Annual financial statements in accordance with International Financial Reporting Standards (IFRS)

The Group and Company annual financial statements were audited in terms of the Companies Act 71 of 2008.

The preparation of the Group and Company annual financial statements was supervised by the Group chief financial officer, NI Patel, BCom, BCompt (Hons), CA(SA).

These annual financial statements were authorised on 5 March 2013 by the board of directors.

*05

Annual financial statements

MTN Group Limited and its subsidiaries
(Registration number: 1994/009584/06)

Contents

05 Annual financial statements

Statement of directors' responsibility

for the year ended 31 December 2012

The directors are responsible for the integrity of the integrated report as a whole, as well as for the preparation and fair presentation of the annual consolidated financial statements of MTN Group Limited (the Company), its subsidiaries, joint ventures, associates and special purpose entities (together the Group) in accordance with International Financial Reporting Standards (IFRS), and the South African Companies Act, No 71 of 2008 (the Companies Act), which form an integral part of the integrated report.

The preparation of financial statements in conformity with IFRS requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The directors are of the opinion that the information contained in the annual financial statements fairly presents the financial position at year end and the financial performance and cash flows of the Group and Company.

The directors have responsibility for ensuring that accurate and complete accounting records are kept to enable the Group and Company to satisfy their obligation with respect to the preparation of financial statements.

The Group operates in an established controlled environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are controlled.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Group audit committee plays an integral role in risk management as well as in overseeing the Group's integrated reporting and internal audit function.

The Group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the Group's audit committee, assesses and, when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The going concern basis has been adopted in preparing the Group and Company annual financial statements. The directors have no reason to believe that the Group or any company within the Group will not be a going concern in the year ahead based on forecasts and available cash resources. These annual financial statements support the viability of the Group and the Company.

The Group's external auditors, PricewaterhouseCoopers Incorporated and SizweNtsalubaGobodo Incorporated, jointly audited the Group and Company annual financial statements and their unqualified audit report is presented on page 113.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board.

The Group annual financial statements and Company annual financial statements which appear on pages 114 to 211 were approved for issue by the board of directors on 5 March 2013 and are signed on its behalf by:

MC Ramaphosa
Chairman

RS Dabengwa
Group president and chief executive officer
Fairland
5 March 2013

Certificate by the company secretary

for the year ended 31 December 2012

I certify that MTN Group Limited has filed all its returns and notices for the year ended 31 December 2012, as are required of a public company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008, and that such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

SB Mtshali
Company secretary

Fairland
5 March 2013

Report of the audit committee

The MTN Group audit committee (the committee) presents its report in terms of section 94(7)(f) of the Companies Act and as recommended by King III for the financial year ended 31 December 2012.

Terms of reference

The committee has adopted comprehensive and formal terms of reference which have been approved by the board and which are reviewed on an annual basis.

Membership, meeting attendance and evaluation

Members of the committee are formally nominated by the board for re-election by shareholders. The committee meets at least four times a year. The composition of the committee and the attendance at meetings by its members are set out below:

Members	Attendance
AF van Biljon	4/4
NP Mageza	4/4
J van Rooyen	4/4
MJN Njeke	4/4
JHN Strydom*	2/4

**Withdrawn on 29 May 2012.*

The biographical details of members are set out on pages 22 to 25. The committee members' fees are included in the table of directors' emoluments and related payments on page 87.

The Group president and CEO, Group chief financial officer, Group chief business risk officer, joint external auditors and other assurance providers attend committee meetings by invitation. The committee also meets separately with the joint external auditors, internal auditors and senior management before or after every meeting.

The effectiveness of the audit committee as a whole and its individual members are assessed on an annual basis.

Execution of functions of the audit committee

The committee is satisfied that, in respect of the period under review, it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference, the Companies Act and King III. To the extent that King III recommendations have not been applied, an explanation is given in the schedule of the 75 King III principles in the Corporate Governance report on our website.

The committee is therefore pleased to report that it discharged the following responsibilities during the year under review:

External auditors

- Considered the independence and objectivity of the joint external auditors and ensured that the scope of non-audit services rendered did not impair their independence.
- Approved the non-audit-related services performed by the joint external auditors during the year under review in accordance with the policy established and approved by the board.
- Determined the joint external auditors' terms of engagement and fees for 2012.
- Satisfied itself that the joint external auditors and the designated auditors are accredited on the JSE list of auditors and advisers. The committee therefore recommends the reappointment of the joint external auditors and the appointment of the designated auditors at the next annual general meeting (AGM).

Financial statements and accounting practices

- Reviewed the accounting policies and the annual financial statements of MTN Group for the year ended 31 December 2012 and based on the information provided to it, the committee considers that, in all material respects, they are appropriate and comply with the provisions of the Companies Act, International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the JSE Listings Requirements.
- Reviewed the processes in place for the reporting of concerns and complaints relating to reporting and accounting practices, internal audit, contents of the Group's financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.

Internal financial controls

- Oversaw the project established by the Group for the formalisation of the annual review of the design, implementation and effectiveness of internal financial controls, most notably in the South African and Nigerian operations. It is the intention of the Group that all material operations are incorporated into the formal annual review of internal financial control by the end of 2013.

- Oversaw the process in terms of which internal audit performed a written assessment of the effectiveness of the Group's system of internal control (including internal financial controls). This written assessment by internal audit formed the basis of the committee's recommendation in this regard to the board in order for the board to report thereon. The board report on the effectiveness of the system of internal controls which the committee fully supports is included in the directors' report on page 112.
- Reviewed the reports of both internal and external auditors detailing their concerns arising from their audits and requested appropriate responses from management.

Integrated reporting and combined assurance
- Considered the Group's sustainability information as disclosed in the integrated report and has assessed its accuracy against all the information available to the committee and the annual financial statements.
- Discussed the sustainability information with the chairman of the Group risk management, compliance and corporate governance committee. The committee is satisfied that the Group has optimised the assurance coverage obtained from management, external and internal assurance providers in accordance with an appropriate combined assurance model.
- At its meeting held on 1 March 2013, considered and recommended the integrated report for approval by the board.

Going concern status
- Considered the going concern status of the Company and the Group on the basis of review of the annual financial statements and the information available to the committee and recommended such going concern status for adoption by the board. The board statement on the going concern status of the Group and Company is contained on page 110 in the directors' report.

Internal audit
- Considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan.
- Reviewed the performance, appropriateness and effectiveness of the chief business risk officer, S Fakie and was satisfied with his effectiveness.

Finance director and finance function
- Reviewed the performance of the Group chief financial officer, Mr NI Patel, and was satisfied that he has the necessary expertise and experience to fulfil this role and has performed appropriately during the year under review.
- Considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of senior members of the finance function.

Solvency and liquidity review
- The committee is satisfied that the board has performed a solvency and liquidity test on the Company in terms of sections 4 and 46 of the Companies Act and has concluded that the Company will satisfy the test after payment of the final dividend.

In addition, the majority of members of the committee attended the Group risk management and compliance and corporate governance committee meetings held during the year under review.

The Group's joint external auditors are Pricewaterhouse-Coopers Inc. and SizweNtsalubaGobodo Inc. Fees paid to the auditors for the year under review are disclosed in note 6 of the annual financial statements on page 134.

AF van Biljon
Chairman

5 March 2013

Directors' report

for the year ended 31 December 2012

Nature of business

MTN Group Limited (the Company) incorporated in the Republic of South Africa on 23 November 1994 carries on the business of investing in the telecommunications industry through its subsidiary companies, joint ventures and associated companies. The Group is listed on the JSE Limited. The Company's registered address is 216 14th Avenue, Fairland, Roodepoort, Gauteng 2195.

Integrated report

The board acknowledges its responsibility for the integrity of this integrated report. Guidelines as provided by King III have been adopted in preparation of this integrated report.

Accounting practices

The Group and Company annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the requirements of the Companies Act.

Financial results

The Group recorded a profit after tax for the year ended 31 December 2012 of R24 068 million (2011: R23 787 million).

Full details of the financial results of the Group and Company are set out on pages 114 to 211 of these annual financial statements and accompanying notes for the year ended 31 December 2012.

Capital expenditure

Capital expenditure for the year ended 31 December 2012 totalled R30 101 million (2011: R17 717 million) which comprised the following:

	2012 Rm	2011 Rm
Property, plant and equipment	27 024	16 258
Land and buildings	311	722
Leasehold improvements	243	315
Network infrastructure	14 862	11 154
Information systems, furniture and office equipment	1 552	811
Capital work in progress/ other	9 820	3 173
Vehicles	236	83
Intangible assets		
Software	3 077	1 459
	30 101	17 717

Related party transactions

Details of related party transactions are set out on pages 178 and 179 of these annual financial statements.

Year under review

The detailed reviews and the activities of the Group are contained in the reports of the Group president and chief executive officer, and the Group chief financial officer as set out on pages 32 to 39 of the integrated report.

Borrowing powers

In terms of the memorandum of incorporation, the borrowing powers of the Company are unlimited, however all borrowings by the MTN Group are subject to limitations set out in the treasury policy of the Group. The details of borrowings are disclosed in note 25.

Going concern

The directors have reviewed the Group's budget and cash flow forecast for the year to 31 December 2013. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the Group and Company have access to adequate resources to continue in operational existence for the foreseeable future and are going concerns and have continued to adopt the going concern basis in preparing the annual financial statements.

Subsidiary companies and joint ventures

Details of entities in which MTN Group has a direct or indirect interest are set out in Annexure 1 of the integrated report on pages 212 and 213.

All Group subsidiaries have a year end consistent with that of the Company with the exception of Irancell Telecommunication Company Services (PJSC) (MTN Irancell), a joint venture of the Group that has a year end of 20 December, in line with statutory requirements in Iran.

Distribution to shareholders

Final dividend

Notice is hereby given that a gross final dividend of 503 cents per share for the period to 31 December 2012 has been declared payable to MTN shareholders. The number of ordinary shares in issue at the date of this declaration is 1 883 484 324 (including 22 337 752 treasury shares).

The dividend will be subject to a maximum local dividend tax rate of 15% which will result in a net dividend of 427,55 cents per share to those shareholders that bear the maximum rate of dividend withholding tax of 75,45 cents per share.

MTN Group Limited's tax reference number is 9692/942/71/8. In compliance with the requirements of STRATE, the electronic settlement and custody system used by the JSE Limited, the salient dates relating to the payment of the dividend are as follows:

Last day to trade cum dividend on the JSE	Wednesday, 20 March 2013
First trading day ex dividend on the JSE	Friday, 22 March 2013
Record date	Thursday, 28 March 2013
Payment date	Tuesday, 2 April 2013

No share certificates may be dematerialised or rematerialised between Friday, 22 March 2013 and Thursday, 28 March 2013, both days inclusive. On Tuesday, 2 April 2013, the dividend will be transferred electronically to the bank accounts of certificated shareholders who make use of this facility.

In respect of those who do not use this facility, cheques dated Tuesday, 2 April 2013 will be posted on or about that date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository Participant or broker credited on Tuesday, 2 April 2013.

The MTN Board confirms that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

Interim dividend

A gross interim dividend of 321 cents per share (2011: 273 cents per share) amounting to R5 979 million (2011: R5 145 million) in respect of the half year period ended 30 June 2012 was declared on 7 August 2012 and paid to shareholders on 3 September 2012.

Before declaring the interim dividend, the board:
- applied the solvency and liquidity test on the Company; and
- reasonably concluded that the Company would satisfy the solvency and liquidity test immediately after payment of the interim dividend.

The payments of future dividends will depend on the board's ongoing assessment of MTN Group's earnings, financial position, cash needs, future earnings prospects and other factors.

Shareholders on the South African register who dematerialised their ordinary shares receive payment of their dividends electronically, as provided for by STRATE. For those shareholders who have not yet dematerialised their shareholding in the Company in certificated form, the Company operates an electronic funds transmission service, whereby dividends may be electronically transferred to shareholders' bank accounts. These shareholders are encouraged to mandate this method of payment for all future dividends, by approaching the Company's share registrar, Computershare Investor Services Proprietary Limited, whose contact details are set out on page 224 of the notice of the AGM.

Share capital

Authorised share capital

There was no change in the authorised share capital of the Company during the year under review. The authorised ordinary share capital of MTN Group is 2,5 billion shares of 0,01 cent each.

Issued share capital

The issued share capital of the Company is R188 348 (2011: R188 481) comprising 1 883 484 324 (2011: 1 884 811 569) ordinary shares of 0,01 cent each.

The issued share capital of the Company was decreased during the year by the cancellation of shares issued to MTN Zakhele, offset by the allotment and issue of shares to employees who exercised share options in terms of the MTN Group Limited share option scheme. Details of these allotments are set out on page 159 of the annual financial statements.

MTN Zakhele Scheme

Details of the MTN Zakhele Scheme are set out in note 23.

Details of participation in the MTN Zakhele Scheme by directors of the Company, directors of major subsidiaries and the company secretary are set out on page 95 of the integrated report.

Control of unissued share capital

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act. As this general authority remains valid only until the next AGM, shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares, up to a maximum of 10% of the Company's issued share capital, under the control of the directors until the next AGM.

Acquisition of the Company's own shares

At the last AGM held on 29 May 2012, shareholders gave the Company or any of its subsidiaries a general approval in terms of section 48 of the Companies Act, by way of special resolution, for the acquisition of its own shares. As this general approval remains valid only until the next AGM is held on 28 May 2013, shareholders will be asked at that meeting to consider a special resolution to renew this general authority until the next AGM, subject to a maximum extension of 15 months.

During the year under review a subsidiary of the Group acquired 15 573 340 (2011: 6 764 412) shares in the Company at an average share price of R134,07 (2011: R137,50), including costs.

Further details of the authorised and issued shares are set out in note 23.

Shareholders' interest

Details of shareholders' interest and a shareholder spread analysis are set out on page 211 of the integrated report.

Directors' report *continued*

for the year ended 31 December 2012

Share price performance
Details of the share price performance of the Company are set out on page 235 of the integrated report.

Directorate
The composition and profiles of the board of directors of the Company are set out on page 22 and the information on the board and board committees, its activities, appointment policy, meetings and attendance are set out in the corporate governance statement appearing on page 73 of the integrated report.

Details of directors' remuneration and shareholding are set out in the remuneration report on pages 87 to 95 of the integrated report.

Retirement by rotation of directors
In accordance with the Company's memorandum of incorporation (MOI) MC Ramaphosa (chairman), RS Dabengwa, NI Patel and AT Mikati retire by rotation at the forthcoming AGM. The retiring directors, being eligible, offer themselves for re-election with the exception of MC Ramaphosa, who will be retiring at the next AGM. Following a review of his business related commitments, MC Ramaphosa has informed the Company that he wishes to relinquish his position as non-executive director and chairman of the Company.

In accordance with the policy adopted by the board and the MOI of the Company, directors who have been in office for an aggregate period in excess of nine years, are required to retire at the next AGM and at each GM thereafter. Accordingly, AF van Biljon and JHN Strydom (non-executive directors), who have served on the board for an aggregate period of nine years, retire at the forthcoming AGM and are eligible and offer themselves for re-election following an evaluation of their independence.

The profiles of the directors retiring by rotation and seeking re-election are set out on page 217 of the integrated report.

Resignations and appointments
During the year under review, F Titi was appointed to the board as an independent non-executive director, with effect from 1 July 2012. His appointment is subject to shareholder approval at the next AGM to be held on 28 May 2013.

There were no resignations other than those mentioned above.

Interests of directors and prescribed officers
Details of the interests of directors and prescribed officers are provided in the remuneration report on page 95 of the integrated report.

Directors' and prescribed officers' shareholdings and dealings
Details of the directors' and prescribed officers' shareholdings and dealings are provided in the remuneration report on page 95 of the integrated report.

Employee share schemes
Details of the Group's share schemes are provided on pages 84 and 85 of the remuneration report and in note 44.

Material resolutions
There were no material resolutions passed in the Company or its subsidiaries during the year under review.

Mergers and acquisitions
Details of the Group's acquisitions and disposals are disclosed in note 42.

Events after the reporting period
Details of events after the reporting period are set out in note 40 of these annual financial statements.

American depository receipt facility
A sponsored American depository receipt facility has been established. This facility is sponsored by the Bank of New York and details of the administrators are reflected on page 238 of the integrated report.

AGM
The AGM will be held at 14:30 on 28 May 2013. Refer to page 216 of the integrated report for further details of the ordinary and special business for consideration at the meeting.

Internal financial controls
During the year under review, the board, through the audit committee, assessed the results of the formal documented review of the Company's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by internal audit and considered information and explanations given by management and discussions with the external auditors on the results of the audit. Although the audit identified certain weaknesses in financial controls, whether in design, implementation or execution, the board does not consider these control weaknesses (individually or in combination with other weaknesses) to have resulted in actual material financial loss, fraud or material errors. Based on the above results nothing has come to the attention of the board that caused it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The board's opinion is supported by the audit committee.

Audit committee
The report of the audit committee appears on page 108 of the integrated report.

Auditors
PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. will continue in office as joint auditors in accordance with section 90 of the Companies Act. Suren Sooklal will be the registered audit partner who will be undertaking the audit for PricewaterhouseCoopers Inc. Suleman Lockhat will be the registered audit partner who will be undertaking the audit for SizweNtsalubaGobodo Inc. The audit committee reviewed the independence of the auditors during the period under review and satisfied itself that the auditors were independent of the Group.

Independent auditors' report to the shareholders of MTN Group Limited

for the year ended 31 December 2012

We have audited the consolidated and separate annual financial statements of MTN Group Limited, which comprise the statements of financial position as at 31 December 2012 and the income statement, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes comprising significant accounting policies and explanatory information, as set out in pages 114 to 211 and specified sections of the remuneration report contained within pages 87 to 95.

Directors' responsibility for the annual financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of MTN Group Limited as at 31 December 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate annual financial statements for the year ended 31 December 2012, we have read the directors' report, the report of the audit committee and the certificate by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate annual financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: S Sooklal
Registered auditor

Sunninghill
5 March 2013

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc.
Director: SY Lockhat
Registered auditor

Woodmead
5 March 2013

Group income statement

for the year ended 31 December 2012

	Note	2012 Rm	2011 Rm
Revenue	4	135 112	121 884
Other income	5	894	1 458
Direct network operating costs		(20 464)	(18 782)
Costs of handsets and other accessories		(9 789)	(8 160)
Interconnect and roaming		(15 041)	(13 395)
Employee benefits	6	(7 775)	(6 754)
Selling, distribution and marketing expenses		(16 052)	(14 805)
Other operating expenses		(8 359)	(6 793)
Reversal of impairment of property, plant and equipment	11	59	97
Impairment of property, plant and equipment	11	(21)	–
EBITDA		58 564	54 750
Depreciation of property, plant and equipment	11	(14 860)	(13 296)
Amortisation of intangible assets	12	(2 386)	(2 163)
Impairment of goodwill	12	–	(31)
Operating profit	6	41 318	39 260
Finance income	7	5 966	5 028
Finance costs	7	(10 123)	(6 610)
Share of results of associates after tax	13	(180)	(38)
Profit before tax		36 981	37 640
Income tax expense	8	(12 913)	(13 853)
Profit after tax		24 068	23 787
Attributable to:			
Equity holders of the Company		20 704	20 754
Non-controlling interests		3 364	3 033
		24 068	23 787
Basic earnings per share (cents)	9	1 126,4	1 119,5
Diluted earnings per share (cents)	9	1 119,5	1 110,8

Group statement of comprehensive income

for the year ended 31 December 2012

	2012 Rm	2011 Rm
Profit after tax	24 068	23 787
Other comprehensive income after tax:		
Exchange differences on translating foreign operations[1]	(3 507)	10 796
Attributable to equity holders of the Company	(3 498)	10 415
Attributable to non-controlling interests	(9)	381
Total comprehensive income for the year	20 561	34 583
Attributable to:		
Equity holders of the Company	17 206	31 169
Non-controlling interests	3 355	3 414
	20 561	34 583

[1]This component of other comprehensive income does not attract any tax.

