

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision to pay a levy is not recognised until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expected outflow of resources required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Net monetary loss Rm	Exchange and other move- ments ¹ Rm	At end of the year Rm
2015							
Non-current							
Decommissioning provision	229	45	–	(12)	–	31	293
Licence obligations	137	–	–	–	–	(60)	77
Nigeria provision for regulatory fine	–	4 104	–	–	–	–	4 104
Other provisions	180	143	(29)	(33)	27	(138)	150
	546	4 292	(29)	(45)	27	(167)	4 624
Current							
Bonus provision	754	735	(91)	(722)	–	114	790
Decommissioning provision	21	–	(19)	–	–	4	6
Nigeria provision for regulatory fine	–	5 183	–	–	–	–	5 183
Licence obligations	74	–	–	(40)	–	60	94
Other provisions	2 565	620	(997)	(327)	–	59	1 920
	3 414	6 538	(1 107)	(1 089)	–	237	7 993

¹ Includes the effect of hyperinflation.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Net monetary gain Rm	Exchange and other move- ments ¹ Rm	At end of the year Rm
2014							
Non-current							
Decommissioning provision	186	107	(34)	(30)	–	–	229
Licence obligations	–	137	–	–	–	–	137
Other provisions	171	91	(43)	(16)	(38)	15	180
	357	335	(77)	(46)	(38)	15	546
Current							
Bonus provision	763	861	(100)	(761)	–	(9)	754
Decommissioning provision	84	3	(74)	(1)	–	9	21
Licence obligations	257	–	(183)	–	–	–	74
Other provisions	3 533	442	(1 065)	(340)	–	(5)	2 565
	4 637	1 306	(1 422)	(1 102)	–	(5)	3 414

¹ Includes the effect of hyperinflation.

Bonus provision

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall Company performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the Group annual results have been approved.

Decommissioning provision

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in property, plant and equipment that are erected on leased land.

The Group only recognises these decommissioning costs for the proportion of its overall number of sites for which it expects decommissioning to take place. The expected percentage has been based on actual experience in the respective operations.

Licence obligations

The licence obligations provision represents the estimated costs to be incurred in fulfilling the Universal Services Obligation (USO) in South Africa. USOs are governed by the Electronic Communications Act.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

Nigeria provision for regulatory fine

During October 2015, the Nigerian Communications Commission (NCC) imposed a fine of N1,04 trillion (R80,7 billion¹) on MTN Nigeria Communications Limited (MTN Nigeria). This fine relates to the timing of the disconnection of 5,1 million MTN Nigeria subscribers who were disconnected in August and September 2015 and is based on a fine of N200 000 for each unregistered subscriber. Subsequently, during December 2015, the NCC revised the amount to N780 billion (R60,6 billion¹).

MTN Nigeria, acting on external legal advice, has resolved that the manner of the imposition of the fine and the quantum thereof is not in accordance with the NCC's powers under the Nigerian Communications Act, 2003 and therefore believes there to be valid grounds upon which to challenge the fine. Accordingly, MTN Nigeria followed due process and instructed its lawyers to proceed with an action in the Federal High Court in Lagos seeking the appropriate reliefs.

On 22 January 2016, the judge adjourned the matter to 18 March 2016, in order to enable the parties to try to settle the matter.

Pursuant to the ongoing engagement with the Nigerian authorities, MTN Nigeria on 24 February 2016 made an agreed-without-prejudice good-faith payment of N50 billion (R3,9 billion²) to the Federal Government of Nigeria on the basis that this will be applied towards a settlement, when one is eventually, hopefully, arrived at. In an effort to achieve an amicable settlement, MTN has agreed to withdraw the matter from the Federal High Court in Lagos.

In arriving at an appropriate provision at 31 December 2015, management has applied its judgement resulting in a provision being recorded as required in accordance with IFRS, amounting to N119,6 billion (R9,3 billion¹).

In light of the engagement with the Nigerian authorities, the Group has provided limited disclosure relating to the provision in accordance with IFRS.

Other provisions

The Group is involved in various regulatory and indirect tax matters specific to the respective jurisdictions in which the Group operates. These matters may not necessarily be resolved in a manner that is favourable to the Group. The Group has therefore recognised provisions in respect of these matters based on estimates and the probability of an outflow of economic benefits and should not be construed as an admission of legal liability.

¹ Amounts translated at the closing rate at year end of R1 = N12,88.

² Translated at the 24 February 2016 closing rate of R1 = N12,76.