

# Notes to the Group financial statements

for the year ended 31 December 2006

## 1. Primary reporting format – Geographic segments

December 2006	South and East Africa Rm	West and Central Africa Rm	Middle East and North Africa Rm	Head office companies Rm	Reconciling items**** Rm	Consolidated Rm
<b>Revenue</b>						
External sales	26 586	21 208	3 756	45	—	51 595
<b>Total revenue</b>	<b>26 586</b>	<b>21 208</b>	<b>3 756</b>	<b>45</b>	<b>—</b>	<b>51 595</b>
<b>Segment result</b>	<b>9 346</b>	<b>11 380</b>	<b>1 117</b>	<b>595</b>	<b>—</b>	<b>22 438</b>
Impairment charge	—	(25)	—	—	—	(25)
Depreciation	(1 334)	(3 282)	(414)	—	—	(5 030)
Amortisation of intangible assets	(203)	(801)	(284)	(1)	—	(1 289)
Finance costs	(813)	(672)	(74)	(1 938)	190	(3 307)
Finance income	242	623	162	1 043	(190)	1 880
Share of profits of associates	23	—	—	—	—	23
Income tax expense	(2 142)	266	(325)	(390)	—	(2 591)
<b>Net profit for the period</b>	<b>5 119</b>	<b>7 489</b>	<b>182</b>	<b>(691)</b>	<b>—</b>	<b>12 099</b>
<i>Other information:</i>						
<b>Segment assets***</b>						
Assets	18 674	28 305	9 465	159 795	(119 455)	96 784
Associates	73	—	—	—	—	73
<b>Total assets</b>	<b>18 747</b>	<b>28 305</b>	<b>9 465</b>	<b>159 795</b>	<b>(119 455)</b>	<b>96 857</b>
<b>Segment liabilities***</b>	<b>(12 966)</b>	<b>(11 438)</b>	<b>(7 263)</b>	<b>(21 105)</b>	<b>—</b>	<b>(52 772)</b>
<b>Capital expenditure**</b>	<b>(3 120)</b>	<b>(4 998)</b>	<b>(1 656)</b>	<b>(4)</b>	<b>—</b>	<b>(9 778)</b>
<b>Average number of employees for the period for each of the Group's principal segments were as follows:</b>	<b>4 077</b>	<b>4 925</b>	<b>4 873</b>	<b>192</b>	<b>—</b>	<b>14 067</b>

Secondary segment disclosure is not presented as it comprises the mobile telecommunications segment and the satellite telecommunications segment, the latter of which is not considered material to the Group's financial statements as a whole.

\*\* Capital expenditure comprises additions to property, plant and equipment and additions to software

\*\*\* Income tax assets and income tax liabilities are not included in total segment assets and liabilities

\*\*\*\* Reconciling items relate to intercompany management fees and intercompany shareholders' loans

1. **Primary reporting format – Geographic segments (continued)**

December 2005*	South and East Africa Rm	West and Central Africa Rm	Middle East and North Africa Rm	Head office companies Rm	Reconciling items**** Rm	Consolidated Rm
<b>Revenue</b>						
External sales	16 293	10 868	—	455	(404)	27 212
<b>Total revenue</b>	16 293	10 868	—	455	(404)	27 212
<b>Segment result</b>	5 367	5 746	(6)	271	—	11 378
Impairment charge	—	(147)	—	—	—	(147)
Depreciation	(847)	(1 649)	—	(1)	—	(2 497)
Amortisation of intangible assets	(55)	(201)	—	—	—	(256)
Finance costs	(157)	(160)	(8)	(490)	20	(795)
Finance income	179	12	(1)	252	(20)	422
Share of profits of associates	10	—	—	—	—	10
Income tax expense	(1 476)	36	—	29	—	(1 411)
<b>Net profit for the year</b>	3 021	3 637	(15)	61	—	6 704
<i>Other information:</i>						
<b>Segment assets****</b>						
Assets	16 733	21 357	2 165	15 452	(10 954)	44 753
Associates	48	—	6	—	—	54
<b>Total assets</b>	16 781	21 357	2 171	15 452	(10 954)	44 807
<b>Segment liabilities***</b>	(4 866)	(7 912)	(1 645)	(5 480)	—	(19 903)
<b>Capital expenditure**</b>	(2 505)	(4 227)	—	—	—	(6 732)
<b>Average number of employees for the year for each of the Group's principal segments were as follows:</b>	4 293	3 273	604	190	—	8 360

Secondary segment disclosure is not presented as it comprises the mobile telecommunications segment and the satellite telecommunications segment, the latter of which is not considered material to the Group's financial statements as a whole.

\* Prior year comparatives have been restated due to the new geographical segmental groups, and represents nine months

\*\* Capital expenditure comprises additions to property, plant and equipment and additions to software

\*\*\* Income tax assets and income tax liabilities are not included in total segment assets and liabilities

\*\*\*\* Reconciling items relate to intercompany management fees and intercompany shareholders' loans

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	<b>12 months ended December 2006 Rm</b>	9 months ended December 2005 Rm
<b>2. Revenue</b>		
<i>Wireless telecommunications</i>	<b>46 822</b>	24 157
Airtime and subscription fees	<b>36 309</b>	18 608
Interconnect	<b>10 159</b>	5 403
Connection fees	<b>354</b>	146
<i>Cellular telephones and accessories</i>	<b>3 096</b>	2 351
<i>Other</i>	<b>1 677</b>	704
	<b>51 595</b>	27 212
<b>3. Operating profit</b>		
The following items have been included in arriving at operating profit:		
Auditors' remuneration:	<b>(37)</b>	(29)
– Audit fees	<b>(26)</b>	(15)
– Fees for other services	<b>(11)</b>	(14)
– Expenses	<b>*</b>	*
Directors' emoluments:	<b>(63)</b>	(35)
– Services as director	<b>(57)</b>	(32)
– Directors' fees	<b>(7)</b>	(3)
Operating lease rentals:	<b>(343)</b>	(233)
– Property	<b>(302)</b>	(202)
– Equipment and vehicles	<b>(41)</b>	(31)
Loss on disposal of property, plant and equipment	<b>(55)</b>	(43)
Movement in the provisions for inventories (note 15)	<b>(3)</b>	(58)
Impairment charge on property, plant and equipment (note 8)	<b>(7)</b>	(147)
Reversal of impairment (note 8)**	<b>32</b>	—
Movement in the provision for impairment on trade receivables (note 16)	<b>136</b>	96

\*Amounts less than R1 million

\*\*The impairment charge relates to certain network assets in MTN Nigeria which have been identified as being obsolete or no longer in use. During the current year, a part of the impairment charge previously recorded was reversed due to these assets being re-introduced into the network.

	<b>12 months ended December 2006 Rm</b>	9 months ended December 2005 Rm
<b>3. Operating profit (continued)</b>		
Staff costs:	<b>(2 453)</b>	(1 310)
– Wages and salaries	<b>(2 075)</b>	(1 118)
– Share options granted to directors and employees	<b>—</b>	(17)
– Pension costs – defined contribution plans	<b>(105)</b>	(68)
– Other	<b>(273)</b>	(107)
Fees paid for services:	<b>(959)</b>	(440)
– Administrative	<b>(139)</b>	(39)
– Management	<b>(139)</b>	(75)
– Professional	<b>(309)</b>	(172)
– Secretarial	<b>(19)</b>	(10)
– Technical	<b>(353)</b>	(144)
Profit on disposal of Orbicom	<b>—</b>	23
Net foreign exchange losses from trading activities	<b>(3)</b>	(4)
	<b>Number</b>	Number
Average number of employees	<b>14 067</b>	8 360
	<b>Rm</b>	Rm
<b>4. Finance income</b>		
Interest income	<b>1 198</b>	383
Fair value adjustments	<b>29</b>	29
Foreign exchange transaction gains	<b>653</b>	10
	<b>1 880</b>	422
<i>Reconciliation of interest received to finance income</i>		
Interest received (operating activities)	<b>1 382</b>	371
Interest received (investing activities)	<b>4</b>	12
Unrealised foreign exchange transaction gains	<b>74</b>	10
Interest accrued	<b>391</b>	—
Fair value adjustments	<b>29</b>	29
Finance income recognised in the income statement	<b>1 880</b>	422

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	12 months ended December 2006 Rm	9 months ended December 2005 Rm
<b>5. Finance costs</b>		
Interest expense – borrowings	(1 991)	(426)
Interest expense – finance leases	(99)	(27)
Finance costs – put option	(269)	(124)
Foreign exchange transaction losses	(700)	(191)
Other	(248)	(27)
	<b>(3 307)</b>	(795)
<i>Reconciliation of interest paid to finance costs</i>		
Interest paid (operating activities)	(1 525)	(487)
Arrangement fees	(44)	(6)
Financing costs – put option	(269)	(124)
Fair value adjustments	(464)	(6)
Interest accrued	(342)	—
Unrealised foreign exchange transaction losses	(598)	(171)
Other	(65)	(1)
Finance costs recognised in the income statement	<b>(3 307)</b>	(795)
<b>6. Income tax expense</b>		
<i>Current tax</i>		
Normal tax	(3 163)	(1 650)
Current year	(2 951)	(1 616)
Prior year over provision	(77)	101
Secondary tax on companies	(135)	(135)
<i>Foreign tax</i>		
Foreign income and withholding taxes	(238)	(119)
<i>Deferred tax (note 14)</i>	810	358
Current year	939	357
Prior year over provision	(110)	1
Change in tax rate	(19)	*
	<b>(2 591)</b>	(1 411)
<i>Secondary tax on companies</i>		
STC relating to dividends proposed	(209)	(135)

\*Amounts less than R1 million

Taxation for foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	<b>12 months ended December 2006 %</b>	9 months ended December 2005 %
<b>6. Income tax expense (continued)</b>		
<b>Tax rate reconciliation</b>		
The income tax charge for the year is reconciled to the effective rate of taxation in South Africa as follows:		
Tax at standard rate	<b>29,0</b>	29,0
Expenses not deductible for tax purposes	<b>4,3</b>	1,7
Assessed loss utilised	<b>—</b>	0,2
Effect of different tax rates in other countries	<b>(0,6)</b>	0,4
Prior year tax	<b>1,2</b>	(1,2)
Income not subject to tax	<b>(0,1)</b>	—
Effect of pioneer status/tax credit granted	<b>(16,9)</b>	(15,8)
Withholding taxes	<b>0,8</b>	0,8
Effect of STC	<b>0,9</b>	1,7
Other	<b>(1,0)</b>	0,6
	<b>17,6</b>	17,4

The company holds investments in Nigeria, Swaziland, Cameroon, Uganda, Rwanda, Botswana, Zambia, Côte d'Ivoire, Congo Brazzaville, Iran, Afghanistan, Benin, Cyprus, Ghana, Guinea Bissau, Guinea Republic, Liberia, Sudan, Syria and Yemen. The company is regarded as a tax resident in South Africa by the South African Revenue Services (SARS), and as such is subject to tax on its worldwide income in South Africa, with only the income properly attributable to the presence in Mauritius being taxed in Mauritius.

## **7. Earnings and dividend per ordinary share**

### **7.1 Earnings per ordinary share**

The calculation of basic earnings per ordinary share is based on net profit for the year of R10 610 million (December 2005: R5 866 million), and a weighted average number of 1 752 304 867 (December 2005: 1 663 208 548) ordinary shares in issue (excluding treasury shares).

The calculation of basic and adjusted headline earnings per ordinary share is calculated on basic headline earnings of R10 628 million (December 2005: R5 984 million) and adjusted headline earnings of R10 246 million (December 2005: R5 626 million) respectively, and a weighted average number of 1 752 304 867 (December 2005: 1 663 208 548) ordinary shares in issue (excluding treasury shares).

