of directors' remuneration are disclosed in note 2 of the Company annual financial statements.

Shareholders

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

Notes to the Company annual financial statements

for the year ended 31 December 2014 *continued*

12 CONTINGENT LIABILITIES AND COMMITMENTS

Refer to note 32 of the Group annual financial statements for the applicable accounting policy.

The Company does not have any contingent liabilities or commitments at year end.

13 FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets;* and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18.

The Company, along with other subsidiaries of the Group, has guaranteed the bonds, revolving credit facilities and general banking facilities of Mobile Telephone Networks Holdings Proprietary Limited under the terms of the guarantee. The Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

	Face value		Drawn down balance[2]	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Bond guarantees				
Bonds[1] and commercial paper	**10 000**	10 000	**2 618**	5 053
Syndicated and other loan facilities				
ZAR long-term loan	**12 500**	8 514	**9 266**	6 249
US$ long-term loan	**11 547**	14 198	**–**	–
General banking facilities				
ZAR facilities	**1 750**	2 750	**1 003**	1 105
	35 797	35 462	**12 887**	12 407

[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 regard to the cash management facility of Mobile Telephone Networks Holdings Proprietary Limited and suretyship to the amount of R5 850 million with regard to the banking facilities of Mobile Telephone Networks Proprietary Limited, MTN International (Mauritius) Limited, MTN International Proprietary Limited and Mobile Telephone Networks Holdings Proprietary Limited.

The Company, together with other subsidiaries in the MTN Group guaranteed senior unsecured notes issued by MTN (Mauritius) Investment Limited on the Irish Stock Exchange amounting to US$750 million. A financial liability was initially recognised at the fair value of the guarantee issued. 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 R729 million (2013: Rnil) as at 31 December 2014.

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Refer to note 43 of the Group annual financial statements for the applicable accounting policy.

14.1 *Categories of financial instruments*

	Loans and receivables Rm	Amortised cost Rm	Total carrying amount Rm
2014			
Current financial assets			
Trade and other receivables	**20**	**–**	**20**
Cash and cash equivalents	**367**	**–**	**367**
	387	**–**	**387**
Current financial liabilities			
Trade and other payables	**–**	**166**	**166**
Financial guarantee contracts	**–**	**729**	**729**
	–	**895**	**895**
2013			
Current financial assets			
Trade and other receivables	174	–	174
Cash and cash equivalents	160	–	160
	334	–	334
Current financial liabilities			
Trade and other payables	–	119	119

14.2 *Credit risk*

Refer to note 43 of the Group annual 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:

	2014 Rm	2013 Rm
Cash and cash equivalents	**367**	160
Trade and other receivables	**20**	174
	387	334

Credit risk disclosure above excludes financial guarantee contracts. Details of financial guarantee contracts are provided in note 13.

14.3 *Liquidity risk*

Refer to note 43 of the Group annual financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2014 Rm	2013 Rm
Cash and cash equivalents	**367**	160
Trade and other receivables	**20**	174
	387	334

The Company has undrawn committed facilities amounting to R15 797 million (2013: 17 948).

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 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
2014					
Trade and other payables					
– Accrued expenses and other payables	**154**	**154**	**154**	**–**	**–**
– Trade payables to related parties	**12**	**12**	**12**	**–**	**–**
	166	**166**	**166**	**–**	**–**
2013					
Trade and other payables					
– Accrued expenses and other payables	111	111	111	–	–
– Trade payables to related parties	8	8	8	–	–
	119	119	119	–	–

Liquidity risk disclosure above excludes financial guarantees. Details of financial guarantee contracts are provided in note 13.

14.4 *Market risk*

14.4.1 Interest rate risk

Refer to note 43 of the Group annual 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 as follows:

	Variable rate instruments Rm
2014	
Financial assets	
Cash and cash equivalents	**367**
2013	
Financial assets	
Cash and cash equivalents	160

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

14.4 Market risk *continued*

14.4.2 Currency risk

Refer to note 43 of the Group annual 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.

	2014 Rm	2013 Rm
Liabilities		
United States dollar	**729**	–

Sensitivity analysis

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

		(Decrease)/increase in profit before tax	
	Change in exchange rate %	**Weakening in functional currency Rm**	**Strengthening in functional currency Rm**
2014			
US$:ZAR	**10**	**(73)**	**73**

Financial definitions

The following financial terms are used in the annual financial statements with the meanings specified below:

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 other categories of financial instruments.
Cash-generating unit	The smallest identifiable group of assets that generates cash inflow from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
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, 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), with no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
EBITDA	Earnings before interest, tax, depreciation, amortisation and goodwill impairment.
Financial assets at fair value through profit or loss	A financial asset that is held for trading (acquired principally for the purpose of selling the item in the short term) or designated upon initial recognition as at fair value through profit or loss.
Finance leases	Leases over property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.
Functional currency	The currency that best reflects the primary economic environment in which the entity operates.
Gain or loss on disposal of an asset	The difference between the proceeds from the disposal and the carrying amount of the asset.
Goodwill	The excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than those that the Group upon initial recognition designates as at fair value through profit or loss and those that are loans and receivables.
Interconnect revenue	Revenue derived from other operators for local and international incoming voice minutes, short messaging service (SMS) and multimedia messaging service (MMS).

