

# Notes to the Group financial statements *continued*

for the year ended 31 December 2015

## 3 TAXATION

### 3.1 Income tax expense

The tax expense for the period comprises current, deferred and withholding 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 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.

#### 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 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 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.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyper-inflationary economies, deferred tax relating to these subsidiaries is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

#### Withholding tax

Withholding tax is payable at different rates varying between 0% and 25% on amounts paid to the Group companies by their subsidiaries as dividends and management fees.

|                                                    | 2015<br>Rm      | 2014<br>Rm      |
|----------------------------------------------------|-----------------|-----------------|
| <b>Analysis of income tax expense for the year</b> |                 |                 |
| Normal tax                                         | (10 241)        | (13 027)        |
| Current year                                       | (11 021)        | (13 226)        |
| Adjustments in respect of the prior year           | 780             | 199             |
| Deferred tax (note 3.2)                            | 530             | 1 400           |
| Current year                                       | 1 329           | 1 466           |
| Adjustments in respect of the prior year           | (799)           | (66)            |
| Capital gains tax                                  | –               | (1)             |
| Foreign income and withholding taxes               | (1 611)         | (1 733)         |
|                                                    | <b>(11 322)</b> | <b>(13 361)</b> |

# Notes to the Group financial statements *continued*

*for the year ended 31 December 2015*

## 3 TAXATION (continued)

### 3.1 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:

|                                                   | 2015<br>%      | 2014<br>% |
|---------------------------------------------------|----------------|-----------|
| <b>Tax rate reconciliation</b>                    |                |           |
| Tax at statutory tax rate                         | <b>28,00</b>   | 28,00     |
| Expenses not allowed                              | <b>11,89</b>   | 1,86      |
| Effect of different tax rates in other countries  | <b>(0,16)</b>  | 0,60      |
| Income not subject to tax                         | <b>(11,16)</b> | (4,51)    |
| Share of results of associates and joint ventures | <b>(0,99)</b>  | (2,31)    |
| Foreign income and withholding taxes              | <b>4,62</b>    | 3,39      |
| Other                                             | <b>0,25</b>    | (0,86)    |
| <b>Effective tax rate</b>                         | <b>32,45</b>   | 26,17     |

The following are the corporate tax rates applicable to the various jurisdictions in which the Group operates:

|                    | Corporate tax rate |           |
|--------------------|--------------------|-----------|
| Country            | 2015<br>%          | 2014<br>% |
| Afghanistan        | <b>20</b>          | 20        |
| Benin <sup>1</sup> | <b>30</b>          | 30        |
| Cameroon           | <b>33</b>          | 38,5      |
| Congo <sup>1</sup> | <b>30</b>          | 30        |
| Côte d'Ivoire      | <b>30</b>          | 30        |
| Cyprus             | <b>12,5</b>        | 12,5      |
| Ethiopia           | <b>30,0</b>        | 30,0      |
| Ghana              | <b>25</b>          | 25        |
| Guinea-Bissau      | <b>25</b>          | 25        |
| Guinea             | <b>35</b>          | 35        |
| Kenya              | <b>30</b>          | 30        |
| Liberia            | <b>25</b>          | 25        |
| Monaco             | <b>0 – 33</b>      | 0 – 33    |
| Namibia            | <b>33</b>          | 33        |
| Netherlands        | <b>25</b>          | 25        |
| Nigeria            | <b>30</b>          | 30        |
| Rwanda             | <b>30</b>          | 30        |
| South Africa       | <b>28</b>          | 28        |
| South Sudan        | <b>20</b>          | 20        |
| Sudan <sup>2</sup> | <b>2,5</b>         | 2,5       |
| Syria              | <b>14,0</b>        | 14,0      |
| Uganda             | <b>30</b>          | 30        |
| Yemen              | <b>50</b>          | 50        |
| Zambia             | <b>35</b>          | 35        |

<sup>1</sup> The entity has been granted a tax holiday at 31 December 2015.

<sup>2</sup> The entity was granted a tax holiday until March 2015. From April 2015 corporate tax of 2,5% on net revenues became applicable.

