

Notes to the Group financial statements

for the year ended 31 December 2007

1. PRIMARY REPORTING FORMAT-GEOGRAPHIC SEGMENTS

December 2007	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
Revenue						
External sales	31 453	30 843	10 779	70	—	73 145
Total revenue	31 453	30 843	10 779	70	—	73 145
Segment result	11 321	16 807	2 536	1 392	—	32 056
Impairment charge	7	(206)	(6)	(7)	—	(212)
Depreciation	(1 659)	(4 045)	(1 065)	(5)	—	(6 774)
Amortisation of intangible assets	(317)	(1 257)	(601)	(24)	—	(2 199)
Finance costs	(640)	(780)	(358)	(3 175)	—	(4 953)
Finance income	278	581	202	719	—	1 780
Share of profits of associates	8	—	—	—	—	8
Income tax expense	(2 843)	(4 571)	23	(399)	—	(7 791)
Net profit for the period	6 155	6 529	730	(1 498)	—	11 916
<i>Other information</i>						
Segment assets****						
Assets	22 373	35 629	14 669	169 091	(126 441)	115 321
Associates	81	—	—	—	—	81
Total assets	22 454	35 629	14 669	169 091	(126 441)	115 402
Segment liabilities****	15 991	16 602	12 018	15 727	—	60 338
Capital expenditure***	3 707	7 915	3 676	50	—	15 348
Average number of employees for the period for each of the Group's principal segments was:	5 911	4 639	4 163	165	—	14 878

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.

1. PRIMARY REPORTING FORMAT-GEOGRAPHIC SEGMENTS (continued)

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
Revenue						
External sales	26 586	21 208	3 756	45	—	51 595
Total revenue	26 586	21 208	3 756	45	—	51 595
Segment result	9 346	11 330	1 117	595	—	22 388
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)
Net profit for the period	5 119	7 489	182	(691)	—	12 099
<i>Other information</i>						
Segment assets****						
Assets	18 674	28 305	9 465	159 795	(119 455)	96 784
Associates	73	—	—	—	—	73
Total assets	18 747	28 305	9 465	159 795	(119 455)	96 857
Segment liabilities****	(12 966)	(11 438)	(7 263)	(21 105)	—	(52 772)
Capital expenditure***	(3 120)	(4 998)	(1 656)	(4)	—	(9 778)
Average number of employees for the period for each of the Group's principal segments was:	6 875	3 565	1 902	153	—	12 495

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.

**Reconciling items relate to intercompany shareholders' loans.

***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.

*****Prior year comparatives have been restated due to the new geographical segmental groups.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	Year ended 31 December 2007 Rm	Year ended 31 December 2006 Rm
2. REVENUE		
<i>Wireless telecommunications</i>	67 728	46 822
Airtime and subscription fees	53 340	36 309
Interconnect	13 535	10 159
Connection fees	853	354
<i>Cellular telephones and accessories</i>	3 221	3 096
<i>Other</i>	2 196	1 677
	73 145	51 595
3. OPERATING PROFIT		
The following items have been included in arriving at profit before tax:		
Auditors' remuneration:	(54)	(37)
– Audit fees	(43)	(26)
– Fees for other services	(9)	(11)
– Expenses	(2)	*
Directors' emoluments:	(65)	(59)
– Services as director	(54)	(52)
– Directors' fees	(11)	(7)
– Other expenses	—	—
Operating lease rentals:	(281)	(343)
– Property	(213)	(302)
– Equipment and vehicles	(68)	(41)
Loss on disposal of property, plant and equipment (note 23)	(73)	(55)
Movement in the provisions for inventories (note 14)	20	1
Impairment charge on property, plant and equipment (note 8)	(212)	(7)
Impairment charge on other intangible assets (note 10)***	(77)	—
Reversal of impairment on property, plant and equipment (note 8)**	—	32
Movement in the provision for impairment on trade receivables (note 15)	(91)	136

* Amounts less than R1 million.

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

*** The impairment charge relates to the previous Benin licence which was re-issued in accordance with the terms as included in note 36.

	Year ended 31 December 2007 Rm	Year ended 31 December 2006 Rm
3. OPERATING PROFIT (continued)		
Employee benefits:	(3 379)	(2 453)
– Wages and salaries	(2 844)	(2 075)
– Pension costs – defined contribution plans	(153)	(105)
– Share options granted to directors and employees	(90)	(18)
– Other	(309)	(273)
Fees paid for services:	(1 374)	(959)
– Administrative	(433)	(139)
– Management	(357)	(139)
– Professional	(185)	(309)
– Secretarial	(131)	(19)
– Technical	(268)	(353)
Net foreign exchange losses from trading activities	(2)	(3)
	Number	Number
Average number of employees	14 878	12 495
	Rm	Rm
4. FINANCE INCOME		
Interest income on loans and receivables	1 325	1 198
Net fair value gains on financial assets held for trading	—	29
Foreign exchange transaction gains	455	653
	1 780	1 880
<i>Reconciliation of interest received to finance income</i>		
Interest received (operating activities)	1 013	1 382
Interest received (investing activities)	—	4
Unrealised foreign exchange transaction gains	399	74
Interest accrued	368	391
Fair value adjustments	—	29
Finance income recognised in the income statement	1 780	1 880

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	Year ended 31 December 2007 Rm	Year ended 31 December 2006 Rm
5. FINANCE COSTS		
Interest expense – borrowings	(3 088)	(1 991)
Interest expense – finance leases	(25)	(99)
Finance costs – put option	(286)	(269)
Fair value losses	(619)	—
Foreign exchange transaction losses	(918)	(700)
Other	(17)	(248)
	(4 953)	(3 307)
<i>Reconciliation of interest paid to finance costs</i>		
Interest paid (operating activities)	(3 589)	(1 525)
Arrangement fees	(1)	(44)
Financing costs – put option	(286)	(269)
Fair value adjustments	(619)	(464)
Interest accrued	(142)	(342)
Other	—	(65)
Unrealised foreign exchange transaction losses	(316)	(598)
Finance costs recognised in the income statement	(4 953)	(3 307)
6. INCOME TAX EXPENSE		
Current tax		
Normal tax	(6 174)	(3 163)
Current year	(5 968)	(2 951)
Prior year over/(under) provision	3	(77)
Secondary tax on companies	(209)	(135)
Foreign tax		
Foreign income and withholding taxes**	(256)	(238)
Deferred tax (note 13)	(1 361)	810
Current year	(1 298)	939
Prior year over/(under) provision	17	(110)
Change in tax rate	(80)	(19)
	(7 791)	(2 591)
Secondary tax on companies		
STC relating to dividend to be proposed at the AGM	(254)	(209)

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

	Year ended 31 December 2007 %	Year ended 31 December 2006 %
6. INCOME TAX EXPENSE (continued)		
Tax rate reconciliation		
The income tax charge for the year is reconciled to the effective rate of taxation in South Africa as follows:		
Tax at standard rate	29,0	29,0
Expenses not deductible for tax purposes	1,8	4,3
Effect of different tax rates in other countries	(1,9)	(0,6)
Prior year tax	0,8	1,2
Income not subject to tax	(2,8)	(0,1)
Effect of pioneer status/tax credit granted	(3,0)	(16,9)
Effect of Nigerian commencement provisions	13,8	—
Withholding taxes	1,2	0,8
Effect of STC	1,1	0,9
Other	(0,5)	(1,0)
	39,5	17,6

The Company holds investments in Afghanistan, Benin, Botswana, Cameroon, Congo Brazzaville, Côte d'Ivoire, Cyprus, Ghana, Guinea Bissau, Guinea Conakry, Iran, Liberia, Nigeria, Rwanda, Sudan, Swaziland, Syria, Uganda, Yemen and Zambia. Taxation for foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Company is regarded as 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 608 million (December 2006: R10 610 million), and the weighted average number of 1 861 454 696 (December 2006: 1 752 304 867) 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 886 million (December 2006: R10 628 million) and adjusted headline earnings of R12 693 million (December 2006: R10 246 million) respectively, and the weighted average number of 1 861 454 696 (December 2006: 1 752 304 867) 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 1 875 629 522 (December 2006: 1 766 382 068) fully diluted ordinary shares in issue (excluding treasury shares) during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are in respect of share options and share appreciation rights. For the share options and the share appreciation rights a calculation is done to determine the number of shares that could be acquired at fair value (determined as the average annual market share price of the company shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options and share appreciation rights.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	Year ended 31 December 2007 Rm		Year ended 31 December 2006 Rm	
	Gross	Net*	Gross	Net*
7. EARNINGS AND DIVIDEND PER ORDINARY SHARE (continued)				
7.1 Earnings per ordinary share (continued)				
<i>Reconciliation between net profit attributable to the equity holders of the Company and headline earnings</i>				
Net profit for the period		10 608		10 610
<i>Adjusted for:</i>				
Loss on disposal of property, plant and equipment	73	61	55	40
Impairment/(reversal of impairment) of property, plant and equipment	212	173	(25)	(22)
Other impairments	57	44	—	—
Basic headline earnings		10 886		10 628
<i>Adjusted for:</i>				
Reversal of deferred tax asset	(264)	(223)	(825)	(650)
Reversal of the subsequent utilisation of deferred tax asset	1 968	1 664	—	—
Impact of put options				
– Fair value adjustment	310	262	153	120
– Finance costs	249	210	383	301
– Minority share of profits	(106)	(106)	(153)	(153)
Adjusted headline earnings		12 693		10 246
Earnings per ordinary share (cents)				
– Basic		569,9		605,4
– Basic headline		584,8		606,5
– Adjusted headline		681,9		584,7
Diluted earnings per share (cents)				
– Basic		559,2		589,1
– Basic headline		580,4		590,2
– Adjusted headline		676,8		568,6
		000		000
Weighted average number of shares		1 861 455		1 752 305
<i>Adjusted for:</i>				
– share options		6 947		11 901
– share appreciation rights		7 228		2 176
Weighted average number of shares for diluted earnings per share calculation		1 875 630		1 766 382

* 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 options

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.

7.2 Dividend per share

The dividends paid during the December 2007 and 2006 financial years amounted to R1 675 million and R1 083 million respectively. A dividend in respect of the period ended 31 December 2007 of R1,36 per share, is to be proposed at the annual general meeting on 19 June 2008. These financial statements do not reflect this proposed dividend.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	Owned				Leased			
	Land and buildings Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Vehicles Rm	Land and buildings (notes 19,32) Rm	Capital work-in-progress/other Rm	Total Rm
8. PROPERTY, PLANT AND EQUIPMENT								
8.1 Movement in net book amount At 31 December 2007								
Cost	1 997	588	53 564	3 854	516	655	2 965	64 139
Accumulated depreciation	(219)	(313)	(21 154)	(2 516)	(275)	(126)	(73)	(24 676)
Net book amount	1 778	275	32 410	1 338	241	529	2 892	39 463
<i>The movement in net book amount of property, plant and equipment is:</i>								
Year ended 31 December 2007								
Opening net book amount	1 585	221	26 274	1 244	202	557	564	30 647
Acquisition of business combinations	—	(1)	646	10	10	—	25	690
Additions	372	133	10 775	576	114	—	2 850	14 820
Impairment loss	—	—	(212)	—	—	—	—	(212)
Disposals	(4)	(1)	(167)	(8)	(6)	—	(377)	(563)
Reallocation (to)/from intangible assets*	(119)	14	234	23	1	—	(204)	(51)
Reallocation to prepayments**	—	3	192	18	—	—	(227)	(14)
Depreciation charge	(83)	(106)	(5 846)	(550)	(82)	(28)	(79)	(6 774)
Exchange differences	27	12	514	25	2	—	340	920
Closing net book amount	1 778	275	32 410	1 338	241	529	2 892	39 463
At 31 December 2006								
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
<i>The movement in net book amount of property, plant and equipment is:</i>								
Year ended 31 December 2006								
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

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.

*This relates to software acquired in the prior year that was reallocated to intangible assets in the current financial year.

**This relates to advances made for capital expenditure in the prior financial year.

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 R797 million (December 2006: R590 million) (note 19).

MTN Rwandacell S.A.R.L

The syndicated loan acquired from four local banks was secured by a floating charge on MTN Rwandacell S.A.R.L's fixed assets with a book value of R nil (December 2006: R107 million) (note 19). The loan was subsequently repaid.

MTN Uganda Limited

In terms of the Inter-creditor Security Package, MTN Uganda Limited has provided a first ranking floating charge over all its present and future assets, except its licence. Its property, plant and equipment has a book value of R1 202 million (December 2006: R1 031 million). This serves as security for a syndicated loan made to MTN Uganda Limited by various banks and financial institutions (note 19).

MTN (Proprietary) Limited

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 R231 million and R298 million respectively (December 2006: R247 million and R315 million respectively) (note 19).

Scancom Limited (Ghana)

Borrowings by Scancom Limited are secured by two switches of the operation with a book value of R nil (2006: R6 million) (note 19).

Areeba Limited (Cyprus)

Borrowings by Areeba Limited are secured by motor vehicles with a book value of R0,24 million in 2006 (note 19). The borrowings were subsequently repaid.

MTN Congo SA

Borrowings by MTN Congo SA are secured by motor vehicles with a book value of R12 million (December 2006: R1 million) (note 19).

MTN Nigeria Communications Limited

Borrowings by MTN Nigeria Communications Limited were secured by a fixed charge over the company's fixed assets with a book value of R13 636 million in 2006 (note 19). The borrowings were subsequently repaid.

Irancell Telecommunication Company Services

Borrowings by Irancell Telecommunication Company Services are secured by assets with a book value of R19,64 million (note 19).

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
9. GOODWILL		
Opening balance		
Cost	27 017	2 650
Accumulated impairment losses	—	—
Net book amount	27 017	2 650
Movement		
Opening net book amount	27 017	2 650
Movement in shareholding in joint ventures and subsidiaries	(122)	—
Additions to goodwill	—	24 319
Exchange differences	(1 151)	48
Closing net book amount	25 744	27 017
End of year		
Cost	25 744	27 017
Accumulated impairment losses	—	—
Net book amount	25 744	27 017
Impairment tests for goodwill		
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	1 129	1 425
Scancom Limited (Ghana)	11 264	12 772
MTN Sudan Company Limited	5 953	2 253
MTN Yemen	2 876	3 498
Others	4 522	7 069
Total	25 744	27 017

Goodwill is tested annually for impairment.

There was no impairment of any of the CGUs above to which goodwill had been allocated.

During the year under review, the purchase price allocation process as required by IFRS 3 in respect of the prior year acquisition of Investcom LLC and MTN Uganda Limited, was finalised. Upon finalisation, certain of the goodwill amounts previously attributed to the underlying Investcom LLC CGUs were reallocated. The reallocation was done as part of a decision taken to allocate goodwill to the Investcom CGUs based on the CGUs' enterprise valuation in relation to the total purchase consideration paid.

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 operate. The average growth rates used range from 2% to 4%.
- Discount rate: Discount rates range from 11% to 18%. Discount rates used reflect specific risks relating to the relevant CGU.

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

	Customer relation- ships Rm	Licences Rm	Software Rm	Other intangible assets Rm	Total Rm
10. OTHER INTANGIBLE ASSETS					
At 31 December 2007					
Cost	4 420	11 268	2 059	202	17 949
Accumulated amortisation	(1 698)	(2 176)	(922)	(100)	(4 896)
Net book amount	2 722	9 092	1 137	102	13 053
<i>The movement in the net book amount of intangible assets is:</i>					
Year ended 31 December 2007					
Opening net book amount	3 797	8 442	832	17	13 088
Additions from business combinations	4	32	5	1	42
Additions	—	1 427	528	120	2 075
Amortisation charge	(1 094)	(789)	(286)	(30)	(2 199)
Reallocations	—	—	51	—	51
Impairment losses	—	(77)	—	—	(77)
Amortisation charge from business combinations	—	(1)	—	(1)	(2)
Exchange differences	15	58	7	(5)	75
Closing net book amount	2 722	9 092	1 137	102	13 053
At 31 December 2006					
Cost	4 399	9 837	1 503	73	15 812
Accumulated amortisation	(602)	(1 395)	(671)	(56)	(2 724)
Net book amount	3 797	8 442	832	17	13 088
<i>The movement in the net book amount of intangible assets is:</i>					
Year ended 31 December 2006					
Opening net book amount	314	3 165	542	36	4 057
Additions from business combinations	3 987	5 140	66	—	9 193
Additions	—	481	399	18	898
Amortisation charge	(552)	(509)	(215)	(13)	(1 289)
Exchange differences	48	165	40	(24)	229
Closing net book amount	3 797	8 442	832	17	13 088

Borrowings by MTN Nigeria Communications Limited were secured by a fixed charge over the company's service licence to the value of R1 211 million in 2006 (note 19). The borrowings were subsequently repaid.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
11. INVESTMENTS IN ASSOCIATES		
Balance at beginning of period	73	54
Share of results after tax	8	23
Acquisition of associate	—	*
Exchange differences	(21)	—
Change in shareholding – associate to subsidiary	—	(4)
Balance at end of period	60	73
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.		
12. LOANS AND OTHER NON-CURRENT RECEIVABLES		
Loan to Broadband Limited**	75	133
Loan to Iran Electronic Development Company***	354	336
Loan to Irancell Telecommunications Company Services****	2 759	1 939
Non-current advances	469	90
Non-current prepayments	709	354
	4 366	2 852
Less current portion	(1 933)	—
Loan to Broadband Limited**	(25)	—
Loan to Irancell Telecommunications Company Services****	(1 908)	—
	2 433	2 852

*Amounts less than R1 million

**This amount consists of two loans relating to the disposal of a 30% shareholding by MTN International (Mauritius) Limited in MTN Cameroon Limited in prior years:

20% tranche

The USD denominated loan amounting to USD11,1 million (December 2006: USD18,8 million) attracts interest at LIBOR+ 6% per annum (effective rate of 9,18% per annum) (December 2006: effective rate of 8,1% per annum) which is capitalised bi-annually. The loan is repayable by 31 December 2010 out of 80% of the borrower's entitlement to shareholder distributions. The fair value of the loan approximates book value.

10% tranche

The USD denominated loan amounting to USD10,1 million is repayable at the higher of (i) 10% of the market value of MTN Cameroon Limited if on sold by the purchaser; and (ii) USD10,1 million plus interest at LIBOR+ 6% per annum. If dividends are declared, an interest charge equal to the dividends is levied.

During the year, dividends relating to the 10% tranche, accounted for as interest, amounted to R6 million (2006: R5 million).