The calculation of diluted, basic headline and adjusted headline earnings per ordinary share is based on the respective earnings as indicated above, and the weighted average number of 1 766 382 068 (December 2005: 1 677 386 926) fully diluted ordinary shares in issue (excluding treasury shares) during the year. The number of fully diluted ordinary shares has been calculated by taking into account ordinary shares that will be in issue in respect of the MTN Holdings convertible debentures, outstanding MTN Group share options and MTN Group share appreciation right scheme.

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	12 months ended December 2006 Rm	9 months ended December 2005 Rm
<b>7. Earnings and dividend per ordinary share (continued)</b>		
<b>7.1 Earnings per ordinary share (continued)</b>		
<i>Reconciliation between net profit attributable to the equity holders of the company and headline earnings</i>		
<b>Net profit for the period</b>	<b>10 610</b>	5 866
<i>Adjusted for:</i>		
Profit on sale of subsidiary/associates	—	(23)
Loss on disposal of property, plant and equipment*	<b>40</b>	27
Impairment of property, plant and equipment*	<b>(22)</b>	114
<b>Basic headline earnings</b>	<b>10 628</b>	5 984
<i>Adjusted for:</i>		
Reversal of deferred tax asset	<b>(650)</b>	(332)
Impact of put options (note 20)		
– Fair value adjustment	<b>120</b>	(19)
– Finance costs	<b>301</b>	97
– Minority share of profits	<b>(153)</b>	(104)
<b>Adjusted headline earnings</b>	<b>10 246</b>	5 626
<b>Earnings per ordinary share (cents)</b>		
– Basic	<b>605,4</b>	352,7
– Basic headline	<b>606,5</b>	359,8
– Adjusted headline	<b>584,7</b>	338,2
<b>Diluted earnings per share (cents)</b>		
– Basic	<b>589,1</b>	349,7
– Basic headline	<b>590,2</b>	356,5
– Adjusted headline	<b>568,6</b>	335,9
	<b>'000</b>	<b>'000</b>
Weighted average number of shares	<b>1 752 305</b>	1 663 209
<i>Adjusted for:</i>		
– share options	<b>11 901</b>	14 178
– share appreciation rights	<b>2 176</b>	—
Weighted average number of shares for diluted earnings per share	<b>1 766 382</b>	1 677 387

\*Amounts are stated after taking into account minority interests

## **7. Earnings and dividend per ordinary share (continued)**

### **7.1 Earnings per ordinary share (continued)**

#### **Explanation of adjusted headline earnings**

##### **Impact of put option**

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, accrued 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 the 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; and
- (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; and
- (b) the shares considered to be subject to the contracts that are outstanding, have the same rights as any other shares and should therefore be accounted for as a derivative rather than creating an exception to the accounting required under IAS 39.

##### **Reversal of deferred tax asset (refer to note 14)**

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### **7.2 Dividend per share**

The dividends paid during the December 2006 and 2005 financial years amounted to R1 083 million (65c per share) and R1 081 million (65c per share) respectively. A dividend in respect of the period ended 31 December 2006 of R0,90 per share has been declared. These financial statements do not reflect this dividend.

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# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	Owned				Leased			Total Rm
	Land and buildings Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Vehicles Rm	Land and buildings (notes 19,31) Rm	Capital work-in-progress Rm	
<b>8. Property, plant and equipment</b>								
<b>8.1 Analysis of net book amount</b>								
<b>At 1 April 2005</b>								
Cost	1 249	185	21 109	1 615	165	315	—	24 638
Accumulated depreciation	(384)	(109)	(7 223)	(1 020)	(71)	(44)	—	(8 851)
Net book amount	865	76	13 886	595	94	271	—	15 787
<b>Movement in net book amount</b>								
<b>At 31 December 2005</b>								
Opening net book amount	865	76	13 886	595	94	271	—	15 787
Acquisition of business combinations	40	58	759	100	14	—	—	971
Additions	340	53	5 318	350	37	340	—	6 438
Impairment loss	—	—	(147)	—	—	—	—	(147)
Disposals	(37)	(3)	(122)	(2)	(4)	—	—	(168)
Depreciation charge	(33)	(29)	(2 116)	(261)	(37)	(21)	—	(2 497)
Exchange differences	23	(2)	259	9	3	—	—	292
Closing net book amount	1 198	153	17 837	791	107	590	—	20 676
<b>At 31 December 2005</b>								
Cost	1 638	291	27 176	2 072	215	655	—	32 047
Accumulated depreciation	(440)	(138)	(9 339)	(1 281)	(108)	(65)	—	(11 371)
Net book amount	1 198	153	17 837	791	107	590	—	20 676
<b>Movement in net book amount</b>								
<b>At 31 December 2006</b>								
Opening net book amount	1 198	153	17 837	791	107	590	—	20 676
Acquisition of business combinations	47	27	3 577	209	79	—	127	4 066
Additions	431	100	7 859	550	60	—	379	9 379
Impairment loss	—	—	(7)	—	—	—	—	(7)
Reversal of impairment loss	—	—	32	—	—	—	—	32
Disposals	(17)	(3)	(67)	(29)	(9)	—	(32)	(157)
Depreciation charge	(65)	(75)	(4 278)	(512)	(62)	(33)	(5)	(5 030)
Exchange differences	(9)	19	1 321	235	27	—	95	1 688
Closing net book amount	1 585	221	26 274	1 244	202	557	564	30 647
<b>Analysis of net book amount</b>								
<b>At 31 December 2006</b>								
Cost	1 711	478	42 015	2 953	408	655	569	48 789
Accumulated depreciation	(126)	(257)	(15 741)	(1 709)	(206)	(98)	(5)	(18 142)
Net book amount	1 585	221	26 274	1 244	202	557	564	30 647

Registers with details of land and buildings are available for inspection by members or their duly authorised representatives at the registered offices of the company and its respective subsidiaries.

## **8. Property, plant and equipment (continued)**

### **8.2 Encumbrances**

#### ***MTN Côte d'Ivoire***

Borrowings by MTN Côte d'Ivoire are secured by a fixed charge over the company's network equipment with a book value of R590 million (December 2005: R270 million) (note 19).

#### ***MTN Rwanda***

The syndicated loan acquired from four local banks is secured by a floating charge on MTN Rwanda's fixed assets, the book value of which is R107 million (December 2005: R81 million) (note 19).

#### ***MTN Uganda***

In terms of the Inter-creditor Security Package, MTN Uganda has provided a first and second fixed charge with a net book value of R1 031 million (December 2005: R70 million) over its property, plant and equipment as security for a syndicated loan made to MTN Uganda by various banks and financial institutions (note 19).

#### ***MTN (Pty) Ltd***

Loans from ABSA and RMB are secured by promissory notes in respect of lease rentals relating to Phase 1 and a mortgage bond over Phase 2.

The book values of these secured assets are R247 million and R315 million respectively (note 19).

#### ***Scancom Ghana***

Borrowings by Scancom Ghana are secured by two switches of the operation with a book value of R6 million (note 19).

#### ***Areeba Cyprus***

Borrowings by Areeba Cyprus are secured by motor vehicles with a book value of R0,24 million (note 19).

#### ***MTN Congo B***

Borrowings by MTN Congo B are secured by motor vehicles with a book value of R1 million (note 19).

#### ***MTN Nigeria***

Borrowings by MTN Nigeria are secured by a fixed charge over the company's moveable assets, the book value of which is R13 636 million (December 2005: R11 347 million) (note 19).

# Notes to the Group financial statements

for the year ended 31 December 2006 (continued)

	December 2006 Rm	December 2005 Rm
<b>9. Goodwill</b>		
<b>Opening balance</b>		
Cost	2 650	33
Accumulated impairment losses	—	—
Net book amount	2 650	33
<b>Movement</b>		
Opening net book amount	2 650	33
Additions to goodwill	24 319	2 674
Exchange differences	48	(57)
Closing net book amount	27 017	2 650
<b>End of year</b>		
Cost	27 017	2 650
Accumulated impairment losses	—	—
Net book amount	27 017	2 650
<b>Impairment tests for goodwill</b>		
Goodwill is allocated to the Group's cash generating units ("CGU") identified according to country of operation.		
A summary of the goodwill allocation is presented below:		
MTN Côte d'Ivoire	1 425	1 196
Scancom Ghana	12 772	—
Areeba Syria	1 737	—
Bashair Telecom (Sudan)	2 253	—
Areeba Yemen	3 498	—
Others	5 332	1 454
Total	27 017	2 650

## 9. **Goodwill (continued)**

Investcom LLC, which was acquired on 4 July 2006, has not yet been subject to impairment testing.

The Group has elected, under IFRS 3, to finalise asset and liability fair values allocated to each cash generating unit, and therefore the related goodwill, within 12 months subsequent to the acquisition date. A preliminary allocation has been done to obtain the summary listed above. Once the final allocation is completed, impairment testing will be performed for all CGU's relating to Investcom LLC.

Goodwill is tested annually for impairment. During the year under review, the following operations comprising R2 977 million of the above goodwill balance was tested for impairment:

- MTN Côte d'Ivoire
- Mascom Botswana
- MTN Congo-Brazzaville
- MTN Zambia

There was no impairment of any of the CGU's above to which goodwill had been allocated.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The following key assumptions have been used for the value-in-use calculations:

- Growth rate: We have used a steady growth rate to extrapolate revenues beyond the budget period cash flows. The growth rate is consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGU operates. The average growth rates used range from 3% to 6%.
- Discount rate: Discount rates range from 12% to 14,78%. Discount rates used reflect specific risks relating to the relevant CGU.

These assumptions have been used for the analysis of each CGU.

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# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	Customer relation- ship Rm	Licences Rm	Software Rm	Other in- tangible assets Rm	Total Rm
<b>10. Other intangible assets</b>					
<b>At 1 April 2005</b>					
Cost	—	2 107	645	55	2 807
Accumulated amortisation	—	(620)	(306)	(35)	(961)
Net book amount	—	1 487	339	20	1 846
<i>The movement in the net book amount of intangible assets is comprised as follows:</i>					
<b>At 31 December 2005</b>					
Opening net book amount	—	1 487	339	20	1 846
Additions from business combinations	351	455	—	27	833
Additions	—	1 132	285	—	1 417
Amortisation charge	(33)	(132)	(81)	(10)	(256)
Exchange differences	(4)	223	(1)	(1)	217
Closing net book amount	314	3 165	542	36	4 057
<b>At 31 December 2005</b>					
Cost	347	3 910	927	82	5 266
Accumulated amortisation	(33)	(745)	(385)	(46)	(1 209)
Net book amount	314	3 165	542	36	4 057
<i>The movement in the net book amount of intangible assets is comprised as follows:</i>					
<b>At 31 December 2006</b>					
Opening net book amount	<b>314</b>	<b>3 165</b>	<b>542</b>	<b>36</b>	<b>4 057</b>
Additions from business combinations	<b>3 987</b>	<b>5 140</b>	<b>66</b>	<b>—</b>	<b>9 193</b>
Additions	<b>—</b>	<b>481</b>	<b>399</b>	<b>18</b>	<b>898</b>
Amortisation charge	<b>(552)</b>	<b>(509)</b>	<b>(215)</b>	<b>(13)</b>	<b>(1 289)</b>
Exchange differences	<b>48</b>	<b>165</b>	<b>40</b>	<b>(24)</b>	<b>229</b>
Closing net book amount	<b>3 797</b>	<b>8 442</b>	<b>832</b>	<b>17</b>	<b>13 088</b>
<b>At 31 December 2006</b>					
Cost	<b>4 399</b>	<b>9 837</b>	<b>1 503</b>	<b>73</b>	<b>15 812</b>
Accumulated amortisation	<b>(602)</b>	<b>(1 395)</b>	<b>(671)</b>	<b>(56)</b>	<b>(2 724)</b>
Net book amount	<b>3 797</b>	<b>8 442</b>	<b>832</b>	<b>17</b>	<b>13 088</b>

The Ugandan Communication Commission has granted consent for the licence of MTN Uganda with a book value of R16 million (December 2005: R7,9 million) to be used as security for the syndicated loan made by various banks and financial institutions (note 19).