# Notes to the Group financial statements *continued*

for the year ended 31 December 2015

## 3 TAXATION (continued)

### 3.2 Deferred taxes

Deferred tax is accounted for in accordance with the accounting policy disclosed in note 3.1.

|                                                                              | 1 January<br>2014<br>Rm | Recognised<br>in profit<br>or loss<br>Rm | Exchange<br>and other<br>movements <sup>1</sup><br>Rm | 31 December<br>2014<br>Rm | Recognised<br>in profit<br>or loss<br>Rm | Exchange<br>and other<br>movements <sup>1</sup><br>Rm | Rm              |
|------------------------------------------------------------------------------|-------------------------|------------------------------------------|-------------------------------------------------------|---------------------------|------------------------------------------|-------------------------------------------------------|-----------------|
| Provisions                                                                   | 1 074                   | (127)                                    | 13                                                    | 960                       | (368)                                    | 178                                                   | 770             |
| Tax loss carried forward                                                     | 587                     | (248)                                    | (30)                                                  | 309                       | 83                                       | (40)                                                  | 352             |
| Arising due to fair value adjustments on business combinations/ revaluations | (46)                    | 45                                       | 23                                                    | 22                        | 5                                        | (1 191)                                               | (1 164)         |
| Working capital allowances                                                   | 22                      | 549                                      | –                                                     | 571                       | (374)                                    | (35)                                                  | 162             |
| Tax allowances in excess of depreciation                                     | (13 006)                | 805                                      | 418                                                   | (11 783)                  | 1 359                                    | (1 944)                                               | (12 368)        |
| Other temporary differences                                                  | (57)                    | 376                                      | (301)                                                 | 18                        | (175)                                    | (94)                                                  | (251)           |
| <b>Net deferred tax liability</b>                                            | <b>(11 426)</b>         | <b>1 400</b>                             | <b>123</b>                                            | <b>(9 903)</b>            | <b>530</b>                               | <b>(3 126)</b>                                        | <b>(12 499)</b> |
| <b>Comprising:</b>                                                           |                         |                                          |                                                       |                           |                                          |                                                       |                 |
| Deferred tax assets                                                          | 2 044                   |                                          |                                                       | 1 109                     |                                          |                                                       | 542             |
| Deferred tax liabilities                                                     | (13 470)                |                                          |                                                       | (11 012)                  |                                          |                                                       | (13 041)        |
|                                                                              | (11 426)                |                                          |                                                       | (9 903)                   |                                          |                                                       | (12 499)        |

<sup>1</sup> Including the effect of hyperinflation.

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.

There were no 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 in the current or prior year.

### 3.3 Income tax paid

|                                                | 2015<br>Rm      | 2014<br>Rm      |
|------------------------------------------------|-----------------|-----------------|
| At beginning of the year                       | (8 998)         | (6 671)         |
| Amount recognised in profit or loss (note 3.1) | (11 322)        | (13 361)        |
| Deferred tax charge (note 3.2)                 | (530)           | (1 400)         |
| Effect of movements in exchange rates          | (1 626)         | 343             |
| Net monetary gain                              | –               | 12              |
| Other                                          | 288             | 300             |
| At end of the year                             | 8 682           | 8 998           |
| Taxation prepaid                               | (1 331)         | (564)           |
| Taxation liabilities                           | 10 013          | 9 562           |
| <b>Total tax paid</b>                          | <b>(13 506)</b> | <b>(11 779)</b> |

# Notes to the Group financial statements *continued*

*for the year ended 31 December 2015*

## 4 WORKING CAPITAL

### 4.1 Inventories

Inventories mainly comprise 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.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, inventories relating to these subsidiaries are measured at the lower of the restated cost and net realisable value.

|                                                                | 2015<br>Rm | 2014<br>Rm |
|----------------------------------------------------------------|------------|------------|
| Finished goods (handsets, SIM cards and accessories) – at cost | 6 766      | 3 775      |
| Consumables                                                    | 59         | 100        |
| Less: Write-down to net realisable value                       | (1 190)    | (463)      |
|                                                                | 5 635      | 3 412      |

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its inventories amounting to R47 million (2014: R39 million) (note 6.1).

#### Reconciliation of write-down of inventory

|                        | At<br>beginning<br>of the<br>year<br>Rm | Additions <sup>1</sup><br>Rm | Reversals <sup>1</sup><br>Rm | Utilised<br>Rm | Exchange<br>and other<br>movements<br>Rm | At end of<br>the year<br>Rm |
|------------------------|-----------------------------------------|------------------------------|------------------------------|----------------|------------------------------------------|-----------------------------|
| <b>2015</b>            |                                         |                              |                              |                |                                          |                             |
| Movement in write down | (463)                                   | (688)                        | 19                           | 33             | (91)                                     | (1 190)                     |
| <b>2014</b>            |                                         |                              |                              |                |                                          |                             |
| Movement in write down | (571)                                   | (7)                          | 101                          | 10             | 4                                        | (463)                       |

<sup>1</sup> A write-down on inventories of R669 million (2014: R94 million reversal of write down) was recognised in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).

