

Notes to the group financial statements

for the year ended 31 December 2017

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS

1.1 Basis of preparation

The group financial statements of MTN Group Limited (the company) comprise the company and its subsidiaries and the group's interest in associates and joint ventures (together referred to as the group and individually as group entities).

The group financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008. The group and the company have adopted all new accounting pronouncements that became effective in the current reporting period, none of which had a material impact on the group or the company, except for the amendment to IAS 7 *Statement of Cash Flows*, which requires additional disclosure, comprising a reconciliation of the year-on-year movement in liabilities arising from financing activities.

The financial statements have been prepared on the historical cost basis adjusted for the effects of inflation where entities operate in hyperinflationary economies and for certain financial instruments that have been measured at fair value, where applicable.

The South Sudanese and Syrian economies have been considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the group's subsidiaries, MTN South Sudan Limited and MTN Syria (JSC) have been expressed in terms of the measuring unit current at the reporting date.

Sudan ceased being regarded as a hyperinflationary economy during 2016, resulting in hyperinflation accounting relating to MTN Sudan Company Limited not being applied from 1 July 2016 onward. The methods used to measure fair value and the adjustments made to account for the group's entities that operate in hyperinflationary economies are discussed further in the accounting policies and in the respective notes.

Amounts are rounded to the nearest million with the exception of earnings per share and the related number of shares (note 2.7), number of ordinary shares (note 8.1), share-based payments (note 8.4) and directors' emoluments and interests (note 10.2).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 1.5.

1.2 Going concern

The group's and the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group and the company should be able to operate within their current funding levels into the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. The financial statements therefore have been prepared on a going concern basis.

1.3 Principal accounting policies¹

The principal accounting policies applied in the preparation of these financial statements are set out on the following page and in the related notes to the group financial statements, and should be read in conjunction with the financial definitions disclosed on pages 159 and 160 of the financial statements. The principal accounting policies applied are consistent with those adopted in the prior year, unless otherwise stated.

¹ Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the group financial statements.

Notes to the group financial statements continued

for the year ended 31 December 2017

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies¹ (continued)

1.3.1 Consolidation

Business combinations

The group accounts for business combinations using the acquisition method when control is obtained by the group. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return directly to investors or other owners, members or participants. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. If, after reassessment, this amount is negative, such negative amount is recognised immediately in profit or loss as a gain on bargain purchase.

An obligation to pay contingent consideration is classified as either a financial liability or equity based on the respective definitions set out in IAS 32 *Financial Instruments: Presentation*. The group classifies any rights to the return of consideration previously transferred as a financial asset. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, with the corresponding gain or loss recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured after the acquisition date.

Any changes resulting from additional and new information about events and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amount recognised at that date, are considered to be measurement period adjustments. The group retrospectively adjusts the amounts recognised for measurement period adjustments. The measurement period ends when the acquirer receives all the information they were seeking about the facts and circumstances that existed at the acquisition date or learns that information cannot be obtained. The measurement period shall, however, not exceed one year from the acquisition date. To the extent that changes in the fair value relate to post-acquisition events, these changes are recognised in accordance with the IFRS applicable to the specific asset or liability.

When the group ceases to have control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests. Any retained interest in the entity is remeasured to its fair value. Any resulting gain or loss is recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

¹ Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the group financial statements.

Notes to the group financial statements continued

for the year ended 31 December 2017

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies¹ (continued)

1.3.1 Consolidation (continued)

Consolidation of subsidiaries

The group financial statements incorporate the financial statements of MTN Group Limited and all its subsidiaries and controlled structured entities (SEs) for the reporting date 31 December 2017 on the basis outlined below.

Subsidiaries are fully consolidated from the date on which control is transferred to the group (acquisition date) and are deconsolidated from the date that control ceases (disposal date). The group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether control exists, the group considers all existing substantive rights that result in the current ability to direct relevant activities.

All intercompany transactions, balances and unrealised gains or losses on transactions between group companies are eliminated on consolidation. Unrealised losses are considered an impairment indicator of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the group.

The group does not consolidate entities where it owns more than half of the issued ordinary share capital where the contractual agreements are such that other shareholders have substantive rights that provide authority over the relevant activities of the entities.

The company accounts for investments in subsidiaries at cost, less accumulated impairment losses.