Borrowings by MTN Nigeria are secured by a fixed charge over the company's service licence to the value of R1 211 million (December 2005: R1 188 million) (note 19).

	<b>December 2006 Rm</b>	December 2005 Rm
<b>11. <i>Investments in associates</i></b>		
Balance at beginning of period	<b>54</b>	43
Share of results after tax and minority interest	<b>23</b>	10
Acquisition of associate	<b>*</b>	—
Exchange differences	<b>—</b>	1
Change in shareholding – associate to subsidiary	<b>(4)</b>	—
Balance at end of period	<b>73</b>	54
There are no significant contingent liabilities relating to the Group's interest in associates. A list of significant investments in associates, including the name, country of incorporation and proportion of interest is given in Annexure 2.		
<b>12. <i>Financial assets at fair value through profit or loss</i></b>		
International sinking fund policy	<b>362**</b>	312
<p>MTN International invested an amount of R500 million into an international sinking fund policy with a major financial services institution in South Africa. The accumulated foreign exchange loss incurred upon translating the investment to rands at the ruling spot rate at balance sheet date, amounted to R138 million (December 2005: R188 million), which has been charged to the income statement. The term is five years commencing on the inception date (24 October 2002). From time to time, the portfolio of assets in the investment can be restructured to include listed shares in offshore companies on recognised bourses, listed bonds on recognised bourses and investments in various cash instruments and bank deposits.</p>		

\*Amounts less than R1 million

\*\*This amount is shown as a current asset in 2006

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>13. Loans and other non-current receivables</b>		
Loan to minorities in MTN Nigeria*	—	47
Loan to Broadband Limited**	133	147
Loan to Iran Electronic Development company***	336	276
Loan to Irancell****	1 939	1 432
Non-current pre-payments	444	99
	<b>2 852</b>	<b>2 001</b>

\* Loans by MTN Mauritius to minority shareholders of MTN Nigeria are US dollar (US\$) denominated and interest free. These loans were repaid during the current financial year.

The amount consisted of two loans:

Loan 1: US\$8 million included in sundry debtors in 2005. The loan was repayable by 1 July 2006 out of shareholders distributions to which the borrower was entitled in respect of the shares acquired from the proceeds of the loan. The fair value of the loan approximated the book value.

Loan 2: US\$11 million. There is no fixed repayment date; however, the loan is repayable out of all shareholder distributions to which the borrower is entitled. On initial recognition, the loans were not stated at fair value due to the loans not having specified repayment terms. Accordingly, these loans are stated at cost less impairments, if any.

\*\* The disposal of a 30% shareholding by MTN Mauritius in MTN Cameroon was effected in two tranches:

20% tranche

This was funded by two loans:

Loan 1: US\$3,5 million (December 2005: US\$3,5 million) is interest free and repayable on 31 December 2010 out of 80% of the borrower's entitlement to shareholder distributions. This was repaid in full during the current financial year.

Loan 2: US\$18,8 million (December 2005: US\$15,2 million) attracts interest at LIBOR +6% per annum (effective rate of 8,1% per annum) (December 2005: effective interest rate of 7,2%) which will be capitalised bi-annually. The loan is repayable by 31 December 2010 out of 80% of the borrower's entitlement to shareholder distributions. The repayments shall first be applied against loan 1 until it is repaid in full and thereafter shall be applied against loan 2. The fair value of the loan approximates the book value.

10% tranche

The US\$ denominated loan amounting to US\$10,1 million is repayable at the higher of

- (i) 10% of the market value of MTN Cameroon if sold by the purchaser; and
- (ii) US\$10,1 million plus interest at LIBOR plus 6% per annum (effective rate is 7,2% per annum). If dividends are declared, an interest charge equal to the dividends will be levied.

As the Group still retains beneficial interest in this 10% stake, the Group financial statements include 80% of those of MTN Cameroon.

The minority shareholders in MTN Nigeria and MTN Cameroon have provided their shares in the respective companies as security for the above loans.

\*\*\* Loans by Irancell to Iran Electronics Development company are US\$ denominated. The fair values of these loans approximate the carrying value.

US\$58,65 million (December 2005: US\$43,6 million) will attract interest at LIBOR +4% per annum (effective rate 9,3%) (December 2005: effective rate of 8,6%). Interest is payable six monthly in arrears. The loan is repayable in full at the end of three years. The fair value of the loan approximates the book value.

\*\*\*\* Loans by MTN Mauritius to Irancell are US\$ denominated. The fair values of the loans approximate their carrying values. The amount consists of three loans:

Loan 1: US\$49,65 million (December 2005: US\$43,61 million) attracts interest at LIBOR +4% per annum (effective rate of 9,3%) (December 2005: effective rate of 8,7%) which will be capitalised against the loan. The loan and capitalised interest is repayable by August 2009. The fair value of the loan approximates the book value.

Loan 2: US\$198,14 million (December 2005: US\$174,4 million) will attract interest at LIBOR +4% per annum (effective rate of 9,3%) (December 2005: effective rate of 8,6%) which will be capitalised against the loan. The loan and capitalised interest is repayable by November 2009. The fair value of the loan approximates the book value.

Loan 3: EUR40 million will attract interest at EURIBOR +4% which will be capitalised against the loan. The loan and capitalised interest is repayable by 31 May 2008. The fair value of the loan approximates the book value.

Movement	1 April 2005 Rm	Charged to income statement Rm	Additions – business combinations Rm	Exchange differences Rm	31 December 2005 Rm	Additions – business combinations Rm	Charged to income statement Rm	Exchange differences Rm	31 December 2006 Rm
<b>14. Deferred income taxes</b>									
<b>Deferred income tax liabilities</b>									
Assessed losses	—	—	—	—	—	—	5	—	5
Tax allowances over book depreciation	(865)	(156)	—	2	(1 019)	(146)	(243)	76	(1 332)
Other temporary differences	124	23	—	—	147	(164)	(72)	(253)	(342)
Revaluation of at acquisition assets	—	—	(133)	8	(125)	(1 335)	199	(25)	(1 286)
Working capital allowances	45	99	—	—	144	—	—	33	177
	(696)	(34)	(133)	10	(853)	(1 645)	(111)	(169)	(2 778)
<b>Deferred income tax assets</b>									
Provisions and other temporary differences	120	(12)	136	(11)	233	—	(2)	75	306
Accelerated tax depreciation	10	3	—	(3)	10	—	—	5	15
Tax loss carried forward	—	(26)	26	—	—	—	44	(*)	44
Arising due to fair value adjustments on business combinations	—	—	—	—	—	51	54	—	105
MTN Nigeria deferred tax asset	688	427	—	28	1 143	—	825	167	2 135
	818	392	162	14	1 386	51	921	247	2 605
	122	358	29	24	533	(1 594)	810	78	(173)

The Group's subsidiary in Nigeria has been granted a five-year company income tax holiday from date of approval. 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 R650 million (December 2005: R332 million), excluding minority interests relating to these deductible temporary differences, has been recognised for the year ended 31 December 2006 in terms of IAS 12 Income Taxes. A deferred tax asset is raised where it is probable that future profits will be generated in order to utilise the deductible temporary differences.

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 asset for uncertainties arising from 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.

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>15. Inventories</b>		
Finished goods (handsets, SIM cards and accessories) – at cost**	1 122	706
Consumable stores and maintenance spares – at cost**	13	11
Less: Provision for inventories	(92)	(93)
	<b>1 043</b>	624

\*\*Included in inventory are amounts of R74,4 million (December 2005: R71,8 million) encumbered by borrowings relating to MTN Nigeria (note 19)

	At beginning of period Rm	Additions Rm	Utilised Rm	Unused Rm	Exchange differences Rm	At end of period Rm
<b>Provision movement</b>						
<b>Year ended 31 December 2006</b>						
Movement in provision for inventories	(93)	(9)	4	6	(*)	(92)
<b>9 months ended 31 December 2005</b>						
Movement in provision for inventories	(40)	(60)	5	2	*	(93)

An impairment charge of R3 million (December 2005: R58 million) was incurred in the current year. This amount is included in other expenses in the income statement (note 3).

\*Amounts less than R1 million

	<b>December 2006 Rm</b>	December 2005 Rm
<b>16. Trade and other receivables</b>		
Trade receivables	<b>7 551</b>	4 898
Less: Provision for impairment of trade receivables	<b>(932)</b>	(874)
Trade receivables – net	<b>6 619</b>	4 024
Sundry debtors and pre-payments**	<b>2 436</b>	1 463
	<b>9 055</b>	5 487

\*\* Sundry debtors and pre-payments include pre-payments for BTS sites and other property leases, advances to suppliers and short-term loans.

The fair values of trade and other receivables approximate their book values as shown above.

Included in receivables and prepayments are amounts of R843,6 million (December 2005:

R648,7 million) encumbered by borrowings relating to MTN Nigeria (note 19).

	At beginning of period Rm	Acquisition – business combina- tions Rm	Additions Rm	Unused Rm	Utilised Rm	Exchange differences Rm	At end of period Rm
<b>Impairment movement</b>							
<b>Year ended 31 December 2006</b>							
Movement in provision for impairment of trade receivables	<b>(874)</b>	<b>(105)</b>	<b>(8)</b>	<b>144</b>	—	<b>(89)</b>	<b>(932)</b>
<b>Nine months ended 31 December 2005</b>							
Movement in provision for impairment of trade receivables	(876)	(94)	(12)	108	23	(23)	(874)

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed.

An impairment charge of R136 million (December 2005: R96 million) was incurred in the current year, and this amount is included in other expenses in the income statement (note 3).

\*Amounts less than R1 million

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>17. Ordinary shares and share premium</b>		
<b>Ordinary share capital</b>		
<i>Authorised share capital</i>		
2 500 000 000 ordinary shares of 0,01 cent each	*	*
<i>Issued and fully paid-up share capital</i>		
1 860 268 283 (December 2005 – 1 665 317 425) ordinary shares of 0,01 cent each	*	*
<b>Share premium</b>		
Balance at beginning of year	14 272	14 239
Arising on the issue of shares during the year (net of share issue expenses)	9 532	33
Balance at end of year	<b>23 804</b>	14 272

### MTN Group Share Option Scheme and Share Appreciation Rights Scheme

The exercise of options and resulting share trades can be viewed under "directors' share dealings" on page 185 of the Directors report. All disclosure as required by IFRS 2 Share-based payments has been included in the Directors' report.

\*Amounts less than R1 million

	December 2006 Rm	December 2005 Rm
<b>18. Other reserves</b>		
<b>Non-distributable reserves</b>		
Balance at beginning of period	(14 051)	(12 873)
Movement in contingency reserve	(3)	5
Purchase of non-controlling interests	(1 686)	(1 302)
Transfer from distributable reserves	8	2
Share-based payment reserve	36	17
Cash flow hedging reserve	(54)	—
Shareholders' loan revaluation reserve	86	79
Foreign currency translation differences of foreign subsidiaries and joint ventures	1 582	21
Balance at end of period	(14 082)	(14 051)
<i>Consisting of:</i>		
Contingency reserve (as required by insurance regulations)	17	20
Statutory reserve (as required by Rwandan legislation)	10	9
Purchase of non-controlling interests	(14 906)	(13 220)
Shareholders' loan revaluation reserve	(853)	(939)
Cash flow hedging reserve	(54)	—
Share-based payment reserve	77	41
Other reserves	7	—
Translation differences of foreign subsidiaries and joint ventures	1 620	38
	(14 082)	(14 051)

A statutory 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 balance sheet as a non-distributable reserve, forming part of shareholders' funds. On dissolution of the special purpose entities to which these reserves relate, they will become available for distribution.