The minority shareholders in MTN Cameroon Limited have provided their shares in the company as security for the above loans.

The recoverability of the loan was assessed at balance sheet date and was not found to be impaired.

12. LOANS AND OTHER NON-CURRENT RECEIVABLES (continued)

***USD58,65 million (December 2006: USD58,65 million) will attract interest at LIBOR+ 4% per annum (effective rate 10,52%) (December 2006: effective rate of 9,3%). Interest is payable six monthly in arrears. The loan is repayable in full on 21 October 2009. The fair value of the loan approximates its book value. No interest payments have been serviced on this loan to date. The recoverability of the loan was assessed at balance sheet date and was not found to be impaired.

The loans are registered with the Organisation for Investment Economic and Technical Assistance of Iran (OIETAI) under the foreign investment licence obtained by MTN International (Mauritius) Limited and which is covered by the Foreign Investment Promotion and Protection Act (FIPPA).

****This amount consists of three loans:

Loan 1: USD54,4 million (December 2006: USD49,6 million) attracting interest at LIBOR+ 4% per annum (effective rate of 9,1%) (December 2006: effective rate of 9,3%) 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: USD217 million (December 2006: USD198,1 million) will attract interest at LIBOR+ 4% per annum (effective rate of 9,0%) (December 2006: effective rate of 9,3%) 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 (effective rate 9,8%) (December 2006: effective rate of 7,7%). The loan and capitalised interest is repayable by 31 May 2008. The fair value of the loan approximates the book value.

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

The loans are registered with the Organisation for Investment Economic and Technical Assistance of Iran (OIETAI) under the foreign investment licence obtained by MTN International (Mauritius) Limited and which is covered by the Foreign Investment Promotion and Protection Act (FIPPA).

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

Movement	31 December	Additions	Charged	Exchange	31 December	Additions	Charged	Exchange	31 December
	2005	business	to income	differences	2006	business	to income	differences	2007
	Rm	combinations	statement	Rm	Rm	combinations	statement	Rm	Rm
13. DEFERRED INCOME TAXES									
Deferred income tax liabilities									
Assessed losses	—	—	5	—	5	—	—	—	5
Tax allowances over book depreciation	(1 019)	(146)	(243)	76	(1 332)	(13)	(169)	13	(1 501)
Other temporary differences	147	(164)	(72)	(253)	(342)	(21)	203	10	(150)
Revaluation of at-acquisition assets	(125)	(1 335)	199	(25)	(1 286)	(2)	49	3	(1 236)
Working capital allowances	144	—	—	33	177	—	29	—	206
	(853)	(1 645)	(111)	(169)	(2 778)	(36)	112	26	(2 676)
Deferred income tax assets									
Provisions and other temporary differences	233	—	(2)	75	306	—	16	180	502
Accelerated tax depreciation	10	—	—	5	15	—	26	38	79
Tax loss carried forward	—	—	44	(*)	44	—	164	(11)	197
Arising due to fair value adjustments on business combinations	—	51	54	—	105	—	3	(7)	101
MTN Nigeria Communications Limited deferred tax asset	1 143	—	825	167	2 135	—	(1 682)	—	453
	1 386	51	921	247	2 605	—	(1 473)	200	1 332
Tax allowances over book depreciation	533	(1 594)	810	78	(173)	(36)	(1 361)	226	(1 344)

The tax holiday ("pioneer status") of MTN Nigeria Communications Limited expired on 31 March 2007. In accordance with tax legislation in Nigeria post pioneer status, the operating profit of MTN Nigeria Communications Limited since expiry of pioneer status to 31 December 2007, forms the basis of calculation of taxable income for MTN Nigeria Communications Limited's first and a portion of its second tax years. At 31 December 2006, the deferred tax asset amounted to R2,2 billion. At 31 March 2007 (end of pioneer status), the deferred tax asset amounted to R2,5 billion. This asset will be released to the income statement to the extent that MTN Nigeria Communications Limited has sufficient taxable income against which the capital allowances on fixed assets (including the capital allowances on the fixed assets acquired during the tax holiday period) may be claimed. Capital allowances for both taxable years were claimed on the qualifying assets for the purposes of calculating the release of the deferred tax asset during the current year. During the year under review, Irancell Telecommunication Company Services recorded a deferred tax asset of R400 million of which the Group's portion is R196 million (49%), relating to unused tax losses incurred up to 31 December 2007. Management believes that it is probable that future taxable profit will be available against which the unused tax losses will be utilised, based on the fact that the business has stabilised and the company is trading well against business objectives; the growth in market share achieved during the year; successful management of initial setbacks; significant subscriber growth and expected future business performance in line with business objectives.

	December 2007 Rm	December 2006 Rm
14. INVENTORIES		
Finished goods (handsets, SIM cards and accessories) – at cost**	1 214	1 122
Consumable stores and maintenance spares – at cost**	25	13
Less: Write-down to net realisable value	(72)	(92)
	1 167	1 043

**Included in inventory in 2006 is an amount of R74,4 million encumbered by borrowings relating to MTN Nigeria Communications Limited (note 19). These borrowings have subsequently been repaid.

	At beginning of period Rm	Additions Rm	Utilised Rm	Unused Rm	Exchange differences Rm	At end of period Rm
<i>Provision movement</i>						
Year ended 31 December 2007						
Movement in provision for inventories	(92)	(9)	9	20	(*)	(72)
Year ended 31 December 2006						
Movement in provision for inventories	(93)	(9)	4	6	(*)	(92)

A write-down of R9 million (December 2006: R3 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).

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
15. TRADE AND OTHER RECEIVABLES		
Trade receivables**	10 107	7 551
Less: Provision for impairment of trade receivables	(1 071)	(932)
Trade receivables – net	9 036	6 619
Prepayments and other receivables***	2 625	1 272
Sundry debtors and advances****	925	1 164
	12 586	9 055

An impairment charge of R91 million (December 2006: R136 million) was incurred in the current year, and this amount is included in other expenses in the income statement (refer note 3).

**Included in trade receivables in 2006 is an amount of R843,6 million encumbered by borrowings relating to MTN Nigeria

Communications Limited (note 19). These borrowings have subsequently been repaid.

***Prepayments and other receivables include prepayments for BTS sites and other property leases.

****Sundry debtors and advances include advances to suppliers and short-term loans.

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

	At beginning of period Rm	Acquisition business combina- tions Rm	Additions Rm	Unused Rm	Utilised Rm	Exchange differences Rm	At end of period Rm
<i>Impairment movement</i>							
Year ended 31 December 2007							
Movement in provision for impairment of trade receivables	(932)	(5)	(98)	7	—	(43)	(1 071)
Year ended 31 December 2006							
Movement in provision for impairment of trade receivables	(874)	(105)	(8)	144	—	(89)	(932)

15. TRADE AND OTHER RECEIVABLES (continued)

Analysis of trade receivables that are individually determined to be impaired:

At 31 December 2007	Inter- connect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
South Africa	—	53	—	53
Nigeria	438	161	13	612
Rest of Africa and Middle East	108	178	2	288
	546	392	15	953
At 31 December 2006				
South Africa	—	48	—	48
Nigeria	471	86	11	568
Rest of Africa and Middle East	80	92	3	175
	551	226	14	791

MTN's financial instruments that are exposed to concentrations of credit risk consist primarily of trade receivables. Concentrations of credit risk with respect to trade receivables are limited because of the large number of customers and their dispersion across geographic areas.

16. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

International sinking fund policy — 362

MTN International (Mauritius) Limited 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 rand at the ruling spot rate at balance sheet date amounted to R nil in the current year (December 2006: R138 million), which has been included in finance costs (note 5). 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.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
17. ORDINARY SHARES AND SHARE PREMIUM		
Ordinary share capital		
<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>		
1 864 797 807 (December 2006 – 1 860 268 283) ordinary shares of 0,01 cent each	*	*
Share premium		
Balance at beginning of year	23 804	14 272
Options exercised	60	67
Arising on the issue of shares during the year (net of share issue expenses)	—	9 465
Balance at end of year	23 864	23 804

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 146 of the directors' report. All disclosures as required have been included in the directors' report.

*Amounts less than R1 million.