Financial definitions *continued*

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 relating to the arrangement.
Joint ventures	Joint arrangements whereby the parties that have joint control of the arrangement by unanimous consent have rights to the net assets of the arrangement.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Measurement period adjustments	Adjustments that arise from additional information obtained during the "measurement period" about facts and circumstances that existed at the acquisition date. The measurement period constitutes the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. This period shall not exceed one year from the acquisition date.
Multiple element arrangements	Postpaid and prepaid products with multiple deliverables.
Non-controlling interests	The amount of non-controlling interests at the date of the business combination and the non-controlling interests' share of changes in equity since the acquisition date.
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 entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
Subsidiaries	All entities (including SEs) controlled by the Group.
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	**128 910**	**87,31**	**29 789 551**	**1,61**
1 001 – 10 000 shares	**16 294**	**11,04**	**43 627 957**	**2,36**
10 001 – 100 000 shares	**1 731**	**1,17**	**52 848 802**	**2,86**
100 001 – 1 000 000 shares	**557**	**0,38**	**180 402 841**	**9,76**
1 000 001 shares and over	**151**	**0,10**	**1 541 686 738**	**83,41**
Total	**147 643**	**100,00**	**1 848 355 889**	**100,00**

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

	2014		2013	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Standard Bank Nominees (Tvl) Proprietary Limited	**563 996 367**	**30,51**	550 447 807	29,38
Nedcor Bank Nominees Limited	**367 757 006**	**19,90**	389 882 001	20,81
First National Nominees Proprietary Limited	**283 321 333**	**15,33**	292 575 007	15,62
Cmb Nominees Proprietary Limited	**137 994 845**	**7,47**	94 732 939	5,06
Goudstad Nominees	**93 697 680**	**5,07**	*	*

** Shares less than 5% of the issued ordinary capital of the Company.*

SPREAD OF ORDINARY SHAREHOLDERS

	2014			2013	
	Number of shareholders	**Number of shares**	**% of issued share capital**	Number of shares	% of issued share capital
Public	**147 608**	**1 269 432 814**	**68,68**	1 270 208 671	67,81
Non-public	**35**	**578 923 075**	**31,32**	603 070 177	32,19
Directors and associates of the Company	**9**	**1 917 800**	**0,10**	1 916 800	0,10
Empowerment	**2**	**76 308 398**	**4,13**	76 747 538	4,10
Lombard Odier Darier Hentsch & Cie (M1 Limited)	**8**	**183 152 564**	**9,91**	183 152 564	9,78
Government Employees Pension Fund	**15**	**307 307 254**	**16,63**	318 915 523	17,02
Mobile Telephone Networks Holdings	**1**	**10 237 059**	**0,55**	22 337 752	1,19
Total	**147 643**	**1 848 355 889**	**100,00**	1 873 278 848	100,00

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE

	2014		2013	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Government Employees Pension Fund	**307 307 254**	**16,63**	318 915 523	17,02
Lombard Odier Darier Hentsch & Cie (M1 Limited)	**183 152 564**	**9,91**	183 152 564	9,78

Annexure 2 – Preliminary assessment of new accounting pronouncements

The IASB issued the following accounting pronouncements during 2014:

- IFRS 15 which replaces the two main revenue recognition standards, IAS 18 and IAS 11 and their related interpretations. IFRS 15 is effective from 1 January 2017; and
- IFRS 9 which replaces the existing guidance in IAS 39 and is effective from 1 January 2018.

The impact of these two pronouncements on the annual financial statements has not yet been fully determined.

The Group's preliminary unaudited assessment of the key requirements is set out below:

<table>
<tr><th>Key requirements</th><th>Impact</th></tr>
<tr><td>Bundled offerings
IFRS 15 requires entities to allocate revenue to performance obligations based on the standalone selling price of a good or service in a bundle of goods and services. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer.

Revenue is recognised when a customer obtains control of the good or service. Customers obtain control when they have the ability to direct the use of and obtain the benefits from the good or service.</td><td>Postpaid and prepaid products with multiple deliverables are defined as multiple element (or bundled) arrangements. Postpaid products typically include the sale of a handset and a service contract; and prepaid products include a subscriber identification module (SIM) card and airtime.

During 2014, the Group resolved to change its accounting policy in recognising revenue relating to bundled arrangements from applying the residual value method to the relative fair value method. In applying the relative fair value method, the consideration received or receivable is allocated to each of the elements (delivered and undelivered) in the transaction according to their standalone selling prices, resulting in the proportionate allocation of any discount to all elements in the bundle.

