

Notes to the company financial statements continued

for the year ended 31 December 2017

4 INCOME TAX EXPENSE

Refer to note 3.1 of the group financial statements for the applicable accounting policy.

	2017 Rm	2016 Rm
Normal tax – current year	(10)	(1)
South African normal taxation is calculated at 28% (2016: 28%) of the estimated taxable income for the year.		
	2017 %	2016 %
Tax rate reconciliation		
The charge for the year can be reconciled to the effective rate of taxation in South Africa as follows:		
Tax at statutory tax rate	28	28
Income not subject to tax	(28,8)	(28,8)
Expenses not allowed	0,9	0,8
Effective tax rate	0,1	*

* Percentage less than 0,1%.

5 INVESTMENT IN SUBSIDIARIES

The company accounts for investments in subsidiaries at cost, less accumulated impairment losses. Interest-free loans owing to the company by its subsidiaries, with no repayment terms, are included in the cost of the investment.

The group structure and company's subsidiaries are disclosed in note 9.1 of the group financial statements.

	2017 Rm	2016 Rm
Total interest in Mobile Telephone Networks Holdings Limited ¹	22 260	22 260
Total interest in MTN Group Management Services Proprietary Limited	57	57
Total interest in Mobile Telephone Networks Proprietary Limited ²	1 441	1 008
Total interest in subsidiary companies	23 758	23 325

¹ During the 2016 year, the company provided guarantees to Mobile Telephone Networks Holdings Limited for no compensation and the fair values thereof have been recognised as part of the cost of the investment.

² The increase in the investment in Mobile Telephone Networks Proprietary Limited during 2017 relates to the share-based payment transaction undertaken by the group with MTN Zakhele Futhi (note 8).