	December 2007 Rm	December 2006 Rm
18. OTHER RESERVES		
Non-distributable reserves		
Balance at beginning of period	(14 082)	(14 051)
Purchase/sale of non-controlling interests	179	(1 686)
Transfer from distributable reserves	(113)	5
Share-based payment reserve	92	36
Cash flow hedging reserve	30	(54)
Shareholders' loan revaluation reserve	565	86
Foreign currency translation differences of foreign subsidiaries and joint ventures	(1 240)	1 582
Balance at end of period	(14 569)	(14 082)
<i>Consisting of:</i>		
Contingency reserve (as required by insurance regulations)	18	17
Statutory reserve (as required by Rwandan legislation)	(9)	10
Purchase/sale of non-controlling interests	(14 727)	(14 906)
Shareholders' loan revaluation reserve	(288)	(853)
Cash flow hedging reserve	(24)	(54)
Share-based payment reserve	169	77
Other reserves	(88)	7
Foreign currency translation differences of foreign subsidiaries and joint ventures	380	1 620
	(14 569)	(14 082)

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 *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
19. BORROWINGS		
Unsecured		
<i>MTN Service Provider (Proprietary) Limited</i>		
Various composite short-term facilities, bearing interest at rates determined by the nature of each specific drawdown instrument, but essentially linked to the BA rate. Interest rates over the previous year varied between 8,5% and 14% per annum. The loan was repaid during the current financial year	—	5
<i>MTN (Proprietary) Limited</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 the BA rate, ranging from 8,5% to 14% during the previous financial year. The loan was repaid during the current financial year	—	262
<i>Standard Corporate Merchant Bank term loan</i>		
Term loan bearing interest at an effective interest rate of 7,88% and payable bi-annually. The loan was repaid during the current financial year	—	100
<i>FNB term loans</i>		
Term loans bearing interest at effective interest rates ranging between 11,46% and 11,58% per annum (December 2006: 9,13% and 9,18% per annum). The loans are part of a 366 day facility. Repayment of the loans is at the discretion of the Company, however the Company does not intend repaying the loans within 366 days	400	400
<i>Investec loan</i>		
Loan bearing interest at an effective rate of 8,7% per annum for the previous financial year. The loan was part of a 366 day facility. The loan was repaid during the current financial year	—	100
<i>Nedbank term loans</i>		
Term loans bearing interest at effective interest rates ranging between 9,3% and 9,45% per annum for the previous financial year. The loans were part of a 366 day facility. The loans were repaid during the current financial year	—	300
<i>Swazi MTN Limited</i>		
<i>Standard Bank Swaziland Limited</i>		
The loan bore interest at 12,25% per annum. The loan was repaid during the current financial year	—	6

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Unsecured (continued)		
MTN Sudan Company Limited		
Loan repayable six monthly, denominated in euro bearing interest at LIBOR plus 3% with an effective interest rate of 7,84% (December 2006: 6,8%)	261	347
MTN Holdings (Proprietary) Limited		
<i>Domestic medium-term note programme</i>		
Bond MTN01 bearing interest at an effective interest rate of 10,01% payable six monthly in arrears with a final maturity on 13 July 2010	5 000	5 000
Bond MTN02 bearing interest at an effective interest rate of 10,19% payable six monthly in arrears with a final maturity on 13 July 2014	1 300	1 300
<i>Syndicated loan facilities</i>		
<i>Facility A1</i>		
Five year USD750 million facility repayable in 10 equal bi-annual payments starting December 2007. Interest is charged at LIBOR plus 75bps until the final compliance certificate after which the margin is based on an EBITDA multiple grid	5 087	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 final compliance certificate after which the margin is based on an EBITDA multiple grid	7 000	7 000
<i>Facility B</i>		
Three year revolving credit facility of USD1 250 million bearing interest at an effective interest rate of 6,05% for the previous financial year. The loan was repaid during the current financial year	—	297
MTN Zambia Limited		
<i>Bridge loan</i>		
Loan denominated in ZMK bearing interest at Stanbic rate less 5% and repayable by 29 February 2008 with an effective interest rate of 14% (December 2006: 14%)	28	26
<i>Bridge loan</i>		
Loan denominated in USD bearing interest at LIBOR plus 2% and repayable by 29 February 2008 with an effective interest rate of 7,5% (December 2006: 7,4%)	305	176

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Unsecured (continued)		
MTN Cameroon Limited		
<i>Syndicated medium-term loan</i>		
Loan of Communauté Financière Africaine franc (CFA) 35 billion. Repayments are deferred for one year, with the final repayment due on 15 March 2010. The annual interest rate is fixed at 7,35%. This loan was repaid during the current financial year	—	389
<i>Syndicated medium-term loan</i>		
Syndicated loan of CFA44,15 billion. The loan is repayable in bi-annual instalments following a six months' grace period, with the final repayment due on July 2012. The annual interest rate is fixed at 6,85%	653	—
Irancell Telecommunication Company Services		
<i>Local short-term facility</i>		
Denominated in IRR and repayable in August 2008. These loans bear interest at 12%	73	—
<i>Vendor deferred payment facility</i>		
Vendor deferred payment facility denominated in USD and IRR bearing interest at LIBOR plus 2% and 9% respectively with an effective interest rate of 7,40% and 9% respectively. Repayable from 30 June to December 2009	17	—
<i>Bank facility for vendors</i>		
Bank loan denominated in EUR bearing interest at EURIBOR plus 5,25% with effective interest rates ranging from 9,36% to 9,5%. Repayable from 29 February 2008 to 31 March 2008. Certain vendors who are part of these facilities and the bank participate in an intercreditor agreement	638	—
MTN Uganda Limited		
<i>Citibank Uganda</i>		
Short-term facility with Citibank Uganda Limited of USD5 million (December 2006: USD5 million). The facility is utilised through the issue of a Uganda Shilling (UGX) 8,75 (December 2006: UGX8,5) billion promissory note and a dollar denominated note of USD3 million. Interest is payable monthly in arrears at an effective money market rate of 9% (December 2006: 10%)	34	34
<i>Standard Chartered Bank</i>		
Short-term facility of USD5 million and a bridge loan of USD10 million. As at 31 December 2007, the Company had utilised this facility through the issue of promissory notes to the value of UGX8,750 million and a USD10 million bridge loan. Interest is payable monthly in arrears at effective money market rates averaging 9% (2006: 8%)	103	78

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Unsecured (continued)		
MTN Uganda Limited (continued)		
<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 2006: UGX10,5 billion). Interest is payable monthly in arrears at an effective money market rate of 11,25% (December 2006: 10%)	38	39
MTN Syria SA		
Long-term loan from Islamic Development Corporation denominated in USD and bearing interest at an effective interest rate of 7,61% (December 2006: 7,61%). The loan is repayable in bi-annual instalments with the last instalment due on 21 July 2009	41	61
Loan from Societe Generale Paris denominated in USD with an effective interest rate of 6,29% (December 2006: 6,5%)	15	25
Spacetel Benin SA		
Loan from the State of Benin, denominated in USD is non-interest bearing. It is repayable in annual instalments with the last payment being on 31 October 2009. The loan was renegotiated under new licence terms (note 36)	—	25
Investcom LLC		
<i>Revolving credit facility</i>		
Bank long-term loan from Banque Audi SAL denominated in USD and bearing interest at LIBOR plus 2% with an effective interest rate of 6,83% (December 2006: 7,1%). There is no repayment schedule	203	170
<i>Medium-term loan</i>		
Bank long-term loan from Banque Audi SAL denominated in USD and bearing interest at three month LIBOR plus 2,5% with an effective interest rate of 7,33% (December 2006: 7,6%). The loan is repayable in equal quarterly repayments and expires on 31 December 2010	177	305
MTN Group Management Services (Proprietary) Limited		
Various composite short-term facilities, bearing interest at rates determined by the nature of each specific drawdown instrument, but essentially linked to the BA rate. Interest rates varied between 7% and 10% per annum	—	*
Mascom Wireless Botswana Limited		
Non-interest bearing loan from the Botswana Democratic Party	21	21

*Amounts less than R1 million.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Unsecured (continued)		
<i>Areeba Limited (Cyprus)</i>		
Trade finance loan denominated in CYP bearing interest at Lombard plus 2,5% with an effective interest rate of 8% (December 2006: 7%). The loan was repaid during the current financial year	—	39
Bank long-term loan denominated in EUR bearing interest at EURIBOR six month plus 2% with an effective interest rate of 5,84% (December 2006: 5,84%). The loan is repayable by December 2010. Investcom LLC has provided a guarantee for this loan	65	82
Trade finance loan denominated in EUR bearing interest at EURIBOR six month plus 0,45% with an effective interest rate of 3,22% (December 2006: 3,22%). Repayable by August 2010	84	120
<i>MTN Nigeria Communications Limited</i>		
Syndicated medium-term facility totalling approximately USD2 billion and incorporating three tranches:		
<i>i) Underwritten local currency medium-term discounted note issuance facility</i>		
Totalling NGN142 198 million, the loan is repayable in two equal instalments, in October 2010 and October 2012. The interest rate is based on NIBOR plus 1% with an effective interest rate of 14,26%	3 688	—
<i>ii) Local currency revolving medium-term discounted note issuance facility totalling NGN63 886 million, the loan expires in October 2012. The interest rate is based on NIBOR plus 1%</i>	—	—
<i>iii) Foreign currency term loan facility</i>		
Totalling USD400 million, the loan is repayable in eight bi-annual instalments following an 18-month grace period, with the final repayment due on October 2012. The interest rate is based on LIBOR plus 2% with an effective interest rate of 7,13%	1 310	—
Other		
Bank overdraft facilities	1 322	167
Total unsecured	27 863	22 157