# Notes to the Group financial statements *continued*

for the year ended 31 December 2015

## 4 WORKING CAPITAL (continued)

### 4.2 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business; and are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 7.1.

Prepayments and other receivables are stated at their nominal values.

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

|                                                                                 | 2015<br>Rm | 2014<br>Rm |
|---------------------------------------------------------------------------------|------------|------------|
| Trade receivables                                                               | 22 764     | 17 253     |
| Less: Allowance for impairment of trade receivables (note 7.1.4)                | (3 459)    | (2 514)    |
| Net trade receivables                                                           | 19 305     | 14 739     |
| Loan to Irancell Telecommunication Company Services (PJSC) <sup>1</sup>         | 7 042      | 5 120      |
| Receivable from Irancell Telecommunication Company Services (PJSC) <sup>2</sup> | 8 158      | 5 640      |
| Prepayments and other receivables <sup>3</sup>                                  | 4 484      | 2 961      |
| Sundry debtors and advances <sup>4</sup>                                        | 4 581      | 4 358      |
|                                                                                 | 43 570     | 32 818     |

<sup>1</sup> 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 were payable in 2015. In January 2016 financial sanctions were lifted and payment is expected in the foreseeable future. The recoverability of the loan was assessed at the reporting date and was found not to be impaired.

<sup>2</sup> With effect from 25 August 2015, MTN Mauritius and Irancell agreed for the unpaid dividends to bear interest at 8% per annum.

In addition and with effect from 1 October 2015, MTN Mauritius and Irancell converted R2 078 million of the unpaid dividend into a loan to provide short-term funding to Irancell. This loan is repayable on 30 September 2017 and bears interest at 12% per annum.

<sup>3</sup> Prepayments and other receivables include prepayments for Base Transceiver Station (BTS) sites and other property leases.

<sup>4</sup> Sundry debtors and advances include advances to suppliers.

An impairment loss of R1 151 million (2014: R286 million) was incurred in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its trade and other receivables amounting to R1 672 million (2014: R1 427 million) (note 6.1).

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 7.1.

### 4.3 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 7.1.

|                          | 2015<br>Rm | 2014<br>Rm |
|--------------------------|------------|------------|
| Restricted cash deposits | 1 735      | 893        |

Restricted cash deposits includes amounts of R271 million (2014: R331 million) and R1 259 million (2014: R257 million) relating to the Syrian and Nigerian operations respectively, which are not available for use by the Group. In respect of Syria, this was due to exchange control regulations and a lack of foreign currency in the country. The restricted cash balance is considered to represent excess cash not required for payment of Syrian pound denominated liabilities.

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

# Notes to the Group financial statements *continued*

*for the year ended 31 December 2015*

## 4 WORKING CAPITAL (continued)

### 4.4 Cash and cash equivalents

Cash and cash equivalents are accounted for as loans and receivables and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

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 current 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 the following:

|                               | <b>2015<br/>Rm</b> | 2014<br>Rm |
|-------------------------------|--------------------|------------|
| Cash at bank and on hand      | <b>34 177</b>      | 43 098     |
| Bank overdrafts               | <b>(38)</b>        | (26)       |
| Net cash and cash equivalents | <b>34 139</b>      | 43 072     |

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its cash and cash equivalents amounting to R1 155 million (2014: R876 million) (refer to note 6.1).

### 4.5 Trade and other payables

Trade payables, sundry creditors and accrued expenses 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 7.1.

Other payables are stated at their nominal values.

|                  | <b>2015<br/>Rm</b> | 2014<br>Rm |
|------------------|--------------------|------------|
| Trade payables   | <b>12 430</b>      | 11 187     |
| Sundry creditors | <b>1 940</b>       | 2 728      |
| Accrued expenses | <b>21 837</b>      | 15 711     |
| Other payables   | <b>4 277</b>       | 3 608      |
|                  | <b>40 484</b>      | 33 234     |

# 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<br>Years | 2014<br>Years |
|-------------------------------------|---------------|---------------|
| Buildings – owned                   | 5 – 50        | 5 – 50        |
| Buildings – leased <sup>1</sup>     | 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 <sup>1</sup> | 2 – 15        | 2 – 15        |
| Office equipment                    | 2 – 12        | 2 – 12        |
| Motor vehicles                      | 3 – 10        | 3 – 10        |