Group statement of financial position

at 31 December 2012

	Note	2012 Rm	2011 Rm
ASSETS			
Non-current assets		121 097	113 787
Property, plant and equipment	11	77 485	71 610
Intangible assets and goodwill	12	33 935	34 540
Investment in associates	13	1 765	2 681
Loans and other non-current receivables	14	6 475	3 672
Deferred tax assets	15	1 437	1 284
Current assets		60 287	67 621
Non-current assets held for sale	16	1 373	820
		58 914	66 801
Inventories	17	2 593	2 629
Trade and other receivables	18	17 523	17 916
Taxation prepaid	31	556	415
Current investments	19	7 074	9 480
Derivative assets	20	191	9
Restricted cash	21	5 277	546
Cash and cash equivalents	22	25 700	35 806
Total assets		181 384	181 408
EQUITY			
Ordinary share capital and share premium	23	42 593	44 678
Retained earnings		62 247	56 567
Other reserves	24	(15 834)	(12 348)
Attributable to equity holders of the Company		89 006	88 897
Non-controlling interests		3 881	3 802
Total equity		92 887	92 699
LIABILITIES			
Non-current liabilities		33 307	33 392
Borrowings	25	21 742	23 554
Deferred tax liabilities	15	8 782	8 036
Other non-current liabilities	26	2 320	1 802
Provisions	27	461	–
Derivative liabilities	20	2	–
Current liabilities		55 190	55 317
Trade and other payables	29	25 915	25 054
Unearned income		7 011	7 330
Provisions	27	4 017	3 252
Taxation liabilities	31	7 227	9 037
Borrowings	25	10 621	9 869
Derivative liabilities	20	14	4
Put option liability	28	216	178
Bank overdrafts	22	169	593
Total liabilities		88 497	88 709
Total equity and liabilities		181 384	181 408

Group statement of changes in equity

for the year ended 31 December 2012

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Other reserves Rm	Attributable to equity holders of the Company Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 January 2011		*	45 602	48 977	(22 724)	71 855	2 219	74 074
Share buy-back		*	(930)	–	–	(930)	–	(930)
Shares issued during the year		*	6	–	–	6	–	6
Transfer between reserves		–	–	37	(37)	–	–	–
Settlement of put option		–	–	(1 603)	(59)	(1 662)	1 662	–
Transactions with non-controlling interests		–	–	–	(30)	(30)	(224)	(254)
Share-based payment reserve		–	–	–	74	74	–	74
Total comprehensive income		–	–	20 754	10 415	31 169	3 414	34 583
Profit after tax		–	–	20 754	–	20 754	3 033	23 787
Other comprehensive income		–	–	–	10 415	10 415	381	10 796
Dividends paid	10	–	–	(11 722)	–	(11 722)	(2 954)	(14 676)
Other movements		–	–	124	13	137	(315)	(178)
Balance at 31 December 2011		*	44 678	56 567	(12 348)	88 897	3 802	92 699
Balance at 1 January 2012		*	44 678	56 567	(12 348)	88 897	3 802	92 699
Share buy-back		*	(2 088)	–	–	(2 088)	–	(2 088)
Shares issued during the year		*	3	–	–	3	–	3
Shares cancelled		*	–	–	–	*	–	*
Transfer between reserves		–	–	22	(22)	–	–	–
Transactions with non-controlling interests		–	–	–	(122)	(122)	(55)	(177)
Share-based payment reserve		–	–	–	147	147	–	147
Total comprehensive income		–	–	20 704	(3 498)	17 206	3 355	20 561
Profit after tax		–	–	20 704	–	20 704	3 364	24 068
Other comprehensive income		–	–	–	(3 498)	(3 498)	(9)	(3 507)
Dividends paid	10	–	–	(14 919)	–	(14 919)	(3 255)	(18 174)
Other movements		–	–	(127)	9	(118)	34	(84)
Balance at 31 December 2012		*	42 593	62 247	(15 834)	89 006	3 881	92 887
Note		23	23		24			

**Amounts less than R1 million.*

Group statement of cash flows

for the year ended 31 December 2012

	Note	2012 Rm	2011[1] Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	57 856	50 277
Finance income received		3 075	1 982
Finance costs paid		(3 768)	(3 341)
Dividends paid to equity holders of the Company		(14 919)	(11 722)
Dividends paid to non-controlling interests		(3 018)	(2 647)
Income tax paid	31	(14 303)	(9 414)
Dividends received from associates	13	155	92
Net cash generated from operating activities		25 078	25 227
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(22 572)	(14 103)
– to maintain operations		(203)	(1 024)
– to expand operations		(22 369)	(13 079)
Proceeds from sale of property, plant and equipment and intangible assets		235	36
Acquisition of intangible assets		(3 250)	(1 488)
Loans receivable repaid		–	2 271
Loans receivable granted		(515)	(126)
Increase in investment in associates		(360)	(1 915)
Proceeds from/(investment in) bonds, treasury bills and foreign deposits		1 968	(8 508)
Proceeds on disposal of non-current assets held for sale	5	1 405	3 217
Advance received on non-current assets held for sale	40	158	–
Increase in restricted cash		(4 128)	–
Net cash used in investing activities		(27 059)	(20 616)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of ordinary shares	23	3	6
Acquisition of treasury shares	23	(2 088)	(930)
Net cash outflows from changes in shareholding	42	(177)	(254)
Proceeds from borrowings		11 108	4 848
Repayment of borrowings		(14 552)	(10 007)
Increase in restricted cash		–	(182)
Settlement of Nigeria put option		–	(2 817)
Other financing activities		(53)	(50)
Net cash used in financing activities		(5 759)	(9 386)
Net decrease in cash and cash equivalents		(7 740)	(4 775)
Net cash and cash equivalents at beginning of the year		35 213	35 907
Exchange (losses)/gains on cash and cash equivalents		(1 942)	4 081
Net cash and cash equivalents at end of the year	22	25 531	35 213

The cash flows shown above are presented net of VAT.

[1] *2011 amounts reclassified, refer to note 45.*

Notes to the Group annual financial statements

for the year ended 31 December 2012

1. Basis of preparation and principal accounting policies

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008. The Group and the Company have adopted all new accounting pronouncements that became effective in the current reporting period, none of which had a material impact on the Group or the Company.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value. The methods used to measure fair value are discussed further in the accounting policies in the respective notes.

Amounts are rounded to the nearest million with the exception of earnings per share and the related shares (note 9), ordinary share capital and share premium (note 23) and share-based payments (note 44).

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 estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated annual financial statements are included in note 2.

1.2 Going concern

The Group's and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and Company should be able to operate within their current funding levels.

After making enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing the annual financial statements.

1.3 Principal accounting policies[1]

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below and in the related notes and are consistent with those adopted in the prior year, unless otherwise stated.

1.3.1 Consolidation of subsidiaries

The Group annual financial statements incorporate the annual financial statements of MTN Group Limited and all its subsidiaries, joint ventures, associates and special purpose entities (SPEs) for the reporting date 31 December 2012 on the basis outlined below.

Subsidiaries are all entities (including SPEs) 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of *de facto* control. *De facto* control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

[1] The principal accounting policies applied in the Company annual financial statements are consistent with those applied in the Group annual financial statements.

1. Basis of preparation and principal accounting policies *(continued)*

1.3 Principal accounting policies *(continued)*

1.3.1 Consolidation of subsidiaries *(continued)*

SPEs (including insurance cell captives and the various MTN Group share 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 Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- in substance, the Group 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 Group has delegated these decision-making powers;
- in substance, the Group 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 Group 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 and are considered an impairment indicator of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since the acquisition date. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The acquisition method is used to account for the acquisition of subsidiaries by the Group. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. 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 interests.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), such excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

1. Basis of preparation and principal accounting policies *(continued)*

1.3 Principal accounting policies *(continued)*

1.3.1 Consolidation of subsidiaries *(continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from an interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income, are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Non-controlling interests in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiary companies, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased is recorded in equity. All profits or 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.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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, less accumulated impairment losses.

1. Basis of preparation and principal accounting policies *(continued)*

1.3 Principal accounting policies *(continued)*

1.3.2 Foreign currency

Functional and presentation currency

Items included in the annual 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 annual 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.

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 or 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 other comprehensive income as qualifying cash flow hedges.

Translation of foreign operations

The results, cash flows and financial position of all Group entities (none of which have been accounted for as entities operating in hyperinflationary economies) that have a functional currency different from the presentation currency of the Group 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 dates;
- income and expenditure and cash flow items are translated at weighted average exchange rates for the period; and
- foreign exchange translation differences are recognised as other comprehensive income.

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. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

The exchange rates relevant to the Group are disclosed in note 39.

Disposal of foreign operations

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Group are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

1. Basis of preparation and principal accounting policies *(continued)*

1.3 Principal accounting policies (continued)

1.3.3 Measurement principles

Key assets and liabilities shown in the consolidated statement of financial position are measured as follows:

Items included in the statement of financial position	Measurement principle	Items included in the statement of financial position	Measurement principle
Assets		***Liabilities***	
Non-current assets		Non-current liabilities	
Property, plant and equipment	Historical cost, less accumulated depreciation and impairment losses	Borrowings	Amortised cost
Intangible assets	Historical cost, less accumulated amortisation and impairment losses	Deferred tax liabilities	Undiscounted amount measured at the tax rates that are expected to apply to the period when the liability is settled
Goodwill	Historical cost, less impairment losses	Finance lease obligations	Amortised cost
Investment in associates	Pro-rata value of investment's equity carried forward plus goodwill	Provisions	Present value of settlement amount
Loans receivable	Amortised cost	Other	Cost
Prepayments	Cost	Derivative liabilities	Fair value
Deferred tax assets	Undiscounted amount measured at the tax rates that are expected to apply to the period when the asset is realised		
Current assets		Current liabilities	
Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell	Trade and other payables	Amortised cost
Inventories	Lower of cost and net realisable value	Unearned income	Cost
Trade receivables	Amortised cost	Provisions	Present value of settlement amount
Prepayments	Cost	Taxation liabilities	Amount expected to be paid to the tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date
Sundry debtors and advances	Amortised cost	Borrowings	Amortised cost
Taxation prepaid	Amount expected to be recovered from the tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date	Derivative liabilities	Fair value
Current investments	Amortised cost	Put option liabilities	Amortised cost
Derivative assets	Fair value	Bank overdrafts	Amortised cost
Restricted cash	Amortised cost		
Cash and cash equivalents	Amortised cost		

Notes to the Group annual financial statements *continued*

for the year ended 31 December 2012

1. Basis of preparation and principal accounting policies *(continued)*

1.4 New accounting pronouncements

The Group has adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the Group from 1 January 2012. None of the adopted pronouncements had a material impact on the Group's results for the year ended 31 December 2012.

The pronouncements listed below will be effective in future reporting periods and are considered significant to the Group. The Group has elected not to early adopt the new pronouncements. It is expected that the Group will adopt the new pronouncements on their effective dates in accordance with the requirements of the pronouncements.

Topic	Key requirement	Effective date
IFRS 9 *Financial Instruments*	IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The adoption of IFRS 9 is not expected to change the measurement of the Group's financial assets and liabilities significantly, but will require a review of the current classification of financial assets and liabilities.	1 January 2015
IFRS 10 *Consolidated Financial Statements*	The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 defines the principle of control and establishes it as the basis for consolidation. It further sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It further sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 is not expected to result in a significant change in the financial results of the Group but will require a detailed analysis of existing control relationships.	1 January 2013
IFRS 11 *Joint Arrangements*	IFRS 11 places a focus on rights and obligations of joint arrangements rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest.	1 January 2013

1. Basis of preparation and principal accounting policies *(continued)*

1.4 *New accounting pronouncements* (continued)

Topic	Key requirement	Effective date
IFRS 11 *Joint Arrangements (continued)*	IFRS 11 introduces new requirements for the accounting of joint ventures as it requires equity accounting and eliminates the proportional consolidation option of accounting. The Group currently proportionately consolidates all joint ventures. This method of accounting entails that the Group includes its share of the assets, liabilities, income and expenses of the jointly controlled entity on a line-by-line basis in its financial statements. Under the equity method, the investment in the joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition. The Group's share of the profit or loss of the joint venture is recognised in a single line item in profit or loss under the equity method. The change from proportional consolidation to equity accounting will result in a reduction in individual asset, liability, income and expense line items with no impact on equity or profit attributable to equity holders. The impact of the application of IFRS 11 on the Group's income statement is disclosed on page 126. For more information of the joint arrangements in which the Group is involved, refer to note 38.	
IFRS 12 *Disclosures of Interests in Other Entities*	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off balance-sheet vehicles. IFRS 12 will only result in additional disclosures where required.	1 January 2013
IFRS 13 *Fair Value Measurement*	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. IFRS 13 will be applied prospectively and is not expected to have a significant impact on the financial results of the Group.	1 January 2013
Amendment to IFRS 10, 11 and 12 on transition guidance	These amendments provide additional transition relief to IFRS 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.	1 January 2013

1. Basis of preparation and principal accounting policies *(continued)*

1.4 New accounting pronouncements *(continued)*

Impact of the application of IFRS 11

The application of IFRS 11 will change the subsequent accounting of the Group's investment in joint ventures, which are currently accounted for using the proportionate consolidation method under IAS 31 *Interests in Joint Ventures*. Under IFRS 11, the Group's joint ventures will subsequently be accounted for using the equity method.

The change in accounting for the Group's investments in joint ventures will be applied in accordance with the relevant transitional provisions. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated.

Such a change in accounting will affect the amounts reported in the Group's consolidated financial statements. The impact on the Group's income statement is presented below.

	Currently reported Rm	Adjustments required in accordance with IFRS 11 Rm	Reported in accordance with IFRS 11[1] Rm
2012			
Revenue	135 112	(13 247)	121 865
EBITDA	58 564	(5 929)	52 635
Operating profit	41 318	(4 636)	36 682
Share of results of joint ventures	–	848	848
Profit for the year	24 068	–	24 068

[1] *Effective 1 January 2013.*

2. Critical accounting estimates and assumptions[2]

The Group makes estimates and assumptions concerning the future when preparing the consolidated annual financial statements. 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.

The "Critical accounting estimates and assumptions" note should be read in conjunction with the "Principal accounting policies" disclosed in note 1.

2.1 Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy disclosed in note 12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are performed internally by the Group and require the use of estimates and assumptions.

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates and discount rates. Further detail on these assumptions has been disclosed in note 12. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to appropriate cash-generating units being impaired. Goodwill impairment in the current year amounted to Rnil (2011: R31 million), refer to note 12.

[2] *The critical accounting estimates and assumptions applied in the Company annual financial statements are consistent with those applied in the Group annual financial statements.*

2. Critical accounting estimates and assumptions *(continued)*

2.2 Impairment of trade receivables

The Group determines impairment of trade receivables when objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the trade receivables. Management exercises significant judgement in assessing the impact of adverse indicators and events on the recoverability of trade receivables using the indicators disclosed in the accounting policy in note 43.

The impairment loss is determined as the difference between the carrying amount of the trade receivables and the present value of their estimated future cash flows. In the current year, an impairment loss of R263 million (2011: R455 million) was recognised (note 6).

2.3 Connection incentives and subscriber acquisition costs

Connection incentives paid to service providers are 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/acquire existing/new subscribers on behalf of the Group is capitalised only to the extent that it is reliably measurable (prepaid discount). In accordance with the Conceptual Framework under IFRS, the Group has resolved not to capitalise these fees due to the portion of incentives utilised to retain/acquire subscribers on behalf of the Group by the respective independent service providers not being reliably measurable.

In accordance with the recognition criteria in 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.

2.4 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.

2.5 Income taxes

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

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. When recognising deferred tax assets, the Group exercises judgement in determining whether sufficient taxable profits will be available; this is done by assessing the future financial performance of the underlying Group entities to which the deferred tax assets relate. The Group's deferred tax assets for the current year amounted to R1 437 million (2011: R1 284 million), refer to note 15.

2.6 Property, plant and equipment

Property, plant and equipment represent a significant proportion of the Group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis.

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items.

Notes to the Group annual financial statements continued

for the year ended 31 December 2012

2. Critical accounting estimates and assumptions *(continued)*

2.6 Property, plant and equipment *(continued)*

Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets.

The estimated useful lives of property, plant and equipment are as follows:

	2012 Years	2011 Years
Buildings – owned	10 – 60	3 – 60
Buildings – leased[1]	15 – 25	3 – 25
Network infrastructure	3 – 20	2 – 20
Information systems equipment	3 – 10	2 – 10
Furniture and fittings	3 – 15	3 – 10
Leasehold improvements[1]	3 – 11	2 – 11
Office equipment	3 – 12	2 – 10
Motor vehicles	3 – 10	3 – 10

[1] *Shorter of lease term and useful life.*

2.7 Intangible assets with finite useful lives

The relative size of the Group's intangible assets with finite useful lives makes the judgements surrounding the estimated useful lives and residual values critical to the Group's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero.

The basis for determining the useful lives for the various categories of intangible assets is as follows:

Licences

The useful lives of licences are determined primarily with reference to the unexpired licence period.

Customer relationships

The useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to factors such as customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life.

Software

The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the Group, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful life.

Other intangible assets

Useful lives of other intangible assets are based on management's estimates and take into account historical experience as well as future events which may impact the useful lives.

The estimated useful lives of intangible assets with finite useful lives are as follows:

	2012 Years	2011 Years
Licences	1 – 20	1 – 20
Customer relationships	2 – 10	2 – 5
Software	3 – 5	3 – 5
Other intangible assets	3 – 20	3 – 20

2. Critical accounting estimates and assumptions *(continued)*

2.8 Provisions

The Group exercises judgement in determining the expected cash outflows related to its provisions. Judgement is necessary in determining the timing of outflow as well as quantifying the possible range of the financial settlements that may occur.

The present value of the Group's provisions is based on management's best estimate of the future cash outflows expected to be required to settle the obligations, discounted using appropriate pre-tax discount rates that reflect current market assessment of the time value of money and the risks specific to each provision. Additional information on provisions is disclosed in note 27.

2.9 Restricted cash

The Group exercises judgement in determining the appropriate treatment of restricted cash. The judgement exercised takes into account the severity of exchange control regulations, the availability of foreign currency in the operations affected and the purpose for which the funds will be used. The Group has determined that an amount of R2 869 million (2011: Rnil) relating to its Syrian operation should be treated as restricted cash, refer to note 21. The cash and cash equivalents relating to the Group's Iranian operation is deemed to be available for use by the operation, refer to note 22.

2.10 Exchange rates for consolidation

The assets and liabilities of foreign operations (including entities that are subsidiaries, associates and joint ventures of the Group) are translated into the presentation currency of the Group using the spot exchange rates prevailing at the reporting date. Irancell Telecommunication Company Services (PJSC) is a joint venture of the Group which is accounted for on a proportionate consolidation basis. Multiple exchange rates existed in the Iranian economy at the reporting date and therefore, in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates,* management assessed which rate most appropriately reflects the rate at which the future cash flows represented by the transactions and balances of the entity could have been settled if those cash flows had occurred at the reporting date.

Management has determined that if any loan or dividend payments were to be made at the reporting date, any such payments would be effected at the trade rate (R1 = IRR2 905) and consequently the trade rate has been used for purposes of translating the transactions and balances of Irancell Telecommunication Company Services (PJSC) for purposes of preparing the consolidated annual financial statements. The other rates that were in existence at the reporting date are the Central Bank of Iran rate (R1 = IRR1 448) and the market rate (R1 = IRR3 774).

3. Operating segments

The Group has four reportable segments that are used by the Group executive committee (chief operating decision maker) to make key operating decisions, allocate resources and assess performance. The reportable segments are geographically differentiated and grouped by their relative size, namely South Africa, Nigeria, large opco cluster and small opco cluster.

Large opco cluster comprises the Group's operations in Iran, Ghana, Ivory Coast, Syria, Cameroon, Uganda and Sudan. Small opco cluster consists of the Group's operations in Cyprus, Guinea, Guinea-Bissau, Botswana, Rwanda, Benin, Congo, Liberia, Afghanistan, Swaziland, Yemen, Zambia and South Sudan.

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.

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.

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 interests.

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.

EBITDA is used as a measure of reporting profit or loss of each segment.

