

# Notes to the Group financial statements

for the year ended 31 December 2008

## 1. PRIMARY REPORTING FORMAT – GEOGRAPHIC SEGMENTS

December 2008	South and East Africa Rm	West and Central Africa Rm	Middle East and North Africa Rm	Head office companies Rm	Consolidated Rm
<b>Revenue</b>					
External sales	37 483	47 682	17 215	146	102 526
<b>Total revenue</b>	<b>37 483</b>	<b>47 682</b>	<b>17 215</b>	<b>146</b>	<b>102 526</b>
<b>Segment result</b>	<b>12 878</b>	<b>25 543</b>	<b>4 654</b>	<b>316</b>	<b>43 391</b>
Impairment charge	—	(225)	—	—	(225)
Depreciation	(2 081)	(6 073)	(1 772)	(13)	(9 939)
Amortisation of intangible assets	(399)	(1 624)	(773)	(24)	(2 820)
Finance costs	(594)	(2 492)	(405)	(5 153)	(8 644)
Finance income	308	928	79	5 412	6 727
Income before tax	10 112	16 057	1 783	538	28 490
Income tax expense	(2 790)	(6 114)	(234)	(2 217)	(11 355)
<b>Net profit for the period</b>	<b>7 322</b>	<b>9 943</b>	<b>1 549</b>	<b>(1 679)</b>	<b>17 135</b>
<i>Other information:</i>					
<b>Segment assets****</b>					
Assets	30 404	54 723	25 710	58 567	169 404
Associates	59	—	—	—	59
<b>Total assets</b>	<b>30 463</b>	<b>54 723</b>	<b>25 710</b>	<b>58 567</b>	<b>169 463</b>
<b>Segment liabilities****</b>	<b>23 388</b>	<b>33 625</b>	<b>22 220</b>	<b>4 610</b>	<b>83 843</b>
<b>Capital expenditure***</b>	<b>7 350</b>	<b>15 024</b>	<b>5 772</b>	<b>117</b>	<b>28 263</b>
<b>Average number of employees for the period for each of the Group's principal segments were as follows:</b>	<b>5 361</b>	<b>5 795</b>	<b>5 075</b>	<b>221</b>	<b>16 452</b>

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

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

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

1. PRIMARY REPORTING FORMAT – GEOGRAPHIC SEGMENTS (continued)

December 2007	South and East Africa Rm	West and Central Africa Rm	Middle East and North Africa Rm	Head office companies Rm	Consolidated Rm
<b>Revenue</b>					
External sales	31 453	30 843	10 779	70	73 145
<b>Total revenue</b>	31 453	30 843	10 779	70	73 145
<b>Segment result</b>	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 before tax	8 998	11 100	708	(1 100)	19 706
Income tax expense	(2 843)	(4 571)	23	(399)	(7 791)
<b>Net profit for the period</b>	6 155	6 529	730	(1 498)	11 916
<i>Other information:</i>					
<b>Segment assets****</b>					
Assets	22 373	35 629	14 669	42 650	115 321
Associates	81	—	—	—	81
<b>Total assets</b>	22 454	35 629	14 669	42 650	115 402
<b>Segment liabilities****</b>	15 991	16 602	12 018	15 727	60 338
<b>Capital expenditure***</b>	3 707	7 915	3 676	50	15 348
<b>Average number of employees for the period for each of the Group's principal segments were as follows:</b>	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.

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## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>2. REVENUE</b>		
Airtime and subscription revenue	76 864	53 340
Interconnect	18 364	13 535
Connection revenue	739	853
Cellular telephones and accessories	3 551	3 221
Other	3 008	2 196
	<b>102 526</b>	73 145
<b>3. OPERATING PROFIT</b>		
The following items have been included in arriving at profit before tax:		
Auditors' remuneration:	(67)	(54)
– Audit fees	(55)	(43)
– Fees for other services	(11)	(9)
– Expenses	(1)	(2)
Directors' emoluments:	(61)	(65)
– Services as director	(53)	(54)
– Directors' fees	(8)	(11)
Operating lease rentals:	(351)	(281)
– Property	(305)	(213)
– Equipment and vehicles	(46)	(68)
Loss on disposal of property, plant and equipment (note 22)	(135)	(73)
Loss on disposal of non-current assets (note 22)	(2)	—
Impairment of inventories (note 13)	(86)	20
Impairment charge on other intangible assets (note 9)*	—	(77)
Movement in the provision for impairment on trade receivables (note 45)	(328)	(91)

\*The impairment charge in 2007 relates to the previous Benin licence which was re-issued in accordance with the terms as included in note 35.

	December 2008 Rm	December 2007 Rm
<b>3. OPERATING PROFIT (continued)</b>		
Employee benefits:	(4 776)	(3 379)
– Wages and salaries	(3 947)	(2 844)
– Pension costs – defined contribution plans	(183)	(153)
– Share options granted to directors and employees	(76)	(90)
– Other	(570)	(292)
Fees paid for services:	(2 524)	(1 374)
– Administrative	(1 021)	(433)
– Management	(270)	(357)
– Professional	(219)	(185)
– Secretarial	(85)	(131)
– Technical	(929)	(268)
Average number of employees	16 452	14 878
<b>4. FINANCE INCOME</b>		
Interest income on loans and receivables	2 280	1 325
Foreign exchange transaction gains	4 447	455
	6 727	1 780
<i>Reconciliation of interest received to finance income</i>		
Interest received (operating activities)	1 744	1 013
Unrealised foreign exchange transaction gains	4 393	399
Interest accrued	579	368
Fair value adjustments	11	—
Finance income recognised in the income statement	6 727	1 780

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>5. FINANCE COSTS</b>		
Interest expense – borrowings	(4 030)	(3 088)
Interest expense – finance leases	(1)	(25)
Financing costs – put option	(1 259)	(558)
Finance costs	(439)	(272)
Fair value losses	(94)	(309)
Foreign exchange	(726)	23
Foreign exchange transaction losses	(2 010)	(1 265)
Other	(1 344)	(17)
	<b>(8 644)</b>	<b>(4 953)</b>
<i>Reconciliation of interest paid to finance costs</i>		
Interest paid (operating activities)	<b>(3 027)</b>	(3 589)
Arrangement fees	(2)	(1)
Financing costs – put option	(1 259)	(558)
Interest accrued	(2 022)	(142)
Unrealised foreign exchange transaction losses	(2 334)	(663)
Finance costs recognised in the income statement	<b>(8 644)</b>	<b>(4 953)</b>

	December 2008 Rm	December 2007 Rm
<b>6. INCOME TAX EXPENSE</b>		
<b>Current tax</b>		
Normal tax	(7 614)	(6 174)
Current year	(7 338)	(5 968)
Prior year over provision	1	3
Secondary tax on companies	(277)	(209)
<b>Foreign tax</b>		
Foreign income and withholding taxes**	(681)	(256)
Deferred tax (note 12)	(3 060)	(1 361)
Current year	(3 060)	(1 298)
Prior year over provision	100	17
Change in tax rate	(100)	(80)
	<b>(11 355)</b>	<b>(7 791)</b>
<b>Secondary tax on companies</b>		
STC relating to dividend to be proposed at the AGM	(338)	(254)

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

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 %	December 2007 %
<b>6. INCOME TAX EXPENSE (continued)</b>		
<b>Tax rate reconciliation</b>		
The income tax charge for the year is reconciled to the effective rate of taxation in South Africa as follows:		
Tax at standard rate	28,0	29,0
Expenses not allowed	2,6	1,8
Effect of different tax rates in other countries	(1,1)	(1,9)
Nigeria investment allowance relief	(0,8)	(3,1)
Income not subject to tax	(0,1)	(0,5)
Effect of pioneer status/tax credit granted	—	(3,0)
Effect of Nigerian commencement provisions	4,3	13,8
Nigeria put revaluation	1,2	0,8
Withholding taxes	2,4	1,2
Effect of STC	1,0	1,1
Other	2,4	0,3
	<b>39,9</b>	<b>39,5</b>

The Company holds investments in Afghanistan, Benin, Botswana, Cameroon, Congo-Brazzaville, Côte d'Ivoire, Cyprus, Ghana, Guinea Bissau, Guinea Conakry, Iran, Liberia, Monaco, 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.

During the year, the South African Minister of Finance announced a change in the corporate tax rate from 29% to 28% effective for financial years ending between April 2008 and March 2009. Deferred tax balances have been remeasured as a result.

## 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 R15 315 million (December 2007: R10 608 million), and the weighted average number of 1 865 298 632 (December 2007: 1 861 454 696) 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 R15 603 million (December 2007: R10 886 million) and adjusted headline earnings of R16 870 million (December 2007: R12 693 million) respectively, and the weighted average number of 1 865 298 632 (December 2007: 1 861 454 696) 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 1 875 155 825 (December 2007: 1 875 629 522) fully diluted ordinary shares in issue (excluding treasury shares) during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. 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.

	December 2008		December 2007	
	Rm		Rm	
	Gross	Net	Gross	Net
<b>7. EARNINGS AND DIVIDEND PER ORDINARY SHARE (continued)</b>				
<b>7.1 Earnings per ordinary share (continued)</b>				
<i>Reconciliation between net profit attributable to the equity holders of the Company and headline earnings</i>				
<b>Net profit for the period</b>		<b>15 315</b>		10 608
<i>Adjusted for:</i>				
Loss on disposal of property, plant and equipment*	137	111	73	61
Impairment of property, plant and equipment*	225	177	212	173
Other impairments	—	—	57	44
<b>Basic headline earnings</b>		<b>15 603</b>		10 886
<i>Adjusted for:</i>				
Reversal of deferred tax asset	562	441	(264)	(223)
Reversal of the subsequent utilisation of deferred tax asset	—	—	1 968	1 664
Impact of put options				
– Fair value adjustment	94	74	310	262
– Finance costs	1 165	914	249	210
– Minority share of profits	(162)	(162)	(106)	(106)
<b>Adjusted headline earnings</b>		<b>16 870</b>		12 693
<b>Earnings per ordinary share (cents)</b>				
– Basic		<b>821,0</b>		569,9
– Basic headline		<b>836,5</b>		584,8
– Adjusted headline		<b>904,4</b>		681,9
<b>Diluted earnings per share (cents)</b>				
– Basic		<b>806,1</b>		559,2
– Basic headline		<b>821,5</b>		580,4
– Adjusted headline		<b>888,9</b>		676,7

\*Amounts are stated after taking into account minority interests.