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Secured		
MTN Uganda Limited		
<i>Medium-term loan</i>		
Loan agreement with a club of local banks not exceeding USD40 million, or the UGX equivalent thereof. The loan is divided into two tranches both repayable in 16 quarterly instalments following a 15-month grace period, with the final repayment due in September 2012. The interest rate is based on the Ugandan 364 day T-bill rate plus 2,25% with an effective interest rate of 14,79% (2006: 10,8%)	266	176
<i>Standard Bank London/LB KIEL loan</i>		
Facility of USD17 million bearing interest at LIBOR plus 1,25% (effective rate of 6,675% per annum) (December 2006: 5,26% per annum). Facility repayable semi-annually over four years commencing May 2003, with the final payment in May 2007	—	5
The above MTN Uganda loan is secured through an inter-creditor security package contained in debentures comprising a first ranking floating charge over all present and future assets of the company except for the licence (note 8)		
MTN International (Mauritius) Limited		
<i>Syndicated revolving loan</i>		
Facility arranged by Standard Bank London Limited and Sumitomo Mitsui Banking Corporation Europe Limited of USD250 million, bearing interest at LIBOR plus 0,85% per annum, at an effective interest rate of 4,05% per annum (December 2006: effective rate of 4,64% per annum). MTN Holdings and other MTN Group entities provided cross guarantees for this loan facility. The loan was repaid in the current financial year	—	528
<i>Revolving loan</i>		
Facility arranged by Standard Finance (Isle of Man) of USD150 million bearing interest at LIBOR plus 0,55% at an effective interest rate of 7,69%. This loan expires on 30 September 2008. MTN Holdings and other MTN Group entities have provided cross guarantees for this loan facility	763	—
Irancell Telecommunication Company Services		
<i>Bank facility for vendors</i>		
Bank loan denominated in EUR bearing interest at EURIBOR plus 5,25% with effective interest rates ranging from 9,36% to 9,5%. Repayable from 29 February 2008 to 31 March 2008. Certain vendors who are part of these facilities and the bank participate in an intercreditor agreement. The loan is secured by assets with a book value of R19,64 million (note 8)	62	—

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Secured (continued)		
MTN Nigeria Communications Limited		
<i>DFI term loan</i>		
A loan of USD30 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 8,33% per annum) (December 2006: 8,425% per annum). The loan was repaid in the current financial year	—	189
<i>IFC facilities</i>		
These facilities include two loans of USD35 million each, repayable bi-annually from September 2006 to March 2010. Pricing is linked to LIBOR (effective interest rate of 8,33% per annum) (December 2006: 8,43% per annum). The loan was repaid in the current financial year	—	439
<i>Local facility</i>		
USD250 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 14,02% per annum) (December 2006: 13,56% per annum). The loan was repaid in the current financial year	—	1 824
<i>Local facility</i>		
USD120 million (December 2005: USD120 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 14,28% per annum) (December 2006: 13,83%). The loan was repaid in the current financial year	—	831
<i>Standard Corporate Merchant Bank facility</i>		
USD40 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 8,33% per annum) (December 2006: 8,43% per annum). The loan was repaid in the current financial year	—	277
All of the above MTN Nigeria Communications Limited 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 and current accounts as well as shares held by MTN International (Mauritius) Limited in MTN Nigeria Communications Limited. The proceeds of the insurance policies are secured in favour of the Security Trustee (notes 8, 10, 16 and 25). These loans were repaid in full in 2007 as part of a refinancing through a new medium-term unsecured facility		

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Secured (continued)		
MTN Côte d'Ivoire		
<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. The loan was repaid during the current financial year	—	10
<i>Ste' Ivoirienne de Banque</i>		
Loan from Ste' Ivoirienne de Banque for XOF10 billion with an effective interest rate of 7,5% (December 2006: 7,5%) repayable quarterly from February 2007 to August 2011	135	142
<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	13	28
<i>Ecobank</i>		
Loan from Ecobank of XOF5 billion bearing interest at 6,8% per annum and repayable monthly from January 2006 to June 2007. The loan was repaid during the current financial year	—	71
<i>Ecobank</i>		
Various XOF short-term facilities from Ecobank and Versus with effective interest rates ranging from 7,25% to 7,5% per annum (December 2006: 7,25% to 8,5% per annum)**	89	149
<i>Standard Chartered Bank</i>		
Loan from Standard Chartered Bank for XOF5,13 billion with an effective interest rate of 7,75% repayable monthly from January 2007 to November 2007. The loan was repaid during the current financial year	—	73
<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	68	71
<i>Banque Internationale de L'Afrique de L'Quest</i>		
Loan from Banque Internationale de L'Afrique de L'Quest of XOF0,8 billion bearing interest at 7,25% per annum and repayable quarterly from March 2007 to September 2008	9	11

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Secured (continued)		
MTN Côte d'Ivoire (continued)		
Loan from Bank of Africa Côte d'Ivoire totalling XOF15 billion at a fixed interest rate of 8,3%. The loan is repayable in quarterly instalments from July 07 to July 2013**	228	—
Ecobank Côte d'Ivoire totalling XOF10 billion at a fixed interest rate of 8,25%. The loan is repayable in quarterly instalments from September 07 to June 2013	152	—
Standard Chartered Bank totalling XOF9 billion at a fixed interest rate of 7,25%. The loan is repayable in monthly instalments from July 07 to June 2013	76	—
West African Development Bank (BOAD) totalling XOF12,5 billion at a fixed interest rate of 8%. The loan is repayable in quarterly instalments from July 2010 until July 2016**	73	—
Other loans	—	4
**The above loans are secured by network equipment with a book value of R797 million (December 2006: R590 million) (note 8). Loans are also secured by cash balances (note 25).		
MTN Zambia Limited, MTN Congo SA, MTN Rwanda Cell S.A.R.L and MTN Yemen		
Other loans (note 8)	4	17
Areeba Limited (Cyprus) (note 8)		
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 three motor vehicles. The loan was repaid during the current financial year	—	*
Scancom Limited (Ghana) (note 8)		
IFC loan		
IFC loan denominated in USD bearing interest at LIBOR plus 3,5% with an effective interest rate of 5,76% (2006: 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	94	141

*Amounts less than R1 million.

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Secured (continued)		
<i>MTN Holdings (Proprietary) Limited</i>		
<i>Standard Corporate Merchant Bank (SCMB) term loan</i> Advance from SCMB under a 91 day notice facility (December 2006: 366 day notice facility) bearing interest at 11,729% (December 2006: JIBAR plus 0,6% and an effective interest rate of 7,46%). MTN Holdings and other MTN subsidiary companies have provided cross guarantees for the SCMB loan facility	3 187	379
<i>MTN (Proprietary) Limited</i>		
<i>Standard Corporate Merchant Bank (SCMB) term loan</i> Advance from SCMB under a 366 day notice facility, bearing interest at JIBAR plus 0,6% per annum (effective interest rate of 7,46%). MTN Holdings and other MTN subsidiary companies entities had provided cross guarantees for the SCMB loan facility. The loan was repaid during the current financial year	—	4 365
<i>ABSA facilities</i> Various loans ranging from R70 million to R250 million bearing interest at effective rates between 8,67% and 9,65% during the previous financial year. The loans were part of the 366 days facilities. Repayment of the loan is at the discretion of the Company; the loan was repaid during the current financial year. MTN Holdings and other MTN Group entities had provided cross guarantees for this loan facility	—	500
<i>14th Avenue finance lease – Phase 1</i> Finance lease obligation capitalised at an effective interest rate of 11,25% (December 2006: 10%) 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 R231 million (December 2006: R247 million). This obligation is secured by the underlying property	260	264
<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 R298 million (December 2006: R315 million). This obligation is secured by the underlying property	315	328
Total secured borrowings	5 794	10 822
Total borrowings	33 657	32 979

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
Secured (continued)		
The maturity of the above loans and overdrafts is as follows:		
Payable within one year or on demand	10 650	4 392
Short-term borrowings	9 328	3 439
Bank overdrafts	1 322	953
More than one year but not exceeding two years	4 024	10 047
More than two years but not exceeding five years	17 222	16 972
More than five years	1 761	1 568
	33 657	32 979
<i>Less:</i> amounts included within current liabilities	(10 650)	(4 392)
Amounts included in non-current liabilities	23 007	28 587
The fair values of all borrowings and bank overdrafts approximate their book values.		
The Group has the following undrawn facilities:		
Floating rate	22 220	10 741
Fixed rate	—	—
	22 220	10 741

The facilities expiring within one year are annual facilities subject to review at various dates during 2008.

	December 2007 Rm	December 2006 Rm
19. BORROWINGS (continued)		
South African rand	18 720	20 470
US dollar	8 260	7 921
Nigerian naira	3 688	2 655
Uganda shilling	141	233
Rwanda franc	—	1
Euro	1 110	655
Cypriot pound	1	39
Botswana pula	21	21
Congo Brazzaville Communaute Financière Africaine	4	4
Swaziland emalangenzi	—	6
Syrian pounds	105	—
Iranian rials	84	—
Cameroon Communaute Financière Africaine	653	389
Côte d'Ivoire Communaute Financière Africaine	842	559
Zambian kwacha	28	26
	33 657	32 979

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

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
20. OTHER NON-CURRENT LIABILITIES		
Put options in respect of subsidiaries*	2 556	2 004
Obligation in respect of licence agreements	522	400
Other non-current provisions	236	7
Other non-current liabilities	117	427
	3 431	2 838

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

The put options on the Group's own equity resulted in the recognition of a liability at fair value. Subsequent to initial recognition, the liability is measured at amortised cost using the effective interest method. To the extent that the put options are not exercisable at a fixed strike price, the estimated future cash flows change as the fair market value of the underlying equity changes. As the estimated future cash payments change, the net carrying amount of the financial liability will change accordingly. This change in the carrying amount is recognised in profit and loss.

In the absence of an active market for the underlying equity, fair value is estimated based upon a comparison of valuations ascribed to the underlying equity by research analysts, publicly observed trading levels of comparable companies, transaction values paid in comparable transactions, and discounting of all future cash flows of the business to derive a fair present value. The valuation techniques include assumptions in respect of future cash flow growth, discount factor and terminal values.

Refer to note 5 for the impact on profit and loss of the fair valuation in respect of the put option liability.

