

Notes to the group financial statements continued

for the year ended 31 December 2017

5 INFRASTRUCTURE INVESTMENTS

5.1 Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Property, plant and equipment acquired through business combinations are initially shown at fair value (based on replacement cost) and are subsequently carried at the initially determined fair value less accumulated depreciation and impairment losses.

Property, plant and equipment under construction (capital work in progress) are measured at initial cost and depreciation commences from the date the assets are transferred to an appropriate category of property, plant and equipment, i.e. when commissioned and ready for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment. The group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are expensed in profit or loss.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to provisions (note 6.3) for further information about the recognised decommissioning provision and the accounting judgements, estimates and assumptions made.

In circumstances whereby the group enters into an exchange transaction, the group determines whether such an exchange has commercial substance. Property, plant and equipment acquired in an exchange transaction are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. Any consideration paid or payable is included in the cost of the asset received. Property, plant and equipment received for no consideration are accounted for at zero value.

As the functional currencies of MTN South Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, property, plant and equipment relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation relating to the property, plant and equipment of MTN South Sudan Company Limited and MTN Syria (JSC) is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

Useful lives and residual values are reviewed on an annual basis and the effect of any changes in estimate is accounted for on a prospective basis.

In determining residual values, the group uses historical sales and management's best estimate based on market prices of similar items.

Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets.

Notes to the group financial statements continued

for the year ended 31 December 2017

5 INFRASTRUCTURE INVESTMENTS

5.1 Property, plant and equipment (continued)

The estimated useful lives of property, plant and equipment are as follows:

	2017 Years	2016 Years
Buildings – owned	5 – 50	5 – 50
Buildings – leased	1 – 20	1 – 20
Network infrastructure	2 – 20	2 – 20
Information systems equipment	1 – 10	1 – 10
Furniture and fittings	3 – 15	3 – 15
Leasehold improvements	2 – 15	2 – 15
Office equipment	2 – 12	2 – 12
Motor vehicles	3 – 10	3 – 10

Land is not depreciated. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the expected term of the relevant lease.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are included in profit or loss during the financial period in which they are incurred. The gain or loss arising on the disposal or retirement of an asset is included in profit or loss.

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Goodwill arising from business combinations is allocated to CGUs or the group of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is subsequently reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

The group annually reviews the carrying amounts of its property, plant and equipment in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Notes to the group financial statements continued

for the year ended 31 December 2017

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

	Land and buildings ¹ Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work in progress/other Rm	Vehicles ² Rm	Total Rm
Carrying amount at 1 January 2016	7 038	1 433	80 787	4 222	12 683	539	106 702
Acquisitions through business combinations	–	–	157	–	1	–	158
Additions	186	62	13 383	1 630	16 593	83	31 937
Disposals	–	(1)	(205)	(6)	(63)	(34)	(309)
Reallocations ³	226	137	13 567	1 033	(15 358)	40	(355)
Depreciation for the year	(449)	(298)	(17 871)	(1 840)	(334)	(196)	(20 988)
Impairment loss	–	(9)	(147)	(6)	(12)	(1)	(175)
Other movements	(10)	(4)	234	(64)	19	(2)	173
Effect of movements in exchange rates ⁴	(765)	(244)	(17 025)	(897)	(2 466)	(113)	(21 510)
Carrying amount at 31 December 2016	6 226	1 076	72 880	4 072	11 063	316	95 633
Comprising:							
Cost	9 021	3 194	159 615	13 244	12 444	971	198 489
Accumulated depreciation and impairment losses	(2 795)	(2 118)	(86 735)	(9 172)	(1 381)	(655)	(102 856)
	6 226	1 076	72 880	4 072	11 063	316	95 633
Carrying amount at 1 January 2017	6 226	1 076	72 880	4 072	11 063	316	95 633
Additions	474	165	16 520	1 317	9 423	105	28 004
Disposals	–	(2)	(105)	(3)	(38)	–	(148)
Reallocations	166	391	8 331	551	(9 729)	88	(202)
Depreciation for the year	(417)	(256)	(16 471)	(1 663)	(314)	(156)	(19 277)
Impairment loss	(49)	(11)	(1 673)	(40)	(742)	(3)	(2 518)
Other movements	–	1	4	8	130	6	149
Effect of movements in exchange rates ⁴	(307)	(81)	(7 949)	(342)	(1 144)	(32)	(9 855)
Carrying amount at 31 December 2017	6 093	1 283	71 537	3 900	8 649	324	91 786
Comprising:							
Cost	9 136	3 459	160 983	13 359	10 701	955	198 593
Accumulated depreciation and impairment losses	(3 043)	(2 176)	(89 446)	(9 459)	(2 052)	(631)	(106 807)
	6 093	1 283	71 537	3 900	8 649	324	91 786

¹ Included in land and buildings are leased assets with a carrying amount of R128 million (2016: R144 million).

