

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

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 their fair values 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.

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

	Face value		Drawn down balance ²	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Bond guarantees				
Bonds ¹ and commercial paper	10 000	10 000	1 309	2 618
Syndicated and other loan facilities				
ZAR long-term loan	12 500	12 500	11 875	9 266
US\$ long-term loan	15 469	11 547	10 364	–
General banking facilities				
ZAR facilities	1 750	1 750	850	1 003
	39 719	35 797	24 398	12 887

¹ These bonds are listed on the Bond Exchange of South Africa.

² Includes interest accrued.

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 (2014: R5 850 million) with regard 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.

The Company, together with other subsidiaries in the MTN Group, guaranteed senior unsecured notes issued by MTN (Mauritius) Investment Limited on the Irish Stock Exchange amounting to US\$750 million (2014: US\$750 million). A financial liability was initially recognised at the fair value of the guarantee issued. A fee was not charged by the Company providing the guarantee and therefore the benefit provided by the Company to its subsidiaries was recognised as a capital contribution.

The Company, together with other subsidiaries in the Group, guaranteed a US\$ syndicated loan facility with Citibank amounting to US\$1 billion. During the year, an amount of US\$670 million was drawn down by MTN International (Mauritius) Limited in three tranches. A financial liability was initially recognised at the fair value of the guarantee issued. A fee was not charged by the Company providing the guarantee and therefore the benefit provided by the Company to its subsidiaries was recognised as a capital contribution.

The Company's financial liability relating to financial guarantee contracts amounts to R1 105 million (2014: R729 million) as at 31 December 2015.