Notes to the Group annual financial statements *continued*

for the year ended 31 December 2012

3. Operating segments *(continued)*

The Group changed the composition and presentation of its segment analysis following the announcement of a change in its operating structure and reporting responsibilities in March 2012. In terms of the implemented changes, the Group replaced the previous segments (SEA, WECA and MENA) with the segments as reflected in the table below. In addition, the Group redefined the composition of its executive committee and its executive organisational structure which is deemed to be the chief operating decision maker (CODM) of the Group. The comparative numbers have been restated accordingly.

	South Africa Rm	Nigeria Rm	Iran Rm	Ghana Rm
2012				
Revenue	41 350	38 697	12 175	6 862
EBITDA	14 476	22 544	5 388	2 537
Depreciation, amortisation and impairment of assets				
Net finance costs				
Share of results of associates after tax				
Profit before tax				
Segment assets				
Non-current assets	24 210	33 653	3 490	13 587
Current assets	13 809	8 533	4 636	1 853
Total assets	38 019	42 186	8 126	15 440
Segment liabilities				
Non-current liabilities	13 755	13 536	63	616
Current liabilities	14 410	19 527	6 818	2 696
Total liabilities	28 165	33 063	6 881	3 312
EBITDA margin (%)	35,0	58,3	44,3	37,0
Capital expenditure[3]	6 416	13 733	1 122	1 091
Capex/revenue (%)	15,5	35,5	9,2	15,9
2011				
Revenue	38 597	34 879	11 050	5 941
EBITDA	13 591	21 514	4 697	4 129
Depreciation, amortisation and impairment of assets				
Net finance costs				
Share of results of associates after tax				
Profit before tax				
Segment assets				
Non-current assets	20 142	24 675	6 998	13 374
Current assets	13 207	16 639	3 673	1 560
Total assets	33 349	41 314	10 671	14 934
Segment liabilities				
Non-current liabilities	16 035	14 103	1 676	679
Current liabilities	9 898	18 012	6 883	2 374
Total liabilities	25 933	32 115	8 559	3 053
EBITDA margin (%)	35,2	61,7	42,5	69,5[2]
Capital expenditure[3]	4 105	6 331	1 168	845
Capex/revenue (%)	10,6	18,2	10,6	14,2

[1] Head office and eliminations consist mainly of the Group's central financing activities, management fees and dividends received from segments as well as intersegment eliminations.
[2] Including profit on tower sales.
[3] Capital expenditure comprises additions to property, plant and equipment and software.

The Group is domiciled in South Africa.

Large opco cluster							
Syria Rm	Cameroon Rm	Ivory Coast Rm	Uganda Rm	Sudan Rm	Small opco cluster Rm	Head office companies and eliminations[1] Rm	Con-solidated Rm
5 391	3 812	4 124	3 296	2 158	17 761	(514)	135 112
1 238	1 750	1 662	1 762	598	6 129	480	58 564
							(17 246)
							(4 157)
							(180)
							36 981
1 245	1 820	5 648	2 903	5 480	21 591	7 470	121 097
4 459	2 580	1 876	1 187	1 464	7 396	12 494	60 287
5 704	4 400	7 524	4 090	6 944	28 987	19 964	181 384
92	360	435	609	3 722	6 420	(6 301)	33 307
4 873	2 049	2 455	1 263	2 767	7 914	(9 582)	55 190
4 965	2 409	2 890	1 872	6 489	14 334	(15 883)	88 497
23,0	45,9	40,3	53,5[2]	27,7	34,5		43,3[2]
577	724	903	435	1 336	3 052	712	30 101
10,7	19,0	21,9	13,2	61,9	17,2		22,3
6 463	3 331	3 351	2 481	1 946	14 144	(299)	121 884
1 690	1 454	1 395	856	435	4 299	690	54 750
							(15 490)
							(1 582)
							(38)
							37 640
1 900	2 350	5 533	2 780	7 156	21 468	7 411	113 787
5 776	1 280	929	1 511	1 371	6 219	15 456	67 621
7 676	3 630	6 462	4 291	8 527	27 687	22 867	181 408
109	524	713	723	3 412	5 659	(10 241)	33 392
5 954	1 529	1 917	929	2 025	7 518	(1 722)	55 317
6 063	2 053	2 630	1 652	5 437	13 177	(11 963)	88 709
26,1	43,7	41,6	34,5	22,4	30,4		44,9[2]
442	326	406	651	952	2 333	158	17 717
6,8	9,8	12,1	26,2	48,9	16,5		14,5

4. Revenue

Revenue comprises the fair value of the consideration received or receivable from 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 the 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 products include a subscriber identification module (SIM) card and airtime. These arrangements are divided into separate units of accounting, and revenue is recognised through application of the residual value method. In applying the residual value method, fair value is allocated to each of the undelivered elements in the transaction, and any consideration remaining (the residual value) is allocated to the delivered elements.

The Group operates loyalty programmes in certain subsidiaries where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the reward points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage (forfeiture of points) is recognised when redemption becomes remote.

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

Airtime and subscription, data and SMS
- airtime, data and SMS: revenue is recognised on the usage basis commencing on the date of activation;
- connection fees: revenue is recognised on the date of activation of a new SIM card; and
- SIM kits: revenue is recognised on the date of sale.

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

Revenue received on prepaid contracts is deferred and recognised when services are utilised by the customer or on termination of the customer relationship.

Interconnect/roaming
Interconnect/roaming revenue is recognised on a usage basis, unless it is not probable on the transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received.

Mobile telephones and accessories
Revenue on the sale of mobile telephones and accessories to third parties is recognised only when risks and rewards of ownership are transferred to the buyer.

	2012 Rm	2011 Rm
Airtime and subscription	83 363	79 854
Data	14 574	8 096
SMS	8 167	7 501
Interconnect and roaming	18 567	18 530
Mobile telephones and accessories	6 177	5 030
Other	4 264	2 873
	135 112	121 884

5. Other income

Other income is recognised when the risks and rewards of ownership of the assets are transferred to the buyer.

	2012 Rm	2011 Rm
Profit on tower sales	547	1 185
Profit on disposal	547	1 957
Sale proceeds	1 405	3 217
Carrying amount of assets disposed	(803)	(1 133)
Effects of exchange rate differences	–	48
Warranty provision and consultancy cost	(55)	(175)
Elimination[1]	–	(772)
Realisation of deferred gain on Ghana tower sale[1]	39	–
Realisation of deferred gain on asset swap for investment in BICS[2]	308	273
	894	1 458

[1] Profit is eliminated to the extent of the Group's interest in the associate. Such unrealised profit is realised by the Group as the underlying assets are depreciated by the associate.

[2] The deferred gain arose on the contribution of various assets from MTN Dubai, MTN International Carrier Services and Uniglobe in exchange for a 20% investment in the associate, Belgacom International Carrier Services SA (BICS) (note 13). This gain was deferred and is being amortised over a five-year period, which is the period of the commitment to use the international gateway of BICS.

MTN Uganda Limited concluded a transaction with American Tower Company (ATC) in 2012, which involved the sale of 962 of MTN Uganda's existing base transceiver stations (BTS) sites to TowerCo Uganda for an agreed purchase price of US$175 million. ATC holds a 51% stake in TowerCo Uganda's holding company, with the remaining 49% stake held by the Group. MTN Uganda will be the anchor tenant on commercial terms on each of the towers being sold. The transaction resulted in a sale and lease back transaction classified as an operating lease.

In 2011, Scancom Limited (MTN Ghana) concluded a transaction with ATC which involved the sale of 1 856 of MTN Ghana's existing BTS sites to TowerCo Ghana for an amount of US$498 million. ATC holds a 51% stake in TowerCo Ghana's holding company, with the remaining 49% stake held by the Group. The transaction resulted in a sale and lease back transaction classified as an operating lease.

6. Operating profit

Employee benefits

Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period. A liability is recognised for accumulated leave when there is a present legal or constructive obligation as a result of past service rendered by employees.

A liability for unvested short-term benefits is recognised 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 annual 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 annual financial statements.

Post-employment benefits – defined contribution plans

Group companies operate various defined contribution plans. A defined contribution plan is a post-employment benefit plan (such as a pension plan) under which the Group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and 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.

6. Operating profit *(continued)*

Employee benefits *(continued)*

Share-based payment transactions

The Group operates a number of share incentive schemes. For further details refer to note 44.

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 recognised 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 that the offer will be accepted and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after the reporting date are discounted to their present value. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

	2012 Rm	2011 Rm
Employee benefits	(7 775)	(6 754)
Salaries and wages	(6 227)	(5 441)
Post-employment benefits	(305)	(256)
Share options granted to directors and employees (note 44)	(147)	(74)
Training	(263)	(261)
Other	(833)	(722)

The following disclosable items have been included in arriving at operating profit:

	2012 Rm	2011 Rm
Auditors' remuneration	(127)	(109)
Audit fees	(91)	(82)
Fees for other services	(26)	(19)
Expenses	(10)	(8)
Emoluments to directors and prescribed officers (note 41)	(165)	(220)
Operating lease rentals	(2 161)	(1 676)
Property	(1 898)	(1 454)
Equipment and vehicles	(263)	(222)
Research costs	(10)	(2)
(Loss)/profit on disposal of property, plant and equipment (note 30)	(58)	6
Loss on disposal of intangible assets (note 30)	(10)	(29)
Write-down of inventories (note 17)	(101)	(67)
Impairment of trade receivables (note 18)	(263)	(455)

7. Finance income and finance costs

Finance income

Finance income comprises interest income on funds invested, increases in the fair value of dated financial assets at fair value through profit or loss, foreign exchange 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 costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, reductions in the fair value of dated financial assets at fair value through profit or loss, 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.

	2012 Rm	2011 Rm
Interest income on loans and receivables	1 729	79
Interest income on bank deposits	1 611	2 233
Foreign exchange gains	2 626	1 641
Functional currency gains[1]	–	778
Put options	–	297
Finance income	5 966	5 028
Interest expense on financial liabilities measured at amortised cost	(4 165)	(3 766)
Foreign exchange losses	(5 002)	(2 385)
Functional currency losses[1]	(926)	–
Put options	(30)	(459)
Finance costs	(10 123)	(6 610)
Net finance costs recognised in profit or loss	(4 157)	(1 582)

[1] The functional currency of the Group's operation in Mauritius is considered to be South African rand for accounting purposes and the foreign exchange gains and losses for this entity are disclosed separately as functional currency gains or losses.

8. Income tax expense

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

Current tax

Current 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 Company and its 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.

8. Income tax expense *(continued)*

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual financial statements for financial reporting purposes. Deferred tax is not recognised if the temporary difference arises from goodwill or from 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. Deferred tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures except for deferred tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred 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 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.

Secondary taxation on companies (STC)

In the prior year, STC was provided for at a rate of 10% on the amount by which dividends declared by the Group exceeded dividends received. Effective 1 April 2012, the change in the tax treatment of dividends in South Africa resulted in the withdrawal of STC and the introduction of dividend withholding tax.

Dividend withholding tax is payable at a rate of 15% on dividends distributed to shareholders. This tax is not attributable to the Company but is collected and paid to the tax authorities on behalf of the shareholders. The Company makes use of regulatory intermediaries to withhold and pay dividend tax to the tax authorities.

	2012 Rm	2011 Rm
Analysis of income tax expense for the year		
Normal tax	(11 265)	(10 184)
Current year	(11 406)	(10 255)
Adjustments in respect of the prior year	141	71
Deferred tax (note 15)	506	(1 089)
Current year	599	(1 123)
Adjustments in respect of the prior year	(93)	34
Capital gains tax	–	(73)
Foreign income and withholding taxes	(1 256)	(1 335)
Secondary tax on companies	(898)	(1 172)
	(12 913)	(13 853)
Secondary tax on companies[1]		
STC relating to post year-end dividends	–	894

[1] *Effective 1 April 2012, STC was replaced by dividends tax. This is a tax on dividends in the hands of the shareholder, levied at a rate of 15% in terms of the Income Tax Act.*

8. Income tax expense *(continued)*

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 Group's effective tax rate is reconciled to the South African statutory rate as follows:

	2012 %	2011 %
Tax rate reconciliation		
Statutory tax rate	28,00	28,00
Expenses not allowed	1,42	1,61
Effect of different tax rates in other countries	(0,57)	(0,20)
Income not subject to tax	(2,20)	(0,24)
Nigeria put option revaluation	–	0,12
Foreign income and withholding taxes	3,40	3,55
Effect of STC	2,43	3,11
Capital gains tax	–	0,21
Foreign exchange loss – MTN Sudan Company Limited and Investcom Mobile Communications Limited	1,42	–
Other	1,02	0,64
Effective tax rate	34,92	36,80

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

9. Earnings per ordinary share

Basic earnings per share

Earnings per 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. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

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 and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect. The Company has dilutive potential ordinary shares which comprise share options and share rights issued in terms of the Group's share schemes, performance share plan and the MTN Zakhele transaction.

For the share options and share rights, a calculation is done to determine the number of the Company's shares that would be required at fair value to settle the monetary value of the rights, after deducting the unamortised share-based payment value. For the purposes of this calculation the average annual market share price of the Company is used.

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 3/2012 issued by the South African Institute of Chartered Accountants (SAICA).

9. Earnings per ordinary share *(continued)*

In terms of the MTN Zakhele broad-based black economic empowerment (B-BBEE) transaction, the Group issued notional vendor financing shares to MTN Zakhele at par value. The Group has a call option over these shares. As these shares are potentially dilutive shares, these are included in the diluted earnings per share calculation. A calculation is done at each reporting period to determine the number of shares that could have been acquired at fair value.

	2012 '000	2011 '000
Weighted average number of shares (excluding treasury shares)	1 837 992	1 853 922
Adjusted for:		
– Share options – MTN Zakhele	9 836	12 328
– Share options	194	377
– Share appreciation rights	894	897
– Performance share plan	487	799
Weighted average number of shares for diluted earnings per share calculation	1 849 403	1 868 323

Refer to note 23 for a reconciliation of total shares in issue.

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

	2012		2011	
	Rm Gross	Rm Net[1]	Rm Gross	Rm Net[1]
Profit after tax		20 704		20 754
Adjusted for:				
Loss on disposal of property, plant and equipment and intangible assets (IAS 16 and IAS 38)	68	49	23	21
Realisation of deferred gain (IAS 28)	(308)	(308)	(273)	(273)
Net reversal of impairment of property, plant and equipment (IAS 36)	(38)	(26)	(97)	(74)
Impairment of associate (IAS 36)	6	6	–	–
Impairment of goodwill (IAS 36)	–	–	31	31
Profit on disposal of non-current assets held for sale (IFRS 5)	(547)	(368)	(1 185)	(648)
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	(39)	(39)	–	–
Headline earnings		20 018		19 811

[1] *Amounts are measured after taking into account non-controlling interests and tax. Headline earnings is calculated in accordance with Circular 3/2012 Headline Earnings as issued by the South African Institute of Chartered Accountants at the request of the JSE Limited.*

9. Earnings per ordinary share *(continued)*

	2012	2011
Earnings per ordinary share (cents)		
– Basic earnings	1 126,4	1 119,5
– Basic headline earnings	1 089,1	1 068,6
– Diluted earnings	1 119,5	1 110,8
– Diluted headline earnings	1 082,4	1 060,4

10. Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

	2012 Cents per share	2012 Rm	2011 Cents per share	2011 Rm
Dividends paid				
Final dividend paid in respect of the prior year	476	8 940[2]	349	6 577[2]
Interim dividend paid in respect of the current year	321	5 979[2]	273	5 145[2]
		14 919		11 722
Dividends declared				
Approved after the reporting date and not recognised as a liability	503[1]	9 362[2]	476	8 940[2]

[1] *Declared at the board meeting on 5 March 2013.*
[2] *Excluding dividends on treasury shares (note 23).*

11. 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.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition or construction of the assets, any other costs directly attributable to bringing the assets to the location and condition for their intended use and the present value of estimated decommissioning costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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

The Group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is deemed to be an asset which takes more than 12 months to acquire, construct or produce. Borrowing costs include general and specific borrowings directly attributable to the acquisition, construction or production of qualifying assets. Other borrowing costs are expensed in profit or loss.

Asset exchange transactions are transactions where one or more items of property, plant and equipment are acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets. In circumstances whereby the Group enters into an asset exchange transaction, the Group determines whether such an exchange has commercial substance. Commercial substance depends on the extent to which the Group's future cash flows are expected to change as a result of the transaction. A transaction has commercial substance if the difference in either of the points below is significant relative to the fair value of the assets exchanged:
- the configuration of the cash flows of the asset received differs from the configuration of the cash flows of the asset given up; or
- the entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.

Property, plant and equipment acquired in an exchange transaction is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. Any consideration paid or payable is included in the cost of the asset received.

In instances whereby the Group receives assets for no consideration, the Group accounts for these at cost in accordance with IAS 16 *Property, Plant and Equipment*, being zero value.

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.

Depreciation is calculated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. For a summary of useful lives, refer to note 2.

Useful lives and residual values are reviewed on an annual basis and the effect of any changes in estimate is accounted for on a prospective basis.

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.

11. Property, plant and equipment *(continued)*

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.

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.

Determination of fair values

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

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. 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 generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, plant and equipment with finite useful lives

The Group annually reviews the carrying amounts of its property, plant and equipment with finite useful lives in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

11. Property, plant and equipment *(continued)*

	Land and buildings[1] Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work-in-progress/ other Rm	Vehicles[2] Rm	Total Rm
Carrying amount at 1 January 2011	4 241	757	48 331	2 884	6 742	406	63 361
Additions	722	315	11 154	811	3 173	83	16 258
Disposals	(8)	(11)	(117)	(22)	(277)	(8)	(443)
Reallocations[3]	597	189	68	187	(2 033)	9	(983)
Depreciation for the year	(284)	(208)	(11 688)	(884)	(49)	(183)	(13 296)
Reversal of impairment loss	–	–	97	–	–	–	97
Other movements	(12)	(13)	82	(32)	(381)	2	(354)
Effect of movements in exchange rates	293	46	5 253	318	1 011	49	6 970
Carrying amount at 31 December 2011	5 549	1 075	53 180	3 262	8 186	358	71 610
Comprising:							
Cost	6 528	2 156	104 178	8 004	8 322	993	130 181
Accumulated depreciation and impairment losses	(979)	(1 081)	(50 998)	(4 742)	(136)	(635)	(58 571)
	5 549	1 075	53 180	3 262	8 186	358	71 610
Carrying amount at 1 January 2012	**5 549**	**1 075**	**53 180**	**3 262**	**8 186**	**358**	**71 610**
Additions	**311**	**243**	**14 862**	**1 552**	**9 820**	**236**	**27 024**
Disposals	**(41)**	**(16)**	**(1 474)**	**(92)**	**(324)**	**(10)**	**(1 957)**
Reallocations[3]	**725**	**105**	**4 282**	**196**	**(7 110)**	**13**	**(1 789)**
Depreciation for the year	**(380)**	**(203)**	**(12 733)**	**(1 277)**	**(95)**	**(172)**	**(14 860)**
Impairment loss	**–**	**–**	**(18)**	**(2)**	**(1)**	**–**	**(21)**
Reversal of impairment loss	**–**	**–**	**–**	**–**	**59**	**–**	**59**
Other movements	**(40)**	**(149)**	**(313)**	**(125)**	**260**	**(1)**	**(368)**
Effect of movements in exchange rates	**(209)**	**12**	**(1 862)**	**(62)**	**(105)**	**13**	**(2 213)**
Carrying amount at 31 December 2012	**5 915**	**1 067**	**55 924**	**3 452**	**10 690**	**437**	**77 485**
Comprising:							
Cost	**7 256**	**2 231**	**109 338**	**8 247**	**10 867**	**1 132**	**139 071**
Accumulated depreciation and impairment losses	**(1 341)**	**(1 164)**	**(53 414)**	**(4 795)**	**(177)**	**(695)**	**(61 586)**
	5 915	**1 067**	**55 924**	**3 452**	**10 690**	**437**	**77 485**

[1] *Included in land and buildings are leased assets with a carrying amount of R197 million (2011: R230 million).*

[2] *Included in vehicles are leased assets with a carrying amount of R68 million (2011: R58 million).*

[3] *Reallocations include an amount of R1 373 million (2011: R820 million) relating to network infrastructure reallocated to non-current assets held for sale (note 16).*

11. Property, plant and equipment *(continued)*

11.1 Register of land and buildings

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

11.2 Impairment loss

MTN Nigeria reversed a portion of the previously recognised impairment losses amounting to R59 million (2011: R85 million). Côte d'Ivoire had an impairment loss reversal of R12 million in the prior year and none in the current year.