<sup>1</sup> 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 <sup>1</sup><br>Rm | Leasehold improvements<br>Rm | Network infrastructure<br>Rm | Information systems, furniture and office equipment<br>Rm | Capital work in progress/ other<br>Rm | Vehicles <sup>2</sup><br>Rm | Total<br>Rm      |
|----------------------------------------------------|---------------------------------------|------------------------------|------------------------------|-----------------------------------------------------------|---------------------------------------|-----------------------------|------------------|
| <b>Carrying amount at 1 January 2014</b>           | 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 <sup>3</sup>                        | 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 <sup>4</sup> | (74)                                  | (13)                         | (983)                        | (43)                                                      | 149                                   | (9)                         | (973)            |
| <b>Carrying amount at 31 December 2014</b>         | 6 423                                 | 1 133                        | 65 247                       | 3 868                                                     | 10 314                                | 561                         | 87 546           |
| <b>Comprising:</b>                                 |                                       |                              |                              |                                                           |                                       |                             |                  |
| 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           |
| <b>Carrying amount at 1 January 2015</b>           | <b>6 423</b>                          | <b>1 133</b>                 | <b>65 247</b>                | <b>3 868</b>                                              | <b>10 314</b>                         | <b>561</b>                  | <b>87 546</b>    |
| Additions                                          | <b>465</b>                            | <b>177</b>                   | <b>8 802</b>                 | <b>1 484</b>                                              | <b>14 700</b>                         | <b>123</b>                  | <b>25 751</b>    |
| Disposals                                          | –                                     | (2)                          | (328)                        | (20)                                                      | (68)                                  | (16)                        | (434)            |
| Re-allocations <sup>3</sup>                        | <b>124</b>                            | <b>311</b>                   | <b>14 099</b>                | <b>519</b>                                                | <b>(14 193)</b>                       | <b>(4)</b>                  | <b>856</b>       |
| Depreciation for the year                          | <b>(412)</b>                          | <b>(328)</b>                 | <b>(16 489)</b>              | <b>(1 849)</b>                                            | <b>(285)</b>                          | <b>(194)</b>                | <b>(19 557)</b>  |
| Impairment loss                                    | –                                     | –                            | (77)                         | –                                                         | –                                     | –                           | (77)             |
| Other movements                                    | (5)                                   | 26                           | 425                          | (300)                                                     | (49)                                  | (2)                         | 95               |
| Effect of movements in exchange rates <sup>4</sup> | <b>443</b>                            | <b>116</b>                   | <b>9 108</b>                 | <b>520</b>                                                | <b>2 264</b>                          | <b>71</b>                   | <b>12 522</b>    |
| <b>Carrying amount at 31 December 2015</b>         | <b>7 038</b>                          | <b>1 433</b>                 | <b>80 787</b>                | <b>4 222</b>                                              | <b>12 683</b>                         | <b>539</b>                  | <b>106 702</b>   |
| <b>Comprising:</b>                                 |                                       |                              |                              |                                                           |                                       |                             |                  |
| Cost                                               | <b>9 966</b>                          | <b>3 612</b>                 | <b>173 833</b>               | <b>13 746</b>                                             | <b>13 952</b>                         | <b>1 361</b>                | <b>216 470</b>   |
| Accumulated depreciation and impairment losses     | <b>(2 928)</b>                        | <b>(2 179)</b>               | <b>(93 046)</b>              | <b>(9 524)</b>                                            | <b>(1 269)</b>                        | <b>(822)</b>                | <b>(109 768)</b> |
|                                                    | <b>7 038</b>                          | <b>1 433</b>                 | <b>80 787</b>                | <b>4 222</b>                                              | <b>12 683</b>                         | <b>539</b>                  | <b>106 702</b>   |

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

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

<sup>3</sup> 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).

<sup>4</sup> 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<br>Rm | 2014<br>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          |
|                                                             | <b>77</b>  | 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<br>Rm   | 2014<br>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        |
|                                                              | <b>7 982</b> | 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<br>Rm    | 2014<br>Rm |
|---------------------------|---------------|------------|
| Scancom Limited (Ghana)   | 6 510         | 5 600      |
| MTN Sudan Company Limited | 5 140         | 4 030      |
| MTN Congo S.A.            | 18            | 27         |
|                           | <b>11 668</b> | 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.

# Notes to the Group financial statements *continued*

*for the year ended 31 December 2015*

## 5 INFRASTRUCTURE INVESTMENTS (continued)

### 5.2 Intangible assets and goodwill (continued)

#### *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:

|                         | <b>2015<br/>Years</b> | 2014<br>Years |
|-------------------------|-----------------------|---------------|
| Licences                | <b>3 – 20</b>         | 3 – 20        |
| Customer relationships  | <b>5 – 10</b>         | 5 – 10        |
| Software                | <b>3 – 6</b>          | 3 – 6         |
| Other intangible assets | <b>3 – 10</b>         | 3 – 10        |

The gain or loss arising on the disposal or retirement of an intangible asset is included in profit or loss.

