Notes to the condensed consolidated financial statements

1. Basis of preparation

The condensed consolidated interim financial information ("interim financial information") announcement was prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 – Interim Financial Reporting and in compliance with the Listing Requirements of the JSE Limited and the South African Companies Act, 1973 (Act 61 of 1973), on a consistent basis with that of the prior period.

The financial year-end for MTN Group and its subsidiaries has changed from 31 March to 31 December. The interim financial statements are therefore for the six-month period ended 30 June 2006, with the comparative results for the 6 months ended 30 September 2005.

The Group elected to early adopt IAS 21 (The effects of changes in foreign exchange rates) revised December 2005 (effective from 1 January 2006), from 1 April 2004 onwards. The financial impact of early adopting has been included in the September 2005 comparative results.

2. Headline earnings per ordinary share

The calculations of basic and adjusted headline earnings per ordinary share are based on basic headline earnings of R4 816 million (December 2005: R5 984 million) and adjusted headline earnings of R4 640 million (December 2005: R5 626 million) respectively, and a weighted average of 1 666 091 087 (December 2005: 1 663 208 548) ordinary shares in issue.

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

	6 month-period ended 30 June 2006 Reviewed Rm	6 month-period ended 30 Sept 2005 Reviewed Restated Rm	9 month-period ended 31 Dec 2005 Audited Rm
Net profit attributable to company's equity holders	**4 804**	3 776	5 866
Adjusted for:			
Loss on disposal of property, plant and equipment	**6**	6	27
Profit on sale of associate	**—**	—	(23)
Impairment on PPE	**6**	41	114
Basic headline earnings	**4 816**	3 823	5 984
Adjusted for:			
Reversal of deferred tax asset	**(283)**	(192)	(332)
Reversal of put option in respect of subsidiary			
– Fair value adjustment	**(8)**	—	(19)
– Finance costs	**177**	—	97
– Minority share of profits	**(62)**	—	(104)
Adjusted headline earnings	**4 640**	3 631	5 626
Reconciliation of headline earnings per ordinary share (cents)			
Attributable earnings per share (cents)	**288,3**	227,1	352,7
Adjusted for:			
Loss on disposal of property, plant and equipment	**0,4**	0,4	1,6
Profit on sale of a subsidiary	**—**	—	(1,4)
Impairment of property, plant and equipment	**0,4**	2,4	6,9
Basic headline earnings per share (cents)	**289,1**	229,9	359,8
Effect of reversal of deferred tax asset	**(17,0)**	(11,5)	(20,0)
Effect of reversal of put option entries	**6,4**	—	(1,6)
Adjusted headline earnings per share (cents)	**278,5**	218,4	338,2
Contribution to adjusted headline earnings per ordinary share (cents)			
South Africa	**125,4**	109,7	171,2
Rest of Africa	**153,1**	108,7	167,0
Adjusted headline earnings per share (cents)	**278,5**	218,4	338,2
Number of ordinary shares in issue:			
– Weighted average (000)	**1 666 091**	1 662 605	1 663 209
– At period end (000)	**1 666 948**	1 664 082	1 665 317

Adjusted headline earnings adjustments

Deferred tax asset

The Group's subsidiary in Nigeria has been granted a five-year tax holiday under "Pioneer Status" legislation. Furthermore, capital allowances arising on capital expenditure incurred during this five-year period may be carried forward and claimed as deductions against taxable income from the sixth year of operations onwards. A deferred tax credit of R283 million (December 2005: R332 million), excluding minority interests, relating to these deductible temporary differences, has been recognised for the period ended 30 June 2006 in terms of IAS 12 – Income Taxes.

As previously disclosed, although the Group has complied with the requirements of IAS 12 in this regard, the Board of Directors has reservations about the appropriateness of this treatment in view of the fact that no cognisance may be taken in determining the value of such deferred tax assets for uncertainties arising out of the effects of the time value of money or future foreign exchange movements. The Board therefore resolved to report adjusted headline earnings (negating the effect of the deferred tax asset) in addition to basic headline earnings, to more appropriately reflect the Group's results for the period.

Put option in respect of subsidiary

The implementation of IFRS requires the Group to account for a written put option held by a minority shareholder of one of the Group's subsidiaries, which provides them with the right to require the subsidiary to acquire their shareholding at fair value. Prior to the implementation of IFRS the shareholding was treated as a minority shareholder in the subsidiary, as all risks and rewards associated with these shares, including dividends, currently accrue to the minority shareholder.

IAS 32 requires that in the circumstances described in the previous paragraph:

(a) the present value of the future redemption amount be reclassified from equity to financial liabilities and that financial liability so reclassified subsequently be measured in accordance with IAS 39;

(b) in accordance with IAS 39, all subsequent changes in the fair value of the liability together with the related interest charges arising from present valuing the future liability, be recognised in the income statement;

(c) the minority shareholder holding the put option no longer be regarded as a minority shareholder, but rather as a creditor from the date of receiving the put option.

Although the Group has complied with the requirements of IAS 32 and IAS 39 as outlined above, the Board of Directors has reservations about the appropriateness of this treatment in view of the fact that:

(a) the recording of a liability for the present value of the future strike price of the written put option results in the recording of a liability that is inconsistent with the framework, as there is no present obligation for the future strike price;

(b) the shares considered to be subject to the contracts are issued and fully paid up, have the same rights as any other issued and fully paid up shares and should be treated as such;

(c) the written put option meets the definition of a derivative and should therefore be accounted for as a derivative in which case the liability and the related fair value adjustments recorded through the income satement would not be required.

3. Independent review by the auditors

These condensed consolidated results have been reviewed by our joint auditors PricewaterhouseCoopers Inc. and SizweNtsaluba VSP, who have performed their review in accordance with the International Statement on Review Engagements 2400. A copy of their unqualified review report is available for inspection at the registered office of the company.

	6 months 30 June 2006 Reviewed Rm	9 months 31 Dec 2005 Audited Rm	6 months 30 Sept 2005 Reviewed Rm
4. Capital expenditure incurred	**3 290**	6 732	4 125
5. Contingent liabilities and commitments			
Contingent liabilities	**1 030**	781	3 749
Operating leases	**777**	331	453
Finance leases	**625**	638	467
6. Commitments for property, plant and equipment and intangible assets			
– Contracted for	**4 913**	2 902	1 855
– Authorised but not contracted for	**6 322**	10 039	1 538
7. Cash and cash equivalents			
Bank balances, deposits and cash	**9 666**	7 222	4 825
Call borrowings	**(117)**	(58)	(511)
	9 549	7 164	4 314
8. Interest-bearing liabilities			
Call borrowings	**117**	58	511
Short-term borrowings	**1 136**	1 042	461
Current liabilities	**1 253**	1 100	972
Long-term liabilities	**7 991**	7 505	3 664
	9 244	8 605	4 636

9. Other non-current liability

The put options in respect of subsidiaries arise from arrangements whereby minority shareholders of two of the Group's subsidiaries have the rights to put their remaining shareholdings in the subsidiaries to Group companies.

On initial recognition, these put options were fair valued using effective interest rates as deemed appropriate by management to the extent that these put options are not exercisable at a fixed strike price the fair value will be determined on an annual base with movements in fair value being recorded in the income statement.

10. Financial market instrument

The financial market instrument relates to the fair value movement on the foreign exchange contracts and currency options in respect of the Investcom transaction as detailed in note 11. This has been treated as a cash flow hedge.

11. Post-balance sheet events

On 4 July 2006 the Group acquired 99,5% of the issued share capital of Investcom Plc for a consideration of US$5,5 billion settled in cash and shares. The cost of acquisition was settled through an issue of corporate paper in the South African bond market, a US$ and ZAR-denominated bank facility, 183 210 084 MTN Group shares issued and $3,7 billion cash settled out of the new facilities raised above.

The purchase price allocation for the acquisition of Investcom has not yet been finalised. This is as a result of significant time limitations between acquisition date and issue of these interim financial statements. It is therefore impractical to disclose net assets acquired and goodwill allocation at this stage. This will be disclosed in the annual financial statements for the year ended 31 December 2006.

The shareholding in MTN Uganda was increased in two tranches in July 2006 from 52,01% to 97,34% for a total consideration of approximately US$220 million, converting the joint venture operation into a fully consolidated subsidiary of the Group.

12. Net asset value per ordinary share and net (debt)/cash equity ratios

	At 30 June 2006 Reviewed Rm	At 31 Dec 2005 Audited Rm	At 30 Sept 2005 Reviewed Rm
Net asset value	16,65	11,84	11,2
Net (debt)/cash equity	2%	(4,5%)	2%