The new accounting policy aligns the Group's policy more closely with the requirements of IFRS 15.</td></tr>
<tr><td>Contract changes
IFRS 15 requires entities to account for contract modifications as cancellations of the old contracts and the creation of new contracts where additional distinct goods or services are provided at prices that do not reflect the standalone selling prices of those goods or services.</td><td>Service contracts may be upgraded or downgraded by customers which will typically result in the cancellation of the old contract and the creation of a new contract. Contract changes are significant in MTN South Africa and to a lesser extent in MTN Cyprus.

The requirement has been implemented as part of the Group's policy change in recognising revenue relating to bundled arrangements as discussed above.</td></tr>
<tr><td>Significant financing component
IFRS 15 requires entities to adjust the promised amount of consideration to reflect the time value of money if the contract has a significant financing component.

Factors to consider when determining whether a contract has a significant financing component include, but are not limited to:
the expected length of time between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services;
whether the amount of consideration would differ substantially if the customer paid in cash promptly in accordance with typical credit terms in the industry and jurisdiction; and
the interest rate in the contract and prevailing interest rates in the relevant market.</td><td><table><tr><th></th><th colspan="4">Impact (low ✦, medium ✦, high ✦)</th></tr><tr><th></th><th>Financial</th><th>Systems</th><th>Administration</th><th>Overall</th></tr><tr><td>Postpaid products</td><td>✦</td><td>✦</td><td>✦</td><td>✦</td></tr><tr><td>Prepaid products</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr></table>N/A – not applicable.

This requirement is expected to have a significant impact on the Group's postpaid subscriber base where devices are sold with long-term service contracts mainly within MTN South Africa and to a lesser extent, in MTN Cyprus.

If possible, the Group will elect the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component if it is expected, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.</td></tr>
</table>

Annexure 2 – Preliminary assessment of new accounting pronouncements *continued*

Key requirements	Impact

Contract acquisition costs

IFRS 15 requires an entity to recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs.

The incremental costs of obtaining a contract are those costs that an entity would not have incurred if the contract had not been obtained. All other contract acquisition costs incurred regardless of whether a contract was obtained are recognised as expenses.

Contract costs recognised as an asset are amortised on a systematic basis consistent with the pattern of transfer of the goods or services to which the asset relates. In some cases, the asset may relate to goods or services to be provided in future anticipated contracts (for example, service to be provided to a customer in the future if the customer chooses to renew an existing contract).

Impact

The Group's current accounting policy is to expense contract acquisition costs when incurred.

The Group will elect the practical expedient permitted by IFRS 15 to expense incremental costs of obtaining a contract when incurred if the amortisation period would be one year or less.

	Impact (low ✦, medium ✦, high ✦)			
	Financial	Systems	Administration	Overall
Postpaid products	Medium	High	High	Medium
Prepaid products	Low	Low	Low	Low

The requirement is expected to have a significant impact on long-term postpaid contracts, mainly within MTN South Africa and to a lesser extent, in MTN Cyprus. Significant system development will be required to identify, track and amortise contract acquisition costs over the contract period or estimated customer life.

No significant impact is expected within the Group's prepaid environment as the prepaid service lifecycle is typically less than one year.

Breakage

IFRS 15 requires that when a breakage percentage (services that expire) is expected, revenue should be grossed up to take account of units of service that will be forfeited.

Impact

	Impact (low ✦, medium ✦, high ✦)			
	Financial	Systems	Administration	Overall
Postpaid products	Low	Low	Low	Low
Prepaid products	Low	Low	Low	Low

This requirement is not expected to result in a significant change in the financial results of the Group.

Loyalty awards

IFRS 15 requires that loyalty awards be recognised as separate performance obligations and that revenue be allocated to awards relative to the fair value of the awards and other performance obligations. Revenue allocated to the loyalty awards should be recognised when the future goods or services are transferred or when the awards expire.

Impact

The Group's current accounting policy is to recognise reward points as separately identifiable components of the initial sale transaction by allocating revenue to the reward points such that the reward points are initially recognised as deferred income at their fair value.

	Impact (low ✦, medium ✦, high ✦)			
	Financial	Systems	Administration	Overall
Postpaid products	Low	Medium	Medium	Low
Prepaid products	Low	Medium	Medium	Low

This requirement is not expected to result in a significant change in the financial results of the Group.

Annexure 2 – Preliminary assessment of new accounting pronouncements *continued*

Key requirements	Impact
Impairment IFRS 9 requires that credit losses are recognised on initial recognition of receivables and contract assets and not at the point when the amounts are considered to be impaired.	Provision for impairment of receivables and contract assets will be upfront and recognised separately when the revenue is recognised, modelled on historic losses. The Group expects to choose an accounting policy to always measure the impairment at the present value of expected cash shortfalls over the remaining life of the receivables and contract assets.

	Impact (low ✦, medium ✦, high ✦)			
	Financial	Systems	Administration	Overall
Postpaid products	✦	✦	✦	✦
Prepaid products	N/A	N/A	N/A	N/A

N/A – *not applicable.*

This requirement is expected to have a significant impact on the timing of the recognition of impairment on long-term postpaid contract assets and receivables, mainly within MTN South Africa.

BASTION GRAPHICS

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