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 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.

#### **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 value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

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**

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 higher 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.

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. An impairment loss in respect of goodwill is not reversed.

# Notes to the Group financial statements *continued*

for the year ended 31 December 2015

## 5 INFRASTRUCTURE INVESTMENTS (continued)

### 5.2 Intangible assets and goodwill (continued)

|                                                       | Goodwill<br>Rm | Licences<br>Rm | Customer<br>relation-<br>ships<br>Rm | Software <sup>1</sup><br>Rm | Other<br>intangible<br>assets<br>Rm | Capital<br>work-in-<br>progress<br>Rm | Total<br>Rm   |
|-------------------------------------------------------|----------------|----------------|--------------------------------------|-----------------------------|-------------------------------------|---------------------------------------|---------------|
| <b>Carrying amount at 1 January 2014</b>              | 24 160         | 5 629          | –                                    | 6 459                       | 271                                 | 1 232                                 | 37 751        |
| Additions <sup>2</sup>                                | 844            | 71             | 816                                  | 2 144                       | 247                                 | 1 108                                 | 5 230         |
| Disposals                                             | –              | –              | –                                    | (204)                       | –                                   | –                                     | (204)         |
| Re-allocations                                        | –              | 210            | –                                    | 2 197                       | –                                   | (2 296)                               | 111           |
| Amortisation for the year                             | –              | (882)          | (31)                                 | (2 320)                     | (18)                                | –                                     | (3 251)       |
| Impairment loss                                       | (2 033)        | –              | –                                    | (74)                        | –                                   | –                                     | (2 107)       |
| Other movements                                       | –              | –              | 11                                   | (1)                         | (9)                                 | –                                     | 1             |
| Effect of movements in exchange rates <sup>3</sup>    | (746)          | (26)           | (5)                                  | (137)                       | –                                   | 1                                     | (913)         |
| <b>Carrying amount at 31 December 2014</b>            | 22 225         | 5 002          | 791                                  | 8 064                       | 491                                 | 45                                    | 36 618        |
| <b>Comprising:</b>                                    |                |                |                                      |                             |                                     |                                       |               |
| Cost                                                  | 24 258         | 13 841         | 5 212                                | 17 023                      | 1 134                               | 45                                    | 61 513        |
| Accumulated amortisation and impairment losses        | (2 033)        | (8 839)        | (4 421)                              | (8 959)                     | (643)                               | –                                     | (24 895)      |
|                                                       | 22 225         | 5 002          | 791                                  | 8 064                       | 491                                 | 45                                    | 36 618        |
| <b>Carrying amount at 1 January 2015</b>              | <b>22 225</b>  | <b>5 002</b>   | <b>791</b>                           | <b>8 064</b>                | <b>491</b>                          | <b>45</b>                             | <b>36 618</b> |
| Additions <sup>2</sup>                                | –              | 8 948          | 3                                    | 2 860                       | 4                                   | 1 000                                 | 12 815        |
| Acquisitions through business combinations (note 9.4) | 742            | 3 752          | –                                    | –                           | –                                   | –                                     | 4 494         |
| Disposals                                             | –              | (163)          | –                                    | (87)                        | –                                   | –                                     | (250)         |
| Re-allocations                                        | –              | 217            | –                                    | (498)                       | –                                   | (783)                                 | (1 064)       |
| Amortisation for the year                             | –              | (1 136)        | (150)                                | (2 439)                     | (11)                                | –                                     | (3 736)       |
| Impairment loss                                       | (504)          | –              | –                                    | –                           | –                                   | –                                     | (504)         |
| Other movements                                       | 456            | 2              | –                                    | (299)                       | –                                   | 4                                     | 163           |
| Effect of movements in exchange rates <sup>3</sup>    | 4 312          | 2 478          | 20                                   | 568                         | –                                   | (27)                                  | 7 351         |
| <b>Carrying amount at 31 December 2015</b>            | <b>27 231</b>  | <b>19 100</b>  | <b>664</b>                           | <b>8 169</b>                | <b>484</b>                          | <b>239</b>                            | <b>55 887</b> |
| <b>Comprising:</b>                                    |                |                |                                      |                             |                                     |                                       |               |
| Cost                                                  | 29 768         | 29 512         | 5 360                                | 17 992                      | 1 137                               | 239                                   | 84 008        |
| Accumulated amortisation and impairment losses        | (2 537)        | (10 412)       | (4 696)                              | (9 823)                     | (653)                               | –                                     | (28 121)      |
|                                                       | 27 231         | 19 100         | 664                                  | 8 169                       | 484                                 | 239                                   | 55 887        |

<sup>1</sup> Included in software are leased assets with a carrying amount of R742 million (2014: R733 million).