11.3 Leased property, plant and equipment

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

Finance lease commitments are disclosed in note 37.

11.4 Capital work-in-progress

There are various capital work-in-progress projects underway within the Group, a summary thereof can be found below:

	2012 Rm	2011 Rm
Mobile Telephone Network Proprietary Limited (South Africa) (MTN RSA)	1 099	1 865
Scancom Limited (Ghana)	849	769
MTN Sudan Company Limited	1 028	819
MTN Nigeria Communications Limited	1 186	480
MTN Afghanistan Limited	166	160
Mascom Wireless Botswana Proprietary Limited	129	57
Areeba Guinea S.A.	176	212
MTN Côte d'Ivoire S.A.	92	136
Irancell Telecommunication Company Services (PJSC)	184	216
MTN Uganda Limited	200	446
MTN (Dubai) Limited	68	470
Other	950	571
	6 127	6 201

11.5 Changes in estimates

During the year, Scancom Limited (Ghana) revised the useful life of its network equipment from seven to 10 years. This resulted in a decrease of R134 million in the annual depreciation charge.

11.6 Encumbrances

Borrowings are secured by various categories of property, plant and equipment with the following carrying amounts:

	2012 Rm	2011 Rm
MTN Côte d'Ivoire S.A.	870	1 356
MTN Uganda Limited	1 956	1 868
MTN Sudan Company Limited	2 566	2 752
MTN Congo S.A.	40	46
Mascom Wireless Botswana Proprietary Limited	115	426
Mobile Telephone Network Proprietary Limited (South Africa)	–	230
Scancom Limited (Ghana)	579	–
MTN Rwandacell S.A.R.L.	1 228	–
	7 354	6 678

Notes to the Group annual financial statements *continued*

for the year ended 31 December 2012

12. Intangible assets and goodwill

Intangible assets with an indefinite useful life

Goodwill is measured at cost less accumulated impairment losses and is not amortised but tested for impairment annually.

Goodwill arising on the acquisition of subsidiaries and joint ventures is included in intangible assets.

Goodwill arising on the acquisition of an associate is included in "investment in associates" and is tested for impairment as part of the overall balance.

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

Intangible assets with finite useful lives

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and accumulated impairment losses. 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. The initial cost incurred in respect of licences is capitalised. Contingent licence fees are expensed as they are incurred.

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. For a summary of useful lives, refer to note 2.

The gain or loss arising on the disposal or retirement of an intangible 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.

The Group's intangible assets with finite useful lives are as follows:

- licences;
- customer relationships;
- software; and
- other intangible assets.

Costs associated with maintaining intangible assets are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable intangible assets controlled by the Group, and that will probably generate economic benefits, are capitalised when all the criteria for capitalisation are met.

Expenditure that enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and added to the original cost of the assets.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

12. Intangible assets and goodwill *(continued)*

Determination of fair values

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 values of all other intangible assets acquired in a business combination applicable to the Group are based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Impairment

The accounting policy on impairment testing and the recognition of an impairment loss is disclosed in note 11.

Goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination. An impairment loss in respect of goodwill is not reversed.

Intangible assets with an indefinite useful life or not yet available for use

Goodwill and intangible assets with an indefinite useful life or not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Intangible assets with finite useful lives

The Group annually reviews the carrying amounts of its intangible assets with finite useful lives in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Notes to the Group annual financial statements *continued*

for the year ended 31 December 2012

12. Intangible assets and goodwill *(continued)*

	Goodwill Rm	Licences Rm	Customer relation-ships Rm	Software[1] Rm	Other intangible assets Rm	Total Rm
Carrying amount at 1 January 2011	20 797	5 636	469	3 332	32	30 266
Additions	–	294	–	1 459	10	1 763
Disposals	–	(28)	–	(3)	(2)	(33)
Reallocations	–	–	–	169	(6)	163
Amortisation for the year	–	(788)	(97)	(1 140)	(138)	(2 163)
Impairment loss	(31)	–	–	–	–	(31)
Other movements	–	92	(247)	(52)	565	358
Effect of movements in exchange rates	3 264	727	24	194	8	4 217
Carrying amount at 31 December 2011	24 030	5 933	149	3 959	469	34 540
Comprising:						
Cost	24 030	11 891	4 501	7 645	1 018	49 085
Accumulated amortisation and impairment losses	–	(5 958)	(4 352)	(3 686)	(549)	(14 545)
	24 030	5 933	149	3 959	469	34 540
Carrying amount at 1 January 2012	24 030	5 933	149	3 959	469	34 540
Additions	–	1 033	–	3 077	19	4 129
Disposals	–	–	–	(7)	–	(7)
Reallocations	–	134	–	278	9	421
Amortisation for the year	–	(820)	(11)	(1 435)	(120)	(2 386)
Other movements	–	(77)	1	13	(3)	(66)
Effect of movements in exchange rates	(2 007)	(497)	(124)	(64)	(4)	(2 696)
Carrying amount at 31 December 2012	22 023	5 706	15	5 821	370	33 935
Comprising:						
Cost	22 023	12 102	4 472	10 714	1 006	50 317
Accumulated amortisation and impairment losses	–	(6 396)	(4 457)	(4 893)	(636)	(16 382)
	22 023	5 706	15	5 821	370	33 935

[1] *Included in software are leased assets with a carrying amount of R726 million.*

12. Intangible assets and goodwill *(continued)*

A summary of the goodwill allocation and related assumptions applied for impairment testing purposes are presented below.

	2012			2011		
	Growth rate %	Discount rate %	Rm	Growth rate %	Discount rate %	Rm
MTN Côte d'Ivoire S.A.	3,0	11,6	2 078	2,0	16,2	1 945
Scancom Limited (Ghana)	5,0	16,4	8 560	3,0	11,9	8 295
MTN Sudan Company Limited	3,0	18,3	2 477	3,0	14,3	3 398
MTN Yemen	3,0	36,1	2 448	3,0	19,9	2 012
MTN Afghanistan Limited	5,0	16,4	1 350	3,0	13,7	1 189
MTN Uganda Limited	4,0	14,9	518	3,0	13,1	527
MTN Congo S.A.	3,0	10,6	688	3,0	12,4	644
MTN Syria (JSC)	5,0	20,6	245	2,0	14,6	326
MTN Cyprus Limited	1,0	8,3	676	3,0	8,7	551
Spacetel Benin SA	3,0	10,2	1 064	2,0	13,4	871
Areeba Guinea S.A.	5,0	20,9	695	1,0	15,8	566
MTN Business Solutions Limited	–	–	–	4,5	12,3	1 472
Mascom Wireless Botswana Proprietary Limited	3,0	12,6	692	3,0	9,3	687
Other			532			1 547
Total			22 023			24 030

Goodwill is tested annually for impairment. There was no impairment of any of the cash-generating units (CGUs) above to which goodwill had been allocated, apart from an impairment charge of R31 million in respect of the investment in Cell Place Proprietary Limited held by the Mobile Telephone Networks Proprietary Limited (South Africa) CGU in 2011.

The recoverable amounts of CGUs were determined based on value-in-use calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a three to ten year period. Management is confident that projections covering periods longer than five years are appropriate based on the long-term nature of the Group's infrastructure and operating model. 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 rates: the Group used constant growth rates to extrapolate revenues beyond the budget period cash flows. The growth rates were 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 1% to 5% (2011: 1% to 4,5% as set out per operation in the table above); and
- discount rates: discount rates range from 8,3% to 36,1% (2011: 7,8% to 19,9%). Discount rates used reflect specific risks relating to the relevant CGU.

Goodwill impairment sensitivity

For MTN Business Solutions Limited, the discount rate had a significant influence on the sensitivity of the impairment test for 2011. For the detailed five year forecast period, a discount rate of 11,2% was projected, growth rate of 4,5%, capex to revenue ratio in terminal year of 5% and EBITDA margin in terminal year of 14,99%. If the discount rate had to increase by 0,25% the recoverable amount would have been equal to its carrying amount. The operation has been restructured in 2012 and forms part of Mobile Telephone Networks Proprietary Limited (South Africa).

Individually material intangible assets

Other than goodwill and network licences, there were no items of intangible assets that were individually material at the end of the current or prior year.

12. Intangible assets and goodwill *(continued)*

Licence agreements	Type	Date granted/ renewed	Term
Mobile Telephone Networks Proprietary Limited (South Africa)	ECS licence	15/01/2009	15 years
	ECNS licence	15/01/2009	20 years
	900MHz	1/01/2010	renewable annually
	1 800MHz		
	3G		
MTN Uganda Limited	900MHz	15/04/1998	20 years
	1 800MHz		
MTN Rwandacell S.A.R.L.	GSM	1/07/2008	13 years
	SNO	30/06/2006	15 years
Mascom Wireless Botswana Proprietary Limited	900MHz	13/06/2007	15 years
	1 800MHz		
	2 100MHz		
MTN Zambia Limited	1 800MHz	23/09/2010	15 years
Swazi MTN Limited	900MHz	28/11/2008	10 years
	1 800MHz		
	2 100MHz	26/09/2011	7 years
MTN Nigeria Communications Limited	900MHz	9/02/2001	15 years
	1 800MHz		
	3G spectrum licence	1/05/2007	15 years
	Unified access licence (including International gateway)	1/09/2006	15 years
	WACS	1/01/2010	20 years
	Wimax 3,5GHz spectrum	2007	renewable annually
	Microwave spectrum 8GHz – 26GHz	2001	renewable annually
Scancom Limited (Ghana)	900MHz	2/12/2004	15 years
	1 800MHz		
	3G	23/01/2009	15 years
Mobile Telephone Network Cameroon Limited	900MHz	15/02/2000	15 years
	1st category network for internet access and VPN	31/03/2006	10 years
MTN Côte d'Ivoire S.A.	900MHz/1 800MHz	2/04/1996	20 years
	Wimax 2,5 – 3,5GHz	31/07/2002	20 years
	3G/UMTS 1,9/2,1GHz	31/05/2012	10 years
Spacetel Benin SA	900MHz	19/10/2007	25 years
	1 800MHz		
	Universal licence	19/03/2012	20 years

12. Intangible assets and goodwill *(continued)*

Licence agreements	Type	Date granted/ renewed	Term
Areeba Guinea S.A.	900MHz	31/08/2005	18 years
	1 800MHz		
	WiMax	4/06/2009	5 years
MTN Congo S.A.	900MHz	15/10/1999	15 years
	1 800MHz	21/08/2002	15 years
	International gateway	5/02/2002	15 years
	Optical fibre licence	2/04/2010	15 years
	3G licence	25/11/2011	17 years
	2G licence	25/11/2011	15 years
Lonestar Communications Corporation LLC (Liberia)	900MHz	24/03/2009	15 years
	1 800MHz		
	WiMax		
Spacetel Guinea-Bissau S.A.	1 800MHz	1/03/2004	10 years
	900MHz	1/03/2004	10 years
Irancell Telecommunication Company Services (PJSC)	GSM	9/7/2006	15 years
	WiMAX	28/02/2009	6 years
MTN Syria (JSC)	900MHz	29/06/2002	15 years
	1 800MHz	22/03/2007	10 years
	3G	29/04/2009	8 years
	ISP[1]	31/05/2009	3 years
MTN Sudan Company Limited	Frequency 2G + 3G	25/10/2003	20 years
	Transmission		
	VSAT gateway		
	VSAT hub		
	VSAT terminal		
MTN Afghanistan Limited	3G unified licence	1/07/2012	15 years
MTN Yemen	900MHz	31/07/2000	15 years
	1 800MHz	17/02/2008	
MTN Cyprus Limited	900MHz	1/12/2003	20 years
	1 800MHz		
	3G		

[1] *Renewal application lodged.*

13. Investment in associates

Associates are all entities over which the Group has significant influence, but not 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.

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 annual financial statements include the Group's share of post-acquisition accumulated profits or losses of associated companies in the carrying amount of the investments, which are generally determined from their latest audited annual financial statements or management accounts and the annual profit attributable to the Group is recognised in profit or loss. The Group's share of post-acquisition movement in reserves is recognised in other comprehensive income. 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 interest 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.

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Profits or losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's annual financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides 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.

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

The Group has the following effective interests in associates:

Associate	Principal activity	Country of incorporation	2012 Effective % interest in issued ordinary share capital	2011 Effective % interest in issued ordinary share capital
Number Portability Proprietary Limited	Number porting	South Africa	20	20
Leaf Wireless Proprietary Limited	Cellular dealership	South Africa	44	44
Belgacom International Carrier Services SA (BICS)	Telecommunications	Belgium	20	20
Ghana Tower InterCo BV[1]	Management of telecommunication infrastructure	Netherlands	49	49
Uganda Tower InterCo BV[1]	Management of telecommunication infrastructure	Netherlands	49	49

[1] *The Group acquired a 49% stake in both Ghana Tower InterCo BV and Uganda Tower InterCo BV in 2011.*

13. Investment in associates *(continued)*

	2012 Rm	2011 Rm
Balance at beginning of the year	2 681	1 302
Additions	360	1 109
Reclassification to loans and other non-current receivables	(1 059)	–
Other income (refer note 5)	39	–
Share of results after tax including amortisation of customer relationships	(111)	(38)
Dividend income	(155)	(92)
Impairment of associate	(6)	–
Effect of movements in exchange rates	16	400
Balance at end of the year	1 765	2 681
Share of results after tax comprises		
Share of results of associates after tax	(96)	38
– recognised in investments in associates	12	38
– recognised loss against loans and other non-current receivables	(108)	–
Amortisation of customer relationships – BICS	(123)	(115)
	(219)	(77)
Unwind of deferred tax on customer relationships – BICS	39	39
	(180)	(38)

The Group's share of the results of its associates, which are unlisted, and their aggregated assets (including goodwill) and liabilities, are as follows:

Summary financial information[1]

	Effective interest Rm	Number Portability Proprietary Limited Rm	Leaf Wireless Proprietary Limited Rm	Belgacom International Carrier Services SA (BICS) Rm	Ghana Tower InterCo BV Rm	Uganda Tower InterCo BV Rm
2012						
Revenue	3 890	24	11	17 278	670	196
Share of results after tax	(96)	5	(16)	711	(336)	(140)
Total assets	8 260	13	18	9 677	9 186	3 700
Total liabilities	(5 372)	(9)	(6)	(6 968)	(5 630)	(2 481)
2011						
Revenue	3 534	18	111	16 259	468	*
Share of results after tax	(38)	2	3	287	(198)	*
Total assets	7 209	51	46	8 597	11 141	*
Total liabilities	(4 216)	(2)	(12)	(5 993)	(6 146)	*

There are no significant contingent liabilities relating to the Group's interests in these associates at the end of the current or prior year.

[1] *The information presented is before any eliminations.*
** Amounts less than R1 million.*

14. Loans and other non-current receivables

Loans and other non-current receivables are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Loan to Irancell Telecommunication Company Services (PJSC)[1]	1 755	1 596
Loan to Uganda Tower InterCo BV[2]	534	–
Loan to Ghana Tower InterCo BV[3]	1 131	–
Non-current prepayments and advances	3 055	2 076
	6 475	3 672

[1] *The loan to Irancell Telecommunication Company Services (PJSC) attracts interest at LIBOR +4% per annum which is capitalised against the loan. The loan and capitalised interest are payable in 2014. The loan is registered with the Organisation for Investments 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).*

[2] *The loan to Uganda Tower InterCo BV attracts interest at LIBOR +5,3% per annum. The loan is repayable in 2019.*

[3] *The loan to Ghana Tower InterCo BV attracts interest at a fixed rate of 9,0% per annum. The loan is repayable in 2016.*

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

15. Deferred taxes

Deferred tax is accounted for in accordance with the accounting policy disclosed in note 8.

	1 January 2011 Rm	Recognised in profit or loss Rm	Exchange and other movements Rm	31 December 2011 Rm	Recognised in profit or loss Rm	Exchange and other movements Rm	31 December 2012 Rm
Deferred tax assets							
Provisions and other temporary differences	1 066	(9)	(124)	933	355	(190)	1 098
Depreciation in excess of tax allowances	249	–	34	283	–	5	288
Tax loss carried forward	89	(361)	322	50	(16)	(4)	30
Arising due to fair value adjustments on business combinations	3	16	(1)	18	4	21	43
Working capital allowances	–	–	–	–	(22)	–	(22)
	1 407	(354)	231	1 284	321	(168)	1 437

15. Deferred taxes *(continued)*

	1 January 2011 Rm	Recognised in profit or loss Rm	Exchange and other movements Rm	31 December 2011 Rm	Recognised in profit or loss Rm	Exchange and other movements Rm	31 December 2012 Rm
Deferred tax liabilities							
Tax allowances in excess of depreciation	(6 927)	(964)	(732)	(8 623)	91	(357)	(8 889)
Other temporary differences	(638)	(48)	505	(181)	331	(569)	(419)
Revaluations	(289)	43	(33)	(279)	(33)	(7)	(319)
Working capital allowances	814	234	(1)	1 047	(204)	2	845
	(7 040)	(735)	(261)	(8 036)	185	(931)	(8 782)
Net deferred tax liability	(5 633)	(1 089)	(30)	(6 752)	506	(1 099)	(7 345)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised in the statement of financial position are as follows:

	2012 Rm	2011 Rm
Deductible temporary differences	359	–
Unused tax losses[1]	1 361	1 239
Unused tax credits	–	1
	1 720	1 240

[1] *The unused tax losses have expiry dates between 2015 and 2018.*

16. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as non-current assets held for sale and are stated at the lower of their carrying amounts and fair value less costs to sell when their carrying amounts are to be recovered principally through sale rather than continued use and the sale is considered to be highly probable.

	2012 Rm	2011 Rm
Property, plant and equipment – network assets	1 373	820

The Group entered into a transaction with IHS Holding Limited (IHS) in which IHS will acquire 931 mobile network towers from MTN Côte d'Ivoire S.A. for US$141 million and 827 towers from Mobile Telephone Networks Cameroon Limited for US$143 million. Under the agreements, IHS will be a 100% shareholder of the tower companies set up in each country to manage the towers and other passive infrastructure. MTN Côte d'Ivoire S.A. and Mobile Telephone Networks Cameroon Limited will, on commercial terms, become the anchor tenants on the towers being sold for an initial term of ten years.

Formal notice regarding the close of the Mobile Telephone Networks Cameroon Limited and MTN Côte d'Ivoire S.A. tower sale transactions has been issued. The Mobile Telephone Networks Cameroon Limited transaction closed on 28 February 2013, refer to note 40.

In 2012, MTN Uganda Limited concluded a transaction with American Tower Company (ATC) which involved the sale of 962 of MTN Uganda's existing BTS sites to TowerCo Uganda for an agreed purchase price of US$175 million. ATC holds a 51% stake in TowerCo Uganda's holding company, with the remaining 49% stake held by the Group. MTN Uganda will be the anchor tenant on commercial terms on each of the towers being sold.

17. Inventories

Inventory mainly comprises handsets, SIM cards, accessories held for sale 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.

	2012 Rm	2011 Rm
Finished goods (handsets, SIM cards and accessories) – at cost	2 901	2 883
Consumable stores and maintenance spares – at cost	166	141
Less: Write-down to net realisable value	(474)	(395)
	2 593	2 629

MTN Uganda Limited (2012: R38 million; 2011: R47 million) and Mascom Wireless Botswana Proprietary Limited (2012: Rnil; 2011: R5 million) have secured facilities through the pledge of their inventories.

Reconciliation of write-down of inventory

	At beginning of the year Rm	Additions[1] Rm	Reversals[1] Rm	Utilised Rm	Exchange differences Rm	At end of the year Rm
2012 Movement in write-down	(395)	(124)	23	20	2	(474)
2011 Movement in write-down	(326)	(67)	–	9	(11)	(395)

[1] A net write-down of R101 million (2011: R67 million) was incurred in the current year. This amount is included in other operating expenses in profit or loss (note 6).

18. Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business; they are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 43.

Prepayments and other receivables are stated at their nominal values.