In addition to the put option outlined above, the IFC has a call option on a minority stake in Areeba Afghanistan. The percentage stake, terms and conditions are currently under negotiation.

21. TRADE AND OTHER PAYABLES		
Trade payables	6 328	4 630
Sundry creditors	1 418	1 022
Accrued expenses	7 428	4 511
Provisions and other payables	1 429	2 019
	16 603	12 182

	At beginning of period Rm	Additional provisions Rm	Additions – Business com- binations Rm	Unused amounts reversed Rm	Utilised Rm	Exchange differences Rm	At end of period Rm
22. PROVISIONS AND OTHER LIABILITIES AND CHARGES							
Year ended 31 December 2007							
Bonus	224	228	2	(2)	(131)	6	327
Decommissioning provision	80	49	—	—	(2)	5	132
Onerous leases/other	165	476	(2)	(1)	(231)	22	429
Licence obligations	214	47	—	—	—	—	261
Total	683	800	—	(3)	(364)	33	1 149
Less non-current portion							(224)
Current portion							925
Year ended 31 December 2006							
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
Total	446	492	56	*	(348)	37	683
Less non-current portion							(177)
Current portion							506

*Amounts less than R1 million.

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

Licence obligation provision represents the estimated costs to be incurred in fulfilling the Universal Services obligation. (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 item and 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.

Other provisions

These consist of miscellaneous provisions in MTN Nigeria Communications Limited, MTN Cameroon Limited, Irancell Telecommunications Company Services, MTN Rwandacell S.A.R.L, MTN Côte d'Ivoire, MTN Zambia Limited and Investcom's underlying operating entities.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
23. CASH GENERATED FROM OPERATIONS		
Profit before tax	19 707	14 690
<i>Adjustments for:</i>		
Share of profits in associates less dividends received (note 11)	(8)	(23)
Finance costs (note 5)	4 953	3 307
Finance income (note 4)	(1 780)	(1 880)
Depreciation of property, plant and equipment (note 8)	6 774	5 030
Amortisation of intangible assets (note 10)	2 199	1 289
Loss on disposal of property, plant and equipment (note 3)	73	55
Share-based payments	97	13
Movement in provisions	247	126
Other	30	45
Forward Exchange Contract movement	—	(54)
Impairment of investment in MTN Mobile Money Holdings (Proprietary) Limited	7	—
Impairment charge on property, plant and equipment (notes 3, 8)	212	(25)
	32 511	22 573
Changes in working capital	1 823	361
Increase in inventories	(146)	(353)
Increase in unearned income	1 437	663
Increase in trade and other receivables	(3 756)	(2 666)
Increase in trade and other payables	4 288	2 717
Cash generated from operations	34 334	22 934
24. INCOME TAX PAID		
Opening balance	(1 356)	(1 808)
Amounts charged to income statement (note 6)	(7 791)	(2 591)
Deferred tax credit (notes 6,13)	1 361	(810)
Exchange differences	(29)	(5)
At acquisition taxes	(41)	—
Taxation previously included in creditors	—	(225)
Withholding taxes not paid	61	—
Taxation overpaid	—	(3)
Closing balance	3 562	1 356
Total tax paid	(4 233)	(4 086)

	December 2007 Rm	December 2006 Rm
25. CASH AND CASH EQUIVALENTS		
For purposes of the cash flow statement, cash and cash equivalents comprise:		
Cash at bank and on hand	16 868	9 961
Bank overdraft	(1 322)	(953)
	15 546	9 008
<i>Included in cash balances is an amount of R23,7 million (December 2006: R31,7 million) encumbered by borrowings relating to MTN Côte d'Ivoire. In 2006, there were amounts of R2 387 million and R53,6 million encumbered by borrowings relating to MTN Nigeria Communications Limited (note 19) and Scancom Limited (Ghana) respectively. The borrowings were subsequently repaid.</i>		
26. RESTRICTED CASH		
Restricted cash deposits	739	130
	739	130
<i>These monies are placed on deposit with banks in Nigeria to secure Letters of Credit, which at year-end were undrawn and not freely available. The amount included in 2006 was encumbered by borrowings relating to MTN Nigeria Communications Limited (note 19). These borrowings were subsequently repaid.</i>		
27. UNDERWRITING ACTIVITIES		
Underwriting activities are conducted through special purpose entities on commercial terms and conditions and at market prices.		
Income statement effect		
– Gross premiums written	143	141
– Outwards reinsurance premiums	(14)	(13)
– Change in unearned premiums	3	40
– Other*	(114)	(92)
	18	76
Balance sheet effect		
Share of technical provision:		
– Outstanding claims	137	90
– Provision for unearned premiums	8	12
	145	102
Receivables	72	62
Payables	(10)	(19)

*Included in "other" are claims incurred, net of reinsurance; commissions paid; net operating costs; net investment income and taxation.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
28. CONTINGENT LIABILITIES		
Upgrade incentives*	957	911

*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 2007 was 465 432 (December 2006: 427 903). The estimated contingent liability at 31 December 2007 based on the prevailing business rules on such date amounts to R957 million (December 2006: R911 million).

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

29. COMMERCIAL COMMITMENTS

MTN (Proprietary) Limited

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 900MHz by 31 December 2006.

In January 2005, MTN was granted the right to maintain and use the 1800MHz 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:

- 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.

MTN Zambia Limited

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 Limited 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 in progress. However, the placement did not occur as expected during 2007. MTN has engaged the regulator with regards to resolving certain matters relating to the placement and expects that the placement will take place during 2008.

The shares are 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.

29. COMMERCIAL COMMITMENTS (continued)

Irancell Telecommunication Company Services

The investment in Irancell Telecommunication Company Services is subject to a number of sovereign, regulatory and commercial risks, which could result in the Group 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 Telecommunication Company Services is required to be offered to members of the Iranian public within approximately three years from the date of the licence. Such offering could have a proportional dilutory effect on MTN International (Mauritius) Limited'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.

Eastern Africa Submarine Cable System ("EASSy")

To address the growing demand for international bandwidth in Africa, the Group, together with various other parties, has entered into a construction and maintenance agreement for the Eastern Africa Submarine Cable System ("EASSy"). The Group's commitment in respect of the contract amounts to USD40 million of which USD4,5 million has been paid at 31 December 2007.

	December 2007 Rm	December 2006 Rm
30. CAPITAL COMMITMENTS		
Capital expenditure contracted at the balance sheet date but not yet incurred is:		
<i>Commitments for the acquisition of property, plant and equipment and intangible assets</i>		
Contracted but not provided for	6 925	2 434
Authorised but not contracted for	21 364	11 093
Group's share of capital commitments of joint ventures:		
Commitments for the acquisition of property, plant and equipment and intangible assets:		
Contracted but not provided for	1 746	834
Authorised but not contracted for	546	2 070
Total commitments	30 581	16 431
Capital expenditure will be funded from operating cash flows, existing borrowing facilities and, where necessary, by raising additional facilities.		
31. OPERATING LEASE COMMITMENTS		
The future aggregate minimum lease payments under non-cancellable operating leases are:		
Not later than one year	197	215
Later than one year and no later than five years	296	479
Later than five years	462	143
	955	837
The future aggregate minimum lease payments under cancellable operating leases are:		
Not later than one year	104	103
Later than one year and no later than five years	302	271
Later than five years	172	206
	578	580

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 *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
32. FINANCE LEASE COMMITMENTS		
At the balance sheet date, the Group had outstanding commitments under non-cancellable finance leases which fall due as follows:		
Minimum lease payments:		
Not later than one year	112	99
Later than one year and no later than five years	520	496
Later than five years	184	314
	816	909
Less: future finance charges on finance leases	(235)	(317)
Present value of finance lease obligations	581	592
Present value of finance lease obligations are:		
Not later than one year	53	36
Later than one year and no later than five years	367	305
Later than five years	161	251
	581	592
33. OTHER COMMITMENTS		
Soccer sponsorships*	331	458
Orders placed to purchase handsets	42	48
	373	506
<i>*This commitment relates to the FIFA 2010 sponsorship.</i>		
34. INTEREST IN JOINT VENTURES	%	%
The Group had the following effective percentage interests in joint ventures:		
Indirect		
Swazi MTN Limited	30	30
MTN Rwandacell S.A.R.L.**	—	40
MTN Mobile Money Holdings (Proprietary) Limited	50	50
Mascom Wireless Botswana Limited	53	50
Iracell Telecommunication Company Services	49	49

** Additional shares were purchased in MTN Rwandacell S.A.R.L during the current financial year, resulting in it becoming a subsidiary.

	December 2007 Rm	December 2006 Rm
34. INTEREST IN JOINT VENTURES (continued)		
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.		
Current assets	(1 392)	720
Non-current assets	(3 260)	2 102
Current liabilities	(2 729)	(767)
Interest bearing	(790)	(110)
Non-interest bearing	(1 939)	(657)
Non-current liabilities	(2 749)	(1 985)
Interest bearing	(2 672)	(1 887)
Non-interest bearing	(77)	(98)
Revenue	2 030	1 028
Expenses	(1 920)	(603)
	Number of employees	Number of employees
Average number of employees relating to joint ventures:		
– Full time	773	1 092
– Part time	351	385

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

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.

36. LICENCE AGREEMENTS

MTN Cameroon Limited

The licence authorises MTN Cameroon Limited to set up and run a 900MHz national mobile GSM cellular telephony network within the geographic 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 CFA200 000 per year is payable for microwave usage until a general formula of calculation is adopted with the regulatory board.