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 000	December 2007 000
<b>7. EARNINGS AND DIVIDEND PER ORDINARY SHARE (continued)</b>		
<b>7.1 Earnings per ordinary share (continued)</b>		
Weighted average number of shares	1 865 299	1 861 455
Adjusted for:		
– share options	3 575	6 947
– share appreciation rights	6 282	7 228
Weighted average number of shares for diluted earnings per share calculation	1 875 156	1 875 630

### Explanation of adjusted headline earnings

#### *Impact of put options*

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:

- 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;
- 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
- 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:

- 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
- 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 2008 and 2007 financial years amounted to R2 536 million and R1 675 million respectively. A dividend in respect of the period ended 31 December 2008 of R1,81 was approved by the board on 11 March 2009.

These financial statements do not reflect the declared dividend.

	Owned				Leased			
	Land and buildings Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Vehicles Rm	Land and buildings Rm	Capital work-in-progress/other Rm	Total Rm
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>								
<b>8.1 Movement in net carrying amount At 31 December 2008</b>								
Cost	3 412	897	83 438	6 149	944	655	6 887	102 382
Accumulated depreciation	(397)	(494)	(33 065)	(3 631)	(359)	(154)	(89)	(38 189)
Net carrying amount	3 015	403	50 373	2 518	585	501	6 798	64 193
<i>The movement in net carrying amount of property, plant and equipment is comprised as follows:</i>								
Opening net carrying amount	1 778	275	32 410	1 338	241	529	2 892	39 463
Acquisition of business combinations	30	2	48	62	—	—	13	155
Additions	1 019	207	14 689	1 509	446	—	9 027	26 897
Impairment loss	—	—	(225)	—	—	—	—	(225)
Disposals	—	—	(249)	(5)	(16)	—	(14)	(284)
Depreciation charge	(119)	(125)	(8 817)	(696)	(139)	(28)	(15)	(9 939)
Other movements	39	10	6 548	65	(3)	—	(6 240)	419
Exchange differences	268	34	5 969	245	56	—	1 135	7 707
Closing net carrying amount	3 015	403	50 373	2 518	585	501	6 798	64 193

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	Owned				Leased			Total Rm
	Land and buildings Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Vehicles Rm	Land and buildings Rm	Capital work-in-progress/other Rm	
<b>8. PROPERTY, PLANT AND EQUIPMENT (continued)</b>								
<b>8.1 Movement in net carrying amount At 31 December 2007</b>								
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 carrying amount	1 778	275	32 410	1 338	241	529	2 892	39 463
<i>The movement in net carrying amount of property, plant and equipment is comprised as follows:</i>								
Opening net carrying 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 carrying amount	1 778	275	32 410	1 338	241	529	2 892	39 463

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.

\*\*This relates to advances made for capital expenditure.

## 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 carrying amount of R111 million (December 2007: R797 million) (note 17).

#### *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 carrying amount of R2 458 million (December 2007: R1 202 million). This serves as security for a syndicated loan made to MTN Uganda Limited by various banks and financial institutions (note 17).

#### *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 carrying amounts of these secured assets are R231 million and R298 million respectively (December 2007: R247 million and R315 million respectively) (note 17).

#### *Irancell Telecommunication Company Services*

Borrowings by Irancell Telecommunication Company Services are secured by certain categories of equipment with a carrying amount of R285 million (2007: R19,64 million) (note 17).

#### *MTN Sudan*

Borrowings by MTN Sudan are secured by certain categories of buildings with a carrying amount of R200 million (note 17).

#### *MTN Zambia Limited*

Borrowings by MTN Zambia Limited are secured by certain categories of network assets with a carrying amount of R432 million (December 2007: Rnil) (note 17).

### 8.3 Prior year

#### *MTN Ghana*

Borrowings by Scancom Limited were secured by two switches of the operation with a carrying amount of Rnil in December 2007.

#### *MTN Congo-Brazzaville*

Borrowings by MTN Congo-Brazzaville were secured by motor vehicles with a carrying amount of R12 million in December 2007.

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	Goodwill Rm	Customer relation- ships Rm	Licences Rm	Software Rm	Other intangible assets Rm	Total Rm
<b>9. INTANGIBLE ASSETS</b>						
<b>At 31 December 2008</b>						
Cost	31 914	4 625	13 761	3 822	226	54 348
Accumulated amortisation	—	(3 079)	(3 764)	(1 570)	(149)	(8 562)
Net carrying amount	31 914	1 546	9 997	2 252	77	45 786
<i>The movement in the net carrying amount of intangible assets is comprised as follows:</i>						
Opening net carrying amount	25 744	2 722	9 092	1 137	102	38 797
Additions from business combinations	662	—	148	—	—	810
Additions	—	—	82	1 366	29	1 477
Amortisation charge	—	(1 288)	(1 019)	(469)	(44)	(2 820)
Exchange differences	5 508	112	1 694	218	(10)	7 522
Closing net carrying amount	31 914	1 546	9 997	2 252	77	45 786
<b>At 31 December 2007</b>						
Cost	25 744	4 420	11 268	2 059	202	43 693
Accumulated amortisation	—	(1 698)	(2 176)	(922)	(100)	(4 896)
Net carrying amount	25 744	2 722	9 092	1 137	102	38 797
<i>The movement in the net carrying amount of intangible assets is comprised as follows:</i>						
<b>Year ended 31 December 2007</b>						
Opening net carrying amount	27 017	3 797	8 442	832	17	40 105
Additions from business combinations	(122)	4	32	5	1	(80)
Additions	—	—	1 427	528	120	2 075
Amortisation charge	—	(1 094)	(789)	(286)	(30)	(2 199)
Impairment losses	—	—	(77)	—	—	(77)
Reallocations	—	—	—	51	—	51
Amortisation charge from business combinations	—	—	(1)	—	(1)	(2)
Exchange differences	(1 151)	15	58	7	(5)	(1 076)
Closing net carrying amount	25 744	2 722	9 092	1 137	102	38 797

	December 2008 Rm	December 2007 Rm
<b>9. INTANGIBLE ASSETS (continued)</b>		
<b>Impairment tests for goodwill</b>		
Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to country of operation.		
A summary of the goodwill allocation is presented below:		
MTN Côte d'Ivoire	1 975	1 519
Scancom Limited (Ghana)	13 479	11 942
MTN Sudan Company Limited	4 913	3 829
MTN Yemen	2 654	1 894
MTN Afghanistan	1 364	1 012
MTN Uganda	781	646
MTN Congo-Brazzaville	810	615
MTN Syria	461	317
Areeba Limited (Cyprus)	722	539
Spacetel Benin (SA)	1 146	951
Areeba Guinea (Conakry)	925	890
Others	2 684	1 590
<b>Total</b>	<b>31 914</b>	<b>25 744</b>

Goodwill is tested annually for impairment. There was no impairment of any of the CGUs above to which goodwill had been allocated.

The recoverable amount of a CGU was determined based on value-in-use calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a five to 10-year period. Cash flows beyond the above period were extrapolated using the estimated growth rates stated below. The following key assumptions were used for the value-in-use calculations:

- Growth rate: We used a steady growth rate to extrapolate revenues beyond the budget period cash flows. The growth rate was consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGU operated. The average growth rates used ranged from 2% to 4%.
- Discount rate: Discount rates range from 8% to 21%. Discount rates used reflect specific risks relating to the relevant CGU.
- Afnet, Arobase, OTEnet and Infotel were acquired during the year (note 42.1) and have not yet been subject to impairment testing. The Group has elected, under IFRS 3, to finalise asset and liability fair values in respect of these acquisitions, within 12 months subsequent to acquisition date, after which impairment testing will be performed.

	December 2008 Rm	December 2007 Rm
<b>10. INVESTMENTS IN ASSOCIATES</b>		
Balance at beginning of year	60	73
Share of results after tax	—	8
Exchange differences	—	(21)
Balance at end of period	60	60

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.

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>11. LOANS AND OTHER NON-CURRENT RECEIVABLES</b>		
Loan to Broadband Limited**	20	75
Loan to Iran Electronic Development Company***	471	354
Loan to Irancell Telecommunication Company Services****	5 090	2 759
Non-current advances	1 179	469
Non-current prepayments	1 187	709
	<b>7 947</b>	4 366
Less: short-term portion	<b>(3 324)</b>	(1 933)
Loan to Broadband Limited**	(10)	(25)
Non-current advances	(106)	—
Loan to Iran Electronic Development Company***	(471)	—
Loan to Irancell Telecommunication Company Services****	(2 737)	(1 908)
	<b>4 623</b>	2 433

\*\*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 USD2,2 million (December 2007: USD11,1 million) attracts interest at LIBOR + 6% per annum (effective rate of 7,00% per annum) (December 2007: effective rate of 9,18% 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.

#### 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 (2007: R6 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.

\*\*\*USD58,8 million (December 2007: USD58,65 million) will attract interest at LIBOR + 4% per annum (effective rate 7,78%) (December 2007: effective rate of 10,52%) which will be capitalised against the loan. The loan and capitalised interest is repayable by August 2009.

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

It is anticipated that the current repayment terms will be renegotiated. 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 four loans:

Loan 1: USD115,3 million (December 2007: USD106,7 million) attracting interest at LIBOR + 4% per annum (effective rate of 7,8%) (December 2007: effective rate of 9,1%) which will be capitalised against the loan. The loan and capitalised interest is repayable by August 2009.

Loan 2: USD458,4 million (December 2007: USD425,5 million) will attract interest at LIBOR + 4% per annum (effective rate of 7,5%) (December 2007: effective rate of 9,1%) which will be capitalised against the loan. The loan and capitalised interest is repayable by November 2009.

Loan 3: EUR196,5 million (December 2007: EUR180,3 million) will attract interest at EURIBOR + 4% which will be capitalised against the loan (effective rate of 8,6%) (December 2007: effective rate of 9,8%). The loan and capitalised interest is repayable by 31 May 2008.

Loan 4: EUR156,4 million will attract interest at EURIBOR + 4% which will be capitalised against the loan (effective rate 8,3%). There are no fixed terms of repayment.