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings</b>		
<b>Unsecured</b>		
<i>MTN Service Provider</i>		
Various composite short-term facilities, bearing interest at rates determined by the nature of each specific drawdown instrument, but essentially linked to JIBAR. Interest rates over the year varied between 8,5% and 14% per annum (December 2005: between 14% and 14,5% per annum), payable within 366 days	5	3
<i>MTN Network Operator</i>		
Various composite short-term facilities, bearing interest at rates determined by the nature of each specific drawdown instrument, payable on demand. Rates are, however, essentially linked to JIBAR, ranging from 8,5% and 14% (December 2005: between 8,5% and 14%) per annum, payable within 366 days	262	582
<i>Standard Corporate Merchant Bank (SCMB) facilities</i>		
Advance from SCMB under a 366 day notice facility, bearing interest at JIBAR +0,6% per annum (effective interest rate of 7,46%). MTN Holdings and other MTN subsidiary companies entities have provided cross guarantees for the SCMB loan facility	4 365	2 366
<i>ABSA facilities</i>		
Various loans ranging from R70 million to R250 million bearing interest at effective rate between 8,67% and 9,65% per annum. The loans are part of the 366 days facilities. Repayment of the loan is at the discretion of the company, however the company does not intend repaying the loan within the 366 days. MTN Holdings and other MTN Group entities have provided cross guarantees for this loan facility	500	180
<i>Standard Corporate Merchant Bank (SCMB) loan facility</i>		
Loan bearing interest at an effective interest rate of 7,88% and payable bi-annually	100	100
<i>FNB facilities</i>		
Term loans bearing interest at effective interest rates ranging between 9,13% and 9,18% per annum. The loans are part of a 366 day facility. Repayment is at the discretion of the company, however there is no intention to repay the loan within 366 days	400	

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Unsecured (continued)</b>		
<i>MTN Network Operator (continued)</i>		
<i>Investec facilities</i>		
Loan bearing interest at an effective rate of 8,7% per annum payable monthly. The loan is part of a 366 day facility. Repayment is at the discretion of the company, however there is no intention to repay the loan within 366 days	100	
<i>Nedbank facilities</i>		
Loans bearing interest at effective interest rates ranging between 9,3% and 9,45% per annum. The loans are part of a 366 day facility. Repayment is at the discretion of the company, however there is no intention to repay the loan within 366 days	300	
<i>MTN Swaziland</i>		
<i>Standard Bank Swaziland Limited</i>		
The loan attracts a floating interest rate of prime less 0,25% per annum (effective rate of 10,19% per annum) (December 2005: 10,04% per annum). This loan was repaid during the year	—	3
<i>Standard Bank Swaziland Limited</i>		
The loan bears interest at 12,25% per annum and is payable by one bullet payment at the end of the loan period with option for early repayment. Maturity date is June 2007	6	
<i>MTN Mauritius</i>		
<i>Syndicated revolving loan</i>		
Facility arranged by Standard Bank London Limited and Sumitomo Mitsui Banking Corporation Europe Limited of US\$250 million, bearing interest at LIBOR plus 0,85% per annum, at an effective interest rate of 4,64% per annum (December 2005: effective rate of 4,3% per annum). This loan is repayable in one final payment in March 2007. MTN Holdings and other MTN Group entities provided cross guarantees for this loan facility	528	347

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Unsecured (continued)</b>		
<i>MTN Mauritius (continued)</i>		
<i>Syndicated revolving loan</i>		
Facility arranged by Standard Finance (Isle of Man) of US\$90 million bearing interest at LIBOR plus 0,4% at an effective interest rate in the prior year of 4,6%. This loan was repaid in one final payment in November 2006	—	569
<i>Bashair Telecom company Ltd (Sudan)</i>		
Loan from Standard Bank denominated in EUR bearing interest at LIBOR +3% with an effective interest rate of 6,8% payable bi-annually and secured by a guarantee from Investcom Global	347	
<i>MTN Holdings (Pty) Ltd</i>		
<i>Domestic Medium Term Note Programme</i>		
Bond MTN01 bearing interest at a fixed interest rate of 10,01% payable six monthly in arrears with a final maturity on 13 July 2010	5 000	
Bond MTN02 bearing interest at a fixed interest rate of 10,19% payable six monthly in arrears with a final maturity on 13 July 2014	1 300	
<i>Standard Corporate Merchant Bank (SCMB) term loan</i>		
Advance from SCMB under a 366 day notice facility, bearing interest at JIBAR +0,6% per annum (effective interest rate of 7,46%). MTN Holdings and other MTN subsidiary companies entities have provided cross guarantees for the SCMB loan facility	379	
<i>Syndicated Loan Facilities</i>		
<i>Facility A1</i>		
Five year US\$750 million facility repayable in 10 equal bi-annual payments starting January 2008. Interest is charged at LIBOR plus 75bps until the first compliance certificate after which the margin is based on an EBITDA multiple grid.	5 283	
<i>Facility A2</i>		
Five year R7 000 million facility repayable in 10 equal bi-annual payments starting January 2008. Interest is charged at JIBAR plus 90bps until the first compliance certificate after which the margin is based on an EBITDA multiple grid.	7 000	

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Unsecured (continued)</b>		
<i>MTN Holdings (Pty) Ltd (continued)</i>		
<i>Syndicated Loan Facilities (continued)</i>		
<i>Facility B</i>		
Three year revolving credit facility of US\$1 250 million bearing interest at LIBOR plus 70bps (effective interest rate of 6,05%), until the first compliance after which the margin is based on an EBITDA multiple grid.	<b>297</b>	
<b>MTN Zambia</b>		
<i>Bridge loan</i>		
Loan denominated in ZMK bearing interest at Stanbic rate less 5% and repayable by December 2007 with an effective interest rate of 14%	<b>26</b>	
<i>Bridge loan</i>		
Loan denominated in US\$ bearing interest at LIBOR plus 2% and repayable by December 2007 with an effective interest rate of 7,4%	<b>176</b>	
<b>MTN Cameroon</b>		
<i>Syndicated medium-term loan</i>		
Loan of Communaute Financiere Africaine franc (CFA) 35 billion. Repayments are deferred for 1 year, with the final repayment due on 15 March 2010. The annual interest rate is fixed at 7,35%	<b>389</b>	389
<b>MTN Uganda</b>		
<i>Citibank Uganda</i>		
Short-term facility with Citibank Uganda Limited of US\$5 million (December 2005: US\$5 million). The facility is utilised through the issue of a Uganda Shilling (UGX) 8,5 billion promissory note and a dollar denominated note of US\$3 million. Interest is payable monthly in arrears at an effective money market rate of 10% (December 2005: 8%)	<b>34</b>	15
<i>Standard Chartered Bank</i>		
Facility of US\$5 million with Standard Chartered Uganda Limited through the issue of promissory notes to the value of UGX7 billion and UGX12 billion loans bearing interest at an effective rate of 8% (December 2005: 8%)	<b>78</b>	13

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Unsecured (continued)</b>		
<b>MTN Uganda (continued)</b>		
<i>Barclays Bank</i>		
Facility of US\$5 million with Barclays Bank Uganda Limited through the issue of promissory notes to the value of UGX9 billion bearing interest at an effective rate of 8% (December 2005: 8%). The loan was repaid during the year	—	16
<i>Stanbic Bank Promissory Note</i>		
Short-term facility of UGX11 billion utilised through the issue of promissory notes to the value of UGX9,5 billion (December 2005: UGX5 billion). Interest is payable monthly in arrears at an effective money market rate of 10% (December 2005: 8%)	39	19
<i>Areeba Syria</i>		
Long-term loan from Islamic Development Corporation denominated in US\$ and bearing interest at an effective interest rate of 7,61%. The loan is repayable in bi-annual instalments with the last instalment due on 21 July 2009	61	
Loan from Societe Generale Paris denominated in US\$ with an effective interest rate of 6,45%	25	
<i>Spacetel Benin</i>		
Loan from the State of Benin denominated in US\$ and non-interest bearing. It is repayable in annual instalments with the last instalment due on 31 October 2009	25	
<i>Investcom LLC</i>		
<i>Revolving credit facility</i>		
Bank long-term loan from Banque Audi SAL denominated in US\$ and bearing interest at LIBOR +2% with an effective interest rate of 7,1%. There is no repayment schedule	170	
<i>Long-term loan</i>		
Bank long-term loan from Banque Audi sal denominated in US\$ and bearing interest at three month LIBOR +2,5% with an effective interest rate of 7,6%. The loan is repayable in equal quarterly repayments	305	

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Unsecured (continued)</b>		
<i>MTN Group Management Services</i>		
Various composite short-term facilities, bearing interest at rates determined by the nature of each specific drawdown instrument, but essentially linked to JIBAR. Interest rates varied between 7% and 10% per annum	*	
<i>Mascom Wireless Botswana</i>		
Operating lease payable to the Botswana Democratic Party, non-interest bearing with an escalation clause of 10% per annum. This lease is for a period of 25 years	21	
<i>Areeba Cyprus</i>		
Trade finance loan denominated in CYP bearing interest at Lombard +2,5% with an effective interest rate of 7%. Repayable by November 2007	39	
Bank long-term loan denominated in EUR bearing interest at EURIBOR 6 month +2% with an effective interest rate of 5,84%. Repayable by December 2010	82	
Trade finance loan denominated in EUR bearing interest at EURIBOR 6 month +0,45% with an effective interest rate of 3,22%. Repayable by August 2010	120	
<i>Other</i>		
Bank overdraft facilities	167	58
<b>Total unsecured</b>	<b>27 929</b>	4 660

\*Amounts less than R1 million

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Secured</b>		
<i>MTN Uganda</i>		
<i>Swedfund International</i>		
Subordinated loan of UGX71,3 billion bearing interest at minimum of 10% per annum. The inherent interest rate applicable to this facility having considered the estimated repayment instalment, equates to 9,8% per annum (December 2005: 9,8% per annum). This loan was repaid during the year	—	10
<i>SSBC loan</i>		
Loan denominated in UGX receivable in two tranches and bearing interest at Bank of Uganda T Bill rate plus 2,25% with an effective interest rate of 10,8%. Tranche A is subject to quarterly payments with the final payment in September 2011 and Tranche B's final payment will be in September 2012	176	
<i>Nordic Development Fund</i>		
Subordinated loan of UGX3 billion repayable in September 2007. The inherent interest rate applicable to this facility, having considered the estimated repayment instalment, equates to 9,8% per annum (December 2005: 9,8% per annum). The loan was repaid during the year	—	10
<i>Standard Bank London/LB KIIEL loan</i>		
Facility of US\$17 million bearing interest at LIBOR plus 1,25% (effective rate of 5,26% per annum) (December 2005: effective rate of 5,26% per annum). Facility repayable semi-annually over four years commencing May 2003 with the final payment in May 2007.	5	8
All of the above MTN Uganda loans participate in the inter-creditor security package comprising of an assignment of the MTN Uganda telecommunication licence, and debentures and by means of a first fixed charge in favour of the inter-creditor agent, Stanbic Bank Uganda Limited, over all property, plant and equipment (note 8).		

