

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.4 Business combinations

9.4.1 Current year business combinations

9.4.1.1 Visafone Communications Limited

On 31 December 2015, MTN Nigeria acquired 100% of the share capital of Visafone Communications Limited (Visafone) for R3,432 million. As a result, the Group obtained control of Visafone. Control over Visafone will enable the Group to improve the quality of broadband services for its subscribers. The acquisition seeks to leverage resources for service enhancement and reflects the Group's concerted efforts to deepen the growth and roll-out of broadband services across Nigeria.

Visafone contributed no revenues and net profit to the Group for the period ended 31 December 2015 as the business was acquired on the last day of the year. The consolidated pro forma revenue and profit for the year ended 31 December 2015 as though the acquisition had occurred on 1 January 2015 cannot be disclosed as the audited financial statements of Visafone for the year ended 31 December 2015 are not yet available.

The following table summarises the consideration transferred by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date:

	2015 Rm
Consideration transferred	
Cash outflow on acquisition	3 040
Retention amount	392
Cash outflow	3 432

Retention amount

The retention amount represents an amount deposited into an escrow account by the Group as agreed by the parties to the acquisition, to be utilised for the satisfaction of outstanding liabilities, the shareholder debt, warranty claims and termination payments arising from the termination of supplier contracts in respect of the acquisition. The Group did not assume any liabilities, other than deferred tax, from the acquisition of Visafone. The retention amount is disclosed as restricted cash as at 31 December 2015.

	2015 Rm
Assets acquired	
Intangible assets	3 752
Liabilities assumed	
Deferred tax liabilities	(1 062)
Total identifiable net assets	2 690
Total consideration paid	3 432
Net identifiable assets acquired	(2 690)
Goodwill	742

The composition of goodwill will be analysed on finalisation of the business combination accounting.

Measurement of fair values

The valuation techniques applied in measuring the fair value of material assets acquired are as follows:

Asset acquired	Valuation technique
Intangible assets	Market approach or comparable transaction method was used which estimates the fair value of a licence by referring to the purchase prices paid for similar licences across different markets.

The fair values of the acquired identifiable assets have been determined on a provisional basis, pending receipt of the final valuations for the assets.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.4 Business combinations (continued)

9.4.2 Prior year business combinations

9.4.2.1 Afrihost Proprietary Limited

In November 2014, the Group acquired 50% plus one share of the share capital of Afrihost Proprietary Limited (Afrihost) for R408 million. As a result, the Group obtained control of Afrihost. Afrihost was acquired to enable the Group to drive their accelerated SME strategy and provide scale for the Group's virtual market, content and cloud offering.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	2014 Rm
Consideration transferred	
Cash	408
Cash in subsidiary acquired	(20)
Cash outflow on acquisition	388
Assets acquired	383
Property, plant and equipment	44
Intangible assets	307
Deferred tax assets	2
Inventories	1
Trade and other receivables	9
Cash and cash equivalents	20
Liabilities assumed	204
Deferred tax liabilities	86
Other non-current liabilities	7
Trade and other payables	109
Taxation payable	2
Total identifiable net assets	179
Total consideration paid	408
Non-controlling interest in Afrihost Proprietary Limited	90
Net identifiable assets acquired	(179)
Goodwill	319

The net assets recognised in the 31 December 2014 financial statements were based on a provisional assessment. The amounts were finalised during 2015, and no material changes to the previously reported results were required.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.4 Business combinations (continued)

9.4.2 Prior year business combinations (continued)

9.4.2.2 Nashua Mobile subscriber base

During November 2014, the Group acquired its Nashua Mobile subscriber base from Nashua Mobile Proprietary Limited for R1 246 million. The subscriber base was acquired to enable the Group to consolidate the Mobile Telephone Networks Proprietary Limited postpaid subscriber base in one entity and own the relationship with the subscribers.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	2014 Rm
Consideration transferred	
Cash outflow on acquisition	1 246
Assets acquired	926
Intangible assets	732
Loans and other non-current receivables	194
Liabilities assumed	205
Deferred tax liabilities	205
Total identifiable net assets	721
Total consideration paid	1 246
Net identifiable assets	(721)
Goodwill	525

The net assets recognised in the 31 December 2014 financial statements were based on a provisional assessment. The amounts were finalised during 2015, and no material changes to the previously reported results were required.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

9 GROUP COMPOSITION (continued)

9.4 Business combinations (continued)

9.4.3 Business combinations subsequent to reporting period

9.4.3.1 Altech Autopage subscriber base

On 11 February 2016, the Group acquired its Altech Autopage subscriber base from Altron TMT Proprietary Limited for R670 million, including contingent consideration of R30 million payable to MTN. The acquisition of the subscriber base will enable the Group to service and interact directly with its customers and will reduce the related commission expense.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	Rm
Consideration transferred	
Cash	670
Contingent consideration	(30)
Total consideration transferred	640

Contingent consideration

The contingent consideration arrangement requires an adjustment to the purchase price based on the size and financial quality of the base as at the effective date.

Recognised amounts of identifiable assets acquired and liabilities assumed:

Assets acquired

Intangible assets	595
Loans and other non-current receivables	425
	170

Liabilities assumed

Deferred tax liabilities	167
	167

Total identifiable net assets	428
Total consideration	640
Net identifiable assets	(428)
Goodwill	212

The goodwill of R212 million comprises the fair value of expected synergies arising from acquisition.

Measurement of fair value

The valuation techniques applied in measuring the fair value of material assets acquired are as follows:

Asset acquired	Valuation technique
Intangible assets	Multi-period excess earnings method
Receivables	Present value of expected cash flows

Given the limited period between the acquisition date and the authorisation date of the financial statements, management has not yet completed the purchase price allocation and the fair values of the acquired identifiable assets as well as the contingent consideration have been determined on a provisional basis, pending receipt of the final valuations for the assets.