

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.7 Hyperinflation (continued)

MTN Syria (JSC)

Reliable inflation data could not be obtained on the inflation rate in Syria. The general price index set out below was calculated by reference to the change in the United States dollar:Syrian pound exchange rate.

Date	Base year	General price index	Inflation rate (%)
31 December 2015	2014	170	70

The cumulative inflation rate over three years as at 31 December 2015 is 289,2%. The average adjustment factor used for 2015 was 1,39.

The impact of adjusting the Group's results for the effects of hyperinflation is set out below:

	2015 Rm	2014 Rm
Income statement		
Increase in revenue	710	776
Increase in EBITDA	231	241
Net monetary gain	1 348	878
(Decrease)/increase in share of results of associates and joint ventures after tax ¹	(1 768)	529
(Decrease) in profit after tax ²	(758)	(612)

¹ Including share of net monetary gain amounting to R390 million (2014: R927 million).

² Including goodwill impairment for the 2014 year relating to MTN Sudan Company Limited (note 5.2).

1.6 Restatements

1.6.1 Reclassification of expenses

Following a review of expenses disclosed in the Group income statement for the year ended 31 December 2014, the expenses detailed below have been disclosed separately or reclassified between expense categories to present the expenses in accordance with the classification in the current year.

Government and regulatory costs

Government and regulatory costs that had previously been included in direct network operating costs and other operating expenses which comprises: government revenue share, regulatory fees and levies and spectrum fees, have been disclosed as a significant separate category of expense in the income statement.

Value-added services (VAS) costs

VAS costs were previously included in the costs of handsets and other accessories. Based on the underlying nature of these costs, they were reclassified and included in selling, distribution and marketing expenses.

The impact of these reclassifications as disclosed in the financial statements for the year ended 31 December 2014 is provided below:

	31 December 2014		
	Previously reported Rm	Adjustments Rm	Restated Rm
Group income statement			
Expenses			
Direct network and technology operating costs	(21 604)	5 250	(16 354)
Costs of handsets and other accessories	(11 957)	1 643	(10 314)
Selling, distribution and marketing expenses	(15 531)	(1 643)	(17 174)
Government and regulatory costs	–	(5 734)	(5 734)
Other operating expenses	(10 084)	484	(9 600)

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.6 Restatements (continued)

1.6.2 Reclassification of revenue

During the current year, an amount of R1 293 million in respect of 2014 was reclassified from data revenue to airtime and subscription revenue to accurately reflect the respective categories of revenue year-on-year (refer to note 2.2).

Group income statement	31 December 2014		
	Previously reported Rm	Adjustments Rm	Restated Rm
Revenue			
Airtime and subscription	88 347	1 293	89 640
Data	27 478	(1 293)	26 185

1.6.3 Reclassification of foreign exchange gains and losses

The Group manages its risk to foreign exchange exposure on a net basis and consequently in the current year the foreign exchange gains and losses previously disclosed on a gross basis and included in the relevant finance income or finance cost line is now disclosed on a net basis (refer to note 2.5).

The impact of the reclassification as disclosed in the financial statements for the year ended 31 December 2014 is provided below:

Group income statement	31 December 2014		
	Previously reported Rm	Adjustments Rm	Restated Rm
Finance income	6 772	(3 670)	3 102
Finance cost	(10 440)	3 670	(6 770)

1.6.4 Restatement of goodwill disclosed per operation

The Group restated its previously disclosed allocation of goodwill for a number of its operations. The restatement relates to a gain realised on a foreign currency hedge on initial acquisition of these operations. The gain was previously disclosed within the "other" category of goodwill. In addition, goodwill relating to the South African businesses acquired have been moved from the "other" category to be included within Mobile Telephone Networks Proprietary Limited (South Africa). The re-allocation adjusted the goodwill of the individual operations as follows:

	31 December 2014		
	Previously reported Rm	Adjustments Rm	Restated Rm
Scancom Limited (MTN Ghana)	6 957	(949)	6 008
MTN Sudan Company Limited	784	(340)	444
MTN Yemen	3 338	(455)	2 883
MTN Afghanistan Limited	1 645	(224)	1 421
MTN Syria (JSC)	146	(20)	126
MTN Cyprus Limited	841	(115)	726
Spacetel Benin SA	1 331	(181)	1 150
Areeba Guinea S.A.	918	(125)	793
Lonestar Communications Corporation LLC (Liberia)	332	(45)	287
Mobile Telephone Networks Proprietary Limited (South Africa) ²	525	1 762	2 287
Other	584	84 ¹	668
MTN Zambia	–	298	298
Spacetel Guinea-Bissau SA	–	310	310
	17 401	–	17 401

¹ Includes reduction from gain on foreign currency hedge and increase from re-allocations.

² Includes MTN South Africa and other South African based subsidiaries.