	2012 Rm	2011 Rm
Trade receivables	14 960	14 159
Less: Allowance for impairment of trade receivables (note 43.3)	(2 098)	(1 900)
Net trade receivables	12 862	12 259
Prepayments and other receivables[1]	3 246	2 595
Sundry debtors and advances[2]	1 415	3 062
	17 523	17 916

[1] *Prepayments and other receivables include prepayments for BTS and other property leases.*

[2] *Sundry debtors and advances include advances to suppliers.*

An impairment loss of R263 million (2011: R455 million) was incurred in the current year, and this amount is included in other operating expenses in profit or loss (note 6).

MTN Uganda Limited (2012: Rnil; 2011: R370 million), and Mascom Wireless Botswana Proprietary Limited (2012: Rnil; 2011: R95 million) have secured facilities through the pledge of their trade and other receivables.

The Group does not hold any collateral for trade and other receivables.

The Group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 43.

19. Current investments

Current investments consist of loans and receivables and held-to-maturity financial assets that are accounted for in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Loans and receivables		
Government bonds with fixed interest rates of 18% – 20% (2011: 16,5% – 17%)[1]	489	215
Foreign currency fixed deposits with fixed interest rates of 1,5% – 2,5% (2011: 0,2% – 2,75%)[2]	1 234	1 462
Foreign currency fixed deposits with fixed interest rates of 2,24% – 2,54%[2]	3 620	–
	5 343	1 677
Held-to-maturity financial assets		
Government bonds with interest rates of 5,5% – 9,45% (2011: 9,5% – 9,92%) and maturity dates between January and February 2013 (2011: January and February 2012)	484[2]	698[3]
Treasury bills with interest rates of 14,1% – 15,6% (2011: 7,7% – 16,8%) and maturity dates between January and August 2013 (2011: January and November 2012)[3]	1 247	7 105
	1 731	7 803
Total current investments	7 074	9 480

[1] *Denominated in Iranian rial.*
[2] *Denominated in United States dollar.*
[3] *Denominated in Nigeria naira.*

No provision for impairment has been raised as at the reporting date as the loans and receivables and held-to-maturity assets are considered to be fully performing.

There were no disposals of held-to-maturity financial assets in 2012 or in 2011.

20. Derivatives

Derivatives are accounted for in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Derivatives held for trading		
Current assets		
Forward exchange contracts	191	9
Non-current liabilities		
Interest rate swap	(2)	–
Current liabilities		
Forward exchange contracts	(14)	(4)
	175	5
Gains/(losses) accounted for directly in profit or loss	179	(12)
Notional principal amount (US$ forward exchange contracts)	4 783	470
Notional principal amount (EUR forward exchange contracts)	20	9
Notional principal amount (US$ interest rate swap)	2 117	–

21. Restricted cash

Restricted cash comprises short-term deposits that are not highly liquid and are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Restricted cash deposits	5 277	546

Restricted cash deposits include an amount of R2 869 million (2011: Rnil) relating to the Syrian operation, which is not available for use by the Group due to exchange control regulations largely prohibiting the repatriation of foreign currency, the current sanction environment and a lack of foreign currency in Syria. The majority of the cash balance is considered to represent excess cash not required for payment of SYP denominated liabilities.

Other restricted cash deposits consist of monies placed on deposit with banks mainly in Nigeria and Sudan to secure letters of credit, which were undrawn and not freely available at the reporting date.

22. Net cash and cash equivalents

Cash and cash equivalents are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 43.

Bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 43.

Cash and cash equivalents comprise cash on hand and deposits held on call, all of which are available for use by the Group. Bank overdrafts are included within current liabilities on the statement of financial position, unless the Group 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, in which case it is netted off against cash and cash equivalents on the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents comprise of the following:

	2012 Rm	2011 Rm
Cash at bank and on hand	25 700	35 806
Bank overdrafts	(169)	(593)
	25 531	35 213

Cash and cash equivalents include an amount of R2 680 million relating to Iran Telecommunication Company Services (PJSC), which is subject to sanctions, but is available for use within the Iranian operation. The Group continues to explore acceptable channels that are compliant with ongoing sanctions for repatriation of these funds.

MTN Uganda Limited (2012: R709 million; 2011: R195 million) and Mascom Wireless Botswana Proprietary Limited (2012: Rnil; 2011: R126 million) have secured facilities through the pledge of their cash and cash equivalents.

23. Ordinary share capital and share premium

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs (net of tax), is deducted from equity attributable to the Company's equity holders. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

	2012	2011
	Number of shares	
Ordinary share capital (par value of 0,01 cents)		
Authorised	2 500 000 000	2 500 000 000
Issued *(fully paid up)*	1 883 484 324	1 884 811 569
In issue at beginning of the year	1 884 811 569	1 884 510 117
Options exercised and allotted	193 780	301 452
Strike price		
R9.31	161 360	88 330
R13.53	–	107 734
R27.00	21 600	12 240
R40.50	10 820	93 148
Shares cancelled	(1 521 025)	–
In issue at end of the year	1 883 484 324	1 884 811 569
Options – MTN Zakhele transaction[1]	(28 473 927)	(29 994 952)
Treasury shares[2]	(22 337 752)	(6 764 412)
In issue at end of the year – excluding MTN Zakhele transaction and treasury shares[3]	1 832 672 645	1 848 052 205

[1] Due to the call option over the notional vendor finance shares, these shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.

[2] Treasury shares held by MTN Holdings Proprietary Limited.

[3] There are no restrictions, rights and preferences including restrictions on dividend distributions attached to these shares.

23. Ordinary share capital and share premium *(continued)*

	2012 Rm	2011 Rm
Share capital		
Balance at beginning of the year	*	*
Additions	*	*
Shares cancelled	*	–
Balance at end of the year	*	*
Share premium		
Balance at beginning of the year	44 678	45 602
Options exercised	3	6
Share buy-back	(2 088)	(930)
Balance at end of the year	42 593	44 678

**Amounts less than R1 million.*

MTN Zakhele transaction

The Group concluded its broad-based black economic empowerment (B-BBEE) transaction "MTN Zakhele" during October 2010. The transaction is designed to provide long-term, sustainable benefits to all B-BBEE participants and will run for a period of six years. Over 122 552 applicants subscribed for shares and were successful.

The total cost of this transaction was R2 973 million which was recognised as a once-off charge in profit or loss in 2010. This charge included the once-off share-based payment transaction charges for notional vendor finance of R1 382 million, the employee share option plan of R171 million and a donation of R1 294 million. Transaction costs amounted to R126 million.

The donation was used to subscribe for 12 045 412 shares at a price of R107,46 per share. Through the notional vendor finance, the Company issued 29 994 952 shares (NVF shares) to MTN Zakhele at par value. In the current year 1 521 025 shares (2011: nil shares) were cancelled. The Group has a call option over these shares. The value of the call option is R1 747 million (2011: R1 772 million) and was determined using a Monte Carlo valuation model. The significant inputs into the model were the market share price of the Company's shares of R128,85 at the grant date, being 14 October 2010, volatility of 28,7% (2011: 39,9%), dividend yield of 6,1% (2011: 7,6%), expected option life of five years (2011: six years) and an annual risk free rate of 5,5% (2011: 6,8%).

Share buy-back

MTN Holdings Proprietary Limited acquired 15 573 340 (2011: 6 764 412) shares at an average price of R134,07 (2011: R137,50) per share, inclusive of transaction costs, in the Company on the JSE Limited during the period of April – June 2012. The total amount paid to acquire the shares, inclusive of transaction costs, was R2 088 million (2011: R930 million). The shares are fully paid shares and are held as treasury shares.

The Group's objective in terms of the buy-back is to create shareholder value over time and improve the structure of the statement of financial position.

24. Other reserves

	2012 Rm	2011 Rm
Balance at beginning of the year	(12 348)	(22 724)
Transactions with non-controlling interests	(122)	(89)
Transfer to retained earnings	(22)	(37)
Share-based payment reserve	147	74
Exchange differences on translating foreign operations	(3 498)	10 415
Other	9	13
Balance at end of the year	(15 834)	(12 348)
Consisting of:		
Contingency reserve (as required by insurance regulations)[1]	4	28
Statutory reserve (as required by Rwanda and Congo-Brazzaville legislation)[2]	211	209
Transactions with non-controlling interests[3]	(10 901)	(10 779)
Share-based payment reserve[4]	2 189	2 042
Foreign currency translation reserve[5]	(7 348)	(3 850)
Other	11	2
	(15 834)	(12 348)

[1] 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 statement of financial position 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.

[2] 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 statement of financial position as a non-distributable reserve, forming part of the shareholders' funds.

[3] Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased is recorded in equity. All profits or 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.

[4] Refer to the accounting policy in note 44 with regards to equity-settled share-based payments.

[5] Refer to the translation and disposal of foreign operations sections in accounting policy 1.3.2 Foreign currency.

25. Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 43.

Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facility will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. 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.

Details of the Group's significant unsecured borrowings are provided below:

	2012 Rm	2011 Rm	Denominated currency	Nominal interest* %	Repayment details
Unsecured					
MTN Holdings Proprietary Limited	12 439	13 042			
	7 192	5 300	ZAR[1,2]	5,2 – 10,2	Maturity: January 2013 – July 2017
	2 992	–	ZAR[3,4]	6,5	Maturity: December 2015
	1 005	742	ZAR[2,5]	5,5	Capital repayment – January 2013 2011 loan repaid during the year
	1 000	1 000	ZAR[4,6]	6,6	Interest paid quarterly. Bullet capital repayment – March 2014
	250	–	ZAR[4,7]	6,6	Maturity: June 2016
	–	6 000	ZAR[3,4]	8,0	Loan repaid during the year
MTN Nigeria Communications Limited	12 613	13 065			
	10 134	10 222	NGN[3,4]	16,0	Annual. Final repayment – December 2015
	1 251	893	US$[4,8]	3,2	Semi-annual. Final repayment – June 2015
	1 228	1 155	US$[4,8]	1,3	Semi-annual. Final repayment – June and December 2015
	–	795	US$[3,4]	2,0	Loan repaid during the year
MTN Zambia Limited	1 248	951			
	975	951	ZMK[3,4]	11,0	Interest semi-annual. Bullet capital repayment – January 2014
	273	–	US$[4,6]	4,0	Interest semi-annual. Final repayment – June 2019
Spacetel Benin SA	1 083	478			
	341	478	XOF[2,3]	8,3	Semi-annual. Final repayment – August 2014
	742	–	XOF[2,3]	7,8	Semi-annual. Final repayment – March 2017
Mobile Telephone Networks Cameroon Limited	537	704	XAF[2,3]	6,0	Semi-annual. Final repayment – May 2015
MTN Congo S.A.	474	510	XAF[2,3]	7,0	Monthly. Final repayment – November 2016
Other unsecured borrowings	706	1 588			
Total unsecured borrowings	**29 100**	30 338			

[1] Domestic medium-term notes; [2] Fixed interest rate; [3] Syndicated term loan facility; [4] Variable interest rate; [5] Commercial paper; [6] Bilateral term loan facility; [7] Revolving credit facility; [8] Export credit facility; [9] Vendor finance facility; [10] Bank borrowings

** Nominal interest rates are the contractual interest rates on loans as at 31 December 2012.*

25. Borrowings *(continued)*

Details of the Group's significant secured borrowings are provided below:

	2012 Rm	2011 Rm	Denominated currency	Nominal interest %	Repayment details	Security/collateral
Secured						
MTN Sudan Company Limited	1 573	1 016				
	573	446	EUR[4, 9]	8,0	Quarterly. Final repayment – June 2020	Pledge of network and capital work-in-progress assets
	604	504	US$[2, 9]	10,0	Quarterly. Final repayment – December 2016	Pledge of network and capital work-in-progress assets
	380	66	EUR[4, 9]	5,0	Semi-annual. Final repayment – December 2019	Pledge of network and capital work-in-progress assets
	16	–	US$[2,10]	10,0	Repayment – July 2014	Deposit equivalent to140% of the loan
MTN Côte d'Ivoire S.A.	561	868				
	486	758	XOF[2, 3]	8,0	Semi-annual. Final repayment – March 2014	Pledge of certain property, plant and equipment
	75	110	XOF[2, 6]	8,0	Quarterly. Final repayment – July 2014	Pledge of certain property, plant and equipment
MTN Uganda Limited	408	557				
	192	300	UGX[3, 4]	13,7	Quarterly. Final repayment – October 2014	Floating charge over current and future assets
	86	122	US$[3, 4]	4,4	Quarterly. Final repayment – October 2014	Floating charge over current and future assets
	130	135	UGX[4, 7]	13,0	Bullet repayment with option to roll-over – Final repayment October 2014	Floating charge over current and future assets
MTN Afghanistan Limited	372	484				
	87	114	US$[4, 6]	5,5	Quarterly. Final repayment – September 2015	Pledge of shares
	285	370	US$[4, 6]	5,5	Quarterly. Final repayment – September 2015	Pledge of shares
Other secured borrowings	349	160				
Total secured borrowings	3 263	3 085				
Total unsecured borrowings	29 100	30 338				
Total borrowings	32 363	33 423				

25. Borrowings *(continued)*

	2012 Rm	2011 Rm
The classification of the Group's borrowings is as follows:		
Current	10 621	9 869
Non-current	21 742	23 554
	32 363	33 423
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
South African rand	12 712	13 300
Nigerian naira	10 134	10 222
United States dollar	3 983	4 188
Euro	1 209	1 234
Benin Communaute Financiere Africaine franc	1 083	478
Zambian kwacha	975	951
Côte d'Ivoire Communaute Financiere Africaine franc	632	1 129
Cameroon Communaute Financiere Africaine franc	537	704
Congo-Brazzaville Communaute Financiere Africaine franc	515	556
Uganda shilling	322	435
Various other currencies	261	226
	32 363	33 423
Undrawn facilities		
Floating rate	21 627	14 806
Fixed rate	16 419	17 593
	38 046	32 399

MTN Sudan – Breach of loan agreement

During 2012, MTN Sudan Company Limited breached the required EBITDA to Financial Net Payable covenant on one of its borrowing facilities with a carrying amount of R573 million. The breach is primarily attributable to significant realised foreign exchange losses incurred in the current year. Management has notified the affected lender and is currently in the process of finalising a waiver of the breach. The lender has not requested accelerated repayment of the loan. The loan has, however, been reflected as current at 31 December 2012.

26. Other non-current liabilities

Finance leases are accounted for in accordance with the accounting policy disclosed in note 37 and other liabilities are accounted for in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Finance lease obligations (note 37)	858	189
Other non-current provisions	–	457
Deferred gain on asset swap[1]	599	870
Other	1 176	585
	2 633	2 101
Less: current portion of deferred gain on asset swap (note 29)	(313)	(299)
	2 320	1 802

[1] *The deferred gain arose on the contribution of various assets from MTN (Dubai) Limited, MTN International Carrier Services and Uniglobe in exchange for a 20% investment in the associate, Belgacom International Carrier Services SA (BICS) (note 13). This gain was deferred and is being amortised over a five-year period, which is the period of the commitment to use the international gateway of Belgacom SA (note 5).*

27. 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 are 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 expected outflow of resources 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.

27. Provisions *(continued)*

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange differences Rm	At end of the year Rm
2012						
Non-current						
Decommissioning provision	160	89	–	(25)	(31)	193
Other provisions	297	39	–	(15)	(53)	268
	457	128	–	(40)	(84)	461
Current						
Bonus provision	578	898	(73)	(606)	(21)	776
Decommissioning provision	99	–	(8)	(10)	–	81
Licence obligations	338	–	–	(81)	–	257
Other provisions	2 237	1 280	(445)	(206)	37	2 903
	3 252	2 178	(526)	(903)	16	4 017
2011						
Current						
Bonus provision	453	933	(74)	(769)	35	578
Decommissioning provision	94	7	–	(6)	4	99
Licence obligations	52	286	–	–	–	338
Other provisions	2 503	768	(179)	(1 022)	167	2 237
	3 102	1 994	(253)	(1 797)	206	3 252

Bonus provision

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

Decommissioning provision

This provision relates to the estimated cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in plant and equipment that are erected on leased land.

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.

Licence obligations

The licence obligation provision represents the estimated costs to be incurred in fulfilling the Universal Services Obligation (USO). USO's are governed by the Electronic Communications Act.

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 an outflow of economic benefits.

28. Put option liability

The put option liability is accounted for as a financial liability in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Put option in respect of subsidiary	216	178

The put option in respect of the subsidiary arises from an arrangement whereby certain of the non-controlling shareholders of MTN Afghanistan Limited have the right to put their shareholding to MTN (Dubai) Limited.

The fair value of the MTN Afghanistan put option, in terms of which the IFC has the right to put 9,1% of their shareholding to MTN (Dubai) Limited, is determined based on an EBITDA multiple, as determined in accordance with the terms and conditions of the contractual arrangement. This put option is currently exercisable.

29. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers; they are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 43.

Other payables are stated at their nominal values.

	2012 Rm	2011 Rm
Trade payables	6 508	7 615
Sundry creditors	1 711	858
Accrued expenses	13 988	12 203
Current portion of deferred gain on asset swap (note 26)	313	299
Other payables	3 395	4 079
	25 915	25 054

30. Cash generated from operations

	2012 Rm	2011 Rm
Profit before tax	36 981	37 640
Adjusted for:		
Finance costs (note 7)	10 123	6 610
Finance income (note 7)	(5 966)	(5 028)
Depreciation of property, plant and equipment (note 11)	14 860	13 296
Amortisation of intangible assets (note 12)	2 386	2 163
Loss/(profit) on disposal of property, plant and equipment (note 6)	58	(6)
Loss on disposal of intangible assets (note 6)	10	29
Share of results of associates after tax (note 13)	180	38
Increase in provisions	1 416	773
Impairment loss on goodwill (note 12)	–	31
Impairment loss on property, plant and equipment (note 11)	21	–
Reversal of impairment loss on property, plant and equipment (note 11)	(59)	(97)
Impairment of trade receivables (note 18)	263	455
Profit on disposal of non-current assets held for sale (note 5)	(547)	(1 185)
Realisation of deferred gain on Ghana tower sale (note 5)	(39)	–
Other	(12)	393
	59 675	55 112
Changes in working capital	(1 819)	(4 835)
Increase in inventories	(77)	(1 025)
Increase in trade and other receivables	(1 361)	(2 586)
Decrease in trade and other payables	(451)	(2 387)
Increase in unearned income	70	1 163
Cash generated from operations	57 856	50 277

31. Income tax paid

	2012 Rm	2011 Rm
At beginning of the year	(8 622)	(3 738)
Amounts recognised in profit or loss (note 8)	(12 913)	(13 853)
Deferred tax charge (note 15)	(506)	1 089
Effect of movements in exchange rates	599	(1 634)
Other	468	100
At end of the year	6 671	8 622
Taxation prepaid	(556)	(415)
Taxation liabilities	7 227	9 037
Total tax paid	(14 303)	(9 414)

32. Underwriting activities

Underwriting results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against earned 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 prior years. Where applicable, deductions are made for salvage and other recoveries; and
- 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.

Underwriting activities are conducted through special purpose entities on commercial terms and conditions and at market prices.

	2012 Rm	2011 Rm
Income statement effect		
Gross premiums written	661	335
Outwards reinsurance premiums	(296)	(124)
Other[1]	(219)	(229)
	146	(18)
Balance sheet effect		
Share of technical provision:		
Outstanding claims	30	55
Unearned premiums	(16)	1
	14	56
Receivables	145	99
Payables	(214)	(174)

[1] *Includes claims incurred, net of reinsurance, commissions paid, net operating costs, net investment income and taxation.*

33. Contingent liabilities

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities also represent present obligations that arise from past events but are not recognised because an outflow of resources is not probable or a reliable estimate cannot be made. The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised.

	2012 Rm	2011 Rm
Contingent liabilities	1 224	838
Incentives for handset upgrades[1]	751	838
Licence fee and regulatory matters	298	–
Litigation and other matters	158	–
Other	17	–

[1] *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 subscribers have exercised their right to receive upgrades for new post-paid contracts 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 2012 was 960 325 (2011: 892 328). The Group has, however, provided for those upgrades which have been made but which have not been presented for payment.*

34. Commercial commitments

Irancell Telecommunication Company Services (PJSC)

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 of 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 the Group'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.