Although loans 1 and 2 are contractually repayable in the short term, only R3 208 million of these loans have been reflected as current from a classification perspective; due to management intention to only call on the remainder reflected as non-current after 31 December 2009.

In addition, loan 3 was also not called upon in the current financial year in accordance with its agreed contractual term.

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

The loans to MTN Irancell have been subordinated in accordance with the Deferred Payment Facility Agreement obtained by MTN Irancell.

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

	1 January 2007 Rm	Additions- business combina- tions Rm	Charged to income statement Rm	Exchange diffe- rences Rm	31 Decem- ber 2007 Rm	Charged to income statement Rm	Exchange diffe- rences Rm	31 Decem- ber 2008 Rm
<b>12. DEFERRED INCOME TAXES</b>								
<b>Movement</b>								
<b>Deferred income tax liabilities</b>								
Assessed losses	5	—	—	—	5	—	—	5
Tax allowances over book depreciation	(1 332)	(13)	(169)	13	(1 501)	(1 990)	22	(3 469)
Other temporary differences	(342)	(21)	203	10	(150)	(515)	(23)	(688)
Revaluation of at acquisition assets	(1 286)	(2)	49	3	(1 236)	55	(37)	(1 218)
Working capital allowances	177	—	29	—	206	175	—	381
	(2 778)	(36)	112	26	(2 676)	(2 275)	(38)	(4 989)
<b>Deferred income tax assets</b>								
Provisions and other temporary differences	306	—	16	180	502	(188)	75	389
Excess allowances over depreciation	15	—	26	38	79	(23)	—	56
Accelerated depreciation	—	—	—	—	—	79	16	95
Tax loss carried forward	44	—	164	(11)	197	(150)	52	99
Arising due to fair value adjustments on business combinations	105	—	3	(7)	101	(43)	(33)	25
MTN Nigeria Communications Limited	2 135	—	(1 682)	—	453	(453)	—	—
Working capital allowance	—	—	—	—	—	(7)	—	(7)
	2 605	—	(1 473)	200	1 332	(785)	110	657
Net deferred income tax asset/(liability)	(173)	(36)	(1 361)	226	(1 344)	(3 060)	72	(4 332)

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 12. DEFERRED INCOME TAXES (continued)

In prior years MTN Nigeria Communications Limited (MTN Nigeria) enjoyed a tax holiday (pioneer status) which expired on 31 March 2007. In accordance with Nigerian tax legislation, MTN Nigeria's operating profit post pioneer status is subsequently included in taxable income. The deferred income tax asset at the end of pioneer status amounted to R2,5 billion (31 March 2007) which was primarily comprised of capital allowances on fixed assets acquired during the tax holiday. At Group level, R1,7 billion of the asset was utilised during 2007 with the remainder being utilised in the current financial year.

In 2007, a deferred income tax asset of R400 million (49% : R196 million) relating to unused tax losses, was recognised in respect of MTN Irancell Telecommunication Company Services. During 2008 a substantial portion of these unused tax losses have been utilised, supporting the previous recognition of the deferred income tax asset. A deferred income tax asset of R98 million remains at 31 December 2008 relating to the remaining unused tax losses. Management considers it probable that future taxable profit will be available against which the unused tax losses will be utilised.

		December 2008 Rm	December 2007 Rm			
<b>13. INVENTORIES</b>						
Finished goods (handsets, SIM cards and accessories) – at cost		2 475	1 214			
Consumable stores and maintenance spares – at cost		59	25			
Less: Write down to net realisable value		(162)	(72)			
		<b>2 372</b>	<b>1 167</b>			
	<b>At beginning of year Rm</b>	<b>Additions Rm</b>	<b>Utilised Rm</b>	<b>Unused Rm</b>	<b>Exchange differences Rm</b>	<b>At end of year Rm</b>
<i>Provision movement</i>						
<b>Year ended 31 December 2008</b>						
Movement in impairment of inventories	(72)	(95)	1	8	(4)	(162)
<b>Year ended 31 December 2007</b>						
Movement in impairment of inventories	(92)	(9)	9	20	—	(72)

A write-down of R78 million (December 2007: R9 million) was incurred in the current year. This amount is included in other expenses in the income statement (note 3).

	December 2008 Rm	December 2007 Rm
<b>14. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	13 468	10 107
Less: Provision for impairment of trade receivables	(1 674)	(1 071)
Trade receivables – net	11 794	9 036
Prepayments and other receivables*	3 615	2 625
Sundry debtors and advances**	3 533	925
	<b>18 942</b>	<b>12 586</b>

An impairment charge of R328 million (December 2007: R91 million) was incurred in the current year, and this amount is included in other expenses in the income statement (refer to note 3).

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 45.

The carrying value of trade and other receivables approximates the fair value because of the short period to maturity.

\*Prepayments and other receivables include prepayment for BTS and other property leases.

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

	December 2008 Rm	December 2007 Rm
<b>15. ORDINARY SHARES AND SHARE PREMIUM</b>		
<b>Ordinary share capital</b>		
<i>Authorised share capital</i>		
2 500 000 000 ordinary shares of 0,01 cent each	*	*
<i>Issued and fully paid-up share capital</i>		
1 868 010 304 (December 2007: 1 864 797 807) ordinary shares of 0,01 cent each	*	*
<b>Share premium</b>		
Balance at beginning of year	23 864	23 804
Options exercised	41	60
Balance at end of year	<b>23 905</b>	<b>23 864</b>

**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 45 of the directors' report. All disclosure as required has been included in the directors' report.

\*Amounts less than R1 million

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>16. RESERVES</b>		
<b>Non-distributable reserves</b>		
Balance at beginning of year	(14 569)	(14 082)
Purchase/sale of non-controlling interests	4 020	179
Transfer from distributable reserves	87	(113)
Share-based payment reserve	75	92
Cash flow hedging reserve	138	30
Cancellation of Ivory Coast put option	54	—
Shareholders' loan revaluation reserve	44	565
Foreign currency translation differences of foreign subsidiaries and joint ventures	11 920	(1 240)
Balance at end of year	1 769	(14 569)
<i>Consisting of:</i>		
Contingency reserve (as required by insurance regulations)	18	18
Statutory reserve (as required by Rwandan and Congo-Brazzaville legislation)	(9)	(9)
Purchase/sale of non-controlling interests	(10 707)	(14 727)
Shareholders' loan revaluation reserve	(244)	(288)
Cash flow hedging reserve	114	(24)
Share-based payment reserve	244	169
Other reserves	53	(88)
Foreign currency translation differences of foreign subsidiaries and joint ventures	12 300	380
	1 769	(14 569)

A contingency reserve has been created in terms of the Short-Term Insurance Act, 1988. Transfers to the contingency reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the 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.

	December 2008 Rm	December 2007 Rm
<b>17. BORROWINGS</b>		
<b>Unsecured</b>		
<b>MTN Dubai Limited</b>		
<i>Revolving credit facility</i>		
Bank loan of USD50 million bearing interest at LIBOR plus 3,5% repayable on 5 February 2009. The effective interest rate was 5,88% (December 2007: 6,83%)	329	203
<i>Term loan</i>		
A bank loan of USD50 million bearing interest at three month LIBOR plus 2,5% with an effective rate of 6,12% (December 2007: 7,33%), repayable quarterly with the final instalment due in December 2010	187	177
<b>MTN Sudan Company Limited</b>		
A bank loan of EUR26,4 million, repayable semi-annually, bearing interest at EURIBOR plus 3%, with an effective interest rate of 7,98% (December 2007: 7,84%). The maturity date is June 2011. MTN Dubai has provided a guarantee for this loan	166	261
<b>Areeba Limited (Cyprus)</b>		
A long-term bank loan denominated in EUR, bearing interest at EURIBOR six month plus 1,75% with an effective interest rate of 6,39%. The loan is repayable semi-annually with the final instalment due by December 2020. MTN Dubai has provided a guarantee for this loan	346	—
A long-term bank loan denominated in EUR, bearing interest at EURIBOR six month plus 2%, with an effective interest rate of 5,84% (December 2007: 5,84%). The loan is repayable semi-annually with the final instalment due by 2010. MTN Dubai has provided a guarantee for this loan	58	65
A trade finance loan denominated in EUR, bearing interest at EURIBOR six month plus 0,45% with an effective rate of 3,22% (December 2007). This loan was repaid in the current year	—	84
<b>MTN Syria SA</b>		
Bank loan USD10 million bearing interest at an interest rate of 7,61% (December 2007: 7,61%). The loan is repayable semi-annually with the last instalment due on 21 July 2009. MTN Dubai has provided a guarantee for this loan	33	41
Bank loan of USD7 million with an interest rate of 4,47% (December 2007: 6,29%) The loan is repayable semi-annually with the last instalment due in February 2009. MTN Dubai has provided a guarantee for this loan	7	15
<b>MTN International (Mauritius) Limited</b>		
<i>Revolving credit facility</i>		
Facility arranged by Standard Finance (Isle of Man) of USD150 million bearing interest at LIBOR plus 1,6% at an effective interest rate of 4,1% (December 2007: 7,69%). This loan expires on 31 March 2009 (December 2007: 30 September 2008). MTN Holdings and other MTN Group entities have provided cross guarantees for this loan facility	1 263	763

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>17. BORROWINGS (continued)</b>		
<b>Unsecured (continued)</b>		
<b>MTN Cameroon</b>		
<i>Syndicated loan facility</i>		
A syndicated loan of CFA44,15 billion. The loan is repayable in semi-annual instalments following a six month grace period, with the final repayment due in July 2012. The annual interest rate is fixed at 6,85%	<b>814</b>	653
<b>Irancell Telecommunication Company Services</b>		
<i>Local short-term facility</i>		
A local working capital loan of IRR400 billion bearing interest at a fixed interest rate of 16% and repayable on 19 November 2009	<b>187</b>	—
These loans, denominated in IRR were repaid during the current financial year. The loans bore interest at 12%	—	73
<i>Vendor deferred payment facility</i>		
A vendor deferred payment facility denominated in USD and IRR bearing interest at LIBOR plus 2% and 9%, with effective interest rates of 9,53% and 11,61% (December 2007: 7,4% and 9%) respectively	<b>64</b>	17
<b>MTN Nigeria Communications Limited</b>		
A syndicated medium-term facility totalling approximately USD2 billion and incorporating three tranches:		
<i>i) Underwritten local currency medium-term discounted note issuance facility</i>		
The loan is for NGN142 198 million. It is repayable in two equal instalments, in October 2010 and October 2012. The interest, payable quarterly, is based on NIBOR plus 1% with an effective interest rate of 17,35% (December 2007: 14,26%)	<b>9 433</b>	3 688
<i>ii) Foreign currency term loan facility</i>		
The loan is for USD400 million. It is repayable in eight semi-annual instalments following an 18 months grace period, with the final repayment due on September 2012. The interest rate is based on six month LIBOR plus 2% with an effective interest rate of 5,08% (December 2007: 7,13%)	<b>3 139</b>	1 310
<i>iii) Other loans</i>	<b>400</b>	—

	December 2008 Rm	December 2007 Rm
<b>17. BORROWINGS (continued)</b>		
<b>Unsecured (continued)</b>		
<i>MTN Congo</i>		
<i>Long-term loan</i>		
A loan of CFA20 billion bearing interest at a rate of 8,25%. The first loan drawdown was in December 2008. The loan is repayable over five years with a six month grace period upfront and the final instalment due in December 2013	207	—
<i>MTN Côte d'Ivoire</i>		
<i>Short-term facilities</i>		
Various XOF short-term facilities with effective interest rates ranging from 7,5% to 8,25% per annum (December 2007: 8% to 8,25% per annum), repayable both monthly and quarterly until between September 2007 and December 2014	675	225
<i>MTN Uganda</i>		
<i>Promissory notes</i>		
Promissory notes issued to the value of USD5 million and UGX9,5 billion at effective interest rates of 9% and 13% respectively (December 2007: 11,25%). Repayable monthly in arrears	93	38
Short-term bank facilities with various banks of USD10 million and a bridge loan of USD10 million. These loans have been repaid during the current financial year	—	137
<i>MTN Zambia Limited</i>		
<i>Syndicated loan facility</i>		
A syndicated bank loan totalling ZMK150 billion bearing interest at the 182 Treasury bill rate plus 1%. The loan is repayable semi-annually with the final instalment in December 2012. The effective interest rate was 13,60%. The loan is guaranteed by MTN International (Mauritius)	291	—
<i>Bridge loan</i>		
Bridge loans denominated in ZMK (December 2007: R28 million) and USD (December 2007: R305 million) bearing interest at the Stanbic rate minus 5% and LIBOR plus 2% with effective interest rates of 14% and 7,5% respectively. These loans were repaid during the current financial year	—	333

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>17. BORROWINGS (continued)</b>		
<b>Unsecured (continued)</b>		
<b>MTN (Proprietary) Limited</b>		
<i>Term loans</i>		
Term loans bearing interest at effective interest rates ranging between 11,46% and 11,58% per annum. The loans were part of a 366 day facility. The timing of the repayment of the loans was at the discretion of the Group. The loans were part of the facility held by the MTN Group, and MTN Holdings and other Group entities had provided cross guarantees for the loan facility	—	400
<b>MTN Holdings (Proprietary) Limited</b>		
<i>Domestic medium-term note programme</i>		
Bond MTN01 bearing interest at 10,01% payable semi-annually in arrears with a final maturity on 13 July 2010	5 000	5 000
Bond MTN02 bearing interest at 10,19% payable semi-annually in arrears with a final maturity on 13 July 2014	1 300	1 300
<i>Syndicated loan facilities</i>		
<i>Facility A1</i>		
A five year USD750 million facility. The capital is repayable in 10 equal semi-annual payments starting January 2008. Interest is charged at LIBOR plus 55bps (December 2007: 75 bps). The effective interest rate for 2008 was 3,97%	5 257	5 087
<i>Facility A2</i>		
A five year R7 000 million facility. The capital is repayable in 10 equal semi-annual payments starting January 2008. Interest is charged at JIBAR plus 70bps (December 2007: 90 bps). The effective interest rate for 2008 was 12,51%	5 250	7 000
<b>Other unsecured loans</b>		
<i>Trade finance</i>		
Various unsecured loan facilities with banks	59	25
Bank overdraft facilities	1 365	1 322
<b>Total unsecured</b>	<b>35 923</b>	<b>28 217</b>

	December 2008 Rm	December 2007 Rm
<b>17. BORROWINGS (continued)</b>		
<b>Secured</b>		
<b>MTN Sudan Company Limited</b>		
A bank loan, denominated in SDG, repayable semi-annually and bearing interest at 12%. The loan matures in September 2011. The loan is secured by a pledge of buildings (note 8)	98	—
<b>MTN Uganda Limited</b>		
<i>Medium-term loan</i>		
A loan agreement with a club of local bank of UGX54,1 billion. The loan is divided into two tranches. Tranche A matures in September 2011 and tranche B matures in July 2012. The interest rate is based on the Ugandan 364 day T-bill plus 2,25% with an effective rate of 15,63% (December 2007: 14,79%). Security provided by debentures over property and endorsement of insurances (note 8)	262	266
<b>MTN Ghana</b>		
<i>IFC Loan</i>		
IFC loan denominated in USD bearing interest at LIBOR plus 3,5% with an effective interest rate of 5,76%. The loan was 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
<b>Irancell Telecommunication Company Services</b>		
<i>Vendor facilities</i>		
Loans denominated in EUR, bearing interest at EURIBOR plus 5,25% with effective interest rates between 9,74% and 10% (December 2007: 9,36% to 9,5%). The loans were repayable from 31 March 2009 to 30 November 2009 and are secured by a pledge over certain categories property, plant and equipment (note 8)	350	700

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>17. BORROWINGS (continued)</b>		
<b>Secured (continued)</b>		
<b>MTN Côte d'Ivoire</b>		
<i>Ecobank</i>		
Various bank loans denominated in XOF secured by certain categories of assets including cash deposits, cession of insurance and network assets, at effective rates ranging between 6,5% and 8,25% (December 2007: 7,25% and 9%) repayable monthly, quarterly or semi-annually between 2007 and September 2011 (note 8, 24)	438	314
Bank loans of XOF20 billion bearing interest at effective interest rates between 7,25% and 8,3% per annum (December 2007: 7,25% to 8,3%), repayable monthly or quarterly between July 2007 and July 2013. The loans are secured by pledge of deposit accounts (note 24)	374	304
<b>MTN Zambia</b>		
A loan of USD90 million bearing interest at three month LIBOR plus 2,25%, repayable in quarterly interest payments and semi-annual capital repayments with the final repayment due in June 2013. The effective interest rate was 4,29%. The loan is secured by pledge of network assets (note 8)	432	—
<b>MTN Holdings (Proprietary) Limited</b>		
<i>Standard Corporate Merchant Bank (SCMB) term loan</i>		
A bank facility bearing interest at an effective interest rate of 12,55% (December 2007: 11,73%). MTN Holdings and other MTN subsidiary companies have provided cross guarantees for the loan facility	3 184	3 187
<b>MTN (Proprietary) Limited</b>		
<i>14th Avenue Finance Lease – Phase 1</i>		
Finance lease obligation capitalised at an effective interest rate of 11,25% (December 2007: 10%) per annum. The lease term is 10 years with five years remaining, and renewal options of 20 years in total, and instalments payable monthly. The book value of the underlying property is R231 million (December 2007: R247 million). This obligation is secured by underlying property. The fair value amounts to R286 million (December 2007: R272 million) (note 8)	228	260
<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 eight remaining, with renewal options of 10 years in total, and instalments payable monthly. The book value of the underlying property is R298 million (December 2007: R315 million). This obligation is secured by the underlying property. The fair value amounts to R486 million (December 2007: R537 million) (note 8)	301	315
Total secured	5 667	5 440
Total borrowings	41 590	33 657

	December 2008 Rm	December 2007 Rm
<b>17. BORROWINGS (continued)</b>		
The maturity of the above loans and overdrafts is as follows:		
Payable within one year or on demand	12 490	10 650
Short-term borrowings	11 125	9 328
Bank overdrafts	1 365	1 322
More than one year but not exceeding two years	9 685	4 024
More than two years but not exceeding five years	17 964	17 222
More than five years	1 451	1 761
	41 590	33 657
<i>Less:</i> Amounts included within current liabilities	(12 490)	(10 650)
Amounts included in non-current liabilities	29 100	23 007
The fair values of all borrowings and bank overdrafts approximate their book values.		
The Group has the following undrawn facilities:		
Floating rate	14 720	22 220
Fixed rate	—	—
	14 720	22 220

The facilities expiring within one year are annual facilities subject to review at various dates during 2009.

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>17. BORROWINGS (continued)</b>		
South African rand	16 628	18 720
US dollar	10 717	8 260
Nigerian naira	9 833	3 688
Uganda shilling	308	141
Euro	920	1 110
Congo-Brazzaville Communaute Financière Africaine franc	207	4
Syrian pounds	—	105
Sudanese dinar	98	—
Iranian rials	228	84
Cameroon Communaute Financière Africaine franc	814	653
Cote d'Ivoire Communaute Financière Africaine franc	1 487	842
Zambian kwacha	291	28
Various currencies	59	22
	<b>41 590</b>	<b>33 657</b>

Further details of the Group's finance lease commitments are provided in note 31 to the financial statements.

	December 2008 Rm	December 2007 Rm
<b>18. OTHER NON-CURRENT LIABILITIES</b>		
Obligation in respect of licence agreements	473	522
Other non-current provisions	198	236
Other non-current liabilities	213	117
	<b>884</b>	875
<b>19. PUT OPTION LIABILITY</b>		
Put options in respect of subsidiaries	3 341	2 556
Less: Short-term portion	(3 341)	—
	—	2 556

The put option liabilities in respect of subsidiaries arise from arrangements whereby certain of the minority shareholders of MTN Côte d'Ivoire Limited 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 or loss (note 5).

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.

The MTN Côte d'Ivoire put option was cancelled during the year under review resulting in the previously raised financial liability being reclassified to equity.

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.

Furthermore, MTN has a put option and the minority shareholders option for 1% in respect of MTN Cyprus, at a fixed amount. These options are currently not exercisable.

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>20. TRADE AND OTHER PAYABLES</b>		
Trade payables	10 157	6 328
Sundry creditors	2 927	1 418
Accrued expenses	10 112	7 428
Other payables	1 557	1 429
	<b>24 753</b>	16 603

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 45.

	At beginning of year Rm	Additional provisions Rm	Additions – Business combina- tions Rm	Unused amounts reversed Rm	Utilised Rm	Exchange differences Rm	At end of year Rm
<b>21. PROVISIONS AND OTHER LIABILITIES AND CHARGES</b>							
<b>Year ended 31 December 2008</b>							
Bonus	327	393	2	(9)	(280)	33	466
Decommissioning provision	132	128	—	(2)	(3)	34	289
Onerous leases/other	429	503	(2)	(1)	(244)	—	685
Licence obligations	261	—	—	—	—	—	261
Other provision	—	—	1 591	—	—	—	1 591
Total	1 149	1 024	1 591	(12)	(527)	67	3 292
<b>Year ended 31 December 2007</b>							
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

## 21. PROVISIONS AND OTHER LIABILITIES AND CHARGES (continued)

### **Bonus provision**

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

### **Licence obligations**

The licence obligation provision represents the estimated costs to be incurred in fulfilling the Universal Services obligation. Refer note 28.

### **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.

### **Other provisions**

The Group is involved in various regulatory and tax matters specific to the respective jurisdictions in which the Group operates. These matters may not necessarily be resolved in a manner that is favourable to the Group. The Group has therefore recognised provisions in respect of these matters based on estimates and probability of whether an outflow of economic benefits will be due.

### **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 to its original condition. The Group only recognises these decommissioning costs for the proportion of its overall number of sites for which it expects decommissioning to take place. The expected percentage has been based on actual experience in the respective operations.

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## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>22. CASH GENERATED FROM OPERATIONS</b>		
Profit before tax	28 490	19 707
<i>Adjustments for:</i>		
Share of results in associates after tax (note 10)	—	(8)
Finance cost (note 5)	8 644	4 953
Finance income (note 4)	(6 727)	(1 780)
Depreciation of property, plant and equipment (note 8)	9 939	6 774
Amortisation of intangible assets (note 9)	2 820	2 199
Loss on disposal of property, plant and equipment (note 3)	135	73
Loss on disposal of non-current asset (note 3)	2	—
Loss on disposal of investments	6	—
Share-based payments	50	97
Increase in provisions	531	247
Amortisation of prepaid expenses	218	—
Write down of inventories (note 13)	78	—
Impairment of investment in MTN Mobile Money Holdings (Proprietary) Limited	—	7
Impairment charge on property, plant and equipment (note 8)	225	212
Other	(1)	30
	44 410	32 511
Changes in working capital	426	1 823
Increase in inventories	(1 124)	(146)
Increase in unearned income	2 039	1 437
Increase in receivables and prepayments	(1 677)	(3 756)
Increase in trade and other payables	1 188	4 288
<b>Cash generated from operations</b>	<b>44 836</b>	<b>34 334</b>

	December 2008 Rm	December 2007 Rm
<b>23. INCOME TAX PAID</b>		
Opening balance	(3 562)	(1 356)
Amounts charged to income statement (note 6)	(11 355)	(7 791)
Deferred tax credit (note 6 and 12)	3 060	1 361
Exchange differences	(510)	(29)
At acquisition taxes	—	(41)
Withholding taxes not paid	508	61
Closing balance	5 078	3 562
– Taxation prepaid	(642)	(184)
– Current income tax liabilities	5 720	3 746
Total tax paid	(6 781)	(4 233)
<b>24. CASH AND CASH EQUIVALENTS</b>		
For purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash at bank and on hand	26 961	16 868
Bank overdraft	(1 365)	(1 322)
	25 596	15 546
<i>Included in cash balances is an amount of R31,5 million (December 2007: R23,7 million) encumbered by borrowings relating to MTN Côte d'Ivoire.</i>		
<b>25. RESTRICTED CASH</b>		
Restricted cash deposits	1 778	739
<i>Restricted cash consists of monies placed on deposit with banks in Nigeria, Cameroon and other operations to secure Letters of Credit, which at year-end were undrawn and not freely available.</i>		
<b>26. UNDERWRITING ACTIVITIES</b>		
Underwriting activities are conducted through special purpose entities on commercial terms and conditions and at market prices.		
<b>Income statement effect</b>		
– Gross premiums written	310	143
– Outwards reinsurance premiums	(133)	(14)
– Change in unearned premiums	—	3
– Other**	(213)	(114)
	(36)	18
<b>Balance sheet effect</b>		
Share of technical provision:		
– Outstanding claims	89	137
– Provision for unearned premiums	10	8
	99	145
<b>Receivables</b>	40	72
<b>Payables</b>	(182)	(10)

\*\*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 2008

	December 2008 Rm	December 2007 Rm
<b>27. CONTINGENT LIABILITIES</b>		
Upgrade incentives*	504	957
Ericsson voucher**	—	(34)
Ericsson voucher***	(191)	—

\* 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 2008 was 481 078 (December 2007: 465 432). The estimated contingent liability at 31 December 2008 based on the prevailing business rules on such date amounts to R504 million (December 2007: R957 million).

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

\*\* The Group received a voucher which entitled it to a discount of R112 million on certain future 3G equipment purchases. To date, R112 million (December 2007: R78 million) of the voucher has been applied against the purchases of the said equipment.

\*\*\*The Group received a voucher which entitles it to a discount of R191 million (USD20 million) on certain future purchases of services relating to 3G equipment.

## 28. 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 Services obligations amounting to approximately R300 million are met. These include the following:

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

### 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. Previously it was reported that the ownership of 10% by the SPV, already formed, and ultimate placement with Zambian public was in progress. The remaining unresolved matters were cleared with the regulator during the year resulting in 2,2% of the shareholding being sold to the public for an amount of R24,6 million subsequent to year-end. The sale of the remaining 7,8% is currently under discussion.

## 28. 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 38,7%. The substantial terms and conditions of this commitment are yet to be finalised.

### Eastern African 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 African Submarine Cable System (EASSy). The Group's commitment in respect of the contract amounts to USD40 million of which USD8 million has been paid at 31 December 2008 (2007: USD4,5 million).

	December 2008 Rm	December 2007 Rm
<b>29. CAPITAL COMMITMENTS</b>		
<b>Capital expenditure contracted at the balance sheet date but not yet incurred is as follows:</b>		
<i>Commitments for the acquisition of property, plant and equipment and intangible assets</i>		
Contracted but not provided for	8 906	6 925
Authorised but not contracted for	24 743	21 364
<b>Group's share of capital commitments of joint ventures:</b>		
<i>Commitments for the acquisition of property, plant and equipment and intangible assets</i>		
Contracted but not provided for	2 504	1 746
Authorised but not contracted for	1 514	546
Total commitments for property, plant and equipment and intangible assets	37 667	30 581

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

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>30. OPERATING LEASE COMMITMENTS</b>		
<b>The future aggregate minimum lease payments under non-cancellable operating leases are as follows:</b>		
Not later than one year	203	197
Later than one year and no later than five years	395	296
Later than five years	203	462
	<b>801</b>	955
<b>The future aggregate minimum lease payments under cancellable operating leases are as follows:</b>		
Not later than one year	382	104
Later than one year and no later than five years	857	302
Later than five years	666	172
	<b>1 905</b>	578
The Group leases various premises/sites under non-cancellable/cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
<b>31. FINANCE LEASE COMMITMENTS</b>		
At the balance sheet date, the Group had outstanding commitments under non-cancellable finance leases which fall due as follows:		
<b>Minimum lease payments:</b>		
Not later than one year	136	112
Later than one year and no later than five years	529	520
Later than five years	133	184
	<b>798</b>	816
Less: Future finance charges on finance leases	(244)	(235)
<b>Present value of finance lease obligations</b>	<b>554</b>	581
<b>Present value of finance lease obligations are as follows:</b>		
Not later than one year	69	53
Later than one year and no later than five years	366	367
Later than five years	119	161
	<b>554</b>	581

	December 2008 Rm	December 2007 Rm
<b>32. OTHER COMMITMENTS</b>		
Soccer sponsorship*	304	331
Orders placed to purchase handsets	237	42
	<b>541</b>	<b>373</b>
<i>*This commitment relates to FIFA 2010 sponsorship.</i>		
	%	%
<b>33. INTEREST IN JOINT VENTURES</b>		
The Group had the following effective percentage interests in joint ventures:		
Swazi MTN Limited	30	30
Digital Mobile TV Africa (Proprietary) Limited*	50	50
MTN Mobile Money Holdings (Proprietary) Limited	50	50
Mascom Wireless Botswana Limited	53	53
Irancell Telecommunication Company Services	49	49
<i>*In June 2007, MTN Holdings entered into a joint venture agreement with Multichoice Investment Holdings to provide (DVB-H) mobile broadcast television in sub-Saharan Africa and selected countries in North Africa and the Middle East.</i>		
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	2 818	1 392
Non-current assets	7 726	3 260
Current liabilities	(620)	(2 729)
– Interest-bearing	(255)	(790)
– Non-interest-bearing	(365)	(1 939)
Non-current liabilities	(9 594)	(2 749)
– Interest-bearing	(5 508)	(2 672)
– Non-interest-bearing	(4 086)	(77)
Revenue	5 697	2 030
Expenses	(4 948)	(1 920)
	<b>Number of employees</b>	<b>Number of employees</b>
Average number of employees relating to joint ventures:		
– Full time	910	773
– Part time	1 349	351
There are no significant contingent liabilities relating to the Group's interests in these joint ventures.		

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## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 34. 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.

### 35. 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 pays 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 900MHz 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 in addition, pays an annual licence fee based on 2,5% of assessed net revenue as defined in the licence.

A 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 is 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 900MHz, 1800MHz and 1900MHz (including cellular public pay telephones) GSM telecommunication network within the geographic territory of Rwanda. In 2008 the licence was renewed, an amount of USD500 000 was paid for an extension to the old licence and is valid for 13 years and may be terminated thereafter with a two-year written notice period. The Group paid an initial licence fee of USD200 000 and in addition, pays an annual licence fee based on 3% (December 2007: 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.

#### MTN Uganda Limited

The licence authorises MTN Uganda Limited to construct, maintain and operate a 900MHz and 1800MHz national second generation 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 EUR300 million was paid. An annual regulatory fee of 0,25% of revenue of the preceding contractual year, an annual universal service contribution fee of 3% of revenue of the preceding contractual year and other fixed fees, all totalling in aggregate not more than 5% of revenue from the previous contractual year 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.

The licence allows IranCell Telecommunication Company Services equipment providing access and communication for rendering services to the subscribers of radio communication networks based on WiMAX technology, including switching centres and base stations and other equipment necessary for its proper functioning (excluding mother backbone and international gateways). The licence was granted on 23 December 2008 and has a validity of up to six years renewable for five years. An initial licence fee of EUR50,7 million was paid.

#### **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 10. 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**

The licence authorises Spacetel Benin to construct and operate a 900MHz and 1800MHz GSM network for a period of 10 years and to have 100% geographic coverage. The effective date of the licence is 19 October 2007 and can be automatically extended 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. A once-off licence fee of USD40 million was paid with an annual fee of 2% of net revenue. The licence agreement is effective from October 2006 and 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. A once-off licence fee of EUR2,2 million was paid with an annual fee of XOF2 million per frequency channel. 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 Republic 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 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.

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 35. LICENCE AGREEMENTS (continued)

#### **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.

#### **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 being 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. A once-off licence fee of YER10 billion was paid with an annual regulatory fee of YER1,7 billion. 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.

#### **MTN Zambia Limited**

The licence authorises MTN Zambia Limited to set up and run a cellular service within the designated bandwidth of 890MHz – 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 was 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 FCFA365 million for the mobile licence and FCFA250 million for the international gateway licence. The annual licence fee is based on 3% of local and 6% of international traffic. Furthermore, a frequency management fee of FCFA100 million, frequency usage fee of FCFA162,2 million and a number licence fee of FCFA60 million are payable annually. The payment for renewal is set at FCFA2,2 billion.

#### **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 Limited 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 EUR600 000) and a licence fee of 5% of audited net operational income as defined in the licence. The licence was renewed for a further period of 10 years effective November 2008 to November 2018.

#### **Mobile Telephone Networks (Proprietary) Limited**

The Company was originally granted a licence to construct, maintain and use a 900MHz GSM national mobile cellular telecommunications service within the South African geographic territory from 1 June 1994 for a period of 15 years, automatically renewable on *mutatis mutandis*, the same terms and conditions, subject to certain provisions. The company paid an initial licence fee of R100 million and pays an annual licence fee based on 5% of net operating income as defined in the licence. This original licence expires during 2009. In January 2005, the company was granted the right to maintain and use the 1800MHz GSM spectrum as well as maintain and operate a UMTS (3G) network under the existing cellular network licence with the proviso that certain additional universal service obligations ("USO") for MTN of R561 million of which R220 million has been recognised as an intangible asset, resulting in a commitment of R341 million which will be incurred over the next eight years.

#### **Post-balance sheet event**

Since the promulgation of the Electronic Communications Act, 36 of 2005 ("ECA"), the Company's licence has been converted and renewed as of 15 January 2009 for a period of 15 years for the Individual Electronic Communications Service ("IECS") licence and 20 years for the Individual Electronic Communications Network Service ("IECNS") licence.

The IECNS licence authorises the Company to construct, maintain and operate an electronic communications network as well as to provide electronic communications network services and the IECS licence authorises the Company to provide electronic communications services. All these services are to be provided in the Republic of South Africa.

In terms of the IECNS licence, the Company shall continue to maintain previously implemented universal service obligations until reviewed by the Independent Communications Authority of South Africa ("ICASA") in terms of sections 82, 88, 89 and 90 of the ECA. The Company shall continue to pay the remainder of its fixed licence fee of R100 million in terms of the agreed schedule of payment until it is reviewed by ICASA in terms of Chapter 2 of the ECA. The Company shall also continue to pay the prescribed annual licence fee amounting to 5% of the audited licence fee income, until reviewed by ICASA in terms of Chapter 2 of the ECA.

MTN considers that, this converted and renewed licence was issued on less favourable terms than the original licence granted in 1993 and therefore not in compliance with the provisions of section 93 (1) of the ECA, in particular the conditions of "no less favourable terms", is engaging ICASA around the following:

- The provision relating to the fixed licence fees is no longer applicable to MTN as this condition has been fulfilled
- MTN currently pays an annual licence fee of 5% of net operational income and not 5% of the audited licence fee income
- The definition of Force Majeure is of wide interpretation and does not take into account various situations.
- Certain omissions relating to USOs, access to frequencies and performance specifications.

## Notes to the Group financial statements *continued*

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	December 2008	December 2007
<b>36. EXCHANGE RATES TO SOUTH AFRICAN RAND</b>		
<b>Year-end closing rates</b>		
United States dollar (USD)	0,11	0,15
Uganda shilling (UGX)	206,87	250,41
Rwanda franc (RWF)	61,14	81,95
Cameroon Communaute Financière Africaine franc (XAF)	49,87	67,57
Nigerian naira (NGN)	15,07	17,46
Iranian riyals (IRR)	1 047,81	1 393,05
Botswana pula (BWP)	0,81	0,91
Côte d'Ivoire Communaute Financière Africaine franc (CFA)	50,55	65,73
Congo-Brazzaville Communaute Financière Africaine franc (CFACB)	49,79	65,71
Zambian kwacha (ZMK)	513,16	567,78
Swaziland emalangeneni (E)	1,00	1,00
Lebanese pound (LBP)	150,96	222,32
Afghanistan afgani (AFN)	5,57	7,37
Euro (EUR)	0,08	0,10
British pound sterling (GBP)	0,07	0,07
Ghana cedi (GHC)	0,13	0,14
Benin (XOF)	49,79	65,71
Cypriot pounds (CYP)	0,08	0,10
Euro Mednet (EURM)	0,08	0,10
Guinea Conakry (GNF)	555,92	632,30
Sudanese dinars (SDD)	0,24	0,30
Syrian pound (SYP)	4,96	7,08
Guinea Bissau (XOF)	46,32	67,35
Yemen riyals (YER)	21,40	29,44

	December 2008	December 2007
<b>36. EXCHANGE RATES TO SOUTH AFRICAN RAND (continued)</b>		
<b>Average rates for the year</b>		
United States dollar (USD)	0,12	0,14
Uganda shilling (UGX)	215,59	243,56
Rwanda franc (RWF)	68,69	79,77
Cameroon Communaute Financière Africaine franc (XAF)	56,77	70,66
Nigerian naira (NGN)	14,54	17,89
Iranian riyals (IRR)	1 151,90	1 320,38
Botswana pula (BWP)	0,83	0,85
Côte d'Ivoire Communaute Financière Africaine franc (CFA)	54,77	68,20
Congo-Brazzaville Communaute Financière Africaine franc (CFACB)	54,84	68,10
Zambian kwacha (ZMK)	455,28	556,96
Swaziland emalangeneni (E)	1,00	1,00
Lebanese pound (LBP)	188,04	215,34
Afghanistan afgani (AFN)	6,07	7,10
Euro (EUR)	0,08	0,10
British pound sterling (GBP)	0,02	0,07
Ghana cedi (GHC)	0,13	0,13
Benin (XOF)	53,97	68,30
Cypriot pounds (CYP)	—	0,06
Euro Mednet (EURM)	0,09	0,10
Guinea Conakry (GNF)	1 391,71	702,43
Sudanese dinars (SDD)	0,27	0,29
Syrian pound (SYP)	5,47	7,09
Guinea Bissau (XOF)	55,38	67,74
Yemen riyals (YER)	24,93	28,30

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	December 2008 Rm	December 2007 Rm
<b>37. FOREIGN EXCHANGE EXPOSURE</b>		
Included in the Group balance sheet are the following amounts denominated in currencies other than the functional currency of the reporting entities:		
<b>GROUP</b>		
<i>Assets</i>		
Accounts receivable		
– US dollar	4 126	3 124
– Euro	284	2 481
– British pound sterling	1	—
– Special drawing rights*	—	37
Total assets	4 411	5 642
<i>Liabilities</i>		
Long-term liabilities		
– US dollar	7 695	10 290
– Euro	2 778	—
	10 473	10 290
Current liabilities		
– US dollar	7 694	3 617
– British pound sterling	7	6
– Euro	1 939	707
– Special drawing rights*	—	43
Total current liabilities	9 640	4 373
Total liabilities	20 113	14 663
<i>*Unit of payment for international telecommunication transactions.</i>		
<b>38. DERIVATIVES</b>		
Included in the balance sheet are the following derivatives:		
– Assets	761	—
– Liabilities	(126)*	(444)
	635	(444)
Fair value profit/(loss):		
– taken to income statement	761	(444)
– taken to cash-flow hedge reserves*	138	—
Notional principal amount – USD	7 029	974
<i>*During 2008, the Group entered into a cash flow hedge to hedge foreign exchange risk in respect of the Verizon (South Africa) (Proprietary) Limited acquisition. The hedged cash flows will occur during 2009.</i>		

	December 2008 Rm	December 2007 Rm
<b>39. OTHER INVESTMENTS</b>		
Available-for-sale financial assets*	7	24
<i>*Consists of various investments made via Merrill Lynch, Forties and HSBC. No impairments have been made relating to the available-for-sale financial assets.</i>		
<b>40. POST-BALANCE SHEET EVENTS</b>		
Subsequent to year-end, the Group acquired 100% of Verizon South Africa (Proprietary) Limited and the remaining 59% in I-Talk (Proprietary) Limited.		
<b>41. RELATED PARTY TRANSACTIONS</b>		
Various transactions are entered into by the Company and its subsidiaries during the year with related parties. The terms of these transactions are at arm's length. Intra-group transactions are eliminated on consolidation.		
<b>Key management compensation</b>		
Salaries and other short-term employee benefits	13	13
Post-employment benefits	1	1
Share-based payments	*	3
Total	14	17

\*Amounts less than R1 million.

For details of transactions/balances between the Company and its related parties, refer to note 10 of the Company financial statements.

#### 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 "Directors' emoluments and related payments".

#### Shareholders

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

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 42. BUSINESS COMBINATIONS

#### 42.1 Acquisitions

During the year under review, certain subsidiaries of the Group acquired the following entities:

- (a) 100% of Afnet, a local internet service provider, was acquired by MTN Côte d'Ivoire on 8 May 2008 for an initial purchase consideration of EUR10,2 million to be followed by an additional maximum amount of EUR9,6 million. To date only the first part of the purchase consideration has been settled in cash as the remaining portion is deemed to be contingent on certain contractual requirements being met.
- (b) 100% of Arobase Telecom SA, a local fixed line operator, was acquired by MTN Côte d'Ivoire on 23 September 2008 for an initial purchase consideration of EUR7,7 million to be followed by an additional amount of EUR3,3 million. To date, only the first part of the purchase consideration has been settled in cash as the remaining portion is deemed to be contingent on certain contractual requirements being met.
- (c) 100% of OTEnet and Infotel, was acquired by MTN Cyprus in November 2008 for a total purchase consideration of EUR6,6 million and USD18 million respectively. The carrying amount of the net assets acquired were not yet available at year-end and have therefore not been included in the analysis below.

The Group has elected, under IFRS 3, to finalise asset and liability fair values allocated to each cash-generating unit, and therefore the allocated goodwill, within 12 months subsequent to the acquisition date.

In respect of the acquisitions outlined under (a) to (c) above the Group has elected, under IFRS 3, to finalise asset and liability fair values allocated to each cash-generating unit, and therefore the allocated goodwill, within 12 months subsequent to the acquisition date.

	Rm
The assets and liabilities arising from the acquisitions are as follows:	
Purchase consideration (a and b)	233
Fair value of net assets/(liabilities) acquired	(169)
Goodwill (a and b)	402
Purchase consideration (c)	260
Goodwill (a, b and c)	662
Purchase consideration (a, b and c)	(493)
Cash and cash equivalents acquired	30
Cash outflow on acquisition	(463)

	Fair value on acquisition date	Acquiree's carrying amount on acquisition date
<b>42. BUSINESS COMBINATIONS (continued)</b>		
<b>42.1 Acquisitions (continued)</b>		
The assets and liabilities acquired are as follows:		
Licences	148	148
Property, plant and equipment	155	155
Cash and cash equivalents	30	30
Trade and other receivables	4	4
Other current assets	4	4
Long-term borrowings	7	7
Trade and other payables	(267)	(267)
Unearned revenue	(216)	(216)
Current tax liabilities	(14)	(14)
Other liabilities	(20)	(20)
Net assets/(liabilities) acquired (a and b)	(169)	(169)

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 42. BUSINESS COMBINATIONS (continued)

#### 42.2 Prior year 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 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 gaining control of MTN Rwandacell S.A.R.L.

	November 2007	
	Rm	
Total purchase consideration		272
Fair value of net assets acquired		(58)
Goodwill		214
	Fair value on acquisition date Rm	Acquiree's carrying amount on acquisition Rm
The assets and liabilities arising from the acquisition are as follows:		
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 equivalents in subsidiary acquired		134
Cash outflow on acquisition		(138)

	Notes	Fair value on acquisition date Rm	Acquiree's carrying amount on acquisition Rm
		December 2008	December 2007
<b>42. BUSINESS COMBINATIONS (continued)</b>			
<b>42.3 Cash flows relating to acquisitions</b>			
Acquisition of Afnet and Arobase	42.1	(233)	—
Acquisition of OTEnet and Infotel	42.1	(260)	—
Acquisition of additional shares in MTN Rwandacell S.A.R.L.	42.2	—	(272)
Other acquisitions*		(118)	(40)
		(611)	(312)
<b>Amounts shown in the cash flow statement</b>			
Change in shareholding		(611)	(312)
Cash acquired		30	143
		(581)	(169)

\*These consist of an investment in the EASy Project and ELG Submarine Cable (2007: Disposal of shares in MTN Uganda and MTN Côte d'Ivoire and the acquisition of additional shares in MTN Botswana).

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 43. CHANGES IN SHAREHOLDING

#### 43.1 The acquisition of additional 5% in MTN Côte d'Ivoire

In November 2008, the shareholding in MTN Côte d'Ivoire, a telecommunications company incorporated in Côte d'Ivoire, was increased from 59,67% to 64,67%, for USD38 million.

The assets and liabilities acquired are as follows:

	Carrying value on acquisition date Rm
Cash and cash equivalents	2
Property, plant and equipment	119
Intangibles	27
Investment in associates	11
Non-current prepayments	4
Inventories and receivables	35
Payables	(69)
Long-term borrowings	(44)
Net assets acquired	85
Purchase consideration	384
Net assets acquired	(85)
Difference included in equity on consolidation	299

#### 43. CHANGES IN SHAREHOLDING (continued)

##### 43.2 The disposal of 5,96% of MTN Nigeria

In February 2008, the shareholding in MTN Nigeria, a telecommunications company incorporated in Nigeria, was reduced from 82,04% to 76,08%, for USD594 million. The transaction did not result in loss of control.

The assets and liabilities sold are as follows:

	Carrying value on disposal date Rm
Cash and cash equivalents	282
Property, plant and equipment	1 065
Other non-current assets	188
Net deferred tax asset	8
Non-current prepayments	3
Inventories and receivables	128
Payables	(433)
Borrowings	(332)
Net assets disposed of	909
Consideration received	4 656
Net assets disposed of	(909)
Profit on disposal included in equity on consolidation	3 747

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 43. CHANGES IN SHAREHOLDING (continued)

#### 43.3 The disposal of 49% in MTN Cyprus

In September 2008, the shareholding in MTN Cyprus, a telecommunications company incorporated in Cyprus, was reduced from 99% to 50% for USD32,2 million. The transaction did not result in loss of control.

Due to the shareholders' deficit existing on the date of disposal, no allocation to minority shareholders was accounted for, resulting in the profit on disposal being equal to the net consideration received.

The assets and liabilities sold are as follows:

	Carrying value on disposal date Rm
Cash and cash equivalents	13
Property, plant and equipment	213
Intangibles	110
Inventories and receivables	67
Payables	(423)
Borrowings	(16)
Net assets disposed of	(36)
Consideration received	303
Net assets disposed of	—
Profit on disposal included in equity on consolidation	303

#### 43. CHANGES IN SHAREHOLDING (continued)

##### 43.4 Prior year change in shareholding

###### 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 a loss of control.

The assets and liabilities disposed of are as follows:

		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	December 2008 Rm	December 2007 Rm
<b>43.5 Reconciliation to the cash flow statement</b>			
<b>Cash flows relating to change in shareholding</b>			
The acquisition of 5% in MTN Côte d'Ivoire	43.1	(384)	—
The disposal of 5,96% of MTN Nigeria	43.2	4 656	—
The disposal of 49% of MTN Cyprus	43.3	303	—
The disposal of 8,67% of MTN Côte d'Ivoire	43.4	—	221
		4 575	221

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 44. GUARANTEES

44.1 The Company has guaranteed the bonds, revolving credit facilities and general banking facilities of MTN Holdings (Pty) Limited.

	December 2008 Rm	December 2007 Rm
The bond guarantees are as follows:		
Bond		
MTN 01	5 000	5 000
MTN 02	1 300	1 300
These bonds are listed on the Bond Exchange of South Africa.		
<b>Syndicated loan facilities</b>		
USD revolving credit facility long-term loan of USD562 million	5 257	5 086
ZAR long-term loan	5 250	7 000
USD long-term loan of USD1 250 million (undrawn)	11 692	8 476
<b>General banking facility</b>		
ZAR long-term loan	3 200	—
44.2 The Company has guaranteed the syndicated loan of MTN Zambia of ZMK149 565 million.	291	—
44.3 The Group's 100% subsidiary MTN Dubai Limited ("Dubai") (or one of Dubai's 100% subsidiaries) has guaranteed banking and vendor facilities and regulatory authorities for various operating subsidiaries.		
<b>Bank and vendor loan facilities</b>		
<i>Euro term loans</i>		
– Areeba Limited (Cyprus)	404	65
– MTN Sudan Company Limited	166	261
<i>USD loans</i>		
– MTN Syria	32	56

	Notes	Fair value through profit or loss Rm	Loans and receivables Rm	Available-for-sale Rm	Amortised cost Rm	Total carrying amount Rm	Fair value Rm
<b>45. FINANCIAL INSTRUMENTS</b>							
<b>45.1 Accounting classifications and fair values</b>							
<b>31 December 2008</b>							
<i>Non-current</i>							
Loans and other non-current receivables	11	—	3 436	—	—	3 436	3 436
<i>Current</i>							
Loans and other non-current receivables	11	—	3 324	—	—	3 324	3 324
Trade and other receivables	14	—	15 327	—	—	15 327	15 327
Restricted cash	25	—	1 778	—	—	1 778	1 778
Other investments	39	—	—	7	—	7	7
Derivatives	38	761	—	—	—	761	761
Cash and cash equivalents	24	—	26 961	—	—	26 961	26 961
		761	50 826	7	—	51 594	51 594
<i>Non-current</i>							
Borrowings	17	—	—	—	(29 100)	(29 100)	(29 100)
Other non-current liabilities	18	—	—	—	(686)	(686)	(686)
<i>Current</i>							
Borrowings	17	—	—	—	(11 125)	(11 125)	(11 125)
Trade and other payables	20	—	—	—	(23 196)	(23 196)	(23 196)
Put option obligations	19	—	—	—	(3 341)	(3 341)	(3 341)
Derivatives	38	(126)	—	—	—	(126)	(126)
Bank overdraft	24	—	—	—	(1 365)	(1 365)	(1 365)
		(126)	—	—	(68 813)	(68 939)	(68 939)

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

	Notes	Fair value through profit or loss Rm	Loans and receivables Rm	Available-for-sale Rm	Amortised cost Rm	Total carrying amount Rm	Fair value Rm
<b>45. FINANCIAL INSTRUMENTS (continued)</b>							
<b>45.1 Accounting classifications and fair values (continued)</b>							
<b>31 December 2007</b>							
<i>Non-current</i>							
Loans and other non-current receivables	11	—	1 724	—	—	1 724	1 724
<i>Current</i>							
Loans and other non-current receivables	11	—	1 933	—	—	1 933	1 933
Trade and other receivables	14	—	9 961	—	—	9 961	9 961
Restricted cash	25	—	739	—	—	739	739
Other investments	39	—	—	24	—	24	24
Derivatives	38	—	—	—	—	—	—
Cash and cash equivalents	24	—	16 868	—	—	16 868	16 868
		—	31 225	24	—	31 249	31 249
<i>Non-current</i>							
Borrowings	17	—	—	—	(23 007)	(23 007)	(23 007)
Other non-current liabilities	18	—	—	—	(639)	(639)	(639)
Put option obligations	19	—	—	—	(2 556)	(2 556)	(2 556)
<i>Current</i>							
Borrowings	17	—	—	—	(9 328)	(9 328)	(9 328)
Trade and other payables	20	—	—	—	(15 174)	(15 174)	(15 174)
Derivatives	38	(444)	—	—	—	(444)	(444)
Bank overdraft	24	—	—	—	(1 322)	(1 322)	(1 322)
		(444)	—	—	(52 026)	(52 470)	(52 470)

## 45.2 Credit risk

### Exposure to credit risk

The Group's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk, with the exception of financial guarantees granted by the Group for which the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantees are called on.

The Group holds collateral over certain trade and other receivables. The collateral is made up of demand guarantees from financial institutions and Credit Guarantee Insurance Company ("CGIC") policies which can be exercised on overdue invoices.

### Ageing and impairment analysis

	December 2008 gross Rm	December 2007 gross Rm
Ageing of the trade receivables:	<b>11 966</b>	9 154
– Not past due	<b>10 093</b>	7 448
– Past due 0 – 180 days	<b>1 482</b>	1 507
– Past due 180 + days	<b>391</b>	199
Individually impaired but not written off	<b>1 502</b>	953
	<b>13 468</b>	10 107

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

	Interconnect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
<b>At 31 December 2008</b>				
South Africa	—	157	2	159
Nigeria	433	188	47	668
Rest of Africa and Middle East	198	462	15	675
	<b>631</b>	<b>807</b>	<b>64</b>	<b>1 502</b>
<b>At 31 December 2007</b>				
South Africa	—	53	—	53
Nigeria	438	161	13	612
Rest of Africa and Middle East	108	178	2	288
	546	392	15	953

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. The recoverability of interconnect debtors in certain international operations is uncertain; however, this is actively managed within acceptable limits.

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 45. FINANCIAL INSTRUMENTS (continued)

#### 45.2 Credit risk (continued)

##### Exposure to credit risk (continued)

Certain of the loans to MTN Irancell that are contractually receivable within the next financial year, have been classified as long term due to management's intention not to call these loans within the next 12 months. These loans earn market-related interest and management believe them to be fully recoverable based on the future prospects of MTN Irancell (note 11).

	At beginning of period Rm	Acquisition- Business combinations Rm	Additions Rm	Unused Rm	Exchange differences Rm	At end of period Rm
<b>Impairment movement</b>						
<b>31 December 2008</b>						
Movement in provision for impairment of trade receivables	(1 071)	(3)	(328)	—	(272)	(1 674)
<b>31 December 2007</b>						
Movement in provision for impairment of trade receivables	(932)	(5)	(98)	7	(43)	(1 071)

##### Cash and cash equivalents

The Group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate values of transactions concluded is spread amongst approved financial institutions. Credit exposure is controlled by counterparty limits that are reviewed and approved by the credit risk department.

#### 45.3 Liquidity risk

The following liquid resources are available:

	Carrying amount		Fair value	
	December 2008 Rm	December 2007 Rm	December 2008 Rm	December 2007 Rm
<b>GROUP</b>				
Cash at bank and on hand; net of overdrafts	25 597	15 547	25 597	15 547
Restricted cash	1 778	739	1 778	739
Trade and other receivables	15 327	9 961	15 327	9 961
	42 702	26 247	42 702	26 247

### 45.3 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities excluding interest payments:

	Carrying amount Rm	Payable within one month or on demand Rm	More than one month but not exceeding three months Rm	More than three months but not exceeding one year Rm
<b>GROUP</b>				
<b>At 31 December 2008</b>				
<b>Current liabilities</b>				
Borrowings*	11 125	—	—	11 125
Trade and other payables				
– Trade payables	10 157	7 428	1 919	810
– Sundry creditors	2 927	1 472	319	1 136
– Accrued expenses	10 112	8 196	556	1 360
Bank overdraft	1 365	1 365	—	—
Derivative financial instruments				
– Inflows	—	—	—	—
– Outflows	126	—	126	—
Other non-current liabilities				
– Put option in respect of subsidiaries	3 341	3 341	—	—
	<b>39 153</b>	<b>21 802</b>	<b>2 920</b>	<b>14 431</b>
	Carrying amount Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm
<b>Non-current liabilities</b>				
Borrowings*	29 100	9 685	17 964	1 451
Other non-current liabilities				
– Put option in respect of subsidiaries	—	—	—	—
– Obligation in respect of licence agreements	473	181	224	68
– Other non-current liabilities	213	23	98	92
	<b>29 786</b>	<b>9 889</b>	<b>18 286</b>	<b>1 611</b>

\*Refer to note 5 for finance cost and note 17 for interest-bearing borrowings.

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 45. FINANCIAL INSTRUMENTS (continued)

#### 45.3 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities excluding interest payments:

	Carrying amount Rm	Payable within one month or on demand Rm	More than one month but not exceeding three months Rm	More than three months but not exceeding one year Rm
<b>GROUP</b>				
<b>At 31 December 2007</b>				
<b>Current liabilities</b>				
Borrowings*	9 328	1 510	3 188	4 630
Trade and other payables				
– Trade payables	6 328	3 541	1 036	1 751
– Sundry creditors	1 418	1 074	94	250
– Accrued expenses	7 428	5 720	545	1 163
Bank overdraft	1 322	1 322	—	—
Derivative financial instruments				
– Inflows	(4)	—	(4)	—
– Outflows	448	58	112	278
Other non-current liabilities				
– Put option in respect of subsidiaries	474	—	474	—
	26 742	13 225	5 445	8 072
		More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm
<b>Non-current liabilities</b>				
Borrowings*	23 007	4 024	17 222	1 761
Other non-current liabilities				
– Put option in respect of subsidiaries	2 082	—	2 082	—
– Obligation in respect of licence agreements	522	85	303	134
– Other non-current liabilities	117	90	17	10
	25 728	4 199	19 624	1 905

\*Refer to note 5 for finance cost and note 17 for interest-bearing borrowings.

#### 45.4 Interest rate risk

##### Profile

At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount	
	December 2008 Rm	December 2007 Rm
Fixed rate instruments	4 250	13 598
Variable rate instruments	13 095	7 623
	17 345	21 221

##### Sensitivity analysis

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

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

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remains constant. The analysis is performed on the same basis as in 2007.

	Increase/(decrease) in profit before tax		
	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
<b>GROUP</b>			
<b>At 31 December 2008</b>			
JIBAR	1	(95,7)	95,7
LIBOR	1	(90,4)	90,4
Three-month LIBOR	1	0,0	0,0
NIBOR	1	(66,3)	66,3
EURIBOR	1	33,0	(33,0)
Six-month EURIBOR	1	0,0	0,0
Money market	1	(0,9)	0,9
Prime	1	88,0	(88,0)
Other	1	0,4	(0,4)

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 45. FINANCIAL INSTRUMENTS (continued)

#### 45.4 Interest rate risk (continued)

	Increase/(decrease) in profit before tax		
	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
<b>GROUP</b>			
<b>At 31 December 2007</b>			
JIBAR	1	(15,6)	15,6
LIBOR	1	(48,5)	48,5
Three-month LIBOR	1	(1,8)	1,8
NIBOR	1	(14,4)	14,4
EURIBOR	1	2,2	(2,2)
Six-month EURIBOR	1	(1,5)	1,5
Money market	1	(1,8)	1,8
Prime	1	0,0	0,0
Other	1	7,8	(7,8)

#### 45.5 Currency risk

##### Exposure

Refer to note 38 for the Group's exposure to foreign currency risk based on notional amounts.

##### Sensitivity analysis

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

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of South African rand, US dollar, Nigerian naira, euro, Syrian pound, Iranian riyals, Ghanaian cedi, Sudanese dinars and Zambian kwacha. This analysis considers the impact of changes in foreign exchange rates on profit, excluding foreign exchange translation differences resulting from translation of Group entities that have functional currencies different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis as in 2007.

#### 45.5 Currency risk (continued)

	Increase/(decrease) in profit before tax		
	Change in exchange rate %	Weakening in functional currency, resulting in an increase/(decrease) on profit before tax Rm	Strengthening in functional currency, resulting in an increase/(decrease) on profit before tax Rm
<b>GROUP</b>			
<b>At 31 December 2008</b>			
<b>Denominated functional currency</b>			
USD: ZAR	10	909,2	(909,2)
USD: SYP	10	(105,4)	105,4
USD: IRR	10	(301,5)	301,5
USD: CEDIS	10	(44,5)	44,5
USD: SDD	10	(154,1)	154,1
USD: ZMK	10	(55,8)	55,8
USD: EUR	10	(10,6)	10,6
EUR: ZAR	10	463,8	(463,8)
EUR: SYP	10	6,2	(6,2)
EUR: IRR	10	(292,9)	292,9
EUR: SDD	10	(69,8)	69,8

## Notes to the Group financial statements *continued*

for the year ended 31 December 2008

### 45. FINANCIAL INSTRUMENTS (continued)

#### 45.5 Currency risk (continued)

	Change in exchange rate %	Weakening in functional currency, resulting in an increase/ (decrease) on profit before tax Rm	Strengthening in functional currency, resulting in an increase/ (decrease) on profit before tax Rm
<b>GROUP</b>			
<b>At 31 December 2007</b>			
<b>Denominated functional currency</b>			
USD: ZAR	10	48,1	(48,1)
USD: SYP	10	22,0	(22,0)
USD: IRR	10	(17,4)	17,4
USD: CEDIS	10	(6,0)	6,0
USD: SDD	10	(10,2)	10,2
USD: ZMK	10	(3,7)	3,7
USD: EUR	10	2,2	(2,2)
EUR: ZAR	10	18,2	(18,2)
EUR: SYP	10	5,5	(5,5)
EUR: IRR	10	(15,6)	15,6
EUR: SDD	10	(1,9)	1,9