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Secured (continued)</b>		
<i>MTN Nigeria</i>		
<i>DFI term loan</i>		
A loan of US\$30 million from a combined DEG/FMO facility repayable bi-annually from September 2006, maturing in March 2010. The interest rate is linked to LIBOR (effective interest rate of 8,425% per annum) (December 2005: 8,26% per annum)	<b>189</b>	171
<i>IFC facilities</i>		
These facilities include two loans of US\$35 million each, repayable bi-annually from September 2006 to March 2007. Pricing is linked to LIBOR (effective interest rate of 8,43% per annum) (December 2005: 7,88% per annum)	<b>439</b>	256
<i>Local facility</i>		
US\$250 million (December 2005: US\$250 million) naira equivalent commercial paper instrument reducing to 50% of the initial loan value in January 2009. The facility matures in April 2011. Pricing is linked to NIBOR (effective interest rate of 13,56% per annum) (December 2005: 14,29% per annum)	<b>1 824</b>	1 623
<i>Local facility</i>		
US\$120 million (December 2005: US\$120 million) naira equivalent 90 days commercial paper instrument reducing to 50% of the initial loan value in November 2007. The facility matures in November 2009. Pricing is linked to NIBOR (effective interest rate of 13,83% per annum) (December 2005: 13,55%)	<b>831</b>	740

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Secured (continued)</b>		
<b>MTN Nigeria (continued)</b>		
<i>SCMB facility</i>		
US\$40 million facility from a combined Export Credit Insurance Corporation of South Africa (ECICSA)/Standard Corporate Merchant Bank (SCMB) repayable in six equal instalments from September 2005 until March 2008. The interest rate is linked to LIBOR (effective interest rate of 8,43% per annum) (December 2005: 8,26% per annum)	277	205
All of the above MTN Nigeria loans are secured by a fixed charge over the company's moveable assets, service licence, ordinary share deposit accounts and a floating charge over the undertaking and its assets, property, receivables, inventory and current accounts as well as shares held by MTN International (Mauritius) Limited in MTN Nigeria. The proceeds of the insurance policies are secured in favour of the Security Trustee (notes 8, 10, 16 and 25)		
<b>MTN Côte d'Ivoire</b>		
<i>Eco Bank</i>		
Loan from Eco Bank of XOF 10 billion bearing interest at 8,5% per annum and repayable six monthly from June 2002 to June 2007. The loan was repaid during the current financial year	—	18
<i>Bank of Africa</i>		
Loan from Bank of Africa of XOF7,5 billion bearing interest at 9,5% per annum and repayable monthly from July 2003 to March 2007	10	16
<i>Standard Chartered Bank</i>		
Loan from Standard Chartered Bank of XOF4,3 billion bearing interest at 9% per annum and repayable monthly from October 2005 to October 2006	—	17
<i>Ste' Ivoirienne de Banque</i>		
Loan from Ste' Ivoirienne de Banque for XOF10 billion with an effective interest rate of 7,5%, repayable quarterly from February 2007 to August 2011	142	

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Secured (continued)</b>		
<i>MTN Côte d'Ivoire (continued)</i>		
<i>West African Development Bank</i>		
Loan from West African Development Bank of XOF4 billion bearing interest at 9% per annum and repayable quarterly from July 2004 to July 2008	<b>28</b>	15
<i>Eco Bank</i>		
Loan from Eco Bank of XOF5 billion bearing interest at 6,8% per annum and repayable monthly from January 2006 to June 2007	<b>71</b>	25
<i>Eco Bank</i>		
Various short-term facilities from Eco Bank and Versus with effective interest rates ranging from 7,25% to 8,5% per annum (December 2005: 9% to 10,75% per annum)	<b>149</b>	157
<i>Standard Chartered Bank</i>		
Loan from Standard Chartered Bank for XOF5 billion with an effective interest rate of 7,75% repayable monthly from January 2007 to November 2007	<b>73</b>	
<i>Banque Internationale de L'Afrique de L'Quest</i>		
Loan from Banque Internationale de L'Afrique de L'Quest of XOF5 billion bearing interest at 7,5% per annum and repayable quarterly from March 2007 to September 2008	<b>71</b>	
<i>Banque Internationale de L'Afrique de L'Quest</i>		
Loan from Banque Internationale de L'Afrique de L'Quest of XOF800 million bearing interest at 7,25% per annum and repayable quarterly from March 2007 to September 2008	<b>11</b>	
<i>Other loans</i>		
All the above loans are secured by network equipment with a book value of R590 million (December 2005: R270 million) (note 8)	<b>4</b>	12
<i>MTN Zambia, MTN Congo B, MTN Rwanda and Spacotel Yemen</i>		
<i>Other loans</i>	<b>17</b>	3
<i>Areeba Cyprus</i>		
Bank long-term loan denominated in CYP bearing interest at 8,87% with effective interest rate of the same. Repayable by August 2008 and secured over motor vehicles	<b>*</b>	

\*Amounts less than R1 million

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
<b>Secured (continued)</b>		
<b>Scancom Limited (Ghana)</b>		
<i>IFC loan</i>		
IFC loan denominated in US\$ bearing interest at LIBOR +3,5% with an effective interest rate of 10,05%. It is repayable in 13 equal instalments ending on 15 March 2010 and secured by a first ranking charge on two switches of the company, a charge over 51% of the shares held by Investcom Consortium Holding SA and a charge over the debt service reserve account at HSBC	141	
<b>MTN Holdings (Pty) Limited</b>		
<i>Rand Merchant Bank</i>		
The amount is secured via a session of a guaranteed sinking fund policy taken out with Momentum Life. The interest rate is fixed at a nominal rate of 13,9% per annum payable six monthly. The final repayment date was 31 January 2006	—	24
<i>14th Avenue Finance Lease – Phase 1</i>		
Finance lease obligation capitalised at an effective interest rate of 10% (December 2005: 11,8%) per annum. The lease term is 10 years with six years remaining, with renewal options of 20 years in total, and instalments payable monthly. The book value of the underlying property is R247 million (December 2005: R259 million). This obligation is secured over the underlying property	264	300
<i>14th Avenue Finance Lease – Phase 2</i>		
Finance lease obligation capitalised at an effective interest rate of 7,464% per annum. The lease term is 10 years with nine remaining, with renewal options of 10 years in total, and instalments payable monthly. The book value of the underlying property is R315 million (December 2005: R331 million). This obligation is secured over the underlying property	328	335
<b>Total secured borrowings</b>	<b>5 050</b>	3 945
<b>Total borrowings</b>	<b>32 979</b>	8 605

	December 2006 Rm	December 2005 Rm
<b>19. Borrowings (continued)</b>		
The maturity of the above loans and overdrafts is as follows:		
Payable within 1 year or on demand	4 392	1 100
Short-term borrowings	3 439	1 042
Bank overdrafts	953	58
More than one year but not exceeding two years	10 047	4 696
More than two years but not exceeding five years	16 972	2 585
More than five years	1 568	224
	<b>32 979</b>	8 605
Less: amounts included within current liabilities	(4 392)	(1 100)
Amounts included in non-current liabilities	<b>28 587</b>	7 505
Unless otherwise stated, all loans approximate their fair values.		
The Group has the following undrawn facilities:		
Floating rate	10 741	2 054
Fixed rate	—	352
	<b>10 741</b>	2 406
The facilities expiring within one year are annual facilities subject to review at various dates during 2007.		
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
South African rand	20 470	3 887
US dollar	7 921	1 600
Nigerian naira	2 655	2 363
Uganda shilling	233	80
Rwanda franc	1	2
Euro	655	—
Cypriot pound	39	—
Botswana pula	21	—
Congo Brazzaville Communaute Financiere Africaine franc	4	2
Swaziland emalangen	6	3
Cameroon Communaute Financiere Africaine franc	389	389
Côte d'Ivoire Communaute Financiere Africaine franc	559	278
Zambian kwacha	26	1
	<b>32 979</b>	8 605

Further details of the Group's finance lease commitments are provided in note 32 to the financial statements.

# Notes to the Group financial statements

for the year ended 31 December 2006 (continued)

	December 2006 Rm	December 2005 Rm
<b>20. Other non-current liabilities</b>		
Long-term deposits received from customers	—	3
Put options in respect of subsidiaries*	2 004	1 404
Provision for licence obligations	400	—
Obligations under finance leases***	8	—
Other non-current liabilities**	426	—
	<b>2 838</b>	1 407

\* The put options in respect of subsidiaries arise from arrangements whereby minority shareholders of MTN Côte d'Ivoire and MTN Nigeria have the rights to put their remaining shareholdings in the respective companies to MTN International (Mauritius) Limited and MTN Nigeria Communications Limited, respectively.

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 basis with all movements in fair value being recorded in the income statement.

\*\* Included in other non-current liabilities are amounts relating to licence fees payable by Scancom Ltd (Ghana) and Guinea Conakry. These are payable over a period of two to four years and are unsecured and non-interest bearing. Also included is the long-term portion of the provision for licence obligations. Refer notes 22 and 29.

\*\*\* Obligations under finance leases

	December 2006 Rm
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:	
Not later than one year	3
Later than one year and not later than five years	4
Later than five years	2
	<b>9</b>
Reconciliation:	
Total minimum finance lease payments	9
Less: finance charges	(1)
	<b>8</b>

	December 2006 Rm	December 2005 Rm
<b>21. Trade and other payables</b>		
Trade payables	4 630	2 541
Sundry creditors	1 022	597
Accrued expenses and other payables	6 469	4 902
	<b>12 121</b>	8 040

	At beginning of period Rm	Additional provisions Rm	Additions- Business combina- tions Rm	Unused amounts reversed Rm	Utilised Rm	Exchange differences Rm	At end of period Rm
<b>22. Provisions and other liabilities and charges</b>							
<b>Year ended</b>							
<b>31 December 2006</b>							
Leave pay	50	32	*	—	(23)	2	61
Bonus	152	132	1	—	(66)	5	224
Decommissioning provision	42	68	30	—	(65)	5	80
Onerous leases/other	252	78	25	*	(217)	27	165
Licence obligations	—	214	—	—	—	—	214
<b>Total</b>	<b>496</b>	<b>524</b>	<b>56</b>	<b>*</b>	<b>(371)</b>	<b>39</b>	<b>744</b>
Less non-current portion relating to licence obligations (note 20)							(177)
Current portion							567
<b>Nine months ended</b>							
<b>31 December 2005</b>							
Leave pay	45	11	*	(1)	(6)	1	50
Bonus	160	83	—	1	(99)	7	152
Decommissioning provision	28	13	—	—	—	1	42
Onerous leases/other	266	107	28	(41)	(115)	7	252
<b>Total</b>	<b>499</b>	<b>214</b>	<b>28</b>	<b>(41)</b>	<b>(220)</b>	<b>16</b>	<b>496</b>

\*Amounts less than R1 million

#### Leave pay provision

The leave pay provision relates to the vested leave pay to which employees are entitled. The provision arises as employees render services that increase their entitlement to future compensated leave. The provision is also utilised when employees, who are entitled to leave pay, leave the employment of the respective companies in the Group.

#### 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 pre-determined key performance measures. Bonuses are payable annually after the MTN Group annual results have been approved.

#### Licence obligations

The licence obligation provision represents the estimated costs to be incurred in fulfilling the Universal Services obligation. Refer note 29.

#### Onerous leases provision

The Group recognises a provision for onerous contracts when the expected benefits from the contract are less than the unavoidable costs of meeting the obligations under that contract.

#### Decommissioning provision

This provision relates to the estimate of the costs of dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located. 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 operations.