Cable systems and gateways

The Group, together with various other parties, has entered into construction and maintenance agreements for the Eastern Africa Submarine Cable System (EASSy), Europe India Gateway (EIG), West Africa Cable System (WACS) and The East African Marine System (TEAMS) to address the growing demand for international bandwidth in Africa.

34. Commercial commitments *(continued)*

Eastern African Submarine Cable System (EASSy)

The Group's operational and maintenance commitments in respect of the contract amount to US$27,1 million as at 31 December 2012 (2011: US$27,5 million).

Europe India Gateway (EIG)

The Group's commitment in respect of the contract amounts to US$50,4 million (2011: US$50,4 million), which has been settled in full at 31 December 2012 (2011: US$49,8 million).

The Group's operational and maintenance commitments in respect of the contract amount to US$33,1 million as at 31 December 2012 (2011: US$35,7 million).

West Africa Cable System (WACS)

The Group's commitment in respect of the contract amounts to US$96,5 million (2011: US$90 million), of which US$75,8 million has been paid at 31 December 2012 (2011: US$54,5 million).

The Group's operational and maintenance commitments in respect of the contract amount to US$69,2 million as at 31 December 2012 (2011: US$67,5 million).

The East African Marine System (TEAMS)

The Group's commitment in respect of the contract amounted to US$4,8 million at 31 December 2011, of which US$1,9 million had been paid.

The Group's operational and maintenance commitments in respect of the contract amounted to US$3,1 million as at 31 December 2011.

In 2012, the Group decided not to invest in the TEAMS cable and entered into a capacity lease agreement. The amount of US$1,9 million paid up to December 2011 and an additional amount of US$2,9 million paid in 2012, were recognised as a prepayment.

35. Capital commitments

Commitments for the acquisition of property, plant and equipment and software:

	2012 Rm	2011 Rm
Capital expenditure not yet incurred at the reporting date is as follows:		
– Contracted	13 325	8 626
– Authorised but not contracted	13 832	13 913
Share of capital commitments of joint ventures:		
– Contracted	691	691
– Authorised but not contracted	369	1 170
Total commitments for property, plant and equipment and software	28 217	24 400

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

36. Operating lease commitments

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 lease.

Sub-lease income is recognised in profit or loss on a straight-line basis over the term of the lease.

In all significant operating lease arrangements in place during the year, the Group acted as the lessee.

Sale and leaseback

In sale and leaseback transactions that result in operating leases, where it is clear that the transaction is priced at fair value, any profit or loss is recognised on the effective date of the sale transaction. If the sale price is below fair value, any profit or loss is recognised on the effective date of the sale transaction except that, if a loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period during which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

The Group leases various premises and 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.

	2012 Rm	2011 Rm
The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:		
Not later than one year	285	190
Later than one year and no later than five years	359	478
Later than five years	37	–
	681	668
The future aggregate minimum lease payments under cancellable operating lease arrangements are as follows:		
Not later than one year	1 579	1 161
Later than one year and no later than five years	4 667	4 614
Later than five years	8 861	7 599
	15 107	13 374

37. Finance lease commitments

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 statement of financial position under other non-current/current liabilities. Each lease payment is allocated between the liability and finance charges. Finance charges, 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 lease so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

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

Sale and leaseback

In sale and leaseback transactions that result in finance leases, any excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

	2012 Rm	2011 Rm
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	189	123
Later than one year and no later than five years	482	212
Later than five years	843	–
	1 514	335
Less: Future finance charges on finance leases	(537)	(56)
Present value of finance lease obligations	977	279
Present value of finance lease obligations are as follows:		
Current		
Not later than one year	119	90
	858	189
Non-current (note 26)		
Later than one year and no later than five years	273	189
Later than five years	585	–
	977	279

38. Investment in 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.

Jointly controlled entities

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. The Group's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the Group financial statements on a line-by-line basis.

Goodwill arising on the acquisition of jointly controlled entities is included in intangible assets.

Where the Group transacts with its jointly controlled entities, unrealised profits or 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 joint ventures at cost, which includes transaction costs, less accumulated impairment losses.

Jointly controlled assets

Jointly controlled assets are joint ventures where the venturers jointly control one or more assets constructed or acquired for the purpose of its joint venture and dedicated to its purposes. The assets are used to obtain benefits for the venturers. Each venturer takes a share of the output from the assets and each bears an agreed share of the expenses incurred.

In respect of its interest in jointly controlled assets the Group recognises in its financial statements its share of the jointly controlled assets, classified according to the nature of the assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture and any expenses that it has incurred in respect of its interest in the joint venture.

38. Investment in joint ventures *(continued)*

The Group's effective percentage interests in its joint ventures are disclosed below.

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

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2012	2011
Swazi MTN Limited	Network operator	Swaziland	30	30
Oltio Proprietary Limited (MTN Mobile Money Holdings Proprietary Limited)	Wireless banking services	South Africa	50	50
Deci Investments	Investment holding company	Botswana	33	33
Mascom Wireless Botswana Proprietary Limited	Network operator	Botswana	53	53
Irancell Telecommunication Company Services (PJSC)	Network operator	Iran	49	49
Satellite Data Networks Mauritius Proprietary Limited	Internet service provider	Mauritius	60	60

Summary of financial information

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

	2012 Rm	2011 Rm
Revenue	13 247	12 019
Expenses	(7 318)	(6 859)
Total assets	9 302	12 176
Total liabilities	(7 761)	(9 382)

There are no significant contingent liabilities relating to the Group's interests in these joint ventures at the end of the current or prior year.

Refer to note 1.4 for the impact of the adoption of IFRS 11 which will change the subsequent accounting of the Group's investment in its joint ventures, which are currently accounted for using the proportionate consolidation method under IAS 31 *Interests in Joint Ventures*. Under IFRS 11, the Group's joint ventures will subsequently be accounted for using the equity method.

Jointly controlled assets

The Group's jointly controlled assets are high capacity fibre optic submarine cable systems, which have been recorded in property, plant and equipment.

The following table presents, on a condensed basis, the Group's share of assets and liabilities, revenue and expenses of the jointly controlled assets which are included in the consolidated statement of financial position and income statement.

	2012 Rm	2011 Rm
Revenue	98	167
Expenses	(139)	(203)
Total assets	1 439	1 237
Total liabilities	(220)	(213)

39. Exchange rates to South African rand used for the purposes of foreign currency translations

		Closing rates		Average rates	
		2012	2011	**2012**	2011
United States dollar	US$	**0,12**	0,12	**0,12**	0,14
Uganda shilling	UGX	**312,26**	306,73	**303,08**	347,60
Rwanda franc	RWF	**73,99**	74,76	**74,46**	81,97
Cameroon Communaute Financière Africaine franc	XAF	**58,70**	62,73	**62,20**	65,67
Nigerian naira	NGN	**18,47**	20,10	**19,50**	21,76
Iranian rial	IRR	**2 905,20**	1 378,10	**1 685,67**	1 474,34
Botswana pula	BWP	**0,92**	0,93	**0,93**	0,95
Côte d'Ivoire Communaute Financière Africaine franc	CFA	**58,70**	62,73	**62,31**	64,81
Congo-Brazzaville Communaute Financière Africaine franc	XAF	**58,70**	62,73	**62,20**	66,09
Zambian kwacha	ZMK	**610,66**	633,91	**631,93**	665,22
Swaziland lilangeni	E	**1,00**	1,00	**1,00**	1,00
Lebanese pound	LBP	**177,18**	186,14	**183,55**	203,88
Afghanistan afghani	AFN	**6,16**	6,11	**6,23**	6,24
Euro	EUR	**0,09**	0,10	**0,10**	0,10
Ghanaian cedi	GHS	**0,22**	0,20	**0,23**	0,21
Benin Communaute Financière Africaine franc	XOF	**58,70**	62,73	**62,28**	63,67
Guinean franc	GNF	**810,04**	869,14	**841,45**	956,91
Sudanese pound	SDG	**0,52**	0,33	**0,43**	0,36
Syrian pound	SYP	**10,22**	6,71	**8,34**	6,54
Guinea-Bissau Communaute Financière Africaine franc	XOF	**58,70**	62,73	**62,12**	63,10
Yemen rial	YER	**25,39**	27,02	**26,35**	30,73

40. Events after the reporting period

Potential litigation by Turkcell Iletism Hizmetlera AS (Turkcell)

In 2012, Turkcell, the largest mobile phone operator in Turkey, brought a legal claim against MTN Group Limited and MTN International (Mauritius) Limited before a United States (US) court, which is based on allegations that the Group violated certain US laws in its effort to obtain Iran's second GSM licence.

The MTN Group board established a special committee (Hoffmann Committee) consisting of an external chairman and non-executive directors to take all actions the committee deemed appropriate to investigate the Turkcell allegations. To ensure the integrity and independence of the investigation, the MTN Group board appointed Lord Leonard Hoffmann, an internationally renowned jurist and former UK House of Lords judge, as the chairman.

On 1 February 2013, following a critical examination of the evidence, the Hoffmann Committee found that Turkcell's allegations are "a fabric of lies, distortions and inventions".

The MTN Group board is satisfied that Turkcell's allegations have been the subject of a thorough, comprehensive and independent investigation and is satisfied with the findings presented to it.

In addition, the Group has noted a US federal court ruling to put on hold the lawsuit by Turkcell pending a US Supreme Court ruling whether the case can be heard in a US court. The Group had asked Judge Walton of the Washington District Court to either dismiss the Turkcell case outright, or wait until after the Supreme Court renders its decision on what has become known as the Kiobel case.

Using the Kiobel case, the judge will then decide whether Turkcell's case against the Group can be heard in a US court when neither is a US company, and the alleged conduct happened on foreign territory. Legal experts predict the Supreme Court will use the Kiobel case to restrict such cases. The Group continues to believe that there is no legal merit to Turkcell's claim and no basis for such claim to be brought before a US court. The Group expects the Turkcell claim to be disposed of after the Supreme Court issues its decision in the Kiobel case. That is expected to happen by the end of June 2013.

The Group will accordingly continue to oppose the claim.

Mobile Telephone Networks Cameroon Limited and MTN Côte d'Ivoire S.A. tower sale transactions

Formal notice regarding the close of the Mobile Telephone Networks Cameroon Limited and MTN Côte d'Ivoire S.A. tower sale transactions has been issued. The MTN Cameroon Limited transaction closed on 28 February 2013.

An advance payment of R158 million was received in October 2012.

Acquisition of additional interest in MTN Cyprus Limited

The Group has agreed to acquire the remaining 50% equity interest in MTN Cyprus Limited from its local partner, Amaracos Holdings for an amount of approximately EUR73 million, including the acquisition of a shareholder's loan to the amount of EUR15 million. The purchase price in respect of the shares to the amount of EUR58 million will bear interest at a rate of EURIBOR plus three percent per annum from 1 April 2013 if the transaction closes after that date.

The transaction will increase the Group's ownership interest to 100%.

The acquisition is subject to approval by the Commission for Protection of Competition of the Republic of Cyprus.

41. Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and prescribed officers of the Group and includes close members of their families and entities controlled or jointly controlled by these individuals.

	2012 Rm	2011 Rm
Key management compensation		
Salaries and other short-term employee benefits	66	58
Post-employment benefits	5	6
Other benefits	37	53
Bonuses	57	70
Termination benefits	–	33
Total	165	220

Details of the directors' remuneration are disclosed in note 6 as well as in the remuneration report on pages 87 to 95 of the integrated report.

Loan to shareholder
Previously, certain legal claims were made against MTN (Dubai) Limited and Scancom Limited (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) Limited that they will share the cost of settlement of these claims. During 2009 a loan was granted to M1 in respect of their share of these costs which was paid by the Group on their behalf.

This loan has fixed repayments and is interest free. The balance of this loan as at year-end is as follows:

	2012 Rm	2011 Rm
Balance at beginning of the year	53	89
Payments received for the year	(58)	(46)
Effect of movement in exchange rates	5	10
Balance at end of the year	–	53

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

For details on the put option refer to note 28.

Outstanding loans with Irancell Telecommunication Company Services (PJSC) are disclosed in note 14.

41. Related party transactions *(continued)*

Details of transactions and balances with joint ventures:

	Net income for the year 2012 Rm	Net income for the year 2011 Rm	Balance receivable 2012 Rm	Balance receivable 2011 Rm
Swazi MTN Limited	**42**	61	**25**	34
Mascom Wireless Botswana Proprietary Limited	**83**	235	**2**	5
Irancell Telecommunication Company Services (PJSC)	**79**	31	**2 356**	95
Satellite Data Networks Mauritius Proprietary Limited	**1**	1	**3**	1

Associates

Details of investments in associates are disclosed in note 13.

Details of transactions and balances with associates:

	Net income for the year 2012 Rm	Net income for the year 2011 Rm	Balance receivable 2012 Rm	Balance receivable 2011 Rm
Belgacom International Carrier Services SA	**245**	145	**3**	26
Ghana Tower InterCo BV	**97**	–	**1 230**	–
Uganda Tower InterCo BV	**17**	–	**534**	–

In 2011, Scancom Limited (Ghana) entered into an operating lease agreement with Ghana Tower InterCo BV. The operating lease commitment amounts to R8 200 million at 31 December 2012 (2011: R7 906 million). The rental amount escalates every year by inflation and the initial term is 10 years, followed by four times five-year automatic renewals.

MTN Uganda entered into an operating lease agreement with Uganda Tower InterCo BV in 2012. The operating lease commitment amounts to R1 739 million at 31 December 2012 (2011: Rnil). The rental amount escalates every year by inflation and the initial term is 10 years, followed by four times five-year automatic renewals.

Shareholders

The principal shareholders of the Company are disclosed on page 211 of the integrated report.

Directors

Cyril Ramaphosa, the chairman of the Company, has an effective shareholding of 29,63% in Shanduka which acquired a non-controlling interest in MTN Nigeria Communications Limited, a subsidiary of the Group, for US$335 million in November 2012.

42. Changes in shareholding

Changes in shareholding of subsidiaries are transactions that result in increases or reductions in the interest held in a subsidiary of the Group and are accounted for as transactions with non-controlling shareholders as disclosed in note 1.3.1.

None of the transactions outlined below resulted in a change in control.

42.1 Current year changes in shareholding

42.1.1 MTN Côte d'Ivoire S.A.

During the year, the Group increased its shareholding in MTN Cote d'Ivoire S.A. by 3% to 67,7% for R177 million.

The impact on equity arising from the acquisition is as follows:

	Carrying amount on acquisition date Rm
Purchase consideration	(177)
Net asset value acquired	55
Difference included in equity on consolidation	(122)

42.2 Prior year changes in shareholding

42.2.1 MTN Nigeria Communications Limited

During 2011, the Group sold 0,25% of the shareholding in MTN Nigeria Communications Limited to a minority shareholder of the Company for an amount of R228 million.

The impact on equity arising from the disposal was as follows:

	Carrying amount on disposal date Rm
Consideration received	228
Net assets disposed of	(30)
Difference included in equity on consolidation	198

42.2.2 MTN Rwandacell S.A.R.L.

During 2011, the Group increased its shareholding in MTN Rwandacell S.A.R.L. from 55% to 80% for R487 million.

The impact on equity arising from the acquisition was as follows:

	Carrying amount on acquisition date Rm
Purchase consideration	(487)
Net asset value acquired	254
Difference included in equity on consolidation	(233)

42.2.3 MTN Zambia Limited

During 2011, the Group sold 4% of its shareholding in MTN Zambia for an amount of R50 million. The sale was partly funded through a loan provided by MTN (Dubai) Limited to the value of R45 million to the acquirer and partly from the acquirer's own financial resources (R5 million).

Due to the risks and rewards not being transferred at a Group level, the percentage consolidated (98,7%) remains unchanged.

The impact on equity arising from the disposal was as follows:

	Carrying amount on disposal date Rm
Consideration received	5
Net assets disposed of	–
Difference included in equity on consolidation	5

42. Changes in shareholding *(continued)*

42.3 Net cash flows relating to business combinations and changes in shareholdings

	2012 Rm	2011 Rm
Consideration for acquisition from non-controlling interests		
– MTN Côte d'Ivoire S.A.	(177)	–
– MTN Rwandacell S.A.R.L.	–	(487)
Proceeds from the issue of shares to non-controlling interests		
– MTN Nigeria Communications Limited	–	228
– MTN Zambia Limited	–	5
	(177)	(254)

43. Financial risk management and financial instruments

Accounting for financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

All financial assets and liabilities are initially measured at fair value, including transaction costs, except for those classified as at fair value through profit or loss which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Financial assets are recognised (derecognised) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

Financial assets and liabilities are classified as current if expected to be realised or settled within 12 months; if not, they are classified as non-current.

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied 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 statement of financial position.

Financial instrument classification

The Group classifies its financial instruments into the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition.

Financial instruments comprise investments, loans receivable, trade and other receivables, restricted cash, cash and cash equivalents, borrowings, other non-current liabilities, put option liabilities, bank overdrafts, derivatives and trade and other payables.

Subsequent measurement

Subsequent to initial recognition, financial instruments are measured as described below and on the following page.

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, i.e. acquired principally for the purpose of selling the item in the short term. Financial instruments at fair value through profit or loss are subsequently measured at fair value and changes therein are recognised in profit or loss. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

43. Financial risk management and financial instruments *(continued)*

Subsequent measurement *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise loans and other non-current receivables, certain of its investments, trade and other receivables (excluding prepayments), restricted cash and cash and cash equivalents. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than those that the Group upon initial recognition designates as at fair value through profit or loss and those that are loans and receivables.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Financial liabilities

Financial liabilities comprise trade and other payables, a put option liability, bank overdrafts, borrowings, derivative liabilities and other non-current liabilities (excluding provisions).

All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method.

Derivative liabilities are subsequently measured at fair value and changes therein are recognised in profit or loss.

Derecognition

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

Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expires.

Impairment

The Group assesses at the end of each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset or group of financial assets is impaired if objective evidence indicates that one or more events 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.

When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the effective interest rate.

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.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Impairment of trade receivables

An impairment of trade 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.

43. Financial risk management and financial instruments *(continued)*

Risk management

Introduction

The Group has exposure to the following risks from its use of 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 annual 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 and interest rate swaps, 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 MTN 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.

43.1 Categories of financial instruments

	Assets			Liabilities		
	Loans and receivables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Amortised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount[2] Rm
2012						
Non-current financial assets						
Loans and other non-current receivables	3 823	–	–	–	–	3 823
Current financial assets						
Trade and other receivables	13 952	–	–	–	–	13 952
Current investments	5 343	–	1 731	–	–	7 074
Derivative assets	–	191	–	–	–	191
Restricted cash	5 277	–	–	–	–	5 277
Cash and cash equivalents	25 700	–	–	–	–	25 700
	54 095	191	1 731	–	–	56 017
Non-current financial liabilities						
Borrowings	–	–	–	21 742	–	21 742
Other non-current liabilities	–	–	–	1 044	–	1 044
Derivative liabilities	–	–	–	–	2	2
Current financial liabilities						
Trade and other payables	–	–	–	24 520	–	24 520
Borrowings	–	–	–	10 621	–	10 621
Derivative liabilities	–	–	–	–	14	14
Put option liability	–	–	–	216	–	216
Bank overdrafts	–	–	–	169	–	169
	–	–	–	58 312	16	58 328

[1] All financial instruments at fair value through profit or loss are held for trading.

[2] The carrying amounts of all financial instruments not measured at fair value closely approximate fair value.

Notes to the Group annual financial statements *continued*

for the year ended 31 December 2012

43. Financial risk management and financial instruments *(continued)*

43.1 Categories of financial instruments *(continued)*

	Assets			Liabilities		
	Loans and receivables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Amortised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount[2] Rm
2011						
Non-current financial assets						
Loans and other non-current receivables	1 596	–	–	–	–	1 596
Current financial assets						
Trade and other receivables	15 321	–	–	–	–	15 321
Current investments	1 677	–	7 803	–	–	9 480
Derivative assets	–	9	–	–	–	9
Restricted cash	546	–	–	–	–	546
Cash and cash equivalents	35 806	–	–	–	–	35 806
	54 946	9	7 803	–	–	62 758
Non-current financial liabilities						
Borrowings	–	–	–	23 554	–	23 554
Other non-current liabilities	–	–	–	439	–	439
Current financial liabilities						
Trade and other payables	–	–	–	24 755	–	24 755
Borrowings	–	–	–	9 869	–	9 869
Derivative liabilities	–	–	–	–	4	4
Put option liability	–	–	–	178	–	178
Bank overdrafts	–	–	–	593	–	593
	–	–	–	59 388	4	59 392

[1] All financial instruments at fair value through profit or loss are held for trading.

[2] The carrying amounts of all financial instruments not measured at fair value closely approximate fair value.

43. Financial risk management and financial instruments *(continued)*

43.2 Fair value estimation

The table below presents the Group's assets and liabilities that are measured at fair value. The different levels are based on the extent that quoted prices are used in the calculation of fair value and the levels have been defined as follows:

- level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: fair value based on 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); or
- level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2012				
Current financial assets				
Derivative assets	–	191	–	191
Non-current financial liabilities				
Derivative liabilities	–	2	–	2
Current financial liabilities				
Derivative liabilities	–	14	–	14
2011				
Current financial assets				
Derivative assets	–	9	–	9
Current financial liabilities				
Derivative liabilities	–	4	–	4

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 determine the fair value of an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to determine the fair value of financial instruments include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date; and
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.

43. Financial risk management and financial instruments *(continued)*

43.3 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.

The Group considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2012 Rm	2011 Rm
Loans and other non-current receivables	3 823	1 596
Trade and other receivables	13 952	15 321
Current investments	7 074	9 480
Derivative assets	191	9
Restricted cash	5 277	546
Cash and cash equivalents	25 700	35 806
	56 017	62 758

Cash and cash equivalents and current investments

The Group's exposure and the credit ratings of its counterparties are continuously 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.

The operations in Nigeria, Dubai and South Africa (including head office entities) hold their cash balances in financial institutions with a rating range from BBB– to AA.

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

43. Financial risk management and financial instruments *(continued)*

43.3 Credit risk *(continued)*

Trade 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 receivables in certain international operations is uncertain; however, this is actively managed within acceptable limits and has been incorporated in the assessment of an appropriate revenue recognition policy (note 4) and the impairment of trade receivables where applicable. In addition, in certain countries there exists a right of set-off with interconnect parties to assist in settling outstanding amounts.

Ageing and impairment analysis

	2012			2011		
	Gross Rm	Impaired Rm	Net Rm	Gross Rm	Impaired Rm	Net Rm
Fully performing trade receivables	9 832	–	9 832	8 892	–	8 892
Interconnect receivables	2 440	–	2 440	2 499	–	2 499
Contract receivables	6 182	–	6 182	5 273	–	5 273
Other receivables	1 210	–	1 210	1 120	–	1 120
Past due trade receivables	5 128	(2 098)	3 030	5 267	(1 900)	3 367
Interconnect receivables	2 090	(889)	1 201	2 811	(788)	2 023
0 to 3 months	607	(126)	481	756	(65)	691
3 to 6 months	339	(45)	294	447	(60)	387
6 to 9 months	296	(45)	251	365	(74)	291
9 to 12 months	848	(673)	175	1 243	(589)	654
Contract receivables	1 531	(1 046)	485	1 982	(1 084)	898
0 to 3 months	245	(97)	148	488	(111)	377
3 to 6 months	152	(32)	120	385	(151)	234
6 to 9 months	526	(392)	134	416	(203)	213
9 to 12 months	608	(525)	83	693	(619)	74
Other receivables	1 507	(163)	1 344	474	(28)	446
0 to 3 months	1 093	(6)	1 087	302	(28)	274
3 to 6 months	150	(46)	104	75	–	75
6 to 9 months	92	(11)	81	20	–	20
9 to 12 months	172	(100)	72	77	–	77
Total	14 960	(2 098)	12 862	14 159	(1 900)	12 259

43. Financial risk management and financial instruments *(continued)*

43.3 Credit risk *(continued)*

Trade receivables *(continued)*

Total past due per significant operation

	Inter-connect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
2012				
MTN RSA	29	533	68	630
MTN Nigeria Communications Limited	416	252	26	694
Irancell Telecommunication Company Services (PJSC)	929	24	35	988
Other operations	716	722	1 378	2 816
	2 090	1 531	1 507	5 128
2011				
MTN RSA	147	733	–	880
MTN Nigeria Communications Limited	376	21	51	448
Irancell Telecommunication Company Services (PJSC)	1 207	51	45	1 303
Other operations	1 081	1 177	378	2 636
	2 811	1 982	474	5 267

Provision for impairment of trade receivables

	At beginning of the year Rm	Additions[1] Rm	Reversals[1] Rm	Utilised Rm	Exchange differences and other movements Rm	At end of the year Rm
2012						
Movement in provision for impairment of trade receivables	(1 900)	(346)	83	26	39	(2 098)
2011						
Movement in provision for impairment of trade receivables	(1 571)	(500)	45	316	(190)	(1 900)

[1] *A net impairment loss of R263 million (2011: R455 million) was incurred in the current year. This amount is included in other operating expenses in profit or loss (note 6).*

The Group does not hold any collateral for trade receivables.

43. Financial risk management and financial instruments *(continued)*

43.4 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:

	2012 Rm	2011 Rm
Trade and other receivables	13 952	15 321
Current investments	5 343	1 677
Derivative assets	191	–
Cash and cash equivalents, net of overdrafts	25 531	35 213
	45 017	52 211

The Group's undrawn borrowing facilities are disclosed in note 25.

The following are the contractual cash flows of financial liabilities:

	Carrying amount Rm	Total 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
Non-current financial liabilities					
2012					
Borrowings	21 742	26 302	11 308	14 713	281
Other non-current liabilities	1 044	1 517	295	379	843
Derivative liabilities	2	2	2	–	–
	22 788	27 821	11 605	15 092	1 124
2011					
Borrowings	23 554	28 319	8 492	17 249	2 578
Other non-current liabilities	439	461	213	248	–
	23 993	28 780	8 705	17 497	2 578

43. Financial risk management and financial instruments *(continued)*

43.4 Liquidity risk *(continued)*

	Carrying amount Rm	Total 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
Current financial liabilities					
2012					
Trade and other payables	**24 520**	**24 760**	**13 180**	**4 755**	**6 825**
Borrowings	**10 621**	**11 363**	**5 559**	**97**	**5 707**
Derivative liabilities	**14**	**14**	**9**	**5**	**–**
Put option liability	**216**	**216**	**216**	**–**	**–**
Bank overdrafts	**169**	**169**	**164**	**5**	**–**
	35 540	**36 522**	**19 128**	**4 862**	**12 532**
2011					
Trade and other payables	24 755	24 823	9 090	9 608	6 125
Borrowings	9 869	11 782	3 829	2 972	4 981
Put option liability	178	178	178	–	–
Bank overdrafts	593	593	593	–	–
	35 395	37 376	13 690	12 580	11 106

43.5 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.

43.5.1 Interest rate risk

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

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, restricted cash, current investments, trade and other receivables/payables, loans receivable/payable and bank overdrafts. The interest rates applicable to these financial instruments are a combination of floating and fixed rates 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) Limited and MTN International (Mauritius) Limited) 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 the Group's non-South African operations is at floating interest rates. This is due to the underdeveloped and expensive nature of derivative products in these financial markets. The Group continues to monitor developments which may create opportunities as these markets evolve in order to align each underlying operation with the Group Treasury Policy.

The Group makes use of various products including interest rate derivatives and other appropriate hedging tools as a way to manage these risks; however, derivative instruments may only be used to hedge existing exposures.

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.1 Interest rate risk *(continued)*

Profile

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

	2012 Fixed rate instruments Rm	2012 Variable rate instruments Rm	2011 Fixed rate instruments Rm	2011 Variable rate instruments Rm
Non-current financial assets				
Loans and other non-current receivables	1 683	1 861	–	1 596
Current financial assets				
Trade and other receivables	667	38	261	15
Current investments	7 074	–	9 480	–
Restricted cash	109	4 726	114	330
Cash and cash equivalents	8 217	14 836	6 295	26 570
	17 750	21 461	16 150	28 511
Non-current financial liabilities				
Borrowings	6 191	15 283	8 545	23 097
Other non-current liabilities	849	166	54	610
Current financial liabilities				
Trade and other payables	1 149	654	52	155
Borrowings	5 506	5 115	–	–
Bank overdrafts	5	164	–	593
	13 700	21 382	8 651	24 455

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, money market rates and prime rate. 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 on the next page.

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 was used for 2011.

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.1 Interest rate risk *(continued)*

Sensitivity analysis *(continued)*

	2012 (Decrease)/increase in profit before tax			2011 (Decrease)/increase in profit before tax		
	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	1	(42,4)	42,4	1	(65,5)	65,5
LIBOR	1	7,0	(7,0)	1	(15,0)	15,0
3-month LIBOR	1	(9,9)	9,9	1	(4,7)	4,7
NIBOR	1	(82,2)	82,2	1	(44,7)	44,7
EURIBOR	1	(7,1)	7,1	1	(3,3)	3,3
Money market	1	65,0	(65,0)	1	90,2	(90,2)
Prime	1	(2,5)	2,5	1	16,9	(16,9)
Other	1	72,6	(72,6)	1	66,7	(66,7)

43.5.2 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. Refer to the table on the next page for the Group's exposure to foreign currency risk based on notional amounts. 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. The Group 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. Refer to note 20 for the Group's outstanding foreign exchange contracts. 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.

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.2 Currency risk *(continued)*

Foreign currency exposure

Included in the Group statement of financial position are the following amounts denominated in currencies other than the functional currency of the reporting entities:

	2012 Rm	2011 Rm
Assets		
Non-current		
– United States dollar	–	11
	–	11
Current		
– United States dollar	12 247	3 695
– Euro	1 347	2 304
– South African rand	54	–
– British pound sterling	5	5
	13 653	6 004
Total assets	13 653	6 015
Liabilities		
Non-current		
– United States dollar	2 953	2 416
– Euro	368	511
	3 321	2 927
Current		
– United States dollar	4 191	4 913
– Euro	1 122	728
– South African rand	40	65
– British pound sterling	48	10
	5 401	5 716
Total liabilities	8 722	8 643

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.2 Currency risk *(continued)*

Sensitivity analysis

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 against functional currencies in respect of the South African rand, US dollar, Euro and Syrian pound. 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 functional currencies different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis as applied in 2011.

		Increase/(decrease) in profit before tax	
Denominated: functional currency	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm
2012			
US$:ZAR	10	699,5	(699,5)
US$:IRR	10	(22,4)	22,4
US$:SDG	10	(225,2)	225,2
US$:SSP	10	(81,2)	81,2
US$:NGN	10	(195,3)	195,3
EUR:SDG	10	(322,9)	322,9
EUR:US$	10	330,0	(330,0)
US$:GNF	10	(97,2)	97,2
SYP:US$	10	285,6	(285,6)
US$:ZMK	10	(119,8)	119,8
IRR:ZAR	10	118,1	(118,1)
2011			
US$:ZAR	10	247,6	(247,6)
US$:IRR	10	(163,7)	163,7
US$:SDG	10	(230,0)	230,0
US$:NGN	10	(326,3)	326,3
EUR:SDG	10	(239,1)	239,1
EUR:US$	10	268,8	(268,8)
US$:GNF	10	(93,0)	93,0
SYP:US$	10	325,1	(325,1)

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.3 Price risk

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

43.6 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 borrowings and bank overdrafts less cash and cash equivalents.

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.

The Group's net debt:EBITDA, net debt:equity and net interest:EBITDA at the end of the year are set out below.

	2012	2011
Net debt:EBITDA		
Borrowings and bank overdrafts (Rm)	32 532	34 016
Less: Bank balances, deposits and cash (Rm)	(38 051)	(45 832)
Net debt (Rm)	(5 519)	(11 816)
EBITDA (Rm)	58 564	54 750
Net debt/EBITDA	(0,1)	(0,2)
Net debt:total equity		
Net debt (Rm)	(5 519)	(11 816)
Total equity (Rm)	92 887	92 699
Net debt/total equity (%)	(5,9)	(12,7)
Net interest:EBITDA		
Net finance costs (Rm)	(4 157)	(1 582)
EBITDA (Rm)	58 564	54 750
Net interest/EBITDA (%)	7,1	2,9

44. Share-based payments

Equity-settled share-based payments

The schemes described below 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 grant date. The fair value is measured using a stochastic model. The expected life used in the model is based on management's best estimate, after considering the effects of non-transferability, exercise restrictions and behavioural considerations where applicable. The fair value determined at the grant date of the equity-settled share-based options or rights 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 options and share rights for which the related service and non-market based vesting conditions are met.

Where employees exercise options or share rights in terms of the rules and regulations of the 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 Limited, the securities exchange on which the Company's shares are listed. In terms of the share option scheme, participants with vested share options pay a consideration equal to the option price when the options are exercised. 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 MTN Group share options, share appreciation rights and share rights schemes and performance share plan

The Group operates a number of equity-settled share-based payment schemes for the benefit of eligible employees, including executive directors, in accordance with the schemes' rules. The schemes are designed to retain and recognise the contributions of executive directors and eligible employees and to provide additional incentives to contribute to the Group's continued growth.

The performance share plan is the active scheme which superseded the share option scheme, the share appreciation rights and share rights schemes. The superseded schemes will be wound up once all unvested and/or unexercised awards previously made have run their remaining courses.

The vesting periods under the share rights scheme, share option scheme and share appreciation rights scheme are as follows: 20%, 20%, 30% and 30% on the anniversary of the second, third, fourth and fifth years respectively, after the grant date. The strike price for these schemes is determined as the closing market price for MTN Group Limited shares on the day prior to the date of allocation. Unexercised options and rights lapse 10 years from the date of grant and are forfeited if the employee leaves the Group before they vest.

The vesting period for the performance share plan is three years and the awards vest in full based on set performance targets.

The total number of shares which may be allocated for the purposes of the schemes shall not exceed 5% of the total issued ordinary share capital of the Company, being 91 633 632 (2011: 92 402 610 shares), excluding Zakhele transactions and treasury shares, as approved by shareholders in 2001.

44. Share-based payments *(continued)*

MTN Group share options

Details of the outstanding share options are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2011	Forfeited during 2012	Exercised during 2012	Number outstanding at 31 December 2012
2 September 2002	9,31	166 550	(5 190)	(161 360)	–
1 December 2003	27,00	205 700	(5 910)	(21 600)	178 190
1 December 2004	40,50	81 300	(3 340)	(10 820)	67 140
Total		453 550	(14 440)	(193 780)	245 330

The options outstanding at the end of the year under review have a weighted average remaining contractual life of one year (2011: two years). No new options were granted in the current or prior year and no expense was recognised as the above options vested in prior periods.

The share option scheme has been superseded by the introduction of the Group share appreciation rights scheme described below.

MTN Group Share Appreciation Rights Scheme and Share Rights Scheme (the rights schemes)

The share appreciation rights scheme was implemented on 31 May 2006, and superseded the share option scheme.

On 26 August 2008, the board approved the share rights scheme, which superseded the share appreciation rights scheme. Both the rights schemes operate under the same provisions with the exception that the share rights scheme was extended to allow participation by junior managers.

Share rights under the rights schemes are granted to eligible employees by the relevant employer subsidiary company.

Exercised rights are equity-settled whereby the relevant subsidiary purchases the required MTN shares in the open market.

Details of the outstanding share appreciation rights are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2011	Forfeited during 2012	Exercised during 2012	Number outstanding at 31 December 2012
31 May 2006	56,83	506 475	(9 000)	(225 815)	271 660
21 November 2006	71,00	395 070	(5 970)	(234 200)	154 900
1 January 2007	85,30	31 380	–	–	31 380
22 June 2007	96,00	248 420	(57 280)	(84 860)	106 280
19 March 2008	126,99	408 860	(67 910)	(42 270)	298 680
Total		1 590 205	(140 160)	(587 145)	862 900

44. Share-based payments *(continued)*

Details of the outstanding share rights are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2011	Forfeited during 2012	Exercised during 2012	Number outstanding at 31 December 2012
1 September 2008	118,64	1 547 880	(160 390)	(440 490)	947 000
28 June 2010	107,49	2 916 315	(296 820)	(440 838)	2 178 657
Total		4 464 195	(457 210)	(881 328)	3 125 657

The share rights and share appreciation rights outstanding at the end of the year under review have a weighted average remaining contractual life of six years (2011: eight years).

There were no new grants during the 2012 or 2011 financial year.

MTN performance share plan (PSP)

During the 2012 and 2011 financial years the Group granted eligible employees share rights under the PSP, established in 2010. The rights were granted to employees on level 3 – 4, and 5 – 6. The PSP was established in order to attract, retain and reward selected employees who are able to contribute to the business of the employer companies and to stimulate their personal involvement, thereby encouraging their continued service and encouraging them to advance the interests of the relevant employer company and the Group in general.

The share rights vest after three years from date of grant. The following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

	Proportion of grant	
Vesting conditions for shares granted	Employee level 3 – 4 %	Employee level 5 – 6 %
Total shareholder return	37,5	50,0
Adjusted free cash flow	37,5	50,0
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0	–

For the total shareholder return vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at the median to 100% vesting at the 75% percentile of the performance of a comparable group of companies listed on the JSE. For the adjusted free cash flow vesting condition, vesting is based on a sliding scale between 11% – 19% growth on the adjusted free cash flow. The individual retention vesting condition is guaranteed subject to the employee remaining employed by the Group for the duration of the vesting period.

44. Share-based payments *(continued)*

MTN performance share plan (PSP) *(continued)*

Details of the outstanding equity-settled performance share plan rights are as follows:

Offer date	Number outstanding at 31 December 2011	Offered during 2012	Forfeited during 2012	Number outstanding at 31 December 2012
29 June 2011	1 584 800	–	(87 500)	1 497 300
29 December 2011	1 491 714	–	(103 000)	1 388 714
28 December 2012	–	1 960 540	–	1 960 540
Total	3 076 514	1 960 540	(190 500)	4 846 554

A valuation has been prepared using a stochastic model to determine the fair value of the obligation under the performance share plan and the expense to be recognised during the year.

The range of inputs into the stochastic model used for rights granted during the year were as follows:

	2012	2011
Share price	R178,28	R142,80 – R143,00
Expected life	3 years	3 years
Risk-free rate	4,97% – 5,35%	6,84% – 6,18%
Expected volatility	21,00% – 22,54%	32,19% – 26,49%
Dividend yield	5,08%	2,22% – 2,92%

The risk-free rate was estimated using the implied yield on SA zero-coupon government bonds.

Volatility was estimated using the weekly closing share price and the dividend yield was estimated by using a one year (2011: two year) moving average of the dividend yield at valuation date.

	2012 Rm	2011 Rm
Expense arising from equity-settled share-based payment transactions (note 6)	147	74

45. Reclassification

Group statement of cash flows

	2011		
	As previously reported Rm	Reclassi-fication[1] Rm	Reclassified Rm
Net cash generated from operating activities	27 874	(2 647)	25 227
Net cash used in investing activities	(20 616)	–	(20 616)
Net cash used in financing activities	(12 033)	2 647	(9 386)
Cash and cash equivalents at end of the year	35 213	–	35 213

[1] ***Dividends paid to non-controlling interests***

Dividends paid to non-controlling interests were reclassified from financing activities to operating activities to include all dividends paid to equity holders in operating activities.

Company statement of comprehensive income

for the year ended 31 December 2012

	Note	2012 Rm	2011 Rm
Finance income	1	11 456	17 688
Finance costs	1	(5)	(4)
Management fees received		68	72
Operating expenses	2	(129)	(140)
Profit before tax		11 390	17 616
Income tax expense	3	(897)	(1 177)
Total comprehensive income after tax attributable to the equity holders of the Company		10 493	16 439

Company statement of financial position

at 31 December 2012

	Note	2012 Rm	2011 Rm
ASSETS			
Non-current assets			
Investment in subsidiaries	4	23 708	23 708
Current assets		270	4 784
Trade and other receivables	5	136	60
Cash and cash equivalents	6	134	4 724
Total assets		23 978	28 492
SHAREHOLDERS' EQUITY			
Ordinary share capital and share premium	7	45 611	45 608
Retained earnings		(23 451)	(18 921)
Reserves		1 662	1 662
Total equity		23 822	28 349
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		1	1
Current liabilities		155	142
Taxation liabilities		21	31
Trade and other payables	8	134	111
Total liabilities		156	143
Total equity and liabilities		23 978	28 492

Company statement of changes in equity

for the year ended 31 December 2012

	Share capital Rm	Share premium Rm	Retained earnings Rm	Reserves[1] Rm	Total equity Rm
Balance at 1 January 2011	*	45 602	(23 638)	1 662	23 626
Shares issued during the year	*	6	–	–	6
Total comprehensive income	–	–	16 439	–	16 439
Dividends paid	–	–	(11 722)	–	(11 722)
Balance at 31 December 2011	*	45 608	(18 921)	1 662	28 349
Balance at 1 January 2012	*	45 608	(18 921)	1 662	28 349
Shares issued during the year	*	3	–	–	3
Shares cancelled	*	–	–	–	*
Total comprehensive income	–	–	10 493	–	10 493
Dividends paid	–	–	(15 023)	–	(15 023)
Balance at 31 December 2012	*	45 611	(23 451)	1 662	23 822
Note	7	7			

[1] Share-based payment reserve.
**Amounts less than R1 million.*

Company statement of cash flows

for the year ended 31 December 2012

	Note	2012 Rm	2011 Rm
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES			
Cash utilised in operations	9	(116)	(72)
Finance costs paid		–	(1)
Finance income received		93	24
Income tax paid	10	(907)	(1 175)
Dividends paid		(15 023)	(11 722)
Dividends received		11 360	17 660
Net cash (utilised in)/generated from operating activities		(4 593)	4 714
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of ordinary shares		3	6
Net cash generated from financing activities		3	6
Net (decrease)/increase in cash and cash equivalents		(4 590)	4 720
Cash and cash equivalents at beginning of the year		4 724	4
Cash and cash equivalents at end of the year	6	134	4 724

Notes to the Company annual financial statements

for the year ended 31 December 2012

1. Finance income and finance costs

Finance income
Finance income comprises interest income on funds invested, dividend income and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Finance costs
Refer to note 7 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Interest income	93	24
Foreign exchange gains	3	4
Dividend income	11 360	17 660
Finance income	11 456	17 688
Interest on borrowings	(1)	(4)
Foreign exchange losses	(4)	–
Finance costs	(5)	(4)
Net finance income recognised in profit or loss	11 451	17 684

2. Operating expenses

	2012 Rm	2011 Rm
The following disclosable items have been included in operating expenses:		
Directors' emoluments	(13)	(12)
Fees paid for services	(87)	(93)
Professional fees	(25)	(27)
Management fees (note 11)	(62)	(66)
Auditors' remuneration	(5)	(7)
Audit fees	(3)	(3)
Fees for other services	(2)	(4)

Notes to the Company financial statements *continued*

for the year ended 31 December 2012

3. Income tax expense

Refer to note 8 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Secondary tax on companies (STC)	(898)	(1 172)
Normal tax	1	(6)
Current year	(18)	(6)
Adjustments in respect of the prior year	19	–
Deferred tax charge	–	1
	(897)	(1 177)

South African normal taxation is calculated at 28% (2011: 28%) of the estimated taxable income for the year.

	2012 %	2011 %
Tax rate reconciliation		
The charge for the year can be reconciled to the effective rate of taxation in South Africa as follows:		
Statutory tax rate	28,0	28,0
Income not subject to tax	(27,9)	(28,1)
Effect of STC	7,9	6,7
Expenses not allowed	–	0,1
Effect of normal tax adjustment in respect of the prior year	(0,1)	–
Effective tax rate	7,9	6,7

4. Investment in subsidiaries

Refer to note 1.3.1 of the Group annual financial statements for applicable accounting policy.

	2012 Rm	2011 Rm
Total interest in subsidiary Mobile Telephone Networks Holdings Proprietary Limited	23 651	23 651
Total interest in MTN Group Management Services Proprietary Limited	57	57
MTN Group Management Services Proprietary Limited	*	*
Loan owing by subsidiary	57	57
Total interest in subsidiary companies	23 708	23 708

**Amounts less than R1 million.*

5. Trade and other receivables

Refer to note 18 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Trade receivables due from related parties	134	57
Prepayments and other receivables	2	–
Sundry debtors and advances	–	3
	136	60

6. Cash and cash equivalents

Refer to note 22 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Cash at bank and on hand	134	4 724

7. Ordinary share capital and share premium

Refer to note 23 of the Group annual financial statements for the applicable accounting policy.

	2012	2011
	Number of shares	
Authorised	2 500 000 000	2 500 000 000
Issued	1 883 484 324	1 884 811 569
In issue at beginning of the year	1 884 811 569	1 884 510 117
Options exercised	193 780	301 452
Shares cancelled	(1 521 025)	–
In issue at end of the year	1 883 484 324	1 884 811 569
Options – MTN Zakhele transaction[1]	(28 473 927)	(29 994 952)
In issue at end of the year– excluding MTN Zakhele transaction[2]	1 855 010 397	1 854 816 617

[1] Due to the call option over the notional vendor finance shares, these shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.

[2] Treasury shares are held by MTN Holdings Proprietary Limited and are therefore excluded from this reconciliation. Refer to note 23 of the Group annual financial statements.

	2012 Rm	2011 Rm
Share capital		
Balance at beginning of the year	*	*
Additions	*	*
Shares cancelled	*	–
Balance at end of the year	*	*
Share premium		
Balance at beginning of the year	45 608	45 602
Options exercised	3	6
Balance at end of the year	45 611	45 608

**Amounts less than R1 million.*

Notes to the Company financial statements *continued*

for the year ended 31 December 2012

8. Trade and other payables

Refer to note 29 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Payables due to related parties	12	15
Accrued expenses and other payables	122	96
	134	111

9. Cash utilised in operations

	2012 Rm	2011 Rm
Profit before tax	11 390	17 616
Adjusted for:		
Finance income (note 1)	(11 456)	(17 688)
Finance costs (note 1)	5	4
Other	(1)	(29)
	(62)	(97)
Changes in working capital	(54)	25
(Increase)/decrease in trade and other receivables	(73)	75
Increase/(decrease) in trade and other payables	19	(50)
	(116)	(72)

10. Income tax paid

	2012 Rm	2011 Rm
Balance at beginning of the year	(31)	(24)
Amounts recognised in profit or loss (note 3)	(897)	(1 177)
Other	–	(5)
Balance at end of the year	21	31
Total tax paid	(907)	(1 175)

11. Related party transactions

Refer to note 41 of the Group annual financial statements for the applicable accounting policy.

Various transactions were entered into by the Company during the period with related parties.

The following is a summary of significant transactions with related parties during the period and significant balances receivable at the reporting date:

	2012 Rm	2011 Rm
Dividends paid		
– Mobile Telephone Networks Holdings Proprietary Limited	(104)	–
Dividends received		
– Mobile Telephone Networks Holdings Proprietary Limited	11 360	17 660
Management fees paid		
– MTN Group Management Services Proprietary Limited	(62)	(66)
Management fees received		
– MTN International Proprietary Limited	68	72
Professional fees paid		
– MTN Group Management Services Proprietary Limited	(11)	–
Receivables		
– Mobile Telephone Networks Holdings Proprietary Limited	121	1

Directors

Details of directors' remuneration are disclosed in note 2 of the Company annual financial statements.

Shareholders

The principal shareholders of the Company are disclosed in the integrated report on page 211.

12. Contingent liabilities and commitments

Refer to note 33 of the Group annual financial statements for the applicable accounting policy.

The Company does not have any contingent liabilities or commitments at year-end.

Notes to the Company financial statements *continued*

for the year ended 31 December 2012

13. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at fair value and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation, recognised in accordance with IAS 18 *Revenue*.

Where financial guarantees are issued by a wholly owned subsidiary to its parent company in respect of debt incurred by the parent company, these are deemed to be liquidity instruments only as opposed to financial guarantee contracts per IFRS.

The Company along with certain of its subsidiaries has guaranteed the bonds, revolving credit facilities and general banking facilities of Mobile Telephone Networks Holdings Proprietary Limited. The Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

	2012 Rm	2011 Rm
Terms and drawn down balances of the guarantees at the end of the year are as follows:		
Bond guarantees		
Bonds and commercial paper	7 192	6 050
These bonds are listed on the Bond Exchange of South Africa		
Syndicated and other loan facilities		
ZAR long-term loan	4 254	7 096
General banking facility		
ZAR facility	502	–
	11 948	13 146

In addition, the Company has provided unrestricted suretyship with regards to the cash management facility of Mobile Telephone Networks Holdings Proprietary Limited and suretyship to the amount of R5 850 million with regards to the banking facilities of Mobile Telephone Networks Proprietary Limited, MTN International (Mauritius) Limited, MTN International Proprietary Limited, Mobile Telephone Networks Holdings Proprietary Limited and MTN Service Provider Proprietary Limited.

14. Financial risk management and financial instruments

Refer to note 43 of the Group annual financial statements for the applicable accounting policy.

14.1 *Categories of financial instruments*

	Loans and receivables Rm	Amortised cost Rm	Total[1] carrying amount Rm
2012			
Trade and other receivables	136	–	136
Cash and cash equivalents	134	–	134
	270	–	270
Trade and other payables	–	134	134
2011			
Trade and other receivables	60	–	60
Cash and cash equivalents	4 724	–	4 724
	4 784	–	4 784
Trade and other payables	–	111	111

[1] *The carrying value of all financial instruments not measured at fair value closely approximates fair value.*

14.2 *Credit risk*

Refer to note 43.3 of the Group annual financial statements for an explanation on credit risk and how it is managed.

The Company considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2012 Rm	2011 Rm
Cash and cash equivalents	134	4 724
Trade and other receivables	136	60
	270	4 784

14.3 *Liquidity risk*

Refer to note 43.4 of the Group annual financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2012 Rm	2011 Rm
Cash and cash equivalents	134	4 724
Trade and other receivables	136	60
	270	4 784

Notes to the Company financial statements *continued*

for the year ended 31 December 2012

14. Financial risk management and financial instruments *(continued)*

14.3 Liquidity risk *(continued)*

The following are the contractual maturities of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within 1 month or on demand Rm	Payable more than 1 month but not exceeding 3 months Rm
2012				
Trade and other payables				
– Accrued expenses and other payables	122	122	122	–
– Payables due to related parties	12	12	12	–
	134	134	134	–
2011				
Trade and other payables				
– Accrued expenses and other payables	96	96	51	45
– Payables due to related parties	15	15	15	–
	111	111	66	45

14.4 Market risk

14.4.1 Interest rate risk

Refer to note 43.5.1 of the Group annual financial statements for an explanation on interest rate risk and how it is managed.

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

	Variable rate instruments Rm
2012	
Financial assets	
Cash and cash equivalents	134
2011	
Financial assets	
Cash and cash equivalents	4 724

14.4.2 Currency risk

Refer to note 43.5.2 of the Group annual financial statements for an explanation on currency risk and how it is managed.

The Company is not exposed to significant currency risk.

15. Events after the reporting period

Refer to note 40 of the Group annual financial statements with regards to the potential litigation by Turkcell Iletism Hizmetlera AS (Turkcell).

16. Shareholders' information

Shareholder spread

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	125 170	88,17	27 820 025	1,48
1 001 – 10 000 shares	14 347	10,11	39 171 099	2,08
10 001 – 100 000 shares	1 640	1,16	52 258 674	2,77
100 001 – 1 000 000 shares	632	0,44	195 846 776	10,40
1 000 001 shares and over	170	0,12	1 568 387 750	83,27
Total	141 959	100,00	1 883 484 324	100,00

Nominees holding shares in excess of 5% of the issued ordinary share capital of the Company

	2012		2011	
	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Nedcor Bank Nominees Limited	397 863 194	21,12	454 420 485	24,11
Standard Bank Nominees (Tvl) Proprietary Limited	626 718 889	33,27	582 963 175	30,93
First National Nominees Proprietary Limited	296 249 416	15,73	302 536 665	16,05
Absa Nominees Proprietary Limited	157 902 523	8,38	158 215 872	8,39

Spread of ordinary shareholders

	2012			2011	
	Number of shareholdings	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Public	141 919	1 280 878 892	68,01	1 282 083 602	68,02
Non-public	40	602 605 432	31,99	602 727 967	31,98
Directors and associates of the Company	13	1 958 440	0,10	2 456 067	0,13
Empowerment	2	76 748 338	4,07	85 509 785	4,54
Lombard Odier Darier Hentsch & Cie (M1 Limited)	8	183 152 564	9,72	183 152 564	9,72
Government Employees Pension Fund	16	318 408 338	16,91	324 845 139	17,23
Mobile Telephone Networks Holdings	1	22 337 752	1,19	6 764 412	0,36
Total	141 959	1 883 484 324	100,00	1 884 811 569	100,00

Beneficial shareholders holding 5% or more

	2012		2011	
	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Government Employees Pension Fund	318 408 338	16,91	324 845 139	17,23
Lombard Odier Darier Hentsch & Cie (M1 Limited)	183 152 564	9,72	183 152 564	9,72

17. Resolutions

During the year there were no material special resolutions passed in the Company or its subsidiary companies.

Annexure 1

Interests in subsidiary companies and joint ventures at 31 December 2012

Subsidiaries and joint ventures in which MTN Group Limited has a direct and indirect interest	Principal activity	Place of incorporation	2012 Effective % interest in issued ordinary share capital	2011 Effective % interest in issued ordinary share capital
MTN Afghanistan Limited	Telecommunications	Afghanistan	**90,9**	90,9
Spacetel Benin SA	Telecommunications	Benin	**75**	75
Deci Investments Proprietary Limited[1]	Investment holding company	Botswana	**33,3**	33,3
Econet Wireless Citizens Limited	Investment holding company	Botswana	**82,8**	82,8
Mascom Wireless Botswana Proprietary Limited[1]	Network operator	Botswana	**53,1**	53,1
MTN Business Solutions Botswana Proprietary Limited	Internet service provider	Botswana	**80**	80
Easydial International Limited	Holding company	British Virgin Islands	**99**	99
Interserve Overseas Limited	International business	British Virgin Islands	**99**	99
Investcom Consortium Holding S.A.	Holding company	British Virgin Islands	**99**	99
Investcom Global Limited	Managing and holding company	British Virgin Islands	**99**	99
Investcom International Limited	Dormant company	British Virgin Islands	**99**	99
Investcom Mobile Benin Limited	Holding company	British Virgin Islands	**99**	99
Investcom Mobile Communications Limited	Holding company	British Virgin Islands	**100**	100
Investcom Telecommunications Afghanistan Limited	Holding company	British Virgin Islands	**100**	100
Investcom Telecommunications Guinea (Conakry) Limited	Holding company	British Virgin Islands	**99**	99
Investcom Telecommunications Yemen Limited	Telecommunications	British Virgin Islands	**100**	100
MTN Yemen	Telecommunications	British Virgin Islands	**82,8**	82,8
Spacetel Africa Limited	Telecommunications	British Virgin Islands	**100**	100
Starcom Global Limited	Holding company	British Virgin Islands	**89**	89
Mobile Telephone Networks Cameroon Limited	Network operator	Cameroon	**70**	70
MTN Network Solutions Limited	Internet service provider	Cameroon	**70**	70
Afnet	Internet service provider	Côte d'Ivoire	**67,7**	64,7
Arobase	Fixed line operator	Côte d'Ivoire	**67,7**	64,7
MTN Côte d'Ivoire S.A.	Network operator	Côte d'Ivoire	**67,7**	64,7
Infotel Limited	Telecommunications and consumer products	Cyprus	**50**	50
MTN Cyprus Limited	Telecommunications	Cyprus	**50**	50
OTEnet Cyprus Limited	Telecommunications	Cyprus	**50**	50
Fourteenth Avenue Investment Holding Limited	Holding company	Dubai	**100**	100
MTN ICT Services PLC	ICT service provider	Ethiopia	**99,9**	–
Uniglobe SA[2]	Management company	France	**–**	99,8
Easynet Search Limited	Internet service provider	Ghana	**99,6**	99,6
Scancom Limited	Telecommunications	Ghana	**97,7**	97,7
Areeba Guinea S.A.	Telecommunications	Guinea	**75**	75
Spacetel Guinea-Bissau S.A.	Telecommunications	Guinea-Bissau	**100**	100
Irancell Telecommunication Company Services (PJSC)[1]	Network operator	Iran	**49**	49
MTN Business Limited (Kenya)	Internet service provider	Kenya	**42**	42
MTN Business Kenya Limited	Internet service provider	Kenya	**42**	42
Inteltec Offshore SAL	Maintenance and engineering services	Lebanon	**99,8**	99,8
MTN (Dubai) Limited	Holding company	UAE	**100**	100
Servico SAL	Services and transportation of goods	Lebanon	**99,97**	99,97
Lonestar Communications Corporation LLC	Telecommunications	Liberia	**60**	60

[1] *Joint venture.*

[2] *Company dissolved in 2012.*

Subsidiaries and joint ventures in which MTN Group Limited has a direct and indirect interest	Principal activity	Place of incorporation	2012 Effective % interest in issued ordinary share capital	2011 Effective % interest in issued ordinary share capital
Guardrisk International Limited PCC	Insurance company	Mauritius	100	100
Mobile Botswana Limited	Investment holding company	Mauritius	100	100
MTN International (Mauritius) Limited	Investment holding company	Mauritius	100	100
Satellite Data Networks Mauritius Proprietary Limited[1]	Internet service provider	Mauritius	60	60
MTN Business Solutions Namibia Proprietary Limited	Internet service provider	Namibia	100	100
MTN (Netherlands) Co-Op UA	Holding company	Netherlands	100	100
MTN (Netherlands) BV	Holding company	Netherlands	100	100
MTN NIC BV	Holding company	Netherlands	100	100
Electronic Funds Transfer Operations Nigeria Limited	Virtual airtime	Nigeria	50	50
MTN Nigeria Communications Limited	Network operator	Nigeria	78,83	78,83
XS Broadband Limited	Telecommunications	Nigeria	78,83	78,83
Galactic Engineering Projects SA	Holding company	Panama	78	78
Vernis Associates SA	Holding company	Panama	100	100
MTN Congo S.A.	Network operator	Republic of the Congo	100	100
MTN Rwandacell S.A.R.L	Network operator	Rwanda	80	80
Village Phone Rwanda[2]	Airtime sales	Rwanda	–	100
Aconcagua 11 Proprietary Limited	Property holding	South Africa	100	100
Cell Place Proprietary Limited	Cellular dealership	South Africa	100	100
iTalk Cellular Proprietary Limited	Service provider	South Africa	100	100
Mobile Telephone Networks Proprietary Limited	Network operator	South Africa	100	100
Mobile Telephone Networks Holdings Proprietary Limited	Investment holding company	South Africa	100	100
MTN Business Solutions Proprietary Limited	Internet service provider	South Africa	100	100
MTN Group Management Services Proprietary Limited	Management services	South Africa	100	100
MTN International Proprietary Limited	Investment holding company	South Africa	100	100
Oltio Proprietary Limited (MTN Mobile Money Holdings Proprietary Limited)[1]	Wireless banking services	South Africa	50	50
MTN Network Solutions Proprietary Limited	Internet service provider	South Africa	100	100
MTN Propco Proprietary Limited	Property holding	South Africa	100	100
MTN Service Provider Proprietary Limited	Service provider	South Africa	100	100
Satellite Data Networks Proprietary Limited	Dormant company	South Africa	100	100
Inteltec Macroc SA	Maintenance and engineering services	Monaco	99,83	99,83
MTN Sudan Company Limited	Network operator	Sudan	85	85
Swazi MTN Limited[1]	Network operator	Swaziland	30	30
MTN Syria (JSC)	Telecommunications	Syria	75	75
MTN Publicom Limited	Payphone services	Uganda	96	96
MTN Uganda Limited	Network operator	Uganda	96	96
MTN SEA Shared Services Limited	Shared services hub	Uganda	100	–
Spacetel International Limited	Dormant company	United Kingdom	100	100
Cotel Holdings Limited	Investment holding company	Zambia	100	100
MTN (Zambia) Limited	Network operator	Zambia	86	86
MTN Business Solutions Limited (Zambia)	Internet service provider	Zambia	48	48
MTN Mobile Money Limited	Wireless banking services	Zambia	86	–

[1] *Joint venture.*
[2] *Company dissolved in 2012.*