MTN Nigeria Communications Limited

The licence authorises MTN Nigeria Communications Limited to provide and operate a 900 and 1800MHz second generation digital mobile service within the geographic 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 USD285 million and pays an annual licence fee based on 2,5% of assessed net revenue as defined in the licence.

A new 3G licence was granted to MTN Nigeria Communications Limited during the year. This licence is a spectrum licence that allows use of specified 3G spectrum (receive 1920 – 1930MHz and transmit 2110 – 2120MHz). The licence was granted on 1 May 2007 and is valid for a period of 15 years, renewable on expiration by mutual agreement of Commission and Licence. There is no automatic renewal. The Group paid an initial fee of USD150 million for the licence and there are no annual fees payable on the licence.

MTN Rwandacell S.A.R.L

The licence authorises MTN Rwandacell S.A.R.L to construct, maintain and operate a 900, 1800 and 1900MHz (including cellular public pay telephones) GSM telecommunication network within the geographic 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 USD200 000 and pays an annual licence fee based on 3% (December 2006: 3%) of network revenue as defined in the licence. Furthermore, a frequency fee of USD2 000 per 1MHz granted and an annual spectrum fee of USD50 000 are payable. In 2008, an amount of USD500 000 was paid for an extension to the old licence. The terms of the renewal are being negotiated.

MTN Uganda Limited

The licence authorises MTN Uganda Limited to construct, maintain and operate a 900 and 1800MHz national 2G digital mobile radio telephony service within the geographic 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 USD5,8 million and an annual spectrum fee of 1% of network revenue is payable as a contribution to the Rural Communications Development Fund.

Irancell Telecommunication Company Services

The licence authorises Irancell Telecommunication Company Services 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 2006 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, totalling in aggregate not more than 5% of revenue are payable in each contractual year of the licence. In addition, Irancell Telecommunication Company Services is required to pay 28,1% of revenue in each contractual year, with a minimum guaranteed amount 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.

36. LICENCE AGREEMENTS (continued)

Scancom Limited (Ghana)

The licence authorises Scancom Limited to construct, maintain and operate a telecommunications network using 900MHz and 1800MHz 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 USD22,5 million was paid with an annual regulatory fee of USD750 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.

Areeba Limited (Cyprus)

The licence authorises Areeba Limited to construct and operate a 900MHz and 1800MHz GSM and 3G/UMTS network and requires 50% GSM geographic 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.

Spacetel Benin SA

Spacetel Benin SA has acquired a new licence for a period of 10 years in order to construct and operate a 900MHz and 1800MHz GSM network to have 100% geographic coverage.

The effective date of the licence is 19 October 2007 and can be extended automatically for another five years without any additional fees if performance levels are met. The expiration date is 18 October 2017.

Areeba Afghanistan

The licence authorises Areeba Afghanistan to construct and operate a 900MHz and 1800MHz GSM network to have 80% geographic coverage within the first year of the commencement date. The licence agreement is effective from October 2006, is applicable for 15 years and is renewable thereafter for an additional 10 years. No exclusivity clause exists.

Spacetel Guinea-Bissau SA

The licence authorises Spacetel Guinea-Bissau SA to construct and operate a 900MHz 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 SA

The licence authorises Areeba Guinea SA to construct and operate a 900MHz and 1800MHz GSM network to cover all cities with a population of over 100 000 within one year of commercial launch and cities with a population of less than 100 000 within two years of commercial launch. The licence agreement is effective from August 2005 and is applicable for 13 years, renewable thereafter for five years. There will be a maximum of four operators in total up to 2010.

Lonestar Communications Corporation LLC (Liberia)

The licence authorises Lonestar Communications Corporation LLC 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.

MTN Sudan Company Limited

The licence authorises MTN Sudan Company Limited to construct and operate a 900MHz and 1800MHz 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.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

36. LICENCE AGREEMENTS (continued)

MTN Syria SA

This licence permits MTN Syria SA to build, manage, operate and invest in a GSM network in the Syrian region on both 900MHz and 1800MHz 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 USD20 million and USD15 million for 900MHz and 1800MHz respectively were applicable. An annual "Frequency Protection Fee" of USD50 000 or SP2,5 million per 1MHz for transmission and reception within the band range of 900MHz or 1800MHz is payable.

Revenue share costs are also payable by Areeba on a monthly basis within 15 days after month end. These are 30% of revenue for the first three years of the licence agreement, 40% for the next three years and 50% 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.

MTN Yemen

The licence authorises MTN 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 Limited

The licence authorises MTN Zambia Limited to set up and run a cellular service within the designated bandwidth of 890-960MHz band within the geographic 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 USD40,000 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 MTN Côte d'Ivoire to construct, maintain and operate a 900MHz and 1800MHz GSM telecommunication network within the geographic 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 SA

The licence authorises MTN Congo SA to construct, maintain and operate a 900MHz and 1800MHz GSM telecommunication network within the geographic 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 2006, valid for 15 years. The Group paid an initial licence fee of FCFA 365 million for the mobile licence and FCFA 250 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 FCFA60 million are payable annually. The payment for renewal is set at FCFA2,2 billion.

36. LICENCE AGREEMENTS (continued)

Mascom Wireless Botswana Limited

A licence was granted on 17 February 1998 and was valid for a period of 15 years. This licence was replaced with a Public Telecommunication Operator (PTO) licence issued on 13 June 2007 and valid for a period of 15 years. The licence authorises Mascom Wireless Botswana to construct, operate and maintain public telecommunication services within the geographic area of Botswana. 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. During the licence period and any extended period, the licensee shall pay an annual licence fee of BWP1,080 million for the operation of the licensed system; an annual licence fee of BWP0, 178 million for provision of the licensed service and a turnover related fee equal to 3% of annual net turnover, reported in each quarter.

Swazi MTN Limited

The licence authorises Swazi MTN Limited to provide and operate a 900MHz GSM network within the geographic 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.

Mobile Telephone Networks (Proprietary) Limited

The licence authorises Mobile Telephone Networks (Proprietary) Limited to construct, maintain and use a 900MHz GSM national mobile cellular telecommunication service within the geographic 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 2006, MTN was granted the right to maintain and use the 1800MHz 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.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007	December 2006
37. EXCHANGE RATES TO SOUTH AFRICAN RAND		
Year-end closing rates		
United States dollar (USD)	0,15	0,14
Uganda shilling (UGX)	250,41	246,98
Rwanda franc (RWF)	81,95	79,51
Cameroon Communaute Financière Africaine franc (XAF)	67,57	72,49
Nigerian naira (NGN)	17,46	18,23
Iranian riyals (IRR)	1 393,05	1 308,73
Botswana pula (BWP)	0,91	0,84
Ivory Coast Communaute Financière Africaine franc (CFA)	65,73	70,58
Congo Brazzaville Communaute Financière Africaine franc (CFACB)	65,71	70,70
Zambian kwacha (ZMK)	567,78	624,56
Swaziland emalangeni	1	1
Lebanese pound (LBP)	222,32	213,98
Afghanistan afghani (AFN)	7,37	7,10
Euro (EUR)	0,10	0,10
British pound sterling (GBP)	0,07	0,07
Ghana cedi (GHC)	1 445,26	1 312,99
Benin (XOF)	65,71	70,70
Cypriot pounds (CYP)	0,06	0,06
Euro mednet (EURM)	0,10	0,11
Guinea Conakry (GNF)	632,30	922,64
Morocco dirhams (MAD)	—	1,23
Sudanese dinars (SDD)	30,23	28,82
Syrian pound (SYP)	7,08	7,24
Guinea Bissau (XOF)	67,35	71,13
Yemen riyals (YER)	29,44	28,19

December 2007

December 2006

37. EXCHANGE RATES TO SOUTH AFRICAN RAND (continued)**Average rates for the year**

United States dollar (USD)	0,14	0,14
Uganda shilling (UGX)	243,56	267,86
Rwanda franc (RWF)	79,77	82,52
Cameroon Communaute Financière Africaine franc (XAF)	70,66	77,21
Nigerian naira (NGN)	17,89	18,70
Iranian riyals (IRR)	1 320,38	1 365,28
Botswana pula (BWP)	0,85	0,86
Ivory Coast Communaute Financière Africaine franc (CFA)	68,20	76,52
Congo Brazzaville Communaute Financière Africaine franc (CFACB)	68,10	77,01
Zambian kwacha (ZMK)	556,97	535,14
Swaziland emalangeni	1	1
Lebanese pound (LBP)	216,28	211,98
Afghanistan afghani (AFN)	7,10	7,03
Euro (EUR)	0,10	0,10
British pound sterling (GBP)	0,07	0,07
Ghana cedi (GHC)	1 318,79	1 282,55
Benin (XOF)	72,13	69,96
Cypriot pounds (CYP)	0,06	0,06
Euro mednet (EURM)	0,10	0,11
Guinea Conakry (GNF)	702,43	910,50
Morocco dirhams (MAD)	—	1,23
Sudanese dinars (SDD)	28,69	32,54
Syrian pound (SYP)	7,09	7,20
Guinea Bissau (XOF)	67,74	70,37
Yemen riyals (YER)	28,30	27,91

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
38. FOREIGN EXCHANGE EXPOSURE		
Included in the Group balance sheet are the following amounts denominated in currencies other than the functional currency of the reporting entities:		
Group		
<i>Assets</i>		
Accounts receivable		
– US dollar	3 124	1 446
– Euro	2 481	550
– Special drawing rights*	37	13
Total assets	5 642	2 009
<i>Liabilities</i>		
Long-term liabilities		
– US dollar	10 290	12 222
<i>Current liabilities</i>		
– US dollar	3 617	2 275
– Pounds sterling	6	11
– Euro	707	370
– Special drawing rights*	43	26
Total liabilities	14 663	14 904

*Unit of payment for international telecommunication transactions.