<sup>2</sup> Included in additions are capitalised borrowing costs of R43 million (2014: R45 million). The capitalisation rate for the year was 8,6% (2014: 8,6%).

<sup>3</sup> Includes the effect of hyperinflation.

# Notes to the Group financial statements *continued*

*for the year ended 31 December 2015*

## 5 INFRASTRUCTURE INVESTMENTS (continued)

### 5.2 Intangible assets and goodwill (continued)

#### 5.2.1 Goodwill

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

|                                                              | 2015          |                 |                    | 2014          |                 |                                 |
|--------------------------------------------------------------|---------------|-----------------|--------------------|---------------|-----------------|---------------------------------|
|                                                              | Growth rate % | Discount rate % | Carrying amount Rm | Growth rate % | Discount rate % | Carrying amount Rm <sup>1</sup> |
| MTN Côte d'Ivoire S.A.                                       | 3,0           | 18,2            | 3 064              | 2,5           | 12,2            | 2 599                           |
| Scancom Limited (MTN Ghana)                                  | 7,4           | 21,9            | 6 905              | 7,5           | 19,5            | 6 008                           |
| MTN Sudan Company Limited                                    | 5,2           | 23,7            | 1 190              | 10,0          | 32,6            | 444                             |
| MTN Yemen                                                    | 8,0           | 34,2            | 4 018              | 7,1           | 26,2            | 2 883                           |
| MTN Afghanistan Limited                                      | 5,0           | 19,2            | 1 656              | 5,0           | 19,2            | 1 421                           |
| MTN Uganda Limited                                           | 5,0           | 18,5            | 743                | 5,0           | 17,2            | 676                             |
| MTN Congo S.A.                                               | 2,5           | 14,2            | 1 035              | 2,7           | 11,6            | 860                             |
| MTN Syria (JSC)                                              | 6,0           | 29,0            | 249                | 6,5           | 25,7            | 126                             |
| MTN Cyprus Limited                                           | 1,9           | 11,6            | 902                | 2,0           | 9,9             | 726                             |
| Spacetel Benin SA                                            | 2,8           | 15,2            | 1 388              | 2,8           | 14,2            | 1 150                           |
| Areeba Guinea S.A.                                           | 5,0           | 27,2            | 490                | 5,9           | 17,0            | 793                             |
| Mobile Telephone Networks Proprietary Limited (South Africa) | 5,5           | 16,3            | 2 287              | 5,9           | 13,4            | 2 287                           |
| Afrihost Proprietary Limited                                 | 5,5           | 16,3            | 319                | 5,9           | 13,4            | 319                             |
| Lonestar Communications Corporation LLC (Liberia)            | 6,4           | 16,4            | 400                | 5,0           | 16,4            | 287                             |
| MTN Rwandacell                                               | 5,0           | 16,0            | 449                | 5,0           | 14,6            | 370                             |
| MTN Nigeria Communications Limited (Visafone)                | 7,0           | 20,6            | 742                | –             | –               | –                               |
| MTN Zambia                                                   | 5,0           | 12,9            | 231                | 5,0           | 17,8            | 298                             |
| Spacetel Guinea-Bissau SA                                    | 3,0           | 11,2            | 375                | 2,0           | 13,4            | 310                             |
| Other                                                        |               |                 | 788                |               |                 | 668                             |
| <b>Total</b>                                                 |               |                 | <b>27 231</b>      |               |                 | <b>22 225</b>                   |

Goodwill is tested annually for impairment. 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 10-year period. Management is confident that projections covering periods longer than three 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 as mentioned above.

The following key assumptions were used for the value-in-use calculations:

- growth rates: the Group used steady 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 1,9% to 8,0% (2014 2,0% to 10,0%); and
- discount rates: discount rates ranged from 11,2% to 34,2% (2014: 9,9% to 32,6%). Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU.

#### Goodwill impairment

During the year, an impairment loss amounting to R504 million (2014: R2 033 million) was recognised relating to Areeba Guinea S.A. which forms part of the small opco cluster segment (2014: MTN Sudan Company Limited).

#### 5.2.2 Encumbrances

Borrowings are secured by intangible assets of Scancom Limited (MTN Ghana) with a carrying amount of R391 million (2014: R539 million) (note 6.1).

<sup>1</sup> Restated, refer to note 1.6.4.