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	Note	December 2006 Rm	December 2005 Rm
<b>23. Cash generated from operations</b>			
Profit before tax		14 690	8 115
<i>Adjustments for:</i>			
Share of profits in associates less dividends received	11	(23)	(10)
Finance cost	5	3 307	795
Finance income	4	(1 880)	(422)
Depreciation of property, plant and equipment	8	5 030	2 497
Amortisation of intangible assets	10	1 289	256
Loss on disposal of property, plant and equipment	3	55	43
Share-based payments		13	17
Movement in provisions		126	—
Other		45	—
FEC movement		(54)	—
Profit on disposal of Orbicom		—	(23)
Impairment charge on assets	3	(25)	147
		<b>22 573</b>	11 415
Changes in working capital		361	(46)
(Increase)/decrease in inventories		(353)	92
Increase in receivables and prepayments		(2 666)	(1 444)
Increase in unearned income		663	149
Increase in trade and other payables		2 717	1 157
<b>Cash generated from operations</b>		<b>22 934</b>	11 369
<b>24. Income tax paid</b>			
Opening balance		(1 808)	(1 045)
Amounts charged to income statement	6	(2 591)	(1 411)
Deferred tax credit	6,14	(810)	(358)
Exchange differences		(5)	1
At acquisition taxes		—	(6)
Taxation previously included in creditors		(225)	—
Taxation overpaid		(3)	—
Closing balance		1 356	1 808
<b>Total tax paid</b>		<b>(4 086)</b>	(1 011)

	December 2006 Rm	December 2005 Rm
<b>25. Cash and cash equivalents</b>		
For purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash at bank and on hand	9 961	7 222
Bank overdraft	(953)	(58)
	<b>9 008</b>	7 164
Included in cash balances is an amount of R2 387 million (December 2005: R3 003 million) encumbered by borrowings relating to MTN Nigeria, R31,7 million relating to Côte d'Ivoire and R53,6 million relating to Scancom Ghana (note 20).		
<b>26. Restricted cash</b>		
Restricted cash deposits*	<b>130</b>	338
<i>*These monies are placed on deposit with banks in Nigeria to secure Letters of Credit, which at period end were undrawn and the monies accordingly not freely available.</i>		
<b>27. Underwriting activities</b>		
Underwriting activities are conducted through special purpose entities on commercial terms and conditions and at market prices.		
<b>Income statement effect</b>		
– Gross premiums written	141	31
– Outwards reinsurance premiums	(13)	(4)
– Change in unearned premiums	40	(35)
– Other	(92)	60
	<b>76</b>	52
<b>Balance sheet effect</b>		
Share of technical provision:		
– Outstanding claims	90	(124)
– Provision for unearned premiums	12	(51)
	<b>102</b>	(175)
<b>Receivables</b>		
– Investment in short-term deposits	62	296
<b>Payables</b>	(19)	(20)

# Notes to the Group financial statements

for the year ended 31 December 2006 (continued)

	December 2006 Rm	December 2005 Rm
<b>28. Contingent liabilities</b>		
Upgrade incentives*	911	781

\*The Group's present policy is to pay incentives to Service Providers ("SP") 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 subscriber has exercised the right to receive an upgrade for a new postpaid contract 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 2006 was 427 903 (December 2005: 344 770). The estimated contingent liability at 31 December 2006 based on the prevailing business rules on such date amounts to R 911 million (December 2005: R781 million).

The Group has, however, provided for those upgrades which have been made but not yet been presented for payment.

## 29. Commercial commitments

### MTN Network Operator

The granting of a national cellular telecommunication licence placed an obligation on the company to set up a Joint Economic Development Plan Agreement with the Postmaster General (now ICASA). This agreement was a condition for the commencement of commercial operations in June 1994 and involves a commitment by the company to assist in the development of the South African economy and, in particular, the telecommunications industry. The company had exceeded its obligations imposed in terms of its access to the 900 MHz by 31 December 2006.

In January 2005, MTN was granted the right to maintain and use the 1800 MHz GSM spectrum as well as maintain and operate an UMTS (3G) network under the existing cellular network licence with the proviso that certain additional universal service obligations amounting to approximately R300 million are met. These include the following:

- To distribute 2,5 million SIM card packages over five years commencing 2005;
- To provide 125 000 mobile phones over five years commencing 2005;
- To provide internet access and terminal equipment (10 per institution) to 140 institutions for people with disabilities over a three year period commencing 2005; and
- To provide internet access to 5 000 public schools over an eight year period commencing 2005.

The implementation plans are yet to be approved by ICASA before the company can commence discharging its obligations. The obligation has been estimated as set out in notes 20 and 22.

### Irancell

The investment in Irancell is subject to a number of sovereign, regulatory and commercial risks, which could result in MTN failing to realise full market value for 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 3 years from the date of the licence. Such offering could have a proportional dilutory effect on MTN International (Mauritius) Limited (MTNI(M))'s 49% shareholding, effectively reducing its shareholding by 10,3% to 38,6%. The substantial terms and conditions of this commitment are yet to be finalised.

### MTN Zambia

The licence issued by the Zambian Communications Authority ("ZCA"), a body corporate established under the provisions of the Telecommunications Act Number 23 of 1994 Laws of Zambia, requires that ten percent (10%) of the issued share capital of MTN Zambia be held by the Zambian public. The approval given by the ZCA for MTN's purchase of 100% of the share equity was on the basis that 10% should be housed in a special purpose vehicle ("SPV") for the beneficial ownership of the Zambian public. The ownership of 10% by the ("SPV"), already formed, and ultimate placement with the Zambian public is under way.

In accordance with the aforementioned agreement, the sale of shares to the Zambian public should be concluded within 15 – 18 months after the date of approval of the transaction. A three month extension to this time line was granted in January 2007. These shares are required to be placed at a price equal to 10% of the purchase consideration including any equity injections by MTN, plus interest from the date of acquisition or injection to the date of disposal.

	December 2006 Rm	December 2005 Rm
<b>30. Capital commitments</b>		
Capital expenditure contracted at the balance sheet date but not yet incurred is as follows:		
<i>Commitments for the acquisition of property, plant and equipment and intangible assets</i>		
Contracted but not provided for	<b>2 434</b>	2 840
Authorised but not contracted for	<b>11 093</b>	7 071
<b>Group's share of capital commitments of joint ventures</b>		
<i>Commitments for the acquisition of property, plant and equipment and intangible assets:</i>		
Contracted but not provided for	<b>834</b>	62
Authorised but not contracted for	<b>2 070</b>	154
Total commitments	<b>16 431</b>	10 127
Capital expenditure will be funded from operating cash flows, existing borrowing facilities and, where necessary, by raising additional facilities.		
Commitments in respect of joint ventures approved subsequent to year end	—	2 814
<b>31. Operating lease commitments</b>		
<b>The future aggregate minimum lease payments under non-cancellable operating leases are as follows:</b>		
Not later than one year	<b>215</b>	158
Later than one year and no later than five years	<b>479</b>	129
Later than five years	<b>143</b>	44
	<b>837</b>	331
<b>The future aggregate minimum lease payments under cancellable operating leases are as follows:</b>		
Not later than one year	<b>103</b>	100
Later than one year and no later than five years	<b>271</b>	236
Later than five years	<b>206</b>	52
	<b>580</b>	388
The Group leases various premises/sites under non-cancellable/cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>32. Finance lease commitments</b>		
At the balance sheet date, the Group had outstanding commitments under non-cancellable finance leases which fall due as follows:		
<b>Minimum lease payments:</b>		
Not later than one year	99	92
Later than one year and no later than five years	496	539
Later than five years	314	369
	<b>909</b>	1 000
<i>Less: future finance charges on finance leases</i>	<b>(317)</b>	(362)
<b>Present value of finance lease obligations</b>	<b>592</b>	638
<b>Present value of finance lease obligations are as follows:</b>		
Not later than one year	36	25
Later than one year and no later than five years	305	323
Later than five years	251	290
	<b>592</b>	638
<b>33. Other commitments</b>		
Soccer sponsorships	458	45
Orders placed to purchase handsets	48	238
	<b>506</b>	283

	<b>December 2006 %</b>	December 2005 %
<b>34. Interest in joint ventures</b>		
The Group had the following effective percentage interests in joint ventures:		
<i>Indirect</i>		
Swazi MTN	<b>30</b>	30
MTN Uganda*	—	52
MTN Rwanda	<b>40</b>	40
MTN Mobile Money Holdings	<b>50</b>	50
Mascom Wireless Botswana	<b>50</b>	44
Irancell	<b>49</b>	49
The following amounts represent the Group's share of the assets and liabilities, revenue and results of the joint ventures which are included in the consolidated balance sheet and income statement.		
	<b>Rm</b>	Rm
Current assets	<b>720</b>	779
Non-current assets	<b>2 102</b>	2 426
Current liabilities	<b>(767)</b>	(608)
Interest bearing	<b>(110)</b>	(74)
Non-interest bearing	<b>(657)</b>	(534)
Non-current liabilities	<b>(1 985)</b>	(1 541)
Interest bearing	<b>(1 887)</b>	(1 402)
Non-interest bearing	<b>(98)</b>	(139)
Revenue	<b>1 028</b>	633
Expenses	<b>(603)</b>	(379)
	<b>Number of employees</b>	Number of employees
Average number of employees relating to joint ventures:		
– Full time	<b>1 092</b>	815
– Part time	<b>385</b>	45

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

\*Additional shares were purchased in MTN Uganda during the current financial year. Refer note 42.

### 35. Transfer pricing

In terms of the transfer pricing provisions contained in section 31 of the South African Income Tax Act, 58 of 1962 (the Act), where a taxpayer supplies financial services to a connected person who is a non-South African resident, interest should be charged on an arm's length basis. The Group has consistently taken the view, based on professional advice, that the provisions of section 31 should not apply in respect of the loan element of Shareholder Equity Funding to its African subsidiaries and joint ventures. The Group and its tax advisers continue to believe in the soundness of the approach adopted and accordingly consider that there is no necessity to raise a provision for any potential liability in this regard.

# Notes to the Group financial statements

for the year ended 31 December 2006 (continued)

## 36. Licence agreements

### MTN Cameroon

The licence authorises MTN Cameroon to set up and run a 900 MHz national mobile GSM cellular telephony network within the geographical territory of Cameroon. The licence was granted on 15 February 2000 and is valid for a period of 15 years, renewable for 10 years thereafter. The Group paid an initial licence fee of CFA40,4 billion and an annual licence fee based on 1% of network revenue as defined in the licence agreement for the first two years and 2% on network revenue from the third year onwards. Furthermore, an advance payment of CFA 200 000 per year, is payable for microwave usage until a general formula of calculation is adopted with the Regulatory Board.

### MTN Nigeria

The licence authorises MTN Nigeria to provide and operate a 900 and 1800 MHz second generation digital mobile service within the geographical territory of Nigeria. The licence was granted on 9 February 2001 and is valid for a period of 15 years, renewable for five years thereafter. The Group paid an initial licence fee of US\$285 million and in addition, pays an annual licence fee based on 2,5% of assessed net revenue as defined in the licence.

### MTN Rwanda

The licence authorises MTN Rwanda to construct, maintain and operate a 900, 1800 and 1900 MHz (including cellular public pay telephones) GSM telecommunication network within the geographical territory of Rwanda. The licence was granted on 2 April 1998 and is valid for 10 years and may be terminated thereafter with a two-year written notice period. The Group paid an initial licence fee of US\$200 000 and in addition, pays an annual licence fee based on 3% (December 2005: 3%) of network revenue as defined in the licence. Furthermore a frequency fee of US\$2 000 per 1 MHz granted and an annual spectrum fee of US\$50 000 are payable.

### MTN Uganda

The licence authorises MTN Uganda to construct, maintain and operate a 900 and 1800 MHz national second generation digital mobile radio telephony service within the geographical territory of Uganda. The licence was granted on 15 April 1998 and is valid for a period of 20 years. The Group paid an initial licence fee of US\$5,8 million and an annual spectrum fee of 1% of network revenue is payable as a contribution to the Rural Communications Development Fund.

### Irancell

The licence authorises Irancell to construct and operate a GSM-standard mobile radio-communication network for the purpose of providing a full range of licensed services within the Islamic Republic of Iran. The licence was granted on 27 November 2005 and has a validity period of up to 15 years with two renewable periods of five years each.

An initial licence fee of Euro 300 million was paid. An annual spectrum fee of 0,25% of revenue, an annual universal service fee of 3% of revenue and other fixed fees, all totalling in aggregate, not more than 5% of revenue are payable in each contractual year of the licence. In addition, Irancell is required to pay 28,1% of revenue in each contractual year, with a minimum guaranteed amount, which is based upon 80% of 28,1% of the revenue amount included in the business plan, subject to certain conditions being met, on an annual basis.

### Scancom Ghana

The licence authorises Areeba Ghana to construct, maintain and operate a telecommunications network using 900 MHz and 1800 MHz frequencies within the region of Ghana. Active coverage is required in all regions by 2011. This licence was effective 2 December 2004 for a period of 15 years, renewable for another 10 years with three months' notice. A once-off licence fee of US\$22,5 million was paid with an annual regulatory fee of US\$750 000. An annual fee of 1% of revenue is payable to the Ghana Investment Fund for Telecommunications due on 15 April every year. No exclusivity clause exists, and a maximum of two new licences may be awarded during this term.