² Included in vehicles are leased assets with a carrying amount of R47 million (2016: R60 million).

³ Reallocations in 2016 include an amount of R69 million relating to property, plant and equipment reallocated to non-current assets held for sale which were disposed of in 2016.

⁴ Includes the effect of hyperinflation.

Notes to the group financial statements continued

for the year ended 31 December 2017

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.1 Impairment loss

The following entities recognised impairment losses/(reversals) in other operating expenses in profit or loss:

	2017 Rm	2016 Rm
MTN Nigeria Communications Limited	(31)	4
MTN South Sudan Limited	16	139
MTN Afghanistan Limited	21	–
MTN Sudan Company Limited	1 518	–
MTN Syria (JSC)	994	–
MTN Yemen	–	32
	2 518	175

MTN Sudan was operating in a hyperinflationary economy up to 30 June 2016 while MTN Syria (JSC) continues to operate in a hyperinflationary economy. Hyperinflation accounting resulted in the write up of non-monetary assets and a resulting increase in the carrying value of these operations. The value in use of these assets did not exceed the hyperinflated carrying values resulting in the non-monetary assets being impaired, as the goodwill relating to MTN Sudan Company Limited and MTN Syria (JSC) was fully impaired. Further information is disclosed in note 5.2.1.

5.1.2 Leased property, plant and equipment

The group leases various premises and sites which have varying terms, escalation clauses and renewal rights. The carrying amount of the leased items of property, plant and equipment is disclosed in note 5.1.

Finance lease commitments are disclosed in note 6.6.

5.1.3 Capital work in progress

There are various capital work in progress projects under way within the group, a summary of which is set out below:

	2017 Rm	2016 Rm
Mobile Telephone Networks Proprietary Limited (South Africa)	151	800
Scancom Limited (Ghana)	676	833
MTN Sudan Company Limited	9	767
MTN Nigeria Communications Limited	519	620
Areeba Guinea S.A.	111	122
MTN Côte d'Ivoire S.A.	100	132
Spacetel Benin S.A.	158	259
MTN (Dubai) Limited	168	205
MTN Yemen	186	312
MTN Syria (JSC)	873	1 266
MTN Congo S.A.	315	263
MTN Cameroon Limited	728	456
Lonestar Communications Corporation LLC	153	107
MTN Zambia Limited ¹	80	50
MTN Uganda Limited ¹	103	16
MTN Cyprus Limited ¹	53	25
Spacetel Guinea-Bissau S.A. ¹	15	90
Other	128	143
	4 526	6 466

¹ Previously included in other.

Notes to the group financial statements continued

for the year ended 31 December 2017

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.4 Changes in estimates

There were no material changes in the depreciation method, residual values or useful lives for any of the categories of property, plant and equipment during the current or prior year.

5.1.5 Encumbrances

Borrowings (note 6.1) are secured by various categories of property, plant and equipment with the following carrying amounts:

	2017 Rm	2016 Rm
Scancom Limited (Ghana)	6 226	5 973
MTN Sudan Company Limited	1 325	4 786
MTN Congo S.A.	–	4
	7 551	10 763

5.2 Intangible assets and goodwill

Goodwill

Goodwill is measured at cost less accumulated impairment losses and is not amortised but tested for impairment annually.

As the functional currencies of MTN South Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, goodwill relating to these subsidiaries is restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill arising on the acquisition of an associate or joint venture is included in 'Investment in associates and joint ventures', and is tested for impairment as part of the overall balance.

Gains or losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

The group annually reviews the carrying amounts of intangible assets with indefinite useful lives for impairments. The recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Intangible assets with finite useful lives

The group's intangible assets with finite useful lives are as follows:

- Licences;
- Customer relationships;
- Computer software; and
- Other intangible assets.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses. The initial cost incurred in respect of licences is capitalised. Contingent licence fees are expensed as they are incurred.

As the functional currencies of MTN South Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, intangible assets relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. Amortisation relating to MTN South Sudan Company Limited and MTN Syria (JSC) is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero.