Notes to the Group financial statements

for the year ended 31 December 2009

1. REPORTING ENTITY

MTN Group Limited is the holding company of the MTN Group (the Group) and is domiciled in the Republic of South Africa. The address of the Company's registered office is 216 14th Avenue, Fairland, Gauteng.

The consolidated financial statements of the Company for the reporting date 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly controlled entities.

The Group is a leading provider of telecommunications services, offering cellular network access and business solutions. The Group is listed in South Africa on the JSE under the Industrial - telecommunications sector.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and have been consistently applied to all periods presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act.

The financial statements have been prepared on the historical cost basis, except for the following which is measured at fair value; derivative financial instruments, financial instruments at fair value through profit or loss and available-for-sale financial assets. The methods used to measure fair value are discussed further in accounting policy note 2.27.

Amounts are rounded to the nearest million with the exception of earnings per share and the weighted average number of shares (note 8).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of accounting estimates and assumptions and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in notes 2.28 and 2.29.

2.2 Changes in accounting policies

Starting as at 1 January 2009, the Group has changed its accounting policies in the following areas:

- Accounting for borrowing costs

  This change in accounting policy was due to the adoption of IAS 23 *Borrowing Costs* (2007) in accordance with the transitional provisions of such standard; comparative figures have not been remeasured as the standard is prospectively applied. The change in accounting policy had no material impact on earnings per share.

2.3 Consolidation

The Group financial statements incorporate the financial statements of MTN Group Limited and all its subsidiaries, joint ventures, associates and special purpose entities for the reporting date 31 December 2009 on the basis outlined below:

2.3.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or currently convertible are considered when assessing whether the Group has the power to control another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Special purpose entities (SPE) (including insurance cell captives and the various MTN Group staff incentive schemes) are consolidated when the substance of the relationship indicates that the SPE is controlled by the Group. The following indicators are considered:
- in substance, the activities of the SPE are being conducted on behalf of the entity according to its specific business needs so that the entity obtains benefits from the SPE's operation;
- in substance, the entity has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an "autopilot" mechanism, the entity has delegated these decision-making powers;
- in substance, the entity has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE; or
- in substance, the entity retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

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

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

The Company accounts for investments in subsidiaries at cost, which includes transaction costs, less accumulated impairment losses.

2.3.2 Associates

Associates are all entities over which the Group has significant influence, but not control, nor joint control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Consolidation (continued)

2.3.2 Associates (continued)

Associates are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post-acquisition accumulated profits or losses of associated companies in the carrying value of the investments, which are generally determined from their latest audited financial statements and the annual profit attributable to the Group is recognised in profit or loss. The Group's share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

Where another Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's investment in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to align them with the policies of the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

2.3.3 Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest, are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the proportionate consolidation method of accounting. The Group's share of the assets, liabilities, income and expenses and cash flows of jointly controlled entities is combined with the equivalent items in the Group annual financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

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

The Company accounts for investments in jointly controlled entities at cost, which includes transaction costs, less accumulated impairment losses.

2.3.4 Common control transactions

For transactions in which combining entities are controlled by the same party or parties before and after the transaction and where that control is not transitory are referred to as common control transactions. The Group's accounting policy is for the acquiring entity would be to account for such transactions at book values as reflected in the consolidated financial statements of the selling entity.

The excess of the cost of the transaction over the acquirer's proportionate share of the net assets value acquired in common control transactions, will be allocated to the common control reserve in equity.

2.4 Segment reporting

The Group has three reportable segments, as described below, that are used by the Group executive committee to make key operating decisions, allocate resources and assess performance. The reportable segments are geographically differentiated regions, namely South and East Africa (SEA), West and Central Africa (WECA) and the Middle East and North Africa (MENA).

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

Intersegment transfer pricing is based on cost plus an appropriate margin. Unallocated items mainly comprise corporate expenses which do not directly relate to the operating activities of the segments or which cannot be re-allocated on a reasonable basis. Segment results are determined before any adjustment for non-controlling interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the functional currency). The Group financial statements are presented in South African rand, which is the functional and presentation currency of the parent company and the presentation currency of the Group.

2.5.2 Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale equity reserve.

2.5.3 Group companies

The financial statements of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at rates of exchange ruling at the reporting date;
- Specific transactions in equity are translated at rates of exchange ruling at the transaction date;
- Income and expenditure and cash flow items are translated at weighted average exchange rates for the period;
- Foreign exchange translation differences are recognised as a separate component of equity in a foreign currency translation reserve.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

2.5.3 Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale. An entity may have a monetary item that is receivable from or payable to a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation.

Such exchange differences are recognised in a separate component of other comprehensive income and recognised in the profit or loss on the disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling at the reporting date.

2.6 Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated depreciation and accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the present value of future decommissioning costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before 1 January 2009, the Group recognises the borrowing costs in profit or loss. The Group considers a period more than 12 months to be a considerable time to construct a qualifying asset.

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

Property, plant and equipment under construction is measured at initial cost and depreciated from the date the asset is available for use in the manner intended by management over its useful life. Assets are transferred from capital work-in-progress to an appropriate category of property, plant and equipment when commissioned and ready for its intended use.

Depreciation of property, plant and equipment is recognised to write off the cost of the asset to its residual value, on the straight-line basis, over its expected useful life as follows:

• Buildings owned	3 – 60 years
• Buildings leased	3 – 20 years (shorter of lease term and useful life)
• Network infrastructure	3 – 20 years
• Information systems equipment	3 – 10 years
• Furniture and fittings	3 – 10 years
• Leasehold improvements	3 – 10 years (shorter of lease term and useful life)
• Office equipment	3 – 10 years
• Motor vehicles	3 – 10 years

The depreciation method and the assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Land is not depreciated. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the expected term of the relevant lease.

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

An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as disclosed in note 2.10.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the proceeds from the disposal and the carrying amount of the asset, and is included in profit or loss.

2.7 Leases

Leases over property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised at the lower of the fair value of the leased asset and the estimated present value of the minimum lease payments at the inception of the lease. The corresponding liability to the lessor, net of finance charges, is included in the balance sheet under liabilities. Each lease payment is allocated between the liability and finance charges. Finance costs, which represent the difference between the total lease commitments and fair value of the assets acquired, are charged to profit or loss over the term of the relevant leases so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

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

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

2.8 Intangible assets

2.8.1 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

2.8.1 Computer software (continued)

Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

2.8.2 Licences

Licences are initially shown at historical cost. Licences have a finite useful life and are subsequently carried at costs less accumulated amortisation and accumulated impairment losses. Licences acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives from the commencement of service of the network. The useful lives and renewal periods of licences are shown in note 11, and are determined primarily with reference to the unexpired licence period.

2.8.3 Goodwill

Goodwill arising on the acquisition of subsidiaries, joint ventures and associates is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill arising on the acquisition of an associate is included in "investments in associates", and is tested for impairment as part of the overall balance.

Goodwill is allocated to cash-generating units (CGU) with the purpose of the impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

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

2.8.4 Customer relationships

Customer relationships acquired through business combinations are initially shown at fair value, and are subsequently carried at the initially determined fair value less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the value of the customer relationships over their estimated useful lives. Prepaid customer relationships are amortised over two to five years and postpaid customer relationships are amortised over five years.

2.8.5 Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

2.8.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

2.9.1 Offsetting financial instruments

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

2.9.2 Non-derivative financial instruments

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification is dependent on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents comprise cash on hand, deposits held on call and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group. Bank overdrafts are included within current liabilities on the balance sheet, unless the entity has a legally enforceable right to set off the amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously. Derivative financial instruments with a maturity date of three months or less are included in cash and cash equivalents.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

(a) Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading, ie, acquired principally for the purpose of selling the item in the short term. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred, assets in this category are classified as current assets. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(b) Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and other receivables comprise loans, trade and other receivables (excluding prepayments), restricted cash, and cash and cash equivalents. Loans and other receivables are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

2.9.2 Non-derivative financial instruments (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or not classified in any of the other category. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(d) Financial liabilities

Financial liabilities comprise trade and other payables, borrowings and other non-current liabilities (excluding provisions). Financial liabilities are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.9.3 Derivative financial instruments

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and attributable transaction costs are recognised in profit or loss when incurred. Subsequently derivatives are remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedged transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 39. Movements on the hedging reserve in shareholder's equity are shown in note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

2.9.4 Derivative financial instruments and hedging activities

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment of the carrying amount of a hedged item for which the effective method is used, is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. Any cumulative gain or loss existing in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains or losses accumulated in equity are included in profit or loss when the foreign operation is partially disposed of or sold.

(d) Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.10 Impairment

2.10.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events occurring after the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets, if not they are classified as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

An impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the trade receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

2.10.2 Non-financial assets

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. Goodwill is deemed to have an indefinite useful life.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or accumulated amortisation, if no impairment loss had been recognised.

2.11 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

2.12 Inventories

Inventories mainly comprise items held for sale or rental and consumable items.

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

2.13 Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of ordinary shares or share options are recognised in equity as a deduction, net of tax from the proceeds.

Where the Company or its subsidiaries purchase the Company's equity share capital (treasury shares), the amount paid, including any directly attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares. When treasury shares are subsequently reissued or sold, the amount received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised as an increase in equity.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as an interest expense.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

Current income tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries, joint ventures and associates operate and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is not recognised for the following temporary differences: the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply to temporary differences when they reverse.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, where there is an intention to settle these balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures but are not recognised if the parent company is in a position to control the timing of the reversal and if the reversal is unlikely to take place in the foreseeable future.

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

2.17 Employee benefits

Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised on an undiscounted basis as an expense in that reporting period. A liability is recognised for accumulated leave and for non-vested short-term benefits when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- achievement of previously agreed bonus criteria has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

Share-based payment transactions

The Group operates two staff share incentive schemes, the MTN Group Limited Share Option Scheme and the MTN Group Share Appreciation Rights Scheme.

Equity settled

These schemes are accounted for as equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest. The expense is adjusted to reflect the actual number of share options for which the related service and non-market-based vesting conditions are met.

Where employees exercise options in terms of the rules and regulations of the option schemes, treasury shares, if available within the MTN Group Share Trust, are allocated, or alternatively new shares are issued to participants as beneficial owners. The directors procure a listing of these shares on the JSE on which the Company's shares are listed. For the share option scheme, in exchange for the share options the participants entitled to such share options pay a consideration equal to the option price allocated to them. The nominal value of shares issued is credited to share capital and the difference between the nominal value and the option price is credited to share premium. The share appreciation rights scheme is exercised at the participants' election in terms of the vesting period and on the date exercised the benefits associated with the share appreciation rights will be received by the participant. At the participant's election any tax associated with the rights awards and the settlement of the strike price can either be settled in cash or MTN would act as agent and dispose of the shares on the participants' behalf.

The proceeds of the disposal will be used to settle the participants' obligations. Further details of equity compensation schemes are provided in the Directors' report.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.17 Employee benefits (continued)

Defined contribution plans

Group companies operate various defined contribution schemes.

A defined contribution plan is a post-employment benefit plan under which the Group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due.

Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date due to death or retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are charged against income when the Group is demonstrably committed to any such plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy and it is probable the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after reporting date are discounted to their present value.

2.18 Basis of accounting of underwriting activities

Underwriting results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

- Premiums written relate to business incepted during the period and exclude value added tax.
- Unearned premiums represent the portion of premiums written during the period that relate to unexpired terms of policies in force at the reporting date, generally calculated on a time-apportionment basis.
- Claims incurred comprise claims and related expenses paid in the period and changes in the provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.
- Claims outstanding represent the ultimate cost of settling all claims (including direct and indirect settlement costs) arising from events that have occurred up to the reporting date, including provision for claims incurred but not yet reported, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries.

2.19 Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

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

Decommissioning provision

In accordance with the Group's policy and applicable legal requirements, a provision for the costs of decommissioning base stations, and the related expense, is recognised when a base station is constructed on a site.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of indirect taxes, estimated returns and trade discounts and after eliminating sales within the Group.

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

Postpaid and prepaid products with multiple deliverables are defined as multiple element arrangements. Postpaid products typically include the sale of a handset, activation fee and a service contract; and prepaid contracts include a SIM card and airtime. These arrangements are divided into separate units of accounting, which is based on the determination of each deliverable's separate value to the customer on a stand-alone basis. The arrangement consideration is then allocated to the units of accounting based on their relative fair value.

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

2.20.1 Postpaid/(contract) products

- Connection fees: Revenue is recognised on the date of activation by the GSM operator of a new Subscriber Identification Module (SIM) card.
- Access charges: Revenue is recognised in the period to which it relates.
- Airtime: Revenue is recognised on the usage basis commencing on the date of activation.

The terms and conditions of bundled airtime products may allow for the carry-over of unused minutes. The revenue related to the unused airtime is deferred and recognised when utilised by the customer or on termination of the contract.

2.20.2 Prepaid products

- SIM kits: Revenue is recognised on the date of sale.
- Connection fees: Revenue is recognised on the date of activation.
- Airtime: Revenue is recognised on the usage basis commencing on the date of activation.

Unused airtime is deferred and recognised when unutilised by the customer or on termination of the customer relationship.

2.20.3 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20.4 Other revenue

- Equipment sales: All equipment sales to third parties are recognised only when risks and rewards of ownership are transferred to the buyer.
- Interconnect/Roaming/Data: Revenue is recognised on a usage basis, unless it is not probable on transaction date that the interconnect revenue will be received; in which case interconnect revenue is recognised only when the cash is received.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.21 Connection incentives

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers. Connection incentives are expensed in the period in which they are incurred.

2.22 Dividends payable

Dividends payable are recognised as a reduction from equity in the period in which they are approved by the Company's shareholders.

2.23 Earnings per ordinary share

Earnings per ordinary share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the net profit attributable to ordinary shareholders.

2.24 Headline earnings per ordinary share

Headline earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 3/2009 issued by the South African Institute of Chartered Accountants (SAICA).

2.25 Secondary taxation on companies

Secondary taxation on companies (STC) is provided for at a rate of 10% on the amount by which dividends declared by the Group exceed dividends received. Deferred tax on unutilised STC credits is recognised to the extent that STC payable on future dividend payments is likely to be available for set-off.

2.26 New accounting standards and International Financial Reporting Interpretation Committee (IFRIC) interpretations

(a) The following accounting standards, amendments and interpretations, none of which had a material impact on the operations of the Group, became effective in 2009:

IFRS 2 (Amendment) *Share-based Payment (effective 1 January 2009)*

The amendments apply to equity-settled share-based payment transactions and clarify the terms vesting and non-vesting conditions.

Vesting conditions are limited to service conditions and performance conditions.

Non-vesting conditions are conditions that do not determine whether the entity receives the services that entitle the counterparty to a share-based payment. Non-vesting conditions are taken into account in measuring the grant date fair value and thereafter there is no adjustment for differences between expected and actual outcomes. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRS 7 (Amendment) *Financial Instruments: Disclosure (Amendment) (effective 1 January 2009)*

The amendments require additional disclosure on fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change only resulted in additional disclosure without any earnings impact.

IFRS 8 *Operating Segments (effective 1 January 2009)*

The standard requires that segment reporting be based on the information that management uses internally for evaluating segment performance and when deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the statement of comprehensive income and balance sheet.

The operating segments of the Group are the same as the business segments previously reported in terms of IAS 14 *Segment Reporting* (AC 115).

IAS 1 (Revised) *Presentation of Financial Statements (effective 1 January 2009)*

The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. Although not mandatory, the revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The Company elected to present two performance statements and changed the titles of the primary statements as allowed by the standard.

IAS 1 (Amendment) *Presentation of Financial Statements (effective 1 January 2009)*

The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* are examples of current assets and liabilities, respectively.

IAS 23 (Amendment) *Borrowing Costs (effective 1 January 2009)*

The amendment requires the Group to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that commence on or after 1 January 2009. The Group previously recognised these borrowing costs in profit or loss when incurred. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

No borrowing costs have been capitalised by the Group during the year under review as management concluded that there are no qualifying assets as defined, for which the acquisition, construction or production commenced on or after the effective date.

IAS 27 (Amendment) *Consolidated and Separate Financial Statements* and IFRS 1 (Amendment) *First-time Adoption of International Financial Reporting Standards (effective 1 January 2009)*

The amendments require the Group to recognise dividends received from subsidiaries, jointly controlled entities or associates as dividend income in the separate financial statements of the parent or investor, regardless of whether the dividends were declared from accumulated profits arising before or after acquisition of the subsidiary, associate or joint venture.

This amendment will not have an impact on the consolidated financial statements of the Group.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.26 New accounting standards and International Financial Reporting Interpretation Committee (IFRIC) interpretations (continued)

(a) The following accounting standards, amendments and interpretations, none of which had a material impact on the operations of the Group, became effective in 2009: *(continued)*

IAS 38 (Amendment) *Intangible Assets (effective 1 January 2009)*

The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

IAS 39 (Amendment) *Financial Instruments: Recognition and Measurement (effective 1 January 2009)*

The amendment is part of the IASB's annual improvements project published in May 2008. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in a cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, *Operating Segments*, which requires disclosure for segments to be based on information reported to the chief operating decision maker. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

IFRIC 13 *Customer Loyalty Programmes (effective 1 July 2008)*

IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy goods or services. Specifically, it explains that these arrangements are multiple revenue arrangements and the consideration received from the customer is allocated between the components of the arrangement using fair values.

(b) Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2010 or later periods, and which the Group has elected not to early adopt.

Management is still in the process of assessing the impact of these standards and interpretations on the operations of the Group. These standards and interpretations will be adopted in the year in which they become effective.

IFRS 3 (Revised) *Business Combinations (effective 1 July 2009)*

The objective of this standard is to enhance the relevance, reliability and comparability of the information that an entity provides in its financial statements about a business combination and its effects.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through profit or loss.

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IAS 27 (Revised) *Consolidated and Separate Financial Statements (effective 1 July 2009)*
The objective of this standard is to reduce the alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of the parent, venturer or investor. The amendments relate, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary.

IFRS 5 (Amendment) *Non-current Assets Held for Sale and Discontinued Operations (effective 1 July 2009)*
The amendment specifies that if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it should classify all of that subsidiary's assets and liabilities as held for sale when the criteria of IFRS 5 are met; regardless of whether the entity retains a non-controlling interest in its former subsidiary after the sale.

Furthermore, disclosures for discontinued operations are required by the parent when such a subsidiary meets the definition of a discontinued operation.

IFRIC 17 *Distributions of Non-cash Assets to Owners (effective 1 July 2009)*
This interpretation addresses the accounting treatment for non-cash distributions made to owners.

Under IFRIC 17 a liability will be recognised at the fair value of the asset to be distributed when the distribution is authorised. The asset to be distributed will be reclassified as held for distribution and measured in accordance with IFRS 5. Remeasurement of the liability at fair value of the asset to be distributed will be recognised in equity. When the distribution is made, the liability and the asset will be derecognised, with any difference taken to profit or loss. This does not apply to non-cash assets that are ultimately controlled by the same party before and after the distribution ie, excluding transactions under common control.

IFRS 2 (Amendment) *Group Cash-settled Share-based Payment (effective 1 January 2010)*
The amendments expand the scope of IFRS 2 to include Group cash-settled share-based payments. Arrangements that are settled in cash or other assets based on the price or value of the entity or another Group entity's equity instruments should be accounted for as share-based payments.

An entity that receives the goods or services will be required to account for the share-based payment in its separate financial statements, even if it has no obligation to settle the transaction. This entity will classify the share-based payments as equity-settled if it has an obligation to transfer its own equity instruments or if it does not have an obligation to settle the transaction. Any other share-based payment will be classified as cash-settled.

(c) The following standards, amendments and interpretations are not yet effective, and/or are not relevant for the Group's operations:
IAS 32 (Amendment) *Financial Instruments: Presentation* and IAS 1 (Amendment) *Presentation of Financial Statements (effective 1 January 2009)*

IAS 39 (Amendment) *Financial Instruments: Recognition and Measurement* and IFRIC 9 (Amendment) *Reassessment of Embedded Derivatives (effective 30 June 2009)*

IFRIC 14 *Prepayments of a Minimum Funding Requirement (effective 1 January 2011)*

IFRIC 16 *Hedges of a Net Investment in Foreign Operations (effective 1 October 2008)*

IFRIC 17 *Distribution of Non-cash Assets to Owners (effective 1 July 2009)*

IFRIC 18 *Transfer of Assets from Customers (effective 1 July 2009)*

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)*

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.27 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on depreciated replacement cost.

(b) Intangible assets

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

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

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

(d) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(e) Derivatives

The fair value of forward foreign exchange contracts is based on their listed market price.

(f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(g) Share-based payment transactions

The fair value is measured using the stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(h) Long-term receivables

The fair value of long-term receivables is determined using discounted cash flow method using market-related rates at 31 December.

2.28 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy mentioned in note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and the input factors most sensitive to change have been disclosed in note 11. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors results in any of the goodwill allocated to appropriate cash-generating units being impaired. Based on the analysis performed, there are no indications that an impairment of goodwill related to any of its cash-generating units that have been tested is required at reporting date.

Connection incentives and subscriber acquisition costs

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

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

Interconnect revenue recognition

Due to the receipt of interconnect revenue in certain operations not being certain at transaction date, the Group has resolved only to recognise interconnect revenue relating to these operations as the cash is received.

2.29 Critical judgements in applying the entity's accounting policies

Income taxes

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

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3. OPERATING SEGMENTS

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

The Group is organised into three regions which are regularly reported to the chief operating decision maker ie the Group executive committee.

December 2009	South and East Africa Rm	West and Central Africa Rm	Middle East and North Africa Rm	Head office companies Rm	Consolidated Rm
Revenue					
External sales	39 669	50 543	21 525	210	111 947
Total revenue	39 669	50 543	21 525	210	111 947
EBITDA	12 701	27 029	5 782	551	46 063
Depreciation of property, plant and equipment	(2 744)	(6 692)	(2 362)	(9)	(11 807)
Amortisation of intangible assets	(508)	(1 375)	(762)	(23)	(2 668)
Finance costs	(333)	(3 188)	(431)	(8 278)	(12 230)
Finance income	265	1 490	345	4 320	6 420
Share results of associate after tax	(18)	—	13	—	(5)
Profit before tax	9 363	17 264	2 585	(3 439)	25 773
Income tax expense	(2 488)	(5 238)	(486)	(400)	(8 612)
Profit after tax	6 875	12 026	2 099	(3 839)	17 161
Segment assets					
Non-current assets	22 178	36 293	15 164	36 578	110 213
Current assets	11 977	11 338	10 168	12 541	46 024
Total assets	34 155	47 631	25 332	49 119	156 237
Segment liabilities					
Non-current liabilities	5 741	14 487	7 960	238	28 426
Current liabilities	19 310	20 074	14 899	662	54 945
Total liabilities	25 051	34 561	22 859	900	83 371
Capital expenditure* **	8 645	16 518	5 785	300	31 248
Average number of employees	6 547	6 109	4 642	211	17 509

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

3. OPERATING SEGMENTS (continued)

December 2008	South and East Africa Rm	West and Central Africa Rm	Middle East and North Africa Rm	Head office companies Rm	Consolidated Rm
Revenue					
External sales	37 483	47 682	17 215	146	102 526
Total revenue	37 483	47 682	17 215	146	102 526
EBITDA	12 878	25 318	4 654	316	43 166
Depreciation of property, plant and equipment	(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
Profit before tax	10 112	16 057	1 783	538	28 490
Income tax expense	(2 790)	(6 114)	(234)	(2 217)	(11 355)
Profit after tax	7 322	9 943	1 549	(1 679)	17 135
Segment assets**					
Non-current assets	17 816	39 837	15 295	42 371	115 319
Current assets	12 676	15 467	10 428	16 216	54 787
Total assets	30 492	55 304	25 723	58 587	170 106
Segment liabilities**					
Non-current liabilities	3 561	17 135	5 753	8 524	34 973
Current liabilities	19 833	21 720	16 645	(3 607)	54 591
Total liabilities	23 394	38 855	22 398	4 917	89 564
Capital expenditure***	7 350	15 024	5 772	117	28 263
Average number of employees	5 361	5 795	5 075	221	16 452

***Including taxation prepaid and taxation liabilities.*

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

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		December 2009 Rm	December 2008 Rm
4.	**REVENUE**		
	Airtime and subscription	**76 814**	70 963
	Data	**3 329**	2 690
	SMS	**5 437**	4 394
	Interconnect	**19 516**	18 364
	Cellular telephones and accessories	**3 279**	3 551
	Other	**3 572**	2 564
		111 947	102 526
5.	**OPERATING PROFIT**		
	The following items have been included in arriving at operating profit:		
	Auditors' remuneration:	**(99)**	(67)
	– Audit fees	**(60)**	(55)
	– Fees for other services	**(27)**	(11)
	– Expenses	**(12)**	(1)
	Directors' emoluments:	**(42)**	(49)
	– Services as director	**(31)**	(41)
	– Directors' fees	**(11)**	(8)
	Operating lease rentals:	**(668)**	(351)
	– Property	**(465)**	(305)
	– Equipment and vehicles	**(203)**	(46)
	Claim settlement	**354**	—
	Loss on disposal of property, plant and equipment (note 24)	**(132)**	(135)
	Loss on disposal of intangible assets (note 24)	*****	(2)
	Impairment charge on property, plant and equipment (note 10)	**(167)**	(225)
	Impairment charge on other intangible assets (note 11)	**(14)**	—
	Write down of inventories (note 15)	**(67)**	(87)
	Impairment on trade receivables (note 16)	**(283)**	(328)

**Amounts less than R1 million.*

		December 2009 Rm	December 2008 Rm
5.	**OPERATING PROFIT** (continued)		
	Employee benefits:	**(5 843)**	(4 776)
	– Wages and salaries	**(4 793)**	(3 947)
	– Pension costs – defined contribution plans	**(218)**	(183)
	– Share options granted to directors and employees	**(83)**	(76)
	– Training	**(232)**	(232)
	– Other	**(517)**	(338)
	Fees paid for professional and consulting services	**(3 077)**	(2 524)
	Average number of employees	**17 509**	16 452
6.	**FINANCE INCOME AND FINANCE COSTS**		
	Recognised in profit or loss		
	Interest income on loans and receivables	**855**	579
	Interest income on bank deposits	**1 488**	1 744
	Functional currency gains	**283**	2 779
	Put option (note 8)	**1 239**	—
	Foreign exchange gains	**2 555**	1 625
	Finance income	**6 420**	6 727
	Interest expense on financial liabilities measured at amortised cost	**(4 54&)**	(4 173)
	Foreign exchange losses	**(3 6(#)**	(2 875)
	Functional currency losses	**(3 487)**	(337)
	Put option (note 8)	**(538)**	(1 259)
	Other	—	(1 344)
	Finance costs	**(12 230)**	(8 644)
	Net finance costs recognised in profit or loss	**(5 810)**	(1 917)

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		December 2009 Rm	December 2008 Rm
7.	**INCOME TAX EXPENSE**		
	Analysis of tax expense for the year		
	Normal tax:	**(6 425)**	(7 337)
	– Current period	**(6 480)**	(7 338)
	– Adjustment to prior period	**55**	1
	Deferred tax (note 14):	**(992)**	(3 060)
	– Current period	**(974)**	(3 060)
	– Prior period over provision	**(18)**	100
	– Change in tax rate	**—**	(100)
	Secondary tax on companies	**(339)**	(277)
	Foreign income and withholding taxes**	**(856)**	(681)
		(8 612)	(11 355)
	Secondary tax on companies		
	STC relating to dividend to be proposed at the AGM.	**(353)**	(338)

***Taxation for foreign jurisdictions is calculated at the rates that have been enacted or substantively enacted in the respective jurisdictions.*

7. INCOME TAX EXPENSE (continued)

Tax rate reconciliation

The table below explains the differences between the expected tax expense on continuing operations, at the South African statutory rate of 28%, and the Group's total tax expense for each year.

The income tax charge for the year is reconciled to the effective rate of taxation in South Africa as follows:

	December 2009 %	December 2008 %
Tax at standard rate	**28,0**	28,0
Expenses not allowed	**1,8**	2,6
Effect of different tax rates in other countries	**0,1**	(1,1)
Nigeria investment allowance relief	**(1,1)**	(0,8)
Income not subject to tax	**(0,2)**	(0,1)
Effect of Nigerian commencement provisions	**—**	4,3
Nigeria put revaluation	**(0,8)**	1,2
Withholding taxes	**3,1**	2,4
Effect of STC	**1,3**	1,0
Other	**1,2**	2,4
	33,4	39,9

The Group holds investments in Afghanistan, Belgium, Benin, Botswana, Cameroon, Congo-Brazzaville, Côte d'Ivoire, Cyprus, Ghana, Guinea-Bissau, Guinea Conakry, Kenya, Iran, Liberia, Monaco, Namibia, Nigeria, Rwanda, Sudan, Swaziland, Syria, Uganda, Yemen and Zambia. Taxation for foreign jurisdictions is calculated at the rates that have been enacted or substantively enacted 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.

8. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share is based on net profit for the year of R14 650 million (December 2008: R15 315 million), and the weighted average number of 1 851 260 334 (December 2008: 1 865 298 632) 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 R14 869 million (December 2008: R15 603 million) and adjusted headline earnings of R13 963 million (December 2008: R16 870 million) respectively, and the weighted average number of 1 851 260 334 (December 2008: 1 865 298 632) 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 1 860 307 308 (December 2008: 1 875 156 825) 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.

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	December 2009 Rm Gross	December 2009 Rm Net**	December 2008 Rm Gross	December 2008 Rm Net**
8. EARNINGS PER ORDINARY SHARE (continued)				
Reconciliation between net profit attributable to the equity holders of the Company and headline earnings				
Net profit attributable to Company's equity holders		**14 650**		15 315
Adjusted for:				
Loss on disposal of property, plant and equipment (note 24)	**132**	**124**	135	109
Loss on disposal of intangible assets (note 24)	*****	*****	2	2
Impairment charge on property, plant and equipment (note 10)	**167**	**134**	225	177
Profit on disposal of investments	**(53)**	**(53)**	—	—
Impairment charge on intangible assets (note 11)	**14**	**14**	—	—
Basic headline earnings		**14 869**		15 603
Adjusted for:				
Reversal of the subsequent utilisation of deferred tax asset	**—**	**—**	562	441
Reversal of put option in respect of subsidiary				
– Fair value adjustment	**(537)**	**(537)**	94	74
– Finance costs	**537**	**537**	439	344
– Forex (gain)/loss	**(701)**	**(701)**	726	570
– Non-controlling shareholders share of profits	**(205)**	**(205)**	(162)	(162)
Adjusted headline earnings		**13 963**		16 870
Earnings per ordinary share (cents)				
– Basic		**791,4**		821,0
– Basic headline		**803,2**		836,5
– Adjusted headline		**754,3**		904,4
Diluted earnings per ordinary share (cents)				
– Basic		**781,5**		806,1
– Basic headline		**793,2**		821,5
– Adjusted headline		**744,6**		888,9

* *Amounts less than R1 million.*
** *Amounts are measured after taking into account non-controlling interests.*

	December 2009 000	December 2008 000
8. EARNINGS PER ORDINARY SHARE (continued)		
Weighted average number of shares	**1 851 260**	1 865 299
Adjusted for:		
– Share options	**1 389**	3 575
– Share appreciation rights	**7 658**	6 282
Weighted average number of shares for diluted earnings per share calculation	**1 860 307**	1 875 156

Explanation of adjusted headline earnings

Impact of put options

IFRS requires the Group to account for a written put option held by a non-controlling 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 non-controlling shareholder in the subsidiary as all risks and rewards associated with these shares, including dividends, accrued to the non-controlling shareholder. IAS 32 requires that in the circumstances described in the previous paragraph, (a) the present value of the future redemption amount be reclassified from equity to financial liabilities and that the financial liability so reclassified subsequently be measured in accordance with IAS 39; (b) in accordance with IAS 39, all subsequent changes in the fair value of the liability together with the related interest charges arising from present valuing the future liability, be recognised in profit or loss and (c) the non-controlling shareholder holding the put option no longer be regarded as a non-controlling shareholder, but rather as a creditor from the date of receiving the put option.

Although the Group has complied with the requirements of IAS 32 and IAS 39 as outlined above, the board of directors has reservations about the appropriateness of this treatment in view of the fact that (a) the recording of a liability for the present value of the future strike price of the written put option results in the recording of a liability that is inconsistent with the framework, as there is no present obligation for the future strike price, (b) the shares considered to be subject to the contracts 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.

9. DIVIDEND PER SHARE

The dividends paid during the December 2009 and 2008 financial years amounted to R3 381 million and R2 536 million respectively. A dividend in respect of the period ended 31 December 2009 of R1,92 per share, is to be proposed at the annual general meeting on 10 March 2010. These financial statements do not reflect this proposed dividend.

	December 2009		December 2008	
	Cents per share	Rm	Cents per share	Rm
Final dividend paid in respect of the prior year	**181**	**3 381**	136	2 536
Proposed after the reporting date and not recognised as a liability	**192**	**3 534**	181	3 381

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	Land and buildings* Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work-in-progress/ other Rm	Vehicles** Rm	Total Rm
10. PROPERTY, PLANT AND EQUIPMENT							
Cost							
Balance at 1 January 2008	2 632	588	53 564	3 854	2 965	516	64 139
Acquisitions through business combinations	36	10	155	146	6	17	370
Additions	1 019	207	14 689	1 509	9 027	446	26 897
Other movements	39	11	6 543	45	(6 240)	(1)	397
Disposals	—	(8)	(1 198)	(32)	(14)	(159)	(1 411)
Effect of movements in exchange rates	321	89	9 685	627	1 143	125	11 990
Balance at 31 December 2008	4 067	897	83 438	6 149	6 887	944	102 382
Balance at 1 January 2009	**4 067**	**897**	**83 438**	**6 149**	**6 887**	**944**	**102 382**
Acquisitions through business combinations	**—**	**7**	**157**	**106**	**—**	**4**	**274**
Additions	**686**	**245**	**16 309**	**1 797**	**10 847**	**236**	**30 120**
Other movements	**5**	**(7)**	**5 922**	**(3)**	**(6 223)**	**2**	**(304)**
Reallocations	**(2)**	**115**	**1 204**	**152**	**(1 722)**	**1**	**(252)**
Disposals	**(144)**	**(8)**	**(5 518)**	**(1 131)**	**(169)**	**(64)**	**(7 034)**
Effect of movements in exchange rates	**(696)**	**(135)**	**(17 688)**	**(1 085)**	**(1 815)**	**(236)**	**(21 655)**
Balance at 31 December 2009	**3 916**	**1 114**	**83 824**	**5 985**	**7 805**	**887**	**103 531**

* *Included in land and buildings are leased assets with a carrying amount of R264 million (December 2008: R501 million).*

** *Included in vehicles are leased assets with a carrying amount of R81 million (December 2008: R78 million).*

	Land and buildings* Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work-in-progress/ other Rm	Vehicles** Rm	Total Rm
10. PROPERTY, PLANT AND EQUIPMENT (continued)							
Accumulated depreciation and impairment losses							
Balance at 1 January 2008	(342)	(313)	(21 154)	(2 516)	(73)	(275)	(24 676)
Depreciation for the year	(147)	(125)	(8 817)	(696)	(15)	(139)	(9 939)
Impairment loss	—	—	(225)	—	—	—	(225)
Acquisitions through business combinations	(6)	(8)	(107)	(84)	7	(17)	(215)
Other movements	—	—	4	20	—	(2)	22
Disposals	—	8	949	27	—	143	1 127
Effect of movements in exchange rates	(53)	(56)	(3 715)	(382)	(8)	(69)	(4 283)
Balance at 31 December 2008	(551)	(494)	(33 065)	(3 631)	(89)	(359)	(38 189)
Balance at 1 January 2009	**(551)**	**(494)**	**(33 065)**	**(3 631)**	**(89)**	**(359)**	**(38 189)**
Depreciation for the year	**(179)**	**(180)**	**(10 229)**	**(1 015)**	**(20)**	**(184)**	**(11 807)**
Impairment loss	**—**	**—**	**(165)**	**(2)**	**—**	**—**	**(167)**
Acquisitions through business combinations	**(2)**	**(1)**	**(30)**	**(131)**	**—**	**(4)**	**(168)**
Other movements	**7**	**(19)**	**54**	**15**	**5**	**(2)**	**60**
Disposals	**142**	**4**	**4 874**	**1 008**	**—**	**50**	**6 078**
Effect of movements in exchange rates	**151**	**86**	**7 178**	**668**	**24**	**96**	**8 203**
Balance at 31 December 2009	**(432)**	**(604)**	**(31 383)**	**(3 088)**	**(80)**	**(403)**	**(35 990)**
Carrying amounts							
At 1 January 2008	2 307	275	32 410	1 338	2 892	241	39 463
At 31 December 2008	3 516	403	50 373	2 518	6 798	585	64 193
At 1 January 2009	**3 516**	**403**	**50 373**	**2 518**	**6 798**	**585**	**64 193**
At 31 December 2009	**3 484**	**510**	**52 441**	**2 897**	**7 725**	**484**	**67 541**

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10. PROPERTY, PLANT AND EQUIPMENT (continued)

10.1 Register of land and buildings

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

10.2 Impairment loss

MTN Nigeria contributed significantly to the overall impairment of property, plant and equipment. MTN Nigeria impaired its network infrastructure by R125 million, MTN Yemen R35 million the remaining balance is made up by various operations.

10.3 Leased property, plant and equipment

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

10.4 Capital work-in-progress

There are various capital work-in-progress projects underway within the Group. MTN Ghana R2 billion, MTN South Africa R2 billion, MTN Nigeria R737 million, Irancell R656 million and MTN Côte d'Ivoire R606 million.

10.5 Changes in estimates

There were no significant changes in the depreciation method, useful life or residual values of any items of property, plant and equipment during the period.

10.6 Encumbrances

10.6.1 December 2009

MTN Côte d' Ivoire SA

Borrowings by MTN Côte d' Ivoire are secured by certain categories of property, plant and equipment with a carrying amount of R1 432 million (December 2008: R111 million).

MTN Uganda Limited

In terms of the Inter-creditor Security Package, MTN Uganda has provided a first ranking floating charge over all its present and future assets, except its licence. The property, plant and equipment has a carrying amount of R3 220 million (December 2008: R2 458 million). This serves as security for a syndicated loan made to MTN Uganda by various banks and financial institutions.

MTN (Proprietary) Limited

The loan from Absa is secured by a mortgage bond over Phase 2, the carrying amount of the secured assets is R264 million (December 2008: R298 million).

MTN Sudan Company Limited

Borrowings by MTN Sudan are secured by buildings with a carrying amount of R92 million (December 2008: R200 million).

10. PROPERTY, PLANT AND EQUIPMENT (continued)

10.6 Encumbrances (continued)

10.6.1 December 2009 (continued)

MTN Zambia Limited

Borrowings by MTN Zambia were secured by certain categories of property, plant and equipment with a carrying amount of R973 million (2008: R432 million).

10.6.2 December 2008

MTN (Proprietary) Limited

The loan from Rand Merchant Bank was secured by a mortgage bond over leasehold buildings (Phase 1) with a net carrying amount of R231 million in 2008, the mortgage bond was repaid in the current year.

Irancell Telecommunication Company Services

Borrowings by Irancell were secured by certain categories of property, plant and equipment with a carrying amount of R285 million.

	Goodwill Rm	Customer relation-ships Rm	Licences Rm	Software Rm	Other intangible assets Rm	Total Rm
11. INTANGIBLE ASSETS						
Cost						
Balance at 1 January 2008	25 744	4 420	11 268	2 059	202	43 693
Additions	—	—	129	1 366	29	1 524
Arising from business combinations	662	—	148	—	—	810
Effect of movements in exchange rates	5 508	205	2 216	397	(5)	8 321
Balance at 31 December 2008	31 914	4 625	13 761	3 822	226	54 348
Balance at 1 January 2009	**31 914**	**4 625**	**13 761**	**3 822**	**226**	**54 348**
Additions	**—**	**—**	**697**	**1 444**	**87**	**2 228**
Arising from business combinations	**1 750**	**284**	**—**	**—**	**—**	**2 034**
Reallocations	**—**	**—**	**—**	**192**	**60**	**252**
Effect of movements in exchange rates	**(8 908)**	**(192)**	**(2 823)**	**(634)**	**53**	**(12 504)**
Balance at 31 December 2009	**24 756**	**4 717**	**11 635**	**4 824**	**426**	**46 358**

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11. INTANGIBLE ASSETS (continued)

	Goodwill Rm	Customer relation-ships Rm	Licences Rm	Software Rm	Other intangible assets Rm	Total Rm
Accumulated amortisation and impairment losses						
Balance at 1 January 2008	—	(1 698)	(2 176)	(922)	(100)	(4 896)
Amortisation for the year	—	(1 288)	(1 019)	(469)	(44)	(2 820)
Additions	—	—	(47)	—	—	(47)
Effect of movements in exchange rates	—	(93)	(522)	(179)	(5)	(799)
Balance at 31 December 2008	—	(3 079)	(3 764)	(1 570)	(149)	(8 562)
Balance at 1 January 2009	**—**	**(3 079)**	**(3 764)**	**(1 570)**	**(149)**	**(8 562)**
Amortisation for the year	**—**	**(1 070)**	**(903)**	**(569)**	**(126)**	**(2 668)**
Additions	**—**	**—**	**3**	**131**	**(62)**	**72**
Impairment loss	**—**	**—**	**—**	**—**	**(14)**	**(14)**
Effect of movements in exchange rates	**—**	**255**	**386**	**194**	**43**	**878**
Balance at 31 December 2009	**—**	**(3 894)**	**(4 278)**	**(1 814)**	**(308)**	**(10 294)**
Carrying amounts						
At 1 January 2008	25 744	2 722	9 092	1 137	102	38 797
At 31 December 2008	31 914	1 546	9 997	2 252	77	45 786
At 1 January 2009	**31 914**	**1 546**	**9 997**	**2 252**	**77**	**45 786**
At 31 December 2009	**24 756**	**823**	**7 357**	**3 010**	**118**	**36 064**

11. INTANGIBLE ASSETS (continued)

Impairment testing of cash-generating units containing goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to country of operation.

A summary of the goodwill allocation is presented below:

	December 2009 Rm	December 2008 Rm
MTN Côte d'Ivoire SA	**2 023**	1 975
Scancom Limited (Ghana)	**8 693**	13 479
MTN Sudan Company Limited	**3 527**	4 913
MTN Yemen	**1 949**	2 654
MTN Afghanistan Limited	**1 113**	1 364
MTN Uganda Limited	**631**	781
MTN Congo SA	**653**	810
MTN Syria (JSC)	**355**	461
MTN Cyprus Limited	**786**	722
Spacetel Benin SA	**888**	1 146
Areeba Guinea SA (Conakry)	**669**	925
Others	**3 469**	2 684
Total	**24 756**	31 914

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 11-year period. Cash flows beyond the above period were extrapolated using the estimated growth rates measured below. The following key assumptions were used for the value-in-use calculations:

- Growth 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 7,3% to 17,9%. Discount rates used reflect specific risks relating to the relevant CGU.

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Licence agreements	Type	Granted/ Renewed	Term	Renewable term	Fee currency
11. INTANGIBLE ASSETS (continued)					
South and East Africa region					
Mobile Telephone Networks (Proprietary) Limited	900MHz	01/06/1994	15 years	15 years	ZAR
	1 800MHz	01/01/2005	8 years	8 years	
	3G	01/01/2005	5 years	5 years	
MTN Uganda Limited	900MHz	15/04/1998	20 years	5 years	USD
	1 800MHz				
MTN Rwandacell S.A.R.L.	900MHz	17/03/2000	13 years	5 years	USD
	1 800MHz				
	1 900MHz				
	Fixed line	30/06/2006	5 years	5 years	
Mascom Wireless Botswana (Proprietary) Limited	900MHz 1 800MHz	13/06/2007	15 years	Determined in renewal process	BWP
	2 100MHz				
MTN Zambia Limited	1 800MHz	23/09/1995	15 years	5 years	ZMK
Swazi MTN Limited	900MHz	28/11/2008	10 years	10 years	E
	1 800MHz				
West and Central Africa region					
MTN Nigeria Communications Limited	900MHz	09/02/2001	15 years	5 years	USD
	1 800MHz				
	3G	01/05/2007	15 years	Dependent on the Nigerian Communications Commission	
	International gateway	01/09/2006	10 years	5 years	NGN
	Fixed using 3,5GHz spectrum band	01/07/2007	5 years	Dependent on the Nigerian Communications Commission	

Initial licence fee	Annual fees	Further fees/obligations where applicable
100 million	Fixed spectrum of 6,1 million	2,5 million SIM-card packages over 5 years
	Radio frequency spectrum of 5 million	125 000 mobile phones over 5 years
	Fixed spectrum of 1,2 million	Internet access and terminal equipment to 140 institutions (10 per institution) for people with disabilities over 3 years
	Radio frequency spectrum of 5 million	Internet access to 5 000 public schools over an 8 year period
	Fixed spectrum of 1,2 million	
5,8 million	Spectrum fee of 1% of network revenue	Not applicable
200 000	3% of network revenue as defined in the licence	RWF1,2 million per MHz annually
	Spectrum fee of 50 000	Renewal fee of 500 000
350 000		
—	Licence operation of 1,1 million	3% of annual net turnover
	Licence system of 0,2 million	
100 million	1,2 billion based on 208 channels	5% of net airtime revenue
3,6 million	Spectrum fee of 20 000 per channel used with a minimum of 600 000	Universal services obligation of 0,5% of net operating income
	Licence fee of 5% of net operating income with a minimum of 6 million	
285 million	2,5% of gross revenue	Annual cost of NGN381,6 million
150 million	2,5% of gross revenue	
114,6 million	2,5% of gross revenue	Annual cost of NGN6,7 million
13,9 million	2,5% of gross revenue	

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Licence agreements	Type	Granted/ Renewed	Term	Renewable term	Fee currency
11. INTANGIBLE ASSETS (continued)					
West and Central Africa region (continued)					
Scancom Limited (Ghana)	900MHz	02/12/2004	15 years	10 years	USD
	1 800MHz				
	3G	23/01/2009	15 years	Provisional licence	
MTN Cameroon Limited	900MHz	15/02/2000	15 years	10 years	CFA
MTN Cote d'Ivoire SA	900MHz	02/04/1996	20 years	Determined in renewal process	CFA
	1 800MHz				
	WiMax	31/07/2002	20 years		
Spacetel Benin SA	900MHz	19/10/2007	10 years	5 years	CFA
	1 800MHz				
Areeba Guinea SA	900MHz	31/08/2005	18 years	Determined in renewal process	EUR
	1 800MHz				
	WiMax	04/06/2009	5 years		GNF
MTN Congo SA	900MHz	15/10/1999	15 years	15 years	FCFA
	1 800MHz	21/08/2002	15 years	15 years	
	International gateway	05/02/2002	15 years	15 years	
Lonestar Communications Corporation LLC (Liberia)	900MHz	24/03/2009	15 years	Determined in renewal process	USD
	1 800MHz				
	WiMax	24/03/2009	15 years		
Spacetel Guinea-Bissau SA	900MHz	01/03/2004	10 years	Determined in renewal process	EUR
	1 800MHz				

Initial licence fee	Annual fees	Further fees/obligations where applicable
22,5 million	Annual fee of 1% of revenue	Not applicable
28 million	Annual fee of 1% of revenue	
44 billion	Regulatory management fee of 1,06% of network revenue	Spectrum fee – 200 000 accrued annually based on a temporary agreement with the regulator
	Telecoms development fund of 2% of network revenue	
40 billion	No annual fees specified in the licence agreement	Not applicable
10 million		
30 billion	15 per minute for each international interconnect call terminated in Benin	Regulations Authority operations fee of 1% of revenue
		Universal access fee of 1% of revenue
		Regional development fee of 0,5% of revenue
		Training and research fee of 0,5% of revenue
30 million	GNF25 billion	Additional fee of EUR3 million
3 billion	1 billion	
365 million	3% of local outgoing traffic	Frequency management fee of 100 million
150 million	3% of local outgoing traffic	Frequency usage fee of 162,2 million
		Number licence fee of 60 million
100 million	6% international outgoing traffic	
15 million	0,7 million	Not applicable
5 million	0,6 million	
2,2 million	XOF160 million per base station	Annual microwave links fee of XOF45 million
	XOF0,2 million per base station	

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Notes to the Group financial statements *continued*

for the year ended 31 December 2009

Licence agreements	Type	Granted/ Renewed	Term	Renewable term	Fee currency
11. INTANGIBLE ASSETS (continued)					
Middle East and North Africa region					
Irancell Telecommunication Services Company (Proprietary) Limited	900MHz	27/11/2006	15 years	Two periods of five years each	EUR
	1 800MHz				
	WiMax	23/12/2008	6 years	5 years	
MTN Syria (JSC)	900MHz	29/06/2002	15 years	3 years at discretion of Syrian licensing authority	USD
	1 800MHz	22/03/2007	10,25 years		
	3G	29/04/2009	8,16 years		SYP
	ISP	31/05/2009	3 years		SYP
MTN Sudan Company Limited	900MHz	25/10/2003	20 years	Determined in renewal process	EUR
	1 800MHz				
	3G				
MTN Afghanistan Limited	900MHz	15/10/2005	15 years	10 years	USD
	1 800MHz				
MTN Yemen	900MHz	31/07/2000	15 years	Determined in renewal process	USD
	1 800MHz	17/02/2008			
MTN Cyprus Limited	900MHz	01/12/2003	20 years	Determined in renewal process	EUR
	1 800MHz				
	3G				

Initial licence fee	Annual fees	Further fees/obligations where applicable
300 million	Regulatory fee of 0,25% of revenue of preceding contractual year	Annual fee in total not exceeding 5% of revenue of the previous contractual year
	Universal service contribution fee of 3% of preceding contractual year and other fixed fees	Revenue share cost of 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.
50,7 million	Numbering fee	
	Dedicated frequency fee	
20 million	Frequency protection fee of 50 000 or SYP2,5 million per 1MHz for transmission and reception	Revenue share costs of 30% of revenue for the first three years, 40% for next three years and 50% thereafter. A 60% revenue share applicable if the licence term is renewed.
15 million		
250 million		
1,5 million		
150 million	2% of revenue	Not applicable
40 million	4,5% of revenue	AF200 000 per duplex 200KHz
10 million	0,5 million	Not applicable
1 million	1,2 million	
21,8 million	No annual fees specified in the licence agreement	Not applicable

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Notes to the Group financial statements *continued*

for the year ended 31 December 2009

12. INVESTMENT IN ASSOCIATES

The Group had the following effective percentage interests in associates:

Associate	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital December 2009	December 2008
Number Portability (Proprietary) Limited	Porting	South Africa	**33**	33
Leaf Wireless (Proprietary) Limited	Cellular dealership	South Africa	**40**	40
iTalk Cellular (Proprietary) Limited	Service provider	South Africa	**	41
Belgacom International Carrier Services SA	Telecommunications	Belgium	**20**	***

	December 2009 Rm	December 2008 Rm
Balance at beginning of year	**60**	60
Additions***	**1 508**	—
Movements	**(38)**	—
Share of results of associates after tax	**(5)**	—
Effect of movements in exchange rates	**(63)**	—
Balance at end of year	**1 462**	60

Unless otherwise stated, the Group's associates' country of incorporation is also their principal place of operation.

12. INVESTMENT IN ASSOCIATES (continued)

Summary financial information

	Effective interest Rm	iTalk Cellular (Proprietary) Limited Rm	Number Portability (Proprietary) Limited Rm	Leaf Wireless (Proprietary) Limited Rm	Belgacom International Carrier Services SA Rm
December 2009					
Revenue	**399**	**	**14**	**404**	**1 170**
Share of results after tax	**(5)**	**	*	**(45)**	**65**
Total assets	**1 706**	**	**28**	**93**	**8 297**
Total liabilities	**(1 233)**	**	**(1)**	**(94)**	**(5 979)**
Attributable net asset value	**472**	**	**27**	**(1)**	**2 318**
December 2008					
Revenue	566	713	14	672	***
Share of results after tax	—	4	*	(4)	***
Total assets	188	149	28	296	***
Total liabilities	(87)	(71)	(1)	(138)	***
Attributable net asset value	101	78	27	158	***

There are no significant contingent liabilities relating to the Group's interests in these associates.

* *Amounts less than R1 million.*

** *The investment in iTalk Cellular (Proprietary) Limited was increased from 41% to a 100% holding, therefore the investment is a 100% held subsidiary within the Group and no longer an associate.*

*** *During the year the Group acquired a 20% investment in Belgacom International Carrier Services, a wholesale carrier, and a subsidiary of the Belgacom Group. The acquisition was facilitated through the swap of various assets from MTN International Carrier Services, Uniglobe SA and MTN Dubai in exchange for the equity investment. A deferred gain arose on the contribution, please refer to note 20.*

In respect of the acquisition above, the Group has elected, under IFRS 3, to finalise asset and liability fair values, and therefore the allocated goodwill, within 12 months subsequent to the acquisition date.

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	December 2009 Rm	December 2008 Rm
13. LOANS AND OTHER NON-CURRENT RECEIVABLES		
Loans to Broadband Limited**	**—**	20
Loans to Iran Electronic Development Company***	**461**	471
Loans to Irancell Telecommunication Services Company (Proprietary) Limited****	**4 343**	5 090
Non-current advances	**2 278**	1 179
Non-current prepayments	**16**	1 187
	7 098	7 947
Less: Current portion	**(3 269)**	(3 324)
Loan to Broadband Limited**	**—**	(10)
Non-current advances	**—**	(106)
Loan to Iran Electronic Development Company***	**(461)**	(471)
Loan to Irancell Telecommunication Services Company (Proprietary) Limited****	**(2 808)**	(2 737)
	3 829	4 623

20% tranche

The USD denominated loan amounting to USD2,2 million attracted interest at LIBOR + 6% per annum (effective rate of 7,00% per annum) which was capitalised bi-annually. This loan was repaid during the year.

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 unsold 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 current financial year, dividends relating to the 10% tranche, (which was accounted for as interest) amounted to R44 million (2008: R6 million).

Due to the Group retaining the beneficial interest subsequent to the disposal of this tranche, the sale was not derecognised from an accounting perspective as risks and rewards were not considered to have transferred.

The non-controlling shareholders in MTN Cameroon Limited have provided their shares in the Company as security for the above loans.

The Group has, however, not enforced the contractual repayment terms as it is anticipated that the repayment terms will be renegotiated. The negotiation process has, however, not been finalised at year-end.

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

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

*** 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.*

**** USD62,4 million (December 2008: USD58,8 million) attracted interest at LIBOR + 4% per annum (effective rate 8,48%) (December 2008: effective rate of 7,78%) which was capitalised against the loan. The loan and capitalised interest were repayable by August 2009.*

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

**** This amount consists of four loans:

Loan 1: USD62 million (December 2008: USD115,3 million) attracted interest at LIBOR + 4% per annum (effective rate of 8,5%) (December 2008: effective rate of 7,8%) which is capitalised against the loan. The loan and capitalised interest are repayable by August 2009.

Loan 2: USD248 million (December 2008: USD458,4 million) attracted interest at LIBOR + 4% per annum (effective rate of 8,4%) (December 2008: effective rate of 7,5%) which is capitalised against the loan. The loan and capitalised interest are repayable by November 2009.

Loan 3: EUR103 million (December 2008: EUR196,5 million) attracted interest at EURIBOR + 4% per annum (effective rate of 9,0%) (December 2008: effective rate of 8,6%) which is capitalised against the loan. The loan and capitalised interest are repayable by 31 May 2008.

Loan 4: EUR82 million (December 2008: EUR156,4 million) attracted interest at EURIBOR + 4% per annum (effective rate 8,4%) (December 2008: effective rate of 8,3%) which is capitalised against the loan. There are no fixed terms of repayment.

Loan 1, 2 and 3 were not called upon in the current financial year as it is anticipated that the contractual repayment terms will be renegotiated. The negotiation process had, however, not been finalised at year-end. In addition only R3 269 million of these loans have been reflected as current from a classification perspective; due to management's intention to only call on the remainder reflected as non-current after 31 December 2010.

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

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

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14. DEFERRED INCOME TAXES

	1 January 2008 Rm	Recognised in profit or loss Rm	Exchange differences Rm	31 December 2008 Rm	Acquisitions through business combinations Rm	Recognised in profit or loss Rm	Exchange differences Rm	31 December 2009 Rm
Deferred tax assets								
Provisions and other temporary differences	502	(188)	75	389	—	**262**	**199**	**850**
Excess allowances over depreciation	79	(23)	—	56	—	**(6)**	**255**	**305**
Accelerated depreciation	—	79	16	95	—	—	**(95)**	—
Tax loss carried forward	197	(150)	52	99	—	**82**	**(13)**	**168**
Arising due to fair value adjustments on business combinations	101	(43)	(33)	25	—	**(44)**	**13**	**(6)**
MTN Nigeria Communications Limited	453	(453)	—	—	—	—	—	—
Working capital allowance	—	(7)	—	(7)	—	—	**7**	—
	1 332	(785)	110	657	—	**294**	**366**	**1 317**
Deferred tax liabilities								
Assessed losses	5	—	—	5	—	**(18)**	**(34)**	**(47)**
Tax allowances over book depreciation	(1 501)	(1 990)	22	(3 469)	—	**(1 942)**	**483**	**(4 928)**
Other temporary differences	(150)	(515)	(23)	(688)	**(80)**	**383**	**(487)**	**(872)**
Revaluations	(1 236)	55	(37)	(1 218)	—	**39**	**779**	**(400)**
Working capital allowances	206	175	—	381	—	**252**	**(52)**	**581**
	(2 676)	(2 275)	(38)	(4 989)	**(80)**	**(1 286)**	**689**	**(5 666)**
Net deferred income tax asset/(liability)	(1 344)	(3 060)	72	(4 332)	**(80)**	**(992)**	**1 055**	**(4 349)**

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 tax asset at the end of pioneer status amounted to R2,5 billion (31 March 2007) which primarily comprised 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 2008.

	December 2009 Rm	December 2008 Rm
15. INVENTORIES		
Finished goods (handsets, SIM-cards and accessories) – at cost	**1 650**	2 475
Consumable stores and maintenance spares – at cost	**68**	59
Less: Write-down to net realisable value	**(196)**	(162)
	1 522	2 372

MTN Côte d'Ivoire, MTN Uganda and MTN Zambia have secured facilities through the pledge of their inventories, please refer to note 19.

	At beginning of period Rm	Additions Rm	Utilised Rm	Unused Rm	Exchange differences Rm	At end of period Rm
December 2009						
Movement in write-down	**(162)**	**(67)**	**22**	**—**	**11**	**(196)**
December 2008						
Movement in write-down	(72)	(95)	1	8	(4)	(162)

	December 2009 Rm	December 2008 Rm
16. TRADE AND OTHER RECEIVABLES		
Trade receivables	**10 990**	13 468
Less: Allowance for impairment of trade receivables	**(1 549)**	(1 674)
Trade receivables – net	**9 441**	11 794
Prepayments and other receivables*	**3 888**	3 615
Sundry debtors and advances**	**2 921**	3 062
Trade receivables due from related parties	**123**	471
	16 373	18 942

An impairment loss of R283 million (December 2008: R328 million) was incurred in the current year, and this amount is included in other operating expenses in profit or loss (refer to note 5).

MTN Côte d'Ivoire, MTN Uganda and MTN Zambia have secured facilities through the pledge of their trade and other receivables, please refer to note 19.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 48.

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.*

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		Number of shares	
		December 2009	December 2008
17.	**ORDINARY SHARES AND SHARE PREMIUM**		
	Ordinary share capital of 0,01 cent each		
	Authorised	**2 500 000 000**	2 500 000 000
	Issued	**1 840 536 491**	1 868 010 304
	On issue at 1 January	**1 868 010 304**	1 864 797 807
	Newshelf share buy-back	**(243 500 011)**	—
	Shares issued – PIC	**213 866 898**	—
	Options exercised and other	**2 159 300**	3 212 497
	On issue at 31 December	**1 840 536 491**	1 868 010 304

	December 2009 Rm	December 2008 Rm
Share capital		
Balance at beginning of year	*****	*
Additions	*****	*
Balance at end of year	*****	*
Share premium		
Balance at beginning of year	**23 905**	23 864
Newshelf share buy-back	**20 356**	—
Options exercised	**36**	41
Balance at end of year	**44 297**	23 905

MTN Group share option scheme and share appreciation rights scheme

The exercise of options and resulting share trades can be viewed under directors' shareholdings and dealings on page 40 of the directors' report. All disclosure as required has been included in the directors' report.

**Amounts less than R1 million.*

	December 2009 Rm	December 2008 Rm
18. RESERVES		
Non-distributable reserves		
Balance at beginning of period	**1 769**	(14 569)
(Purchase)/disposal of non-controlling interests	**(43)**	4 020
Transfer from distributable reserves	**188**	87
Share-based payment reserve	**84**	75
Cash flow hedging reserve	**(191)**	138
Cancellation of Côte d'Ivoire put option	**—**	54
Shareholders' loan revaluation reserve	**—**	44
Other reserves	**(116)**	32
Foreign currency translation differences of foreign subsidiaries and joint ventures	**(16 967)**	11 888
Balance at end of period	**(15 276)**	1 769
Consisting of:		
Contingency reserve (as required by insurance regulations)*	**29**	18
Statutory reserve (as required by Rwanda and Congo-Brazzaville legislation) **	**168**	(9)
Purchase/sale of non-controlling interests	**(10 750)**	(10 707)
Shareholders' loan revaluation reserve	**(244)**	(244)
Cash flow hedging reserve	**(77)**	114
Share-based payment reserve	**328**	244
Other reserves	**(31)**	85
Foreign currency translation differences of foreign subsidiaries and joint ventures	**(4 699)**	12 268
	(15 276)	1 769

* *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.*

** *A statutory reserve has been created in terms of local legislation. Transfers to the statutory reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the balance sheet as a non-distributable reserve, forming part of the shareholders' funds. On dissolution of the special purpose entities to which these reserves relate, they will become available for distribution.*

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	December 2009 Rm	December 2008 Rm	Denominated currency
19. BORROWINGS			
Unsecured			
South and East Africa region	**863**	384	
MTN Mobile Money Holdings (Proprietary) Limited	**268**	—	
	268	—	ZAR
MTN Uganda Limited	**—**	93	
	—	93	USD/UGX
MTN (Zambia) Limited	**215**	291	
	215	291	ZMK
MTN Rwandacell S.A.R.L.	**346**	—	
	217	—	USD
	129	—	RWF
Swazi MTN Limited	**34**	—	
	9	—	E
	15	—	E
	10	—	E

*Nominal interest rates are the interest rates on the loans (whether nacm, nacq, nacs, naca) as at 31/12/2009.
**Effective interest rates are calculated as follows:
interest paid in 2009/weighted average capital balance x number of days/365.

Description of borrowing	Type of interest charged	Nominal* interest rate %	Effective** interest rate %	Repayment details
Loan from JV partner	No interest	—	—	No set repayment terms
Promissory note			Between 9 – 13	Loan repaid during the year
Syndicated term loan facility	Variable interest rate	16,92	16,92	Semi-annual. Seven instalments with final repayment – December 2012
Bilateral term loan facility – export credit guarantee backed	Variable and fixed interest rate	2,76	4,80	Semi-annual. Interest in June and December, capital March and September. Final repayment – September 2014
Syndicated revolving credit and term loan facility	Variable interest rate	15,00	25,00	Interest and capital payable quarterly. Final repayment – September 2014
Bilateral term loan facility	Variable interest rate	8,35	12,70	Interest – monthly, capital – bullet. Final repayment – September 2010
Bilateral term loan facility	Variable interest rate	8,50	12,90	Interest – monthly, capital – bullet. Final repayment – June 2013
Bilateral term loan facility	Variable interest rate	8,50	12,20	Interest and capital repayable monthly. Final repayment – October 2014

Notes to the Group financial statements *continued*

for the year ended 31 December 2009

	December 2009 Rm	December 2008 Rm	Denominated currency
19. BORROWINGS (continued)			
Unsecured (continued)			
West and Central Africa region	**13 753**	14 668	
MTN Côte d'Ivoire SA	**286**	675	
	21	675	XOF
	4		XOF
	81	—	XOF
	16	—	XOF
	164		XOF
MTN Nigeria Communications Limited	**12 008**	12 972	
	3 157	9 433	NGN
	3 717	400	NGN
	1 531	—	NGN
	1 406	—	NGN
	2 197	3 139	USD
MTN Congo SA	**293**	207	
	293	207	XAF
MTN Cameroon Limited	**605**	814	
	492	814	XAF
	48	—	XAF
	65	—	XAF
Spacetel Benin SA	**443**	—	
	443	—	XOF

Description of borrowing	Type of interest charged	Nominal interest rate %	Effective interest rate %	Repayment details
Bilateral short-term loan facility	Fixed interest rate	8,25	12,72	Linked to syndicated loan drawdown
Bilateral short-term loan facility	Fixed interest rate	8,30	11,84	Linked to syndicated loan drawdown
Bilateral short-term loan facility	Fixed interest rate	7,00	7,00	Interest and capital quarterly
Bilateral spot credit bridge facility	Fixed interest rate	8,00	9,59	Interest and capital quarterly
Various Loans-Arobase	Fixed interest rate	8,09	8,25	Monthly. Final repayment – December 2014
Syndicated term loan facility	Variable interest rate	19,13	18,90	Interest quarterly. Capital in October 2010 and October 2012
Syndicated term loan facility	Variable interest rate	19,18	18,30	Interest quarterly. Capital in September 2010 and October 2012
Syndicated revolving credit facility	Variable interest rate	15,75	17,20	Final repayment – October 2012
Syndicated revolving credit facility	Variable interest rate	18,04	25,90	Final repayment – October 2012
Syndicated medium-term loan facility	Variable interest rate	3,93	5,60	Semi-annual. Final repayment – September 2012
Syndicated term loan facility	Fixed interest rate	8,25	8,25	Interest and capital monthly. Final repayment – December 2013
Syndicated term loan facility	Fixed interest rate	6,85	6,95	Interest and capital semi-annually. Final repayment – July 2012
Bilateral term loan facility	Fixed interest rate	4,00	3,97	Repayment – March 2010
Bilateral term loan facility	Fixed interest rate	4,50	4,61	Repayment – March 2010
Syndicated term loan facility	Fixed interest rate	8,25	8,10	Interest and capital semi-annually. Final repayment – 31 August 2014

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	December 2009 Rm	December 2008 Rm	Denominated currency
19. BORROWINGS (continued)			
Unsecured (continued)			
West and Central Africa region (continued)			
Lonestar Communications Corporation LLC (Liberia)	**118**	—	
	74	—	USD
	44	—	USD
Middle East and North Africa region	**740**	861	
Irancell Telecommunication Services Company (Proprietary) Limited	**313**	251	
	151	187	IRR
	26	64	IRR
	9	—	USD
	127		EUR
MTN Sudan Company Limited	**107**	166	
	107	166	EUR
MTN Cyprus Limited	**320**	404	
	47	58	EUR
	3	—	EUR
	1	—	EUR
	269	346	EUR

Description of borrowing	Type of interest charged	Nominal interest rate %	Effective interest rate %	Repayment details
Bilateral term loan facility	Fixed interest rate	11,00	11,00	Interest quarterly. Capital in eight equal instalments every four months
Bilateral term loan facility	Variable interest rate	11,00	11,00	Interest monthly. Capital quarterly in 16 equal instalments. Final repayment date not later than August 2014
Bilateral short-term loan facility	Fixed interest rate	21,00	21,00	Interest and capital repayable 19 May 2010
Vendor finance facility	Fixed interest rate	9,00	10,05	Loan repaid during the year. Outstanding interest to be settled in 2010
Vendor finance facility	Variable interest rate	7,39	9,14	Loan repaid during the year. Outstanding interest to be settled in 2010
Vendor finance facility	Variable interest rate	5,13	4,88	Repayable in five tranches starting Jan 2011. Final repayment – December 2012
Bilateral term loan facility	Variable interest rate	5,30	5,30	Interest and capital quarterly. Final repayment – June 2011
Syndicated term loan facility	Variable interest rate	3,25	6,70	Interest semi-annually and capital quarterly. Final repayment – December 2010
Bilateral term loan facility	Variable interest rate	6,25	6,90	Final repayment – December 2011
Bilateral term loan facility	Variable interest rate	3,25	3,70	Final repayment – December 2012
Bilateral term loan facility	Variable interest rate	3,00	5,20	Interest and capital semi-annually. Final repayment – December 2020

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	December 2009 Rm	December 2008 Rm	Denominated currency
19. BORROWINGS (continued)			
Unsecured (continued)			
Middle East and North Africa region (continued)			
MTN Syria (JSC)	—	40	
	—	33	USD
	—	7	USD
Head office companies	**17 478**	21 642	
MTN Holdings (Proprietary) Limited	**16 480**	19 991	
	2 763	5 257	USD
	3 500	5 250	ZAR
	3 917	**3 184	ZAR
	5 000	5 000	ZAR
	1 300	1 300	ZAR
MTN International (Mauritius) Limited	**998**	1 263	
	998	1 263	USD
MTN (Dubai) Limited	—	329	
	—	329	USD
Various unsecured loan facilities with bank	—	59	
	—	59	
Total unsecured borrowings	**32 834**	37 555	

** *Amount classified as secured in 2008.*

Description of borrowing	Type of interest charged	Nominal interest rate %	Effective interest rate %	Repayment details
Bilateral term loan facility		7,61		Loan repaid during the year
Bilateral term loan facility		4,47		Loan repaid during the year
Syndicated term loan facility	Variable interest rate		1,49	Interest variable. Capital semi-annually. Final repayment – July 2011
Syndicated term loan facility	Variable interest rate		9,67	Interest variable. Capital semi-annually. Final repayment – July 2011
2009 – Syndicated term loan facility 2008 – Syndicated term loan facility	Variable interest rate		9,29	Interest variable. Final repayment 2012
MTN 01 Bond	Fixed interest rate	10,01	10,01	Coupon semi-annually. Maturity – July 2010
MTN 02 Bond	Fixed interest rate	10,19	10,19	Coupon semi-annually. Maturity – July 2014
Bilateral short-term loan facility	Variable interest rate	2,00	2,00	Final repayment – March 2010
Bilateral term loan facility	Variable interest rate		5,88	Loan repaid during the year

	December 2009 Rm	December 2008 Rm	Denominated currency	Description of borrowing
19. BORROWINGS (continued)				
Secured				
South and East Africa region	**1 270**	1 223		
MTN (Proprietary) Limited	**—**	529		
	—	228	ZAR	14th Avenue finance lease – Phase 1
	**	301	ZAR	14th Avenue finance lease – Phase 2
MTN Uganda Limited	**749**	262		
	447	—	UGX	Syndicated term loan facility
	148	—	USD	Syndicated term loan facility
	154	—	UGX	Syndicated revolving credit facility
	—	262	UGX	Local club facility
MTN (Zambia) Limited	**521**	432		
	521	432	USD	Vendor finance facility

*The finance lease is disclosed within other non-current liabilities in the current year.

Type of interest charged	Nominal interest rate %	Effective interest rate %	Repayment details	Security
Variable interest rate		11,25	Loan repaid – 2009	14th Avenue – Phase 1
Variable interest rate	14,52	14,52	Monthly	Underlying property. The lease expires in 2016 with a 10-year renewal option
Variable interest rate	13,00	14,80	Interest quarterly in arrears. Capital repayable in 16 quarterly instalments. Final repayment – October 2014	Floating charge over current and future assets
Variable interest rate	4,00	5,50	Interest quarterly in arrears. Capital repayable in 16 quarterly instalments. Final repayment October 2014	Floating charge over current and future assets
Variable interest rate	13,00	13,90	Final repayment 2014	Floating charge over assets
Variable interest rate			Loan repaid during the year	Debentures over property and endorsement of insurances
Variable interest rate	2,53	2,56	Interest quarterly and capital semi-annually. Final repayment – June 2013	Pledge of specific network assets under a supply contract

Notes to the Group financial statements *continued*

for the year ended 31 December 2009

	December 2009 Rm	December 2008 Rm	Denominated currency	Description of borrowing
19. BORROWINGS (continued)				
Secured (continued)				
West and Central Africa region	**1 323**	812		
MTN Côte d'Ivoire SA	**1 323**	812		
	1 131	—	XOF	Syndicated term loan facility
	192	—	XOF	Bilateral term loan facility
	—	438	XOF	Syndicated term loan facility
	—	374	XOF	Syndicated term loan facility
Middle East and North Africa region	**63**	448		
Irancell Telecommunication Services Company (Proprietary) Limited	**—**	350		
	—	350	EUR	Vendor finance facility
MTN Sudan Company Limited	**63**	98		
	63	98	SDG	Bilateral term loan facility
Head office companies	**74**	187		
MTN (Dubai) Limited	**74**	187		
	74	**187	USD	Bilateral term loan facility
Total secured borrowings	**2 730**	2 670		
Total unsecured borrowings	**32 834**	37 555		
Bank overdraft	**1 353**	1 365		
Total borrowings	**36 917**	41 590		

***Amount classified as unsecured in 2008.*

Type of interest charged	Nominal interest rate %	Effective interest rate %	Repayment details	Security
Fixed interest rate	8,00	8,00	Interest quarterly. Capital semi-annually. Final repayment – March 2014	Pledge of all assets
Fixed interest rate	8,00	8,55	Interest and capital quarterly. Final repayment – 2014	Pledge of all assets
Fixed interest rate		8,25	Loan repaid during the year	Pledge of assets
Fixed interest rate		8,30	Loan repaid during the year	Pledge of deposit accounts
Variable interest rate	—	Between 9,74% and 10%	Loan repaid during the year	Pledge of property, plant and equipment
Fixed interest rate	12,00	13,70	Semi-annual. Final repayment – September 2011	Building
Variable interest rate	2,50	2,78	Interest and capital quarterly. Final repayment – December 2010	Cash collateral

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Notes to the Group financial statements *continued*

for the year ended 31 December 2009

	December 2009 Rm	December 2008 Rm
19. BORROWINGS (continued)		
The maturity of the above loans and overdrafts is as follows:		
Payable within one year or on demand	**15 851**	12 490
Current borrowings	**14 498**	11 125
Bank overdrafts	**1 353**	1 365
More than one year but not exceeding two years	**4 847**	9 685
More than two years but not exceeding five years	**14 999**	17 964
More than five years	**1 220**	1 451
	36 917	41 590
Less: Amounts included within current liabilities	**(15 851)**	(12 490)
Amounts included in non-current liabilities	**21 066**	29 100
The fair values of all borrowings and bank overdrafts approximate their book values.		
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
South African rand	**13 985**	15 263
US dollar	**7 045**	10 647
Nigerian naira	**9 811**	9 833
Uganda shilling	**601**	355
Euro	**554**	920
Congo-Brazzaville Communaute Financière Africaine franc	**293**	207
Sudanese pound	**63**	98
Iranian rials	**177**	251
Benin Communaute Financière Africaine franc	**443**	—
Cameroon Communaute Financière Africaine franc	**605**	814
Côte d'Ivoire Communaute Financière Africaine franc	**1 609**	1 487
Rwanda franc	**129**	—
Zambian kwacha	**215**	291
Swazi lilangeni	**34**	—
Various currencies	**1 353**	1 424
	36 917	41 590
Further details of the Group's finance lease commitments are provided in note 33 to the financial statements.		
The Group has the following undrawn facilities:		
Floating rate	**5 119**	14 720
Fixed rate	**583**	—
	5 702	14 720

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

		December 2009 Rm	December 2008 Rm
20.	**OTHER NON-CURRENT LIABILITIES**		
	Obligation in respect of licence agreements	**255**	473
	Other non-current provisions	**357**	198
	Deferred gain on asset swap for investment in BICS*	**1 341**	—
	Other	**14**	213
		1 967	884
	Less: Current portion of deferred gain	**(273)**	—
		1 694	884

**The deferred gain arose on the contribution of various assets from MTN Dubai, MTN International Carrier Services and Uniglobe in exchange for the investment in associate in Belgacom International Carrier Services (BICS), this gain is deferred and amortised over a five-year period, which is the period of the commitment to use the international gateway of Belgacom SA.*

		December 2009 Rm	December 2008 Rm
21.	**PUT OPTION LIABILITY**		
	Put options in respect of subsidiaries	**2 638**	3 341

The put option in respect of a subsidiary arises from an arrangement whereby certain of the non-controlling shareholders of MTN Nigeria Communications Limited have the right to put their remaining shareholding in the Company to MTN Nigeria Communications Limited.

The put option 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 option is 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.

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 factors and terminal values.

In 2008 the MTN Côte d'Ivoire put option was cancelled 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 non-controlling stake (9,1%) in MTN Afghanistan. The put option will only take effect once the IFC has subscribed for and paid for the non-controlling stake. The put option was not yet effective at the reporting date.

Furthermore, MTN has a put option and the non-controlling shareholders option for 1% of the issued share capital of MTN Cyprus, at a fixed amount. These options are currently not exercisable.

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	December 2009 Rm	December 2008 Rm
22. TRADE AND OTHER PAYABLES		
Trade payables	**6 275**	10 157
Sundry creditors	**4 768**	2 927
Accrued expenses	**11 146**	10 112
Current portion of deferred gain (note 20)	**273**	—
Other payables	**2 278**	1 557
	24 740	24 753

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 48.

	At beginning of year Rm	Additional provisions Rm	Additions – Business com-binations Rm	Unused amounts reversed Rm	Utilised Rm	Exchange differences Rm	At end of year Rm
23. PROVISIONS							
December 2009							
Bonus provision	**466**	**429**	**—**	**(30)**	**(344)**	**(44)**	**477**
Decommissioning provision	**289**	**53**	**—**	**(19)**	**(74)**	**(55)**	**194**
Onerous leases	**685**	**209**	**—**	**(50)**	**(212)**	**(100)**	**532**
Licence obligations	**261**	**—**	**—**	**—**	**(184)**	**—**	**77**
Other provisions	**1 591**	**147**	**—**	**—**	**(80)**	**(190)**	**1 468**
	3 292	**838**	**—**	**(99)**	**(894)**	**(389)**	**2 748**
December 2008							
Bonus provision	327	393	2	(9)	(280)	33	466
Decommissioning provision	132	128	—	(2)	(3)	34	289
Onerous leases	429	503	(2)	(1)	(244)	—	685
Licence obligations	261	—	—	—	—	—	261
Other provisions	—	—	1 591	—	—	—	1 591
	1 149	1 024	1 591	(12)	(527)	67	3 292

23. PROVISIONS (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 pre-determined key performance measures. Bonuses are payable annually after the Group annual results have been approved.

Decommissioning provision
This provision relates to the estimate of the 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.

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.

Licence obligations
The licence obligation provision represents the estimated costs to be incurred in fulfilling the Universal Services obligation. Refer note 30.

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

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	December 2009 Rm	December 2008 Rm
24. CASH GENERATED FROM OPERATIONS		
Profit before tax	**25 773**	28 490
Adjustments for:		
Finance cost	**11 942**	8 644
Finance income	**(6 132)**	(6 727)
Depreciation of property, plant and equipment (note 10)	**11 807**	9 939
Amortisation of intangible assets (note 11)	**2 668**	2 820
Loss on disposal of property, plant and equipment (note 5)	**132**	135
Loss on disposal of intangible assets (note 5)	*****	2
Profit on disposal of investment	**(53)**	—
Increase in provisions	**218**	531
Amortisation of prepaid expenses	**207**	218
Impairment change on intangible assets (note 11)	**14**	—
Impairment change on property, plant and equipment (note 10)	**167**	225
Impairment on trade receivables (note 16)	**283**	328
Share of results of associates after tax (note 12)	**5**	—
Other	**(304)**	(195)
	46 727	44 410
Changes in working capital	**2 905**	426
Increase/(decrease) in inventories	**240**	(1 124)
Increase in unearned income	**1 046**	2 039
Increase/(decrease) in receivables and prepayments	**2 539**	(1 677)
(Decrease)/increase in trade and other payables	**(920)**	1 188
Cash generated from operations	**49 632**	44 836

* *Amounts less than R1 million.*

	December 2009 Rm	December 2008 Rm
25. INCOME TAX PAID		
Opening balance	**(5 078)**	(3 562)
Amounts recognised in profit or loss (note 7)	**(8 612)**	(11 355)
Deferred tax credit (notes 7 and 14)	**992**	3 060
Effect of movements in exchange rates	**1 339**	(510)
Reversal of tax provision	**195**	—
Withholding taxes not paid	**759**	508
Closing balance	**3 562**	5 078
– Taxation prepaid	**(113)**	(642)
– Taxation liabilities	**3 675**	5 720
Total tax paid	**(6 843)**	(6 781)
26. CASH AND CASH EQUIVALENTS		
For purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash at bank and on hand	**23 999**	26 961
Bank overdrafts	**(1 353)**	(1 365)
	22 646	25 596

MTN (Dubai) Limited, MTN Côte d'Ivoire, MTN Uganda and MTN Zambia have secured facilities through the pledge of their cash and cash equivalents. Please refer to note 19.

Included in the restricted cash and cash equivalents balance are amounts relating to the Syrian operations. The Syrian markets have only recently started liberalising foreign exchange legislation to allow for the purchase of foreign currency which is therefore still limited, hence the Group's difficulty in obtaining foreign currency in this market. This is a situation acknowledged by the Syrian authorities with whom we continue to engage.

The Group's exposure to interest rate risk, credit risk and a sensitivity analysis for financial assets and finance liabilities is disclosed in note 48.

	December 2009 Rm	December 2008 Rm
27. RESTRICTED CASH		
Restricted cash deposits	**742**	1 778

Restricted cash consists of monies placed on deposit with banks mainly in Nigeria and Cameroon to secure Letters of Credit, which at reporting date were undrawn and not freely available.

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	December 2009 Rm	December 2008 Rm
28. UNDERWRITING ACTIVITIES		
Underwriting activities are conducted through special purpose entities on commercial terms and conditions and at market prices.		
Income statement effect		
– Gross premiums written	**395**	310
– Outwards reinsurance premiums	**(153)**	(133)
– Other**	**(209)**	(213)
	33	(36)
Balance sheet effect		
Share of technical provision:		
– Outstanding claims	**48**	89
– Provision for unearned premiums	**9**	10
	57	99
Receivables	**170**	40
Payables	**(245)**	(182)

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

	December 2009 Rm	December 2008 Rm
29. CONTINGENT LIABILITIES/(ASSETS)		
Contingent liabilities*	**1 209**	504
Contingent assets**	**—**	(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 2009 was 782 753 (December 2008: 481 078). The estimated contingent liability at 31 December 2009 based on the prevailing business rules on such date amounts to R1 209 million (December 2008: R 504 million).*

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

** *2008 – The Company received a voucher which entitled it to a discount of USD20 million on certain future purchases of services relating to 3G equipment. This was fully utilised during the current financial year.*

30. 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 1 800MHz 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.

The implementation plans are yet to be approved by ICASA before the Company can commence discharging its obligations. The obligation has been estimated as set out in notes 20 and 23.

MTN Zambia Limited

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

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

Irancell Telecommunication Services Company (Proprietary) Limited

The investment in Irancell is subject to a number of sovereign, regulatory and commercial risks, which could result in the Group failing to realise full market value for its investment, should it be required to dispose of any portion thereof. In this regard, 21% of Irancell is required to be offered to members of the Iranian public within approximately 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)

The Group, together with various other parties, has entered into a construction and maintenance agreement for the Eastern Africa Submarine Cable System (EASSy) to address the growing demand for international bandwidth in Africa. The Group's commitment in respect of the contract amounts to USD40 million of which USD30,9 million has been paid at 31 December 2009 (2008: USD8 million).

Europe-India Gateway (EIG) and West Africa Cable System (WACS)

The Group has entered into an agreement with several other parties to construct a high capacity fibre-optic submarine cable system. The Groups' share of these assets is 7,09% in Europe India Gateway Submarine Cable System (R202 million) and 11,78% in West Africa Cable System (R67 million).

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		December 2009 Rm	December 2008 Rm
31.	**CAPITAL COMMITMENTS**		
	Commitments for the acquisition of property, plant and equipment and intangible assets		
	Capital expenditure contracted at the reporting date but not yet incurred is as follows:		
	Contracted but not provided for	**6 344**	8 906
	Authorised but not contracted for	**16 809**	24 743
	Group's share of capital commitments of joint ventures:		
	Contracted but not provided for	**436**	2 504
	Authorised but not contracted for	**10**	1 514
	Total commitments for property, plant and equipment and software	**23 599**	37 667
	Capital expenditure will be funded from operating cash flows, existing borrowing facilities and where necessary by raising additional facilities.		
32.	**OPERATING LEASE COMMITMENTS**		
	The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
	Not later than one year	**203**	203
	Later than one year and no later than five years	**428**	395
	Later than five years	**201**	203
		832	801
	The future aggregate minimum lease payments under cancellable operating leases are as follows:		
	Not later than one year	**397**	382
	Later than one year and no later than five years	**1 105**	857
	Later than five years	**480**	666
		1 982	1 905

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

		December 2009 Rm	December 2008 Rm
33.	**FINANCE LEASE COMMITMENTS**		
	At the reporting date, the Group had outstanding commitments under non-cancellable finance leases which fall due as follows:		
	Minimum lease payments:		
	Not later than one year	**86**	136
	Later than one year and no later than five years	**359**	529
	Later than five years	**46**	133
		491	798
	Less: Future finance charges on finance leases	**(143)**	(244)
	Present value of finance lease obligations	**348**	554
	Present value of finance lease obligations are as follows:		
	Not later than one year	**46**	69
	Later than one year and no later than five years	**258**	366
	Later than five years	**44**	119
		348	554
34.	**OTHER COMMITMENTS**		
	Soccer sponsorship*	**173**	304
	Orders placed to purchase handsets	**577**	237
		750	541

**This commitment relates to FIFA 2010 sponsorship.*

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35. INTERESTS IN JOINT VENTURES

The Group had the following effective percentage interests in joint ventures:

Unless otherwise mentioned, the Group's joint ventures' country of incorporation is also their principal place of operation.

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital December 2009	December 2008
Swazi MTN Limited	Network operator	Swaziland	**30**	30
Digital Mobile TV Africa (Proprietary) Limited	Mobile television	South Africa	*****	50
MTN Mobile Money Holdings (Proprietary) Limited	Wireless banking service	South Africa	**50**	50
Mascom Wireless Botswana (Proprietary) Limited	Network operator	Botswana	**53**	53
Irancell Telecommunication Services Company (Proprietary) Limited	Network operator	Iran	**49**	49
Village Phone Rwanda	Airtime sales	Rwanda	**50**	50
Satellite Data Networks Mauritius (Proprietary) Limited	Internet service provider	Mauritius	**60**	**

* *The investment in Digital Mobile TV Africa (Proprietary) Limited was sold during the current year.*
** *The investment in Satellite Data Networks Mauritius (Proprietary) Limited was acquired in the current year as part of the Verizon SA acquisition.*

Summary financial information

The following table presents, on a condensed basis the Group's share of the assets and liabilities, revenue and expenses of the joint ventures which are included in the consolidated balance sheet and income statement.

	December 2009 Rm	December 2008 Rm
Revenue	**8 592**	5 697
Expenses	**(5 457)**	(4 948)
Non-current assets	**7 780**	7 726
Current assets	**3 691**	2 818
Total assets	**11 471**	10 544
Non-current liabilities	**(4 704)**	(9 594)
Current liabilities	**(6 338)**	(620)
Total liabilities	**(11 042)**	(10 214)

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

36. TRANSFER PRICING

In terms of the transfer pricing provisions contained in section 31 of the South African Income Tax Act, No 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.

37. EXCHANGE RATES TO SOUTH AFRICAN RAND

used for the purposes of IAS 21 translations

		Closing rates		Average rates	
		December 2009	December 2008	**December 2009**	December 2008
United States dollar	USD	**0,14**	0,11	**0,12**	0,12
Uganda shilling	UGX	**256,43**	206,87	**242,29**	215,59
Rwanda franc	RWF	**78,89**	61,14	**67,85**	68,69
Cameroon Communaute Financière Africaine franc	XAF	**61,89**	49,87	**56,58**	56,77
Nigerian naira	NGN	**20,29**	15,07	**17,83**	14,54
Iranian riyals	IRR	**1 353,72**	1 047,81	**1 195,03**	1 151,90
Botswana pula	BWP	**0,90**	0,81	**0,86**	0,83
Côte d'Ivoire Communaute Financière Africaine franc	CFA	**61,89**	50,55	**57,08**	54,77
Congo-Brazzaville Communaute Financière Africaine franc	CFACB	**61,89**	49,79	**57,01**	54,84
Zambian kwacha	ZMK	**626,66**	513,16	**614,04**	455,28
Swaziland emalangeni	E	**1,00**	1,00	**1,00**	1,00
Lebanese pound	LBP	**202,98**	150,96	**179,19**	188,04
Afghanistan afghani	AFN	**6,58**	5,57	**5,98**	6,07
Euro	EUR	**0,09**	0,08	**0,09**	0,08
British pound sterling	GBP	**0,08**	0,07	**0,07**	0,02
Ghana cedi	GHC	**0,19**	0,13	**0,17**	0,13
Benin Communaute Financière Africaine franc	XOF	**61,89**	49,79	**56,06**	53,97
Guinean franc	GNF	**740,87**	555,92	**592,69**	1 391,71
Sudanese pound	SDG	**0,32**	0,24	**0,29**	0,27
Syrian pound	SYP	**6,20**	4,96	**5,59**	5,47
Guinea-Bissau Communaute Financière Africaine franc	XOF	**61,92**	46,32	**55,84**	55,38
Yemen riyals	YER	**28,07**	21,40	**24,25**	24,93

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	December 2009 Rm	December 2008 Rm
38. FOREIGN EXCHANGE EXPOSURE		
Included in the Group balance sheet are the following amounts denominated in currencies other than the functional currency of the reporting entities		
Assets		
Non-current assets		
– US dollar	**33**	5 388
– Euro	**2 056**	4 614
– South African rand	**15**	—
	2 104	10 002
Current assets		
– US dollar	**8 660**	4 126
– Euro	**1 120**	284
– Sudanese pound	**50**	17
	9 830	4 427
Total assets	**11 934**	14 429
Liabilities		
Non-current liabilities		
– US dollar	**(12 319)**	(7 695)
– Euro	**(209)**	(2 778)
	(12 528)	(10 473)
Current liabilities		
– US dollar	**(3 981)**	(7 694)
– Euro	**(1 040)**	(1 939)
– Communaute Financière Africaine franc	**(173)**	—
– Sudanese pound	**(39)**	(59)
– Syrian pound	**(19)**	—
– South African rand	**(23)**	(18)
	(5 275)	(9 710)
Total liabilities	**(17 803)**	(20 183)

		December 2009 Rm	December 2008 Rm
39.	**DERIVATIVES**		
	Included in the balance sheet are the following derivatives:		
	– Assets	**—**	761
	– Liabilities	**(585)**	(126)
		(585)	635
	Fair value profit/(loss):		
	– Taken to income statement	**(585)**	761
	– Taken (from)/to cash flow hedge reserves*	**(191)**	138
	Notional principal amount (USD forward exchange contracts)	**2 860**	7 029

**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 occurred during 2009.*

		December 2009 Rm	December 2008 Rm
40.	**OTHER INVESTMENTS**		
	Available-for-sale financial assets*	**6**	7

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

41. POST-BALANCE SHEET EVENTS

The directors are not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period ended.

42. RELATED PARTY TRANSACTIONS

Various transactions are entered into by the Company and its subsidiaries during the year with related parties. The terms of these transactions are at arm's length. Intra-group transactions are eliminated on consolidation.

Key management compensation

	December 2009 Rm	December 2008 Rm
Salaries and other short-term employee benefits	**15**	13
Post-employment benefits	**2**	1
Other benefits	**1**	1
Bonuses	**13**	16
Share options	**241**	24
Total	**272**	55

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	December 2009 Rm
42. RELATED PARTY TRANSACTIONS (continued)	
Loan to shareholder	
During the current year certain legal claims were made against MTN (Dubai) Limited and Scancom Limited (MTN Ghana) by two previous MTN Ghana shareholders, claiming beneficial title to a portion of the shares in MTN Ghana. As a result of this, an agreement was reached between M1 Limited (M1) and MTN Dubai that they will share the cost of settlement of these claims. During the year a loan was granted to M1 in respect of their share of these costs which was paid by MTN on their behalf.	
This loan has fixed repayments and is interest free. The balance of this loan as at year end is as follows:	
Initial value of loan	**208**
Payments made to date	**(52)**
Effect of movement in exchange rates	**(6)**
Balance outstanding	**150**

The loan has been accounted for accordingly in terms of IAS 39.

For details of transactions/balances between the Company and its related parties, refer to note 11 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. Details of interest in joint ventures are also disclosed in note 35 of the financial statements.

Associates
Details of investments in associates are disclosed in note 12 of the financial statements.

Directors
Details of directors' remuneration are disclosed in note 5 of the Group financial statements as well as in the directors' report under the heading "Details of emoluments and related payments".

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

43. BUSINESS COMBINATIONS

43.1 Acquisitions

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

(a) An additional 59% in iTalk Cellular (Proprietary) Limited, a cellular service provider, was acquired in January 2009 for a purchase consideration of R355 million
(b) 100% of Verizon South Africa (Proprietary) Limited, an internet service provider, was acquired in February 2009 for a purchase consideration of R1 771 million

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

	Carrying amount on acquisition date Rm	Total fair value Rm
iTalk and Verizon SA acquisitions		
The assets and liabilities arising from the acquisitions are as follows:		
Property, plant and equipment	106	106
Customer relationships	—	284
Other non-current assets	95	95
Investments	1	1
Cash and cash equivalents	95	95
Net working capital	42	42
Borrowings	(118)	(118)
Deferred tax liabilities	—	(80)
Taxation liabilities	7	7
Other liabilities	(56)	(56)
Net asset value	172	376
Purchase consideration		2 126
Fair value of net assets acquired		376
Goodwill		1 750

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43. BUSINESS COMBINATIONS (continued)

43.2 Prior year acquisitions

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

(a) 100% of Afnet, a Côte d'Ivoire 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. The purchase consideration has been settled in full, as all previous contractual requirements were met.

(b) 100% of Arobase Telecom SA, a Côte d'Ivoire 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. The purchase consideration has been settled in full, as all previous contractual requirements were 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 purchase price allocation (PPA) was finalised by the reporting date – no adjustments were made as the differences were found to be immaterial.

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.

	Carrying amount on acquisition date Rm	Total fair value Rm
The assets and liabilities acquired are as follows:		
Property, plant and equipment	155	155
Licences	148	148
Cash and cash equivalents	30	30
Trade and other receivables	4	4
Other current assets	4	4
Borrowings	7	7
Trade and other payables	(267)	(267)
Unearned income	(216)	(216)
Taxation liabilities	(14)	(14)
Other liabilities	(20)	(20)
Net assets/(liabilities) acquired (a and b)	(169)	(169)
Purchase consideration (a and b)		233
Fair value of net assets acquired		(169)
Goodwill (a and b)		402
Purchase consideration (c)		260
Goodwill		662
Purchase consideration (a, b and c)		(493)
Cash and cash equivalents acquired		30
Cash outflow on acquisition		(463)

44. CHANGES IN SHAREHOLDING

During the year under review, certain subsidiaries of the Group changed their shareholding in the following entities:

44.1 MTN Uganda additional shares acquisition

During July 2009, the Group increased its shareholding in MTN Uganda from 95,4% to 96,0% for R51 million.

The assets and liabilities arising from the acquisitions are as follows:

	Carrying amount on acquisition date Rm
Property, plant and equipment	**24**
Other non-current assets	**6**
Cash and cash equivalents	**1**
Net working capital	**(4)**
Borrowings	**(6)**
Deferred tax liabilities	**(4)**
Taxation	**(1)**
Net asset value	**16**
Purchase consideration	**51**
Net assets acquired	**16**
Difference included in equity on consolidation	**35**

44.2 MTN (Zambia) Limited private placement

In February 2009, MTN Zambia issued 2,2% of its shares to the public for a consideration of R24,6 million. This resulted in a dilution of the Groups investment from 100% to 97,8%.

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44. CHANGES IN SHAREHOLDING (continued)

44.3 Prior year changes in shareholdings

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

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

44. CHANGES IN SHAREHOLDING (continued)

44.3 Prior year changes in shareholdings (continued)

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 a loss of control.

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

The assets and liabilities disposed of are as follows:

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

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		Note	December 2009 Rm	December 2008 Rm
45.	**CASH FLOWS RELATING TO BUSINESS COMBINATIONS AND CHANGES IN SHAREHOLDING**			
45.1	**Cash flows relating to acquisitions**			
	Acquisition of Verizon and iTalk	43.1	**(2 125)**	—
	Prior year acquisitions	43.2	**—**	(493)
	Other acquisitions*		**(175)**	(118)
			(2 300)	(611)
	Amounts shown in the cash flow statement			
	Acquisition of subsidiaries		**(2 300)**	(611)
	Cash acquired		**95**	30
			(2 205)	(581)

**These consist of an investment in the EASSy Project and EIG Submarine Cable.*

		Note	December 2009 Rm	December 2008 Rm
45.2	**Cash flows relating to changes in shareholding**			
	The acquisition of 1% of MTN Uganda	44.1	**(51)**	—
	Disposal of 2,2% of MTN (Zambia) Limited	44.2	**25**	—
	Prior year change in shareholding	44.3	**—**	4 575
			(26)	4 575

46. NEWSHELF ACQUISITION

The acquisition of 100% of Newshelf 664 (Proprietary) Limited

MTN purchased the entire issued ordinary share capital of Newshelf 664 (Proprietary) Limited (Newshelf) from the Public Investment Corporation. The Newshelf acquisition was effected by way of a specific issue of shares to the PIC and the specific repurchase by MTN of 243,5 million MTN shares held by Newshelf. The transaction was concluded in April 2009. MTN acquired the Newshelf shares at an effective discount to market value and intends to apply a significant portion of this effective discount to future participants in a BEE transaction as an incentive to invest in that transaction. The board remains fully committed to implement a BEE transaction as soon as conditions become conducive.