Non-controlling interest

On an acquisition-by-acquisition basis, non-controlling interests in the acquiree may initially be measured either at fair value, or at the non-controlling shareholders' proportion of the net identifiable assets acquired and liabilities and contingent liabilities assumed.

Non-controlling shareholders are treated as equity participants; therefore, all acquisitions of non-controlling interests or disposals by the group of its interests in subsidiaries, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased or disposed of, is recorded in equity.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

¹ Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the group financial statements.

Notes to the group financial statements continued

for the year ended 31 December 2017

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies¹ (continued)

1.3.2 Foreign currency

Functional and presentation currency

Items included in the financial statements of each entity in the group are measured using the entity's functional currency. The group financial statements are presented in South African rand, which is the functional and presentation currency of the company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation of foreign operations

The results, cash flows and financial position of group entities which are not accounted for as entities operating in hyperinflationary economies and that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at rates of exchange ruling at the reporting date.
- Specific transactions in equity are translated at rates of exchange ruling at the transaction dates.
- Income and expenditure and cash flow items are translated at weighted average exchange rates for the period or translated at exchange rates at the date of the transaction, where applicable.
- Foreign exchange translation differences are recognised as other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent the difference is allocated to non-controlling interests.

The results, cash flows and financial position of the group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the group or that of the immediate parent is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year.

An entity may have a monetary item that is receivable from a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income and accumulated in the foreign currency translation reserve.

The exchange rates relevant to the group are disclosed in note 7.6.

Disposal of foreign operations

On disposal of a foreign operation, all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the group are reclassified to profit or loss.

Exchange differences accumulated in equity in respect of a monetary item that is part of the group's net investment in a foreign operation, are not reclassified to profit or loss on settlement of the monetary item.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

For more details on judgements applied in the selection of exchange rates in countries operating in dual exchange rate economies please refer to note 1.5.3.

¹ Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the group financial statements.

Notes to the group financial statements continued

for the year ended 31 December 2017

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies¹ (continued)

1.3.3 Hyperinflation

The financial statements (including comparative amounts) of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

As the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. Differences between these comparative amounts and current year hyperinflation adjusted equity balances are recognised in other comprehensive income.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

Gains or losses on the net monetary position are recognised in profit or loss.

All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The South Sudanese and Syrian economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the group's subsidiaries, MTN South Sudan Limited and MTN Syria (JSC), have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to note 1.5.7. Sudan ceased being regarded as a hyperinflationary economy during 2016, resulting in hyperinflation accounting relating to MTN Sudan Company Limited not being applied from 1 July 2016 onward.

¹ Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the group financial statements.

Notes to the group financial statements continued

for the year ended 31 December 2017

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies¹ (continued)

1.3.4 Measurement principles

Key assets and liabilities shown in the statement of financial position are subsequently measured as follows:

Items included in the statement of financial position	Measurement principle	Items included in the statement of financial position	Measurement principle
ASSETS		LIABILITIES	
Non-current assets		Non-current liabilities	
Property, plant and equipment	Historical cost, less accumulated depreciation and impairment losses	Borrowings	Amortised cost
Intangible assets	Historical cost, less accumulated amortisation and impairment losses	Deferred tax liabilities	Undiscounted amount measured at the tax rates that have been enacted or substantively enacted and are expected to apply to the period when the liability is settled
Investments	Amortised cost/fair value	Provisions	Present value of the best estimate of the settlement amount
Goodwill	Historical cost, less impairment losses		
Investment in associates and joint ventures	Cost adjusted for share of movements in net assets, less impairment losses		
Loans and other non-current receivables	Amortised cost		
Deferred tax assets	Undiscounted amount measured at the tax rates that have been enacted or substantively enacted and are expected to apply to the period when the asset is realised		
Current assets		Current liabilities	
Inventories	Lower of cost and net realisable value	Trade and other payables	Amortised cost
Trade receivables	Amortised cost	Unearned income	Nominal value
Taxation prepaid	Amounts paid in advance to the tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date	Provisions	Present value of the best estimate of the settlement amount
Current investments	Amortised cost/fair value	Taxation liabilities	Amount expected to be paid to the tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date
Derivative assets	Fair value	Borrowings	Amortised cost
Restricted cash	Amortised cost	Derivative liabilities	Fair value
Cash and cash equivalents	Amortised cost	Bank overdrafts	Amortised cost

¹ Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the group financial statements.