

Notes to the group financial statements continued

for the year ended 31 December 2017

2 RESULTS OF OPERATIONS (continued)

2.4 Operating profit

Employee benefits

Short-term employee benefits

Salaries and wages, including non-monetary benefits and accumulated leave pay (remuneration), that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised as a liability and are measured at the amounts expected to be paid when the liabilities are settled. Remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period.

A liability for bonuses is recognised when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- There is a formal plan and the amounts to be paid can be reliably estimated; or
- Achievement of previously agreed bonus criteria has created a valid expectation by employees that they will receive a bonus and the amount can be reliably estimated.

Post-employment benefits

Group companies operate various defined contribution plans. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payment transactions

The group operates a number of share incentive schemes. For further details, refer to note 8.4.

Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date due to retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits at the earlier of the following dates:

- When the group can no longer withdraw the offer of those benefits.
- When the group recognises costs for a restructuring that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* that includes the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

Notes to the group financial statements continued

for the year ended 31 December 2017

2 RESULTS OF OPERATIONS (continued)

2.4 Operating profit (continued)

	2017 Rm	2016 Rm
Staff costs	(9 082)	(9 152)
Salaries and wages	(6 929)	(7 297)
Post-employment benefits	(362)	(388)
Share options granted to directors and employees (note 8.4)	(193)	40
Training	(252)	(238)
Other	(1 346)	(1 269)
The following disclosable items have been included in arriving at operating profit:		
Auditors' remuneration	(116)	(138)
Audit fees	(106)	(118)
Fees for other services	(5)	(15)
Expenses	(5)	(5)
Emoluments to directors and prescribed officers (note 10.1 and 10.2)	(269)	(229)
Operating lease rentals	(13 394)	(12 165)
Network sites and property	(13 302)	(12 082)
Equipment and vehicles	(92)	(83)
Research and development costs	(8)	(34)
Gain on disposal of property, plant equipment and intangible assets	8	43
Impairment loss on property, plant and equipment (note 5.1)	(2 518)	(175)
Net impairment loss on licences, software and other (note 5.2)	(527)	(30)
Write-down of inventories to net realisable value (note 4.1)	(162)	(39)
Impairment of trade receivables (note 4.2)	(836)	(459)
Professional and consulting fees ¹	(3 484)	(5 426)
Loss on dilution of investment in joint venture (note 9.2)	–	(626)
Share-based payment transaction with MTN Zakhele Futhi (note 8.1)	(434)	(1 008)

¹ Included in professional and consulting fees are professional fees incurred relating to the settlement of the Nigeria regulatory fine amounting to R1 324 million in 2016 (note 1.5.8).

In addition, the group incurred legal and other professional consulting fees of R735 million in relation to the listing of MTN Nigeria and the MTN Zakhele Futhi transaction in 2016.

Certain of the fees relating to the listing of MTN Nigeria have been paid based on underlying agreements for which services will be rendered until the listing, which is estimated to occur within 12 months after the reporting date. Such fees are amortised over the period to listing. Fees to date have been expensed as part of other operating expenses as the fees are not considered incremental to the issuance of equity instruments. Fees incurred in the future for the issuance of new shares will be accounted for directly against equity.