

Notes to the group financial statements continued

for the year ended 31 December 2017

2 RESULTS OF OPERATIONS (continued)

2.7 Earnings per ordinary share

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect. The company has dilutive potential ordinary shares which comprise share options and share rights issued in terms of the group's share schemes, performance share plan and the MTN Zakhele Futhi transaction (note 8.1).

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2015 issued by the South African Institute of Chartered Accountants (SAICA).

	2017 '000	2016 '000
Weighted average number of shares (excluding treasury shares) for calculation of basic earnings per share	1 797 414	1 819 974
<i>Adjusted for:</i>		
– Share options – MTN Zakhele Futhi	28 536	42 509
– Share appreciation rights	32	75
– Performance share plan	3 028	967
– Employee share ownership plan	5	–
Weighted average number of shares for calculation of diluted earnings per share	1 829 015	1 863 525

Refer to note 8.1 for a reconciliation of total shares in issue.

During 2016, the group implemented a new BBBEE transaction, structured through MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi) (note 8.1). The shares held by MTN Zakhele Futhi, although legally issued, are not deemed to be issued in terms of IFRS as the MTN Zakhele Futhi transaction has the substance of an option. As at 31 December 2016, 42 508 806 potential ordinary shares held by MTN Zakhele Futhi were not included in the calculation of diluted loss per share as they are antidilutive. In addition, as at 31 December 2016, 1 042 243 potential ordinary shares in the form of share options and share rights issued in terms of the group's share schemes and performance share plan were excluded from the calculation of diluted loss per share due to being antidilutive.

Notes to the group financial statements continued

for the year ended 31 December 2017

2 RESULTS OF OPERATIONS (continued)

2.7 Earnings per ordinary share (continued)

Reconciliation between net profit/(loss) attributable to the equity holders of the company and headline earnings/(loss):

	2017		2016	
	Gross Rm	Net ¹ Rm	Gross Rm	Net ¹ Rm
Profit/(loss) after tax		4 414		(2 614)
<i>Adjusted for:</i>				
(Profit)/loss on disposal of property, plant and equipment	(11)	(15)	(1)	4
– Subsidiaries (IAS 16)	(8)	(13)	4	8
– Joint ventures (IAS 28)	(3)	(2)	(5)	(4)
Profit on disposal of intangible assets	–	–	(47)	(59)
– Subsidiaries (IAS 38)	–	–	(47)	(59)
Impairment of goodwill (IAS 36)	2 631	2 631	873	873
Net impairment loss on property, plant and equipment and intangible assets (IAS 36)	3 045	2 319	205	199
Net (gain)/loss on dilution of investment in joint venture (IAS 28)	(28)	(28)	349	349
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	(27)	(27)	(31)	(31)
Profit on disposal of subsidiary (IFRS 10)	–	–	(130)	(130)
Profit on derecognition of equity-accounted investment (IAS 28)	(6 017)	(6 017)	–	–
Headline earnings/(loss)		3 277		(1 409)
		2017		2016
Earnings/(loss) per ordinary share (cents)				
– Basic		246		(144)
– Basic headline		182		(77)
– Diluted		241		(144)
– Diluted headline		179		(77)

¹ Amounts are measured after taking into account non-controlling interests and tax.

Headline earnings/(loss) is calculated in accordance with the circular titled 'Headline Earnings' as issued by the South African Institute of Chartered Accountants, as amended from time to time and as required by the JSE Limited.