	Foreign amounts (notional principal amount)		Rand amounts (fair value)	
	December 2007 Rm	December 2006 Rm	December 2007 Rm	December 2006 Rm
39. DERIVATIVE FINANCIAL INSTRUMENTS				
Outstanding forward exchange contracts are:				
US dollar	974	1 364	444	324
Euro	—	3	—	*
Pounds sterling	—	1	—	*
Derivative liability			(444)	(324)
Fair value loss taken to income statement			(444)	(324)

During 2006, the Group entered into a cash flow hedge to hedge foreign exchange risk in respect of the Investcom transaction. The hedged cash flows occurred during 2006 and will only affect profit and loss in the event of disposal or impairment of the investment.

*Amounts less than R1 million.

	December 2007 Rm	December 2006 Rm
40. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Beginning of year	24	—
Exchange differences	2	*
Acquisition of subsidiary	—	24
Net losses transferred to equity	(2)	*
End of year	24	24
<i>Less: non-current portion</i>	—	—
Current portion	24	24
Available-for-sale financial assets include:		
Unlisted securities		
– Other securities with fixed interest	24	24
	24	24
Available-for-sale financial assets are denominated in:		
US dollar	19	8
Euro	5	16
	24	24

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

* Amounts less than R1 million.

41. POST BALANCE SHEET EVENTS

Broadening of the Nigerian shareholder base of MTN Nigeria Communications Limited

Subsequent to year-end, Nigerian individuals and key institutions have acquired a 9,45% interest in MTN Nigeria Communications Limited from MTN, acting through its wholly owned subsidiary, MTN International (Mauritius) Limited, and other shareholders in MTN Nigeria Communications Limited, pursuant to a private placement.

The main rationale for the transaction is to achieve MTN's stated intention of broadening the ownership of MTN Nigeria Communications Limited among Nigerian citizens and institutions and to reaffirm MTN's commitment of enabling greater Nigerian representation in MTN Nigeria Communications Limited.

MTN disposed of an overall equity interest of 5,96% in MTN Nigeria Communications Limited as part of the private placement for a consideration of USD594,50 million, thereby reducing its interest in MTN Nigeria Communications Limited to 76,08%. The allocation date for the private placement was 8 February 2008 and share transfers have been effected on 18 February 2008.

MTN Côte d'Ivoire put option

The MTN Côte d'Ivoire put option amounting to R474 million (2006: R480 million) was cancelled subsequent to year-end. Upon cancellation, the outstanding balance will be transferred to equity.

Change in tax rate

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 (note 6). On 20 February 2008, the South African Minister of Finance announced a change in the corporate tax rate from 29% to 28%. This change is effective for financial years ending on any date between 1 April 2008 and 31 March 2009.

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

	December 2007 Rm	December 2006 Rm
42. RELATED PARTY TRANSACTIONS		
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.		
Key management compensation		
Salaries and other short-term employee benefits	13	44
Post-employment benefits	1	1
Share-based payments	3	18
Total	17	63

Subsidiaries and joint ventures

Details of investments in subsidiaries and joint ventures are disclosed in Annexure 1 of the financial statements.

Associates

Details of investments in associates are disclosed in Annexure 2 of the financial statements.

Directors

Details of directors' remuneration are disclosed in note 3 of 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' interests".

43. BUSINESS COMBINATIONS

43.1 The acquisition of additional shares in MTN Rwandacell S.A.R.L

In November 2007, the shareholding in MTN Rwandacell S.A.R.L, a telecommunications company incorporated in Rwanda, was increased from 40% to 55%, for USD40,5 million, converting the joint venture operation into a fully consolidated subsidiary of the Group.

MTN Rwandacell S.A.R.L contributed revenues of R305 million and net profit of R101 million to the Group. If the step-up had occurred on 1 January 2007, the contribution to Group revenue would have been R583 million and the contribution after tax would have been R197 million.

These amounts have been calculated using the Group's accounting policies.

Goodwill is attributable to the synergies expected to arise after the Group gained control of MTN Rwandacell S.A.R.L.

	November 2007 Rm
Total purchase consideration	272
Fair value of net assets acquired	(58)
Goodwill	214

43. BUSINESS COMBINATIONS (continued)

43.1 The acquisition of additional shares in MTN Rwandacell S.A.R.L (continued)

The assets and liabilities arising from the acquisition are:

	Fair value at acquisition date Rm	Acquiree's carrying amount on acquisition date Rm
Cash and cash equivalents	223	223
Property, plant and equipment	254	254
Intangibles	2	2
Investment in subsidiary	4	4
Inventories and receivables	85	85
Payables	(140)	(140)
Net deferred tax liability	(39)	(39)
Net assets acquired	389	389
Minorities	(175)	
Net assets already owned	(156)	
Fair value of assets acquired	58	
Purchase consideration		(272)
Cash and cash equivalent in subsidiary acquired		134
Cash outflow on acquisition		(138)

43.2 The disposal of 8,67% of MTN Côte d'Ivoire

In May 2007, the shareholding in MTN Côte d'Ivoire, a telecommunications company incorporated in Côte d'Ivoire, was reduced from 68,34% to 59,67%, for USD31,2 million. The transaction did not result in loss of control.

The assets and liabilities sold are:

	Carrying value on disposal date Rm
Cash and cash equivalents	31
Property, plant and equipment	88
Intangibles	52
Net deferred tax asset	1
Non-current prepayments	1
Inventories and receivables	35
Payables	(108)
Borrowings	(23)
Net assets disposed of	77
Consideration received	221
Net assets disposed of	(77)
Profit on disposal included in equity on consolidation	144

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

43. BUSINESS COMBINATIONS (continued)

43.3 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 USD5,5 billion. The formal offer was based on an implied MTN Group share price of R59,25 (USD9,79). 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 USD3,7 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 before/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 the subsidiary 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:

	4 July 2006
Total purchase consideration	33 339
Fair value of net assets acquired	(10 173)
Goodwill	23 166

The assets and liabilities arising from the acquisition are:

	Fair value 4 July 2006 Rm	Acquiree's carrying amount 4 July 2006 Rm
Cash and cash equivalents	3 175	3 175
Property, plant and equipment	3 600	3 986
Intangibles	8 140	4 156
Inventories and receivables	2 096	2 096
Payables	(3 151)	(3 151)
Borrowings	(1 085)	(1 085)
Net deferred tax liability	(1 272)	(136)
Net assets	11 503	9 041
Minority interests	(1 330)	
Fair value of net assets acquired	10 173	
Purchase consideration settled in cash		(23 941)
Cash and cash equivalents in subsidiary acquired		3 175
Cash outflow on acquisition		(20 766)

43. BUSINESS COMBINATIONS (continued)

43.4 The acquisition of additional shares in MTN Uganda Limited

In July 2006, the shareholding in MTN Uganda Limited, a telecommunications company incorporated in Uganda, was increased from 52,01% to 97,34% for approximately USD221 million, converting the joint venture operation into a fully consolidated subsidiary of the Group.

MTN Uganda Limited 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:

	1 July 2006 Rm	
Total purchase consideration		1 577
Fair value of net assets acquired		(947)
Goodwill		630
The assets and liabilities arising from the acquisition are:		
	Fair value on acquisition date Rm	Acquiree's carrying amount on acquisition date Rm
Cash and cash equivalents	35	35
Property, plant and equipment	439	439
Intangibles	974	11
Investment in subsidiary	1	1
Inventories and receivables	71	71
Payables	(50)	(50)
Borrowings	(146)	(146)
Net deferred tax liability	(352)	(72)
Net assets acquired	972	289
Minorities	(25)	
Fair value of net assets acquired	947	
Purchase consideration		(1 577)
Cash and cash equivalents in subsidiary acquired		35
Cash outflow on acquisition		(1 542)

Notes to the Group financial statements *continued*

for the year ended 31 December 2007

43. BUSINESS COMBINATIONS (continued)

	Notes	December 2007 Rm	December 2006 Rm
43.5 Reconciliation to the cash flow statement			
Cash outflows as shown above			
The acquisition of additional shares in MTN Rwandacell S.A.R.L	43.1	(272)	—
The disposal of 8,67% of MTN Côte d'Ivoire	43.2	221	—
The acquisition of 100% of Investcom LLC	43.3	—	(23 941)
The acquisition of additional shares in MTN Uganda Limited	43.4	—	(1 577)
Other disposals/(acquisitions)*		(40)	(3 172)
		(91)	(28 690)
Amounts shown in cash flow statement			
Acquisition of subsidiaries and joint ventures		(91)	(28 690)
Less: Cash balances acquired		143	2 895
		52	(25 795)

*These consist primarily of the disposal of shares in MTN Uganda Limited and MTN Côte d'Ivoire and the acquisition of additional shares in Mascom Wireless Botswana Limited (2006: Additional shares purchased in MTN Nigeria Communications Limited, Mascom Wireless Botswana Limited and MTN Côte d'Ivoire).