

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.7 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 profit after tax 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 the number of shares issued for value is calculated by determining the number of the Company's shares that would be required at fair value to settle the monetary value of the rights, after taking into account the unamortised share-based payment value. A calculation is further done to determine the bonus element. This is calculated as the difference between the total number of potential ordinary shares in issue and the number of shares to be issued for 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 2/2015 issued by the South African Institute of Chartered Accountants (SAICA).

In terms of the MTN Zakhele BBBEE transaction, the Group issued notional vendor financing shares to MTN Zakhele at par value (note 8.1). 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.

	2015 '000	2014 '000
Weighted average number of shares (excluding treasury shares)	1 822 454	1 831 196
Adjusted for:		
– Share options – MTN Zakhele	3 792	7 193
– Share appreciation rights	413	715
– Performance share plan	552	2 150
Weighted average number of shares for calculation of diluted earnings per share	1 827 211	1 841 254

Refer to note 8.1 for a reconciliation of total shares in issue.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

2 RESULTS OF OPERATIONS (continued)

2.7 Earnings per ordinary share (continued)

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

	2015		2014	
	Gross Rm	Net ¹ Rm	Gross Rm	Net ¹ Rm
Profit after tax		20 204		32 079
<i>Adjusted for:</i>				
Net (profit)/loss on disposal of property, plant and equipment and intangible assets (IAS 16 and IAS 38)	(2) ²	5	69	63
Impairment of goodwill (IAS 36)	504	504	2 033	2 033
Net impairment loss of impairment of property, plant and equipment (IAS 36)	38 ²	29	708	565
Loss on disposal of joint venture (IAS 28)	–	–	15	15
Realisation of deferred gain (IAS 28)	–	–	(364)	(364)
Profit on disposal of non-current assets held for sale (IFRS 5)	(8 264) ³	(7 112)	(7 399)	(6 237)
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	(30)	(30)	(31)	(31)
Headline earnings		13 600		28 123

	2015	2014
Earnings per ordinary share (cents)		
– Basic earnings	1 109	1 752
– Basic headline earnings	746	1 536
– Diluted earnings	1 106	1 742
– Diluted headline earnings	744	1 527

¹ Amounts are measured after taking into account non-controlling interests and tax.

² Including net loss on disposal and net impairment loss on property, plant and equipment and intangible assets from joint ventures.

³ Non-controlling interest amounting to R1 858 million (2014: R1 586 million).

Headline earnings is calculated in accordance with Circular 2/2015 Headline Earnings as issued by the South African Institute of Chartered Accountants, as required by the JSE Limited.