### 36. *Licence agreements (continued)*

#### **Areeba Cyprus**

The licence authorises Areeba Cyprus to construct and operate a 900 MHz and 1800 MHz GSM and 3G/UMTS network and requires 50% GSM geographical coverage by year two, and 60% 3G/UMTS coverage by year ten. The licence period commenced in December 2003 for a period of 20 years, renewable. An exclusivity clause is applicable, which lasts until the earlier of 25% market share or five years.

#### **Areeba Benin**

The licence authorises Areeba Benin to construct and operate a 900 MHz and 1800 MHz GSM network to cover 100% of the population in six years. The effective date of the licence is 11 June 1999 which was renegotiated to 23 August 2004. It is applicable for 10 years and is renewable thereafter. No exclusivity clause exists.

#### **Areeba Afghanistan**

The licence authorises Areeba Afghanistan to construct and operate a 900 MHz and 1800 MHz GSM network to have 80% geographical coverage within the first year of the commencement date. The licence agreement is effective from October 2005 and is applicable for 15 years and is renewable thereafter for an additional 10 years. No exclusivity clause exists.

#### **Areeba Guinea Bissau**

The licence authorises Areeba Guinea Bissau to construct and operate a 900 MHz GSM network to cover 100% of the population. The licence agreement is effective from December 2003 and is applicable for 10 years and renewable thereafter. No exclusivity clause exists.

#### **Areeba Guinea Republic**

The licence authorises Areeba Guinea Republic to construct and operate a 900 MHz and 1800 MHz GSM network to cover all cities with a population of over 100 000 within one year of commercial launch and cities with a population less than 100 000 within two years of the former. The licence agreement is effective from August 2005 and is applicable for thirteen years, renewable thereafter for five years. There will be a maximum of four operators in total up to 2010.

#### **Lonestar Liberia**

The licence authorises Lonestar Liberia to construct and operate a GSM network. There is no minimum coverage clause. The licence agreement is effective from December 1999 and is applicable for 15 years. No exclusivity clause exists.

#### **Areeba Sudan**

The licence authorises Areeba Sudan to construct and operate a 900 MHz and 1800 MHz GSM and UMTS network and requires coverage of large cities and main roads within four years of the commencement date. The licence agreement is effective from October 2004 and is applicable for 15 years, renewable thereafter.

#### **Areeba Syria**

This licence permits Areeba Syria to build, manage, operate and invest in a GSM network in the Syrian region on both 900 MHz and 1800 MHz frequencies, capable of servicing 850 000 users. The licence duration is 15 years renewable for another three years at the discretion of the Syrian licensing authority, effective from June 2002. Coverage of 95% of the population is required within four to six years. After the duration of the contract, ownership of the operation will be transferred to the Syrian authorities at no cost.

Upfront licence fees of US\$20 million and US\$15 million for 900 MHz and 1800 MHz respectively were applicable. An annual "Frequency Protection Fee" of US\$50 000 or SP2,5 million per 1 MHz for transmission and reception within the band range of 900 MHz or 1800 MHz is payable. Revenue share costs are also payable by Areeba on a monthly basis within 15 days after month end. These being 30% of revenue for the first three years of the licence agreement, 40% for the next three years and 50% for the years thereafter. A 60% revenue share would be applicable if the licence term is renewed. The exclusivity clause states that a maximum of two operators will be allowed for a period of eight years.

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

## 36. Licence agreements (*continued*)

### Spacotel Yemen

The licence authorises Spacotel Yemen to construct and operate a GSM network and requires coverage of the main cities and roads within three years. The licence agreement is effective from July 2000 and is applicable for 15 years, renewable thereafter. There is a four year exclusivity clause after which licence parity will apply after five years.

### MTN Zambia

The licence authorises MTN Zambia to set up and run a cellular service within the designated bandwidth of 890 – 960 MHz band within the geographical territory of Zambia. The licence was granted on 23 September 1995 and is valid for a period of 15 years, renewable every five years thereafter. An initial licence fee of US\$40 000 was paid to acquire the licence and the annual operating licence fees payable are 5% of the assessed new annual revenue. Annual spectrum fees are also payable in respect of transmission.

### MTN Côte d'Ivoire

The licence authorises Loteny Telecom to construct, maintain and operate a 900 MHz and 1800 MHz GSM telecommunication network within the geographical territory of Côte d'Ivoire. The licence was granted on 21 December 2001 and is valid for 15 years. An initial licence fee of CFA40 000 million was determined, which is payable from 2001 to 2007.

### MTN Congo-Brazzaville

The licence authorises MTN Congo B to construct, maintain and operate a 900 MHz and 1800 MHz GSM telecommunication network within the geographical territory of the Republic of Congo. The licence consists of a mobile licence granted on 15 October 1999 and an international gateway licence granted on 2 February 2005, valid for 15 years. The Group paid an initial licence fee of FCFA365 million for the mobile licence and FCFA250 million for the international gateway licence. The annual licence fee is based on 3% of local and 6% of international traffic. Furthermore, a frequency management fee of FCFA100 million, frequency usage fee of FCFA162,2 million and a number licence fee of FCFA 60 million is payable annually. The payment for renewal is set at FCFA2,2 billion.

### Mascom Wireless Botswana

The licence authorises Mascom Wireless Botswana to construct, operate and maintain GSM telecommunication systems within the geographical area of Botswana. The licence was granted on 17 February 1998 and is valid for a period of 15 years. The licence may be renewed upon expiry of the licence period provided that the licensee shall apply for such renewal no more than three years but not less than two years prior to the date of expiry. An initial licence fee of BWP1 million was paid to acquire the licence. In addition to the initial licence fee, the licensee is also liable to pay fees for a radio licence, system licence and service licence in advance on an annual basis. A revenue fee of 3% is also payable quarterly based on net turnover, as defined in the licence, reported in each quarter.

### MTN Swaziland

The licence authorises MTN Swaziland to provide and operate a 900 MHz GSM network within the geographical area of Swaziland. The licence was granted on 31 July 1998 and is valid for a period of 10 years, renewable for 10 years thereafter. The Group pays annual spectrum fees of E20 000 per channel used (with a minimum of E600 000) and a licence fee of 5% of audited net operational income as defined in the licence.

### MTN South Africa

The licence authorises MTN South Africa to construct, maintain and use a 900 MHz GSM national mobile cellular telecommunication service within the geographical area of South Africa. The licence was granted on 29 October 1993 and is valid for a period of 15 years from 1 June 1994, automatically renewable on *mutatis mutandis* the same terms and conditions, subject to certain provisions. The Group paid an initial fee of R100 million and pays an annual licence fee based on 5% of net operating income as defined in the licence. In January 2005 MTN was granted the right to maintain and use the 1800 MHz GSM spectrum as well as maintain and operate an UMTS (3G) network under the existing cellular network licence with the proviso that certain additional universal service obligations are met.

	December 2006	December 2005
<b>37. Exchange rates to South African rand</b>		
<b>Year end closing rates</b>		
United States dollar (US\$)	<b>0,14</b>	0,16
Uganda shilling (UGX)	<b>246,98</b>	287,30
Rwanda franc (RWF)	<b>79,51</b>	90,23
Cameroon Communaute Financière Africaine franc (XAF)	<b>72,49</b>	89,94
Nigerian naira (NGN)	<b>18,23</b>	20,42
Iranian riyals (IRR)	<b>1 308,73</b>	1 436,49
Botswana pula (BWP)	<b>0,84</b>	0,86
Ivory Coast Communaute Financière Africaine franc (CFA)	<b>70,58</b>	87,68
Congo Brazzaville Communaute Financière Africaine franc (CFACB)	<b>70,70</b>	88,02
Zambian kwacha (ZMK)	<b>624,56</b>	577,76
Swaziland emalangeni (E)	<b>1</b>	1
Lebanese pound (LBP)	<b>213,98</b>	
Afghani (AFGHANI)	<b>7,10</b>	
Euro (EUR)	<b>0,10</b>	
British pound sterling (GBP)	<b>0,07</b>	
Ghana cedi (CEDIS)	<b>1 312,99</b>	
Benin (CFA)	<b>70,70</b>	
Cypriot pounds (CYP)	<b>0,06</b>	
Euro (EUR)	<b>0,11</b>	
Guinea conakry (GNF)	<b>922,64</b>	
Morocco dirhams (MAD)	<b>1,23</b>	
Sudanese dinars (SDD)	<b>28,82</b>	
Syrian pound (SYP)	<b>7,24</b>	
Guinea bissau (XOF)	<b>71,13</b>	
Yemen riyals (YR)	<b>28,19</b>	

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006	December 2005
<b>37. Exchange rates to South African rand (continued)</b>		
<b>Average rates for the year</b>		
United States dollar (US\$)	<b>0,14</b>	0,16
Uganda shilling (UGX)	<b>267,86</b>	277,59
Rwanda franc (RWF)	<b>82,52</b>	87,18
Cameroon Communaute Financière Africaine franc (XAF)	<b>77,21</b>	84,77
Nigerian naira (NGN)	<b>18,70</b>	20,23
Iranian riyals (IRR)	<b>1 365,28</b>	1 420,80
Botswana pula (BWP)	<b>0,86</b>	0,86
Ivory Coast Communaute Financière Africaine franc (CFA)	<b>76,52</b>	84,52
Congo Brazzaville Communaute Financière Africaine franc (CFACB)	<b>77,01</b>	89,24
Zambian kwacha (ZMK)	<b>535,14</b>	570,71
Swaziland emalangeni (E)	<b>1</b>	1
Lebanese pound (LBP)	<b>211,98</b>	
Afghani (AFGHANI)	<b>7,03</b>	
Euro (EUR)	<b>0,10</b>	
British pound sterling (GBP)	<b>0,07</b>	
Ghana cedi (CEDIS)	<b>1 282,55</b>	
Benin (CFA)	<b>69,96</b>	
Cypriot pounds (CYP)	<b>0,06</b>	
Euro (EUR)	<b>0,11</b>	
Guinea conakry (GNF)	<b>910,50</b>	
Morocco dirhams (MAD)	<b>1,23</b>	
Sudanese dinars (SDD)	<b>32,54</b>	
Syrian pound (SYDP)	<b>7,20</b>	
Guinea bissau (XOF)	<b>70,37</b>	
Yemen riyals (YR)	<b>27,91</b>	

	December 2006 R	December 2005 R
<b>38. Financial instruments</b>		
<i>Foreign exchange risk</i>		
Included in the Group balance sheet are the following amounts denominated in currencies other than the functional currency of the reporting entities:		
<b>Group</b>		
<i>Assets</i>		
Accounts receivable		
– US dollar	<b>958</b>	156
– Euro	<b>1 415</b>	3
– Emalangeni	<b>7</b>	4
– Special drawing rights*	<b>20</b>	27
Total assets	<b>2 400</b>	190
<i>Liabilities</i>		
Long-term liabilities		
– US dollar	<b>5 364</b>	1 600
<i>Current liabilities</i>		
– US dollar	<b>125</b>	26
– Pounds sterling	<b>1</b>	—
– Euro	<b>19</b>	21
– Special drawing rights*	<b>26</b>	10
Total liabilities	<b>5 535</b>	1 657

\*Unit of payment for international telecommunication transactions

# Notes to the Group financial statements

for the year ended 31 December 2006 (continued)

	Foreign amounts (notional principal amount)		Rand amounts (notional principal amount)	
	December 2006 Rm	December 2005 Rm	December 2006 Rm	December 2005 Rm
<b>38. Financial instruments (continued)</b>				
Outstanding forward exchange contracts are as follows				
US dollar	1 364	27	10 042	170
Euro	3	3	27	24
Pounds sterling	1	*	7	1
Fair value			10 076	195
Original cost			9 752	197
Fair value(loss)/profit taken to income statement			(324)	2

### Liquidity risk

The Group has no material risk of liquidation and limited exposure to liquidity risk as it has significant banking facilities and reserve borrowing capacity. Available liquid resources are as follows:

	Carrying amount		Fair value	
	December 2006 Rm	December 2005 Rm	December 2006 Rm	December 2005 Rm
Cash at bank and on hand; net of overdrafts	9 008	7 164	9 008	7 164
Restricted cash	130	338	130	338
Receivables and pre-payments	9 055	5 487	9 055	5 487
Trade and other payables	(12 445)	(8 040)	(12 445)	(8 040)

Effective interest rate on cash ranges from 0% – 14% (December 2005: 4% – 19%).

