

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS

5.1 Property, plant and equipment

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

Property, plant and equipment under construction (capital work in progress) are measured at initial cost and depreciation commences from the date the assets are transferred to an appropriate category of property, plant and equipment, i.e. when commissioned and ready for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment. 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. Other borrowing costs are expensed in profit or loss.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to provisions (note 6.3) for further information about the recognised decommissioning provision and the significant accounting judgements, estimates and assumptions made.

In circumstances whereby the Group enters into an exchange transaction, the Group determines whether such an exchange has commercial substance. 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. Property, plant and equipment received for no consideration is accounted for at zero value.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, property, plant and equipment relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

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. Depreciation relating to the property, plant and equipment of MTN Sudan Company Limited and MTN Syria (JSC) is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

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.

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

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.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

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

	2015 Years	2014 Years
Buildings – owned	5 – 50	5 – 50
Buildings – leased ¹	1 – 20	1 – 20
Network infrastructure	2 – 20	2 – 20
Information systems equipment	1 – 10	1 – 10
Furniture and fittings	3 – 15	3 – 15
Leasehold improvements ¹	2 – 15	2 – 15
Office equipment	2 – 12	2 – 12
Motor vehicles	3 – 10	3 – 10

¹ Shorter of lease term and useful life.

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

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

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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. Goodwill arising from business combinations is allocated to CGUs or the group of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is subsequently reversed only to the extent that the asset or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

The Group annually reviews the carrying amounts of its property, plant and equipment in order to determine whether there is any indication of impairment. 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 financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 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 2014	6 343	1 122	70 851	3 839	10 125	623	92 903
Additions	380	196	7 539	1 287	12 604	148	22 154
Disposals	–	(3)	(172)	(25)	(179)	(40)	(419)
Re-allocations ³	250	18	4 883	453	(11 711)	30	(6 077)
Depreciation for the year	(476)	(195)	(15 659)	(1 570)	(171)	(191)	(18 262)
Impairment loss	–	–	(471)	–	(163)	–	(634)
Other movements	–	8	(741)	(73)	(340)	–	(1 146)
Effect of movements in exchange rates ⁴	(74)	(13)	(983)	(43)	149	(9)	(973)
Carrying amount at 31 December 2014	6 423	1 133	65 247	3 868	10 314	561	87 546
Comprising:							
Cost	8 642	2 725	134 639	10 968	11 017	1 225	169 216
Accumulated depreciation and impairment losses	(2 219)	(1 592)	(69 392)	(7 100)	(703)	(664)	(81 670)
	6 423	1 133	65 247	3 868	10 314	561	87 546
Carrying amount at 1 January 2015	6 423	1 133	65 247	3 868	10 314	561	87 546
Additions	465	177	8 802	1 484	14 700	123	25 751
Disposals	–	(2)	(328)	(20)	(68)	(16)	(434)
Re-allocations ³	124	311	14 099	519	(14 193)	(4)	856
Depreciation for the year	(412)	(328)	(16 489)	(1 849)	(285)	(194)	(19 557)
Impairment loss	–	–	(77)	–	–	–	(77)
Other movements	(5)	26	425	(300)	(49)	(2)	95
Effect of movements in exchange rates ⁴	443	116	9 108	520	2 264	71	12 522
Carrying amount at 31 December 2015	7 038	1 433	80 787	4 222	12 683	539	106 702
Comprising:							
Cost	9 966	3 612	173 833	13 746	13 952	1 361	216 470
Accumulated depreciation and impairment losses	(2 928)	(2 179)	(93 046)	(9 524)	(1 269)	(822)	(109 768)
	7 038	1 433	80 787	4 222	12 683	539	106 702

¹ Included in land and buildings are leased assets with a carrying amount of R162 million (2014: R179 million).

² Included in vehicles are leased assets with a carrying amount of R80 million (2014: R48 million).

³ Re-allocations include an amount of R208 million (2014: R5 966 million) relating to network infrastructure re-allocated to non-current assets held for sale (note 5.3).

⁴ Includes the effect of hyperinflation.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.1 Impairment loss

The following entities recognised impairment losses/(reversals) during the year:

	2015 Rm	2014 Rm
Scancom Limited (Ghana)	(13)	329
MTN Nigeria Communications Limited	46	133
Mobile Telephone Network Proprietary Limited (South Africa)	39	169
Areeba Guinea S.A.	5	3
	77	634

5.1.2 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 6.6.

5.1.3 Capital work in progress

There are various capital work-in-progress projects under way within the Group, a summary of which is set out below:

	2015 Rm	2014 Rm
Mobile Telephone Networks Proprietary Limited (South Africa)	1 266	766
Scancom Limited (Ghana)	185	990
MTN Sudan Company Limited	1 402	961
MTN Nigeria Communications Limited	1 184	987
MTN Afghanistan Limited	165	195
Areeba Guinea S.A.	308	100
MTN Côte d'Ivoire S.A.	81	303
MTN Uganda Limited	–	313
MTN (Dubai) Limited	234	68
MTN Yemen	285	209
MTN South Sudan Limited	69	391
MTN Syria (JSC)	1 451	513
MTN Congo S.A.	356	274
MTN Cameroon Limited	412	115
Lonestar Communications Corporation LLC	222	130
Other	362	304
	7 982	6 619

5.1.4 Changes in estimates

During the year, Scancom Ltd (MTN Ghana) revised the useful lives of its network infrastructure and information systems from five to 14 years to three to 20 years and four to five years to three to five years, respectively. This resulted in an increase in the depreciation charge of R246 million and R35 million respectively, for the current and future years. In 2014, MTN Afghanistan Limited revised the useful life of its network infrastructure from 10 to 6,5 years. This resulted in an increase of R86 million in the depreciation charge for the current and future years.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.5 Encumbrances

Borrowings are secured by various categories of property, plant and equipment with the following carrying amounts (note 6.1):

	2015 Rm	2014 Rm
Scancom Limited (Ghana)	6 510	5 600
MTN Sudan Company Limited	5 140	4 030
MTN Congo S.A.	18	27
	11 668	9 657

5.2 Intangible assets and goodwill

Goodwill

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

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, goodwill relating to these subsidiaries is restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill arising on the acquisition of an associate or joint venture is included in "investment in associates and joint ventures", 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.

The Group annually reviews the carrying amounts of intangible assets with indefinite useful lives for impairments. The recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Intangible assets with finite useful lives

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

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

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

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, intangible assets relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. Amortisation relating to MTN Sudan Company Limited and MTN Syria (JSC) is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

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.