# Notes to the Group financial statements *continued*

*for the year ended 31 December 2015*

## 5 INFRASTRUCTURE INVESTMENTS (continued)

### 5.2 Intangible assets and goodwill (continued)

#### 5.2.3 Licences

| Licence agreements                                           | Type                                                     | Granted/<br>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 800MHz                                                 | 1/01/2010               | Renewable annually |
|                                                              | 3G                                                       |                         |                    |
| MTN Uganda Limited                                           | 900MHz                                                   | 15/04/1998              | 20 years           |
|                                                              | 1 800MHz                                                 |                         |                    |
| MTN Rwandacell Limited                                       | GSM                                                      | 01/07/2008              | 13 years           |
|                                                              | SNO                                                      | 30/06/2006              | 15 years           |
| MTN Zambia Limited                                           | 900MHz                                                   |                         |                    |
|                                                              | 1 800MHz                                                 | 23/09/2010              | 15 years           |
|                                                              | 2 100MHz                                                 |                         |                    |
| MTN Nigeria Communications Limited                           | 1 800MHz                                                 |                         |                    |
|                                                              | 900MHz                                                   | 03/11/2015              | 5 years            |
|                                                              | 3G spectrum licence                                      | 01/05/2007              | 15 years           |
|                                                              | Unified access licence (including international gateway) | 01/09/2006              | 15 years           |
|                                                              | WACS                                                     | 01/01/2010              | 20 years           |
|                                                              | WiMax 3,5GHz spectrum                                    | 2 007                   | Renewable annually |
|                                                              | Digital Terrestrial TV broadcasting licence              | 12/08/2015              | 10 years           |
|                                                              | 800MHz                                                   | 01/01/2015              | 10 years           |
|                                                              | Microwave spectrum 8GHz – 26GHz                          | 2 001                   | Renewable annually |
| Scancom Limited (MTN Ghana)                                  | 900MHz                                                   | 02/12/2004              | 15 years           |
|                                                              | 1 800MHz                                                 |                         |                    |
|                                                              | 3G                                                       | 23/01/2009              | 15 years           |
|                                                              | International Gateway <sup>1</sup>                       | 08/11/2014              | 5 years            |
|                                                              | Fixed access service of unified access                   | 06/07/2015              | 4 years            |
| Mobile Telephone Networks Cameroon Limited                   | 2G                                                       |                         |                    |
|                                                              | 3G                                                       | 15/02/2015              | 15 years           |
|                                                              | 4G                                                       |                         |                    |
| MTN Côte d'Ivoire S.A.                                       | 900MHz                                                   | 02/04/1996              | 20 years           |
|                                                              | 1 800MHz                                                 |                         |                    |
|                                                              | WiMax 2,5 – 3,5GHz                                       | 31/07/2002              | 20 years           |
|                                                              | 3G/UMTS 1,9/2,1GHz                                       | 31/05/2012              | 10 years           |
|                                                              | Universal networks                                       | 04/01/2016 <sup>2</sup> | 17 years           |
| Spacetel Benin SA                                            | 900MHz                                                   | 19/10/2007              | 25 years           |
|                                                              | 1 800MHz                                                 |                         |                    |
|                                                              | Universal licence                                        | 19/03/2012              | 20 years           |

<sup>1</sup> Licence renewal confirmed in 2015.

<sup>2</sup> Licence operational in 2015.