		December 2009 Rm	December 2008 Rm
47.	**GUARANTEES**		
47.1	The Group has guaranteed the bonds, revolving credit facilities and general banking facilities of MTN Holdings (Proprietary) Limited.		
	The bond guarantees are as follows:		
	MTN 01	**5 000**	5 000
	MTN 02	**1 300**	1 300
	These bonds are listed on the Bond Exchange of South Africa.		
	Syndicated loan facilities		
	USD revolving-credit-facility long-term loan of USD562 million	**2 763**	5 257
	ZAR long-term loan	**3 500**	5 250
	USD long-term loan of USD1 250 million (undrawn)	**—**	11 692
	ZAR long-term loan	**3 917**	—
	General banking facility		
	ZAR long-term loan	**—**	3 200
47.2	The Company has guaranteed the syndicated loan of MTN (Zambia) Limited of ZMK149 565 million.	**215**	291
47.3	The Group's 100% subsidiary MTN (Dubai) Limited (Dubai) (or one of Dubai's 100% subsidiaries), has guaranteed banking and vendor facilities for various operating subsidiaries.		
	Bank and vendor loan facilities		
	EURO term loans		
	MTN Cyprus Limited	**164**	404
	MTN Sudan Company Limited	**84**	166
	USD loans		
	MTN Syria SA	**—**	32

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48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Introduction

The Group has exposure to the following risks from its financial instruments: credit risk, liquidity risk and market risk (foreign exchange and interest rate risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk profile

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

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

48.1 Accounting classes and fair values

	Note	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
December 2009							
Non-current financial assets							
Loans and other non-current receivables	13	—	**3 813**	—	—	**3 813**	**3 813**
Current financial assets							
Current portion of loans and other non-current receivables	13	—	**3 269**	—	—	**3 269**	**3 269**
Trade and other receivables	16	—	**12 485**	—	—	**12 485**	**12 485**
Restricted cash	27	—	**742**	—	—	**742**	**742**
Other investments	40	—	—	**6**	—	**6**	**6**
Cash and cash equivalents	26		**23 999**		—	**23 999**	**23 999**
		—	**44 308**	**6**	—	**44 314**	**44 314**

48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.1 Accounting classes and fair values (continued)

	Note	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
December 2009							
Non-current financial liabilities							
Borrowings	19	**—**	**—**	**—**	**(21 066)**	**(21 066)**	**(21 066)**
Other non-current liabilities	20	**—**	**—**	**—**	**(269)**	**(269)**	**(269)**
Current financial liabilities							
Borrowings	19	**—**	**—**	**—**	**(14 498)**	**(14 498)**	**(14 498)**
Trade and other payables	22	**—**	**—**	**—**	**(22 462)**	**(22 462)**	**(22 462)**
Put option obligations	21	**—**	**—**	**—**	**(2 638)**	**(2 638)**	**(2 638)**
Derivatives	39	**(585)**	**—**	**—**	**—**	**(585)**	**(585)**
Bank overdraft	26	**—**	**—**	**—**	**(1 353)**	**(1 353)**	**(1 353)**
		(585)	**—**	**—**	**(62 286)**	**(62 871)**	**(62 871)**
December 2008							
Non-current financial assets							
Loans and other non-current receivables	13	—	3 436	—	—	3 436	3 436
Current financial assets							
Current portion of loans and other non-current receivables	13	—	3 324	—	—	3 324	3 324
Trade and other receivables	16	—	15 327	—	—	15 327	15 327
Restricted cash	27	—	1 778	—	—	1 778	1 778
Derivatives	39	761	—	—	—	761	761
Other investments	40	—	—	7	—	7	7
Cash and cash equivalents	26	—	26 961	—	—	26 961	26 961
		761	50 826	7	—	51 594	51 594
Non-current financial liabilities							
Borrowings	19	—	—	—	(29 100)	(29 100)	(29 100)
Other non-current liabilities	20	—	—	—	(686)	(686)	(686)
Current financial liabilities							
Borrowings	19	—	—	—	(11 125)	(11 125)	(11 125)
Put option obligations	21	—	—	—	(3 341)	(3 341)	(3 341)
Trade and other payables	22	—	—	—	(23 196)	(23 196)	(23 196)
Derivatives	39	(126)	—	—	—	(126)	(126)
Bank overdraft	26		—	—	(1 365)	(1 365)	(1 365)
		(126)	—	—	(68 813)	(68 939)	(68 939)

48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.2 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment of IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009:

	Level 1	Level 2	Level 3	Total balance
Assets				
Available-for-sale financial assets	7	—	—	7
Total assets	7	—	—	7
Liabilities				
Derivatives	—	585	—	585
Total liabilities	—	585	—	585

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as trading securities or available-for-sale.

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as a present value of estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.3 Credit risk

Credit risk, or the risk of financial loss to the Group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures.

The Group's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk, 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.

The following instruments give rise to credit risk:

	December 2009		December 2008	
	Carrying amount Rm	**Exposure to credit risk* Rm**	Carrying amount Rm	Exposure to credit risk* Rm
Cash and cash equivalents, net of overdrafts	**22 646**	**22 646**	25 596	25 596
Restricted cash	**742**	**742**	1 778	1 778
Trade and other receivables	**12 485**	**7 593**	15 327	9 321
	35 873	**30 981**	42 701	36 695

**Excluding collateral and credit enhancements.*

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 among approved financial institutions. The Group actively seeks to limit the amount of credit exposure to any one financial institution and credit exposure is controlled by counterparty limits that are reviewed and approved by the credit risk department.

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

Trade and other receivables

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

The recoverability of interconnect debtors in certain international operations is uncertain; however, this is actively managed within acceptable limits (this fact has been incorporated in the assessment of an appropriate revenue recognition policy in this regard (refer to note 2.20) and the impairment of trade receivables as applicable).

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48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.3 Credit risk (continued)

	December 2009 Rm	December 2008 Rm
Ageing and impairment analysis (Undiscounted maturity analysis)		
Fully performing trade receivables		
Interconnect receivables	**2 627**	3 051
Contract receivables	**4 835**	4 543
Other receivables	**128**	459
	7 590	8 053
Past due but not impaired trade receivables		
Interconnect receivables	**1 391**	3 088
– 0 to 3 months	**613**	717
– 3 to 6 months	**313**	591
– 6 to 9 months	**326**	372
– 9 to 12 months	**139**	1 408
Contract receivables	**815**	656
– 0 to 3 months	**390**	208
– 3 to 6 months	**302**	343
– 6 to 9 months	**123**	105
– 9 to 12 months	**—**	—
Other receivables	**179**	169
– 0 to 3 months	**144**	92
– 3 to 6 months	**7**	77
– 6 to 9 months	**28**	—
– 9 to 12 months	**—**	—
Total past due but not impaired	**2 385**	3 913
Impaired not written off	**1 015**	1 502
Total	**10 990**	13 468

48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.3 Credit risk (continued)

Past due but not impaired trade receivables (continued)

Region	Interconnect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
December 2009				
South Africa	**4**	**18**	**—**	**22**
Nigeria	**541**	**243**	**4**	**788**
Iran	**509**	**5**	**—**	**514**
Rest of Africa and the Middle East	**337**	**549**	**175**	**1 061**
	1 391	**815**	**179**	**2 385**
December 2008				
South Africa	1 907	—	—	1 907
Nigeria	405	274	(12)	667
Iran	339	—	—	339
Rest of Africa and the Middle East	437	382	181	1 000
	3 088	656	169	3 913

Certain of the loans to Irancell Telecommunication Services Company (Proprietary) Limited 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 believes them to be fully recoverable based on the future prospects of Irancell (note 13).

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48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.3 Credit risk (continued)

Impairment of trade receivables

The determination of the impairment of trade and other receivables

	Impaired not written-off Rm	Provided for not impaired Rm	Provision for impairment Rm
Interconnect receivables	**(284)**	**(155)**	**(439)**
Contract receivables	**(440)**	**(101)**	**(541)**
Other receivables	**(291)**	**(278)**	**(569)**
	(1 015)	**(534)**	**(1 549)**

	At beginning of period Rm	Additions Rm	Unused Rm	Utilised Rm	Exchange differences Rm	At end of period Rm
Impairment movement						
December 2009						
Movement in provision for impairment of trade receivables	**(1 674)**	**(375)**	**92**	**87**	**321**	**(1 549)**
December 2008						
Movement in provision for impairment of trade receivables	(1 071)	(3)	(328)	—	(272)	(1 674)

48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.4 Liquidity risk

Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due. The Group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

The following liquid resources are available:

	Carrying amount		Fair value	
	December 2009 Rm	December 2008 Rm	**December 2009 Rm**	December 2008 Rm
Cash at bank and on hand; net of overdrafts	**22 646**	25 596	**22 646**	25 596
Trade and other receivables	**12 485**	15 327	**12 485**	15 327
	35 131	40 923	**35 131**	40 923

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48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.4 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
December 2009				
Current liabilities				
Borrowings*	(14 498)	(1 570)	(998)	(11 930)
Trade and other payables				
– Trade payables	(6 275)	(1 515)	(2 722)	(2 038)
– Sundry creditors	(4 768)	(1 986)	(1 590)	(1 192)
– Accrued expenses	(11 146)	(1 608)	(2 466)	(7 072)
Bank overdraft	(1 353)	(1 353)	—	—
Derivative financial instruments	(585)	—	—	(585)
Put option liability in respect of subsidiaries	(2 638)	(2 638)	—	—
	(41 263)	(10 670)	(7 776)	(22 817)

Refer to note 19 for detailed information in respect of interest payments on borrowings.

48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.4 Liquidity risk (continued)

	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
December 2009				
Non-current liabilities				
Borrowings*	**(21 066)**	**(6 870)**	**(11 683)**	**(2 513)**
Other non-current liabilities	**(269)**	**(269)**	**—**	**—**
	(21 335)	**(7 139)**	**(11 683)**	**(2 513)**

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

	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
December 2008				
Current liabilities				
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	(126)	—	(126)	—
Put option in respect of subsidiaries	(3 341)	(3 341)	—	—
	(39 153)	(21 802)	(2 920)	(14 431)

**Refer to note 19 for detailed information in respect of interest payments on borrowings.*

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48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.4 Liquidity risk (continued)

	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
December 2008				
Non-current liabilities				
Borrowings*	(29 100)	(9 685)	(17 964	(1 451)
Other non-current liabilities				
– Obligation in respect of licence agreements	(473)	(181)	(224)	(68)
– Other non-current liabilities	(213)	(23)	(98)	(92)
	(29 786)	(9 889)	(18 286)	(1 611)

**Refer to note 19 for detailed information in respect of interest payments on borrowings.*

48.5 Market risk

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

48.6 Interest rate risk

Interest rate risk is the risk borne by an interest-bearing asset and liability, due to variability of interest rates.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, bank overdrafts and loans receivable/payable. The interest rates applicable to these financial instruments are on a combination of floating and fixed bases in line with those currently available in the market.

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

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

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

48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.6 Interest rate risk (continued)

Profile

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

	Fixed rate instruments Rm	Variable rate instruments Rm
December 2009		
Financial assets		
Loans and non-current receivables	—	4 804
Cash and cash equivalents	16 510	5 847
Trade and other receivables	—	443
	16 510	11 094
Financial liabilities		
Borrowings	25 732	9 564
Other non-current liabilities	344	4
Bank overdraft	49	1 297
	26 125	10 865

Sensitivity analysis

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

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

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as in 2008.

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48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.6 Interest rate risk (continued)

Sensitivity analysis (continued)

	Increase/(decrease) in profit before tax		
	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
December 2009			
JIBAR	**1**	**(149,7)**	**149,7**
LIBOR	**1**	**(285,3)**	**285,3**
NIBOR	**1**	**0,0**	**0,0**
EURIBOR	**1**	**22,1**	**(22,1)**
Money market	**1**	**2,2**	**(2,2)**
Prime	**1**	**19,2**	**(19,2)**
Other	**1**	**139,7**	**(139,7)**
December 2008			
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)

48.7 Currency risk

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

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

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

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

48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.7 Currency risk (continued)

Sensitivity analysis (continued)

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

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

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in 2008.

	Increase/(decrease) in profit before tax		
Denominated: functional currency	**Change in exchange rate %**	**Weakening in functional currency, resulting in an increase/(decrease) in profit before tax Rm**	**Strengthening in functional currency, resulting in an increase/(decrease) in profit before tax Rm**
December 2009			
USD:ZAR	10	(15,3)	15,3
USD:SYP	10	(77,4)	77,4
USD:IRR	10	(403,9)	403,9
USD:CEDIS	10	15,5	(15,5)
USD:SDG	10	(3,7)	3,7
USD:NGN	10	(157,0)	157,0
USD:RWF	10	(52,4)	52,4
EUR:ZAR	10	45,4	(45,4)
EUR:SYP	10	5,2	(5,2)
EUR:IRR	10	(31,3)	31,3
EUR:SDG	10	2,8	(2,8)

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48. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

48.7 Currency risk (continued)

Sensitivity analysis (continued)

Denominated: functional currency	Change in exchange rate %	Increase/(decrease) in profit before tax: Weakening in functional currency, resulting in an increase/(decrease) in profit before tax Rm	Increase/(decrease) in profit before tax: Strengthening in functional currency, resulting in an increase/(decrease) in profit before tax Rm
December 2008			
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:SDG	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:SDG	10	(69,8)	69,8

48.8 Price risk

The Group is not exposed to commodity price risk or material equity securities price risk.

48.9 Capital risk management

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

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

The board of directors has approved three key debt protection ratios at a consolidated level being: Net debt : EBITDA; Net debt : Equity and Net interest : EBITDA. Net debt is defined as cash and cash equivalents less interest-bearing borrowings. Equity approximates share capital and reserves attributable to equity holders of the Company.

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

49. COMPARATIVE FIGURES

Where necessary, comparative figures within certain notes have been restated to conform with current year classifications. The amounts involved are considered immaterial.

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