\*Amounts less than R1 million

	December 2006 Rm	December 2005 Rm
<b>39. Available-for-sale financial assets</b>		
<b>Beginning of year</b>	—	—
Exchange differences	*	—
Acquisition of subsidiary	24	—
Net gains/(losses) transfer to equity	*	—
<b>End of year</b>	24	—
Less: non-current portion	—	—
Current portion	24	—
<b>Available-for-sale financial assets include the following:</b>		
Unlisted securities		
– Other securities with fixed interest	24	—
	24	—
<b>Available-for-sale financial assets are denominated in the following currencies:</b>		
US dollar	8	—
Euro	16	—
	24	—

Consists of various investments made via Merrill Lynch, Fortis and HSBC. No impairments have been made relating to available-for-sale financial assets.

#### 40. Post balance sheet events

Subsequent to year-end the Nigerian Communication Commission confirmed that MTN Nigeria had been successful in securing a 3G licence. As an auction was not required, the minimum reserve price of US\$150 million was settled on 26 March 2007. The 3G spectrum and licence are yet to be issued.

\*Amounts less than R1 million

# Notes to the Group financial statements

for the year ended 31 December 2006 (*continued*)

	December 2006 Rm	December 2005 Rm
<b>41. Related party transactions</b>		
Various transactions are entered into by the company and its subsidiaries during the year with related parties. The terms of these transactions are at arm's length. Intra-group transactions are eliminated on consolidation.		
<b>Key management compensation</b>		
Salaries and other short-term employee benefits	44	27
Post-employment benefits	1	1
Share-based payments	18	4
<b>Total</b>	<b>63</b>	<b>32</b>

#### Associates and joint ventures

Details of joint ventures and associates are disclosed in Annexure 1 and 2 to the financial statements.

#### Subsidiaries

Details of investments in subsidiaries are disclosed in Annexure 1 to the financial statements.

#### Directors

Details of directors' remuneration are disclosed in note 3 to the Group Financial Statements as well as in the Directors' report under the heading "Details of emoluments and related payments".

#### Shareholders

The principal shareholders of the company are disclosed in the Directors' report under the heading "Shareholders' interest".

## 42. Business combinations

### 42.1 The acquisition of 100% of Investcom LLC

On 23 May 2006 MTN Group made a cash and shares offer to acquire the entire issued share capital of Investcom LLC, a company whose securities were listed in Dubai and London, for a total consideration of US\$5,5 billion. The formal offer was based on an implied MTN Group share price of R59,25 (US\$9,79). The purchase offer was partly in cash and partly by the issue of MTN Group shares.

MTN shareholders approved the transaction on 28 June 2006 and it became wholly unconditional on 4 July 2006, the date from which Investcom was consolidated into the MTN Group. In accordance with DFIX rules, settlement of cash and shares took place on 17 and 24 July 2006. In terms of the offer made US\$3,7 billion was settled in cash and 183 210 084 MTN Group Limited shares were issued to the previous Investcom LLC shareholders. Investcom LLC was delisted on 15 August 2006.

The acquired business contributed revenues of R5 987 million and net profit of R792 million to the group for the period from 4 July 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, the contribution to Group revenue would have been R10 328 million, and the contribution to profit after tax would have been R1 069 million.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of Investcom LLC to reflect the additional depreciation and amortisation that would have been charged assuming that the fair value adjustments to property, plant and equipment and intangible assets had been applied from 1 January 2006, together with the consequential tax effects.

The goodwill is attributable to the high profitability of the acquired business.

Details of the net assets acquired and goodwill as at acquisition are as follows:

	<b>4 July 2006</b>	
	<b>Rm</b>	
Total purchase consideration		33 339
Fair value of net assets acquired		(10 173)
Goodwill		23 166
	<b>Fair value</b>	Acquiree's
	<b>4 July 2006</b>	carrying amount
	<b>Rm</b>	4 July 2006
The assets and liabilities arising from the acquisition are as follows:		Rm
Cash and cash equivalents	<b>3 175</b>	3 175
Property, plant and equipment	<b>3 600</b>	3 986
Intangibles	<b>8 140</b>	4 156
Inventories and receivables	<b>2 096</b>	2 096
Payables	<b>(3 151)</b>	(3 151)
Borrowings	<b>(1 085)</b>	(1 085)
Net deferred tax liability	<b>(1 272)</b>	(136)
Net assets	<b>11 503</b>	9 041
Minorities	<b>(1 330)</b>	
Fair value of net assets acquired	<b>10 173</b>	
Purchase consideration settled in cash		(23 941)
Cash and cash equivalents in subsidiary acquired		3 175
Cash outflow on acquisition		(20 766)

# Notes to the Group financial statements

for the year ended 31 December 2006 (continued)

## 42. Business combinations (continued)

### 42.2 The acquisition of additional shares in MTN Uganda

In July 2006, the shareholding in MTN Uganda, a telecommunications company incorporated in Uganda, was increased from 52,01% to 97,34% for US\$221 million, converting the joint venture operation into a fully consolidated subsidiary of the Group.

MTN Uganda contributed revenues of R1 164 million and net profit of R223 million to the Group. If the step-up had occurred on 1 January 2006 the contribution to Group revenue would have been R1 462 million, and the contribution to profit after tax would have been R179 million.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquiree to reflect the additional depreciation and amortisation that would have been charged assuming that the fair value adjustments to property, plant and equipment and intangible assets had been applied from 1 January 2006, together with the consequential tax effects.

The goodwill is attributable to the high profitability of the acquired business.

Details of the net assets acquired and goodwill as at acquisition are as follows:

**1 July 2006**  
**Rm**

Total purchase consideration		1 577
Fair value of net assets acquired		(947)
Goodwill		630
	<b>Fair value on acquisition date</b>	Acquiree's carrying amount on acquisition date
	<b>Rm</b>	<b>Rm</b>
The assets and liabilities arising from the acquisition are as follows:		
Cash and cash equivalents	<b>35</b>	35
Property, plant and equipment	<b>439</b>	439
Intangibles	<b>974</b>	11
Investment in subsidiary	<b>1</b>	1
Inventories and receivables	<b>71</b>	71
Payables	<b>(50)</b>	(50)
Borrowings	<b>(146)</b>	(146)
Net deferred tax liability	<b>(352)</b>	(72)
Net assets acquired	<b>972</b>	289
Minorities	<b>(25)</b>	
Fair value of net assets acquired	<b>947</b>	
Purchase consideration		(1 577)
Cash and cash equivalents in subsidiary acquired		35
Cash outflow on acquisition		(1 542)

42. **Business combinations (continued)**

42.3 **Reconciliation to the cash flow statement**

	<b>December 2006 Rm</b>	December 2005 Rm
<b>Cash outflows as shown above</b>		
The acquisition of 100% of Investcom LLC 42.1	<b>(23 941)</b>	—
The acquisition of additional shares in MTN Uganda 42.2	<b>(1 577)</b>	—
Other acquisitions*	<b>(3 172)</b>	—
The acquisition of 51% of Telecel Côte d'Ivoire 42.4	—	(1 398)
Acquisitions 100% of Telecel Zambia, 40% of MTN Network Solutions (Pty) Ltd (NS), 100% of Libertis Telecom, 44% of Mascom Wireless (Pty) Limited, 15% of Publicom and 100% of Cell Place (Pty) Limited 42.5	—	(1 896)
	<b>(28 690)</b>	(3 294)
<b>Amounts shown in cash flow statement</b>		
Acquisition of subsidiaries and joint ventures	<b>(28 690)</b>	(3 294)
Less: Cash balances acquired	<b>2 895</b>	152
	<b>(25 795)</b>	(3 142)

\*These consist primarily of the additional shares purchased in Nigeria, Botswana and Côte d'Ivoire

# Notes to the Group financial statements

for the year ended 31 December 2006 (continued)

## 42. Business combinations (continued)

### 42.4 The acquisition of 51% of MTN Côte d'Ivoire

On 1 July 2005, the Group acquired 51% of the share capital of Loteny Telecom, trading under the name Telecel Côte d'Ivoire (now named MTN Côte d'Ivoire), a telecommunications company operating in the Côte d'Ivoire. The acquired business contributed revenues of R392,5 million and profit after tax of R83,5 million to the Group for the period from 1 July 2005 to 31 December 2005.

If the acquisition had occurred on 1 April 2005, the contribution to Group revenue would have been R571,2 million, and the contribution to profit after tax would have been R98,3 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from 1 April 2005, together with the consequential tax effects.

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of MTN Côte d'Ivoire.

Details of the net assets acquired and goodwill as at acquisition are as follows:

	<b>1 July 2005</b>	
	<b>Rm</b>	
Total purchase consideration		1 398
Fair value of net assets acquired		(142)
Goodwill		1 256
	<b>Fair value</b>	Acquiree's
	<b>1 July 2005</b>	carrying amount
	<b>Audited</b>	1 July 2005
	<b>Rm</b>	Rm
The assets and liabilities arising from the acquisition are as follows:		
Cash and cash equivalents	<b>41</b>	41
Property, plant and equipment	<b>621</b>	1 031
Intangibles	<b>603</b>	376
Inventories and receivables	<b>109</b>	109
Payables	<b>(1 001)</b>	(988)
Borrowings	<b>(142)</b>	(148)
Net deferred tax asset	<b>48</b>	—
Net assets	<b>279</b>	421
Minority interest (49%)	<b>(137)</b>	
Net assets acquired	<b>142</b>	
Purchase consideration settled in cash		(1 398)
Cash and cash equivalents in subsidiary acquired		41
Cash outflow on acquisition		(1 357)

42. **Business combinations (continued)**

42.5 **The acquisition of 100% of Telecel Zambia (MTN Zambia), the remaining 40% of MTN Network Solutions (Proprietary) Limited (NS), 100% of Libertis Telecom (MTN Congo Brazzaville) and 44% of Mascom Wireless Botswana (Proprietary) Limited**

On 1 August 2005, the Group acquired 100% of the share capital of Telecel Zambia, a telecommunications company operating in Zambia. On 1 April 2005, the Group acquired the remaining 40% of Network Solutions, an internet service provider company incorporated in South Africa. On 1 December 2005, the Group acquired 100% of Libertis Telecom, a telecommunications company incorporated in the Republic of the Congo and on 28 September 2005, the Group acquired 44% of Mascom Wireless Botswana (Proprietary) Limited, a telecommunications company operating in Botswana. The acquired businesses contributed revenues of R312 million and net profit of R54 million to the Group for the period.

If the acquisitions had occurred on 1 April 2005, the contribution to Group revenue would have been R708 million, and the contribution to profit after tax would have been R149 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquiree to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 April 2005, together with the consequential tax effects.

Details of the net assets acquired and goodwill as at acquisition are as follows:

	<b>On acquisition date</b>	
	<b>Rm</b>	
Total purchase consideration	1 932	
Fair value of net assets acquired	(494)	
Goodwill	1 438	
	<b>Fair value on acquisition Audited Rm</b>	Acquiree's carrying amount on acquisition date Rm
The assets and liabilities arising from the acquisition are as follows:		
Cash and cash equivalents	<b>105</b>	105
Property, plant and equipment	<b>350</b>	350
Intangibles	<b>230</b>	5
Inventories and receivables	<b>70</b>	70
Payables	<b>(141)</b>	(141)
Borrowings	<b>(102)</b>	(102)
Net deferred tax liability	<b>(18)</b>	(18)
Net assets acquired	<b>494</b>	269
Purchase consideration		(1 932)
Purchase consideration not yet settled in cash		36
Cash and cash equivalents in subsidiary acquired		111
Cash outflow on acquisition		(1 785)