# Notes to the Group financial statements *continued*

*for the year ended 31 December 2015*

## 5 INFRASTRUCTURE INVESTMENTS (continued)

### 5.2 Intangible assets and goodwill (continued)

#### 5.2.3 Licences (continued)

| Licence agreements                                   | Type                                                                | Granted/<br>renewed | Term               |
|------------------------------------------------------|---------------------------------------------------------------------|---------------------|--------------------|
| Areeba Guinea S.A.                                   | 900MHz                                                              | 31/08/2005          | 18 years           |
|                                                      | 1 800MHz                                                            |                     |                    |
|                                                      | 3G                                                                  | 14/08/2013          | 10 years           |
|                                                      | WiMax                                                               | 04/08/2014          | 5 years            |
| MTN Congo S.A.                                       | 900MHz                                                              | 25/11/2011          | 15 years           |
|                                                      | 1 800MHz                                                            | 25/11/2011          | 15 years           |
|                                                      | International gateway                                               | 05/02/2002          | 15 years           |
|                                                      | Optical fibre licence                                               | 02/04/2010          | 15 years           |
|                                                      | 3G                                                                  | 25/11/2011          | 17 years           |
|                                                      | 2G                                                                  | 25/11/2011          | 15 years           |
|                                                      | International gateway by<br>optical fibre                           | 03/06/2013          | 10 years           |
| Lonestar Communications Corporation LLC<br>(Liberia) | Universal<br>Telecommunication<br>licence                           | 04/08/2015          | 15 years           |
| Spacetel Guinea-Bissau SA                            | 900MHz                                                              | 23/05/2014          | 10 years           |
|                                                      | 1 800MHz                                                            |                     |                    |
|                                                      | 3G                                                                  | 17/07/2015          | 10 years           |
|                                                      | 4G                                                                  |                     |                    |
| MTN Syria (JSC)                                      | 900MHz                                                              | 29/06/2002          | 15 years           |
|                                                      | 1 800MHz                                                            | 22/03/2007          | 10 years           |
|                                                      | 3G                                                                  | 29/04/2009          | 8 years            |
|                                                      | ISP                                                                 | 2009                | Renewable annually |
|                                                      | Freehold licence                                                    | 01/01/2015          | 20 years           |
| MTN Sudan Company Limited                            | 2G +3G<br>Transmission<br>VSAT gateway<br>VSAT hub<br>VSAT terminal | 25/10/2003          | 20 years           |
| MTN Afghanistan Limited                              | 3G unified licence                                                  | 01/07/2012          | 15 years           |
| MTN Yemen                                            | 900MHz <sup>1</sup>                                                 | 31/07/2000          | 15 years           |
|                                                      | 1 800MHz                                                            | 17/02/2008          |                    |
| MTN Cyprus Limited                                   | 900MHz                                                              |                     |                    |
|                                                      | 1 800MHz                                                            | 01/12/2003          | 20 years           |
|                                                      | 4G (LTE) 2 100MHz                                                   |                     |                    |

During the year, the Group concluded negotiations on behalf of Lonestar Communications Corporation LLC (Liberia) for a universal licence. This resulted in the termination of the 900MHz, 1 800MHz, WiMax and 3G licences and the acquisition of a Universal Telecom licence with a term of 15 years with effect from 4 August 2015.

<sup>1</sup> Renewal application lodged. Licence fees are accrued for a monthly basis.

# Notes to the Group financial statements *continued*

*for the year ended 31 December 2015*

## 5 INFRASTRUCTURE INVESTMENTS (continued)

### 5.2 Intangible assets and goodwill (continued)

#### 5.2.4 Events after reporting period

##### *Scancom Limited (MTN Ghana) acquisition of licence*

During December 2015, Scancom Limited (MTN Ghana) was successful in its bid to obtain a 15-year 4G/LTE licence in the 800MHz spectrum band for an amount of US\$67,5 million. 10% of the purchase consideration was settled before year end as part of the bidding process with the remainder settled on 27 January 2016, following which time the National Communications Authority provided MTN Ghana with provisional authorisation pending issuance of the licence.

### 5.3 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through sale rather than use.

The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active programme to find a buyer and the appropriate level of management approving the sale. Immediately before classification as held for sale, all assets and liabilities are remeasured in accordance with the Group's accounting policies.

Non-current assets (or disposal groups) held for sale are measured at the lower of the carrying amount and fair value less incremental directly attributable cost to sell and are not depreciated.

Gains or losses recognised on initial classification as held for sale and subsequent remeasurements are recognised in profit or loss, regardless of whether the assets were previously measured at revalued amounts.

|                                                   | 2015<br>Rm | 2014<br>Rm |
|---------------------------------------------------|------------|------------|
| Balance at beginning of the year                  | 3 848      | 1 281      |
| Additions                                         | 255        | 6 899      |
| Re-allocations from property, plant and equipment | 208        | 5 966      |
| Other additions                                   | 47         | 933        |
| Disposals                                         | (3 151)    | (3 675)    |
| Effect of movements in exchange rates             | (942)      | (657)      |
| Balance at end of the year                        | 10         | 3 848      |

The assets held for sale at 31 December 2015 relate to vehicles that MTN Nigeria Communications Limited has plans to dispose of.

The Group sold its mobile network towers in MTN Nigeria Communications Limited in two tranches to INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V.

The first tranche of the tower sale closed on 24 December 2014 and involved the sale of 4 154 mobile network towers by MTN Nigeria Communications Limited to INT Towers Limited. The second tranche of the tower sales involved the sale of 4 696 mobile network towers and closed on 1 July 2015 (note 2.3).

The Group concluded transactions with IHS in which IHS acquired 550 mobile network towers from MTN Rwandacell Limited for US\$48 million and 748 mobile network towers from MTN (Zambia) Limited for US\$57 million during the prior year. IHS is a 100% shareholder of the tower companies set up in each country to manage the towers and other passive infrastructure. MTN Rwandacell Limited and MTN (Zambia) Limited will be the anchor tenants on commercial terms on the towers for an initial term of 10 years.