20 P10neering *the way*

MTN Group Limited
Integrated Business Report for the year ended 31 December 2010

everywhere you go

About this report

This year, MTN Group Limited ("MTN", "the Group") has made changes to the way it reports, working towards producing a more integrated publication as recommended in the revised King Code on Governance Principles for South Africa (*King III*)*. King III and the* Framework for Integrated Reporting *discussion paper recommend that companies should not only report on their financial performance, but also on their sustainability by disclosing social, environmental and economic impacts and influences, both positive and negative. MTN has embarked on a journey towards providing a more comprehensive picture of the Group in one integrated document. It has identified an integrated risk matrix of the Group which incorporates operational mitigation as well as the Group's economic, social and environmental initiatives aimed at providing long-term sustainability of the Group. This matrix forms a thread throughout the performance narrative including the chairman and Group president and CEO statements where it is considered in a strategic context and in the operational and financial review where details of specific initiatives are included. However, for more detailed information on the Group's sustainability initiatives, risk management and corporate governance, stakeholders are directed to the separate sustainable development report, available at www.mtn.com. MTN welcomes feedback from stakeholders at investor_relations@mtn.co.za.*

Scope and boundary of this report

MTN Group Limited's integrated report is released at least 15 business days prior to its AGM in June. The report covers the period from 1 January 2010 to 31 December 2010. It provides a general narrative on the performance of the Group's business across 21 markets in the Middle East and Africa, but focuses its detailed commentary on the operational performance of its main businesses in Nigeria, Ghana, Syria, South Africa and Iran. In the first three of these, MTN Group owns a majority stake. In South Africa, MTN's operation is wholly owned by the Group and in Iran MTN has a 49% share of MTN Irancell. MTN reports more comprehensively on these five operations as their performance has the potential to have a material impact on the overall sustainability of the Group. Included in the report are the Group's consolidated annual financial statements.

Reporting principles

MTN is a company incorporated in South Africa under the provisions of the Companies Act and complies with the principles of King II, the Companies Act and the JSE Limited Listings Requirements and other legislation requirements. The Group subscribes to high ethical standards and principles of corporate governance and is in the process of ensuring full compliance with King III, published in 2010, and with the provisions of the new Companies Act, expected to be promulgated in the current year. For more details, and an overview of the Group governance structure, please see the corporate governance section on page 24.

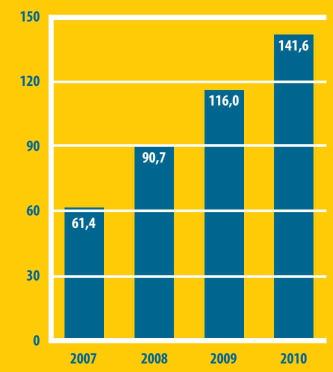
In addition to the above the Group follows International Financial Reporting Standards (IFRS) to compile its annual financial statements. For reporting on sustainability issues it also complies with Global Reporting Initiative (GRI) standards including the Telecommunications Sector supplement pilot. We have also consulted the ISO 26000: 2010 Guidance on Social Responsibility, and integrated results of initial engagement with stakeholders based on the AccountAbility AAA1000 Stakeholder Engagement Standard.

Assurance: *On the basis of the recommendations from the joint auditors (PricewaterhouseCoopers Inc and SizweNtsaluba VSP) the audit committee provides assurance on the annual financial statements, . MTN is working towards its first sustainability report assurance for presentation in 2012.*

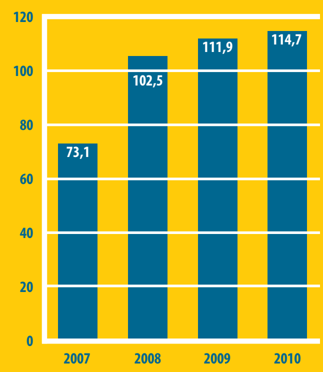
The board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the integrated report and in its opinion, the report starts a process to better address all material issues, endeavouring to present fairly the integrated performance of the Group and its impacts.

Financial highlights

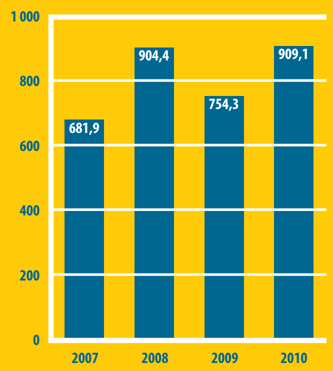
Subscribers (m)



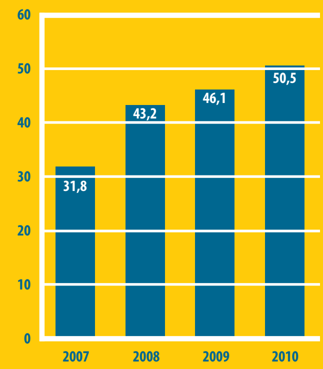
Revenue (Rbn)



Adjusted HEPS (cents)*



EBITDA (Rbn)*



** Excluding the impact of MTN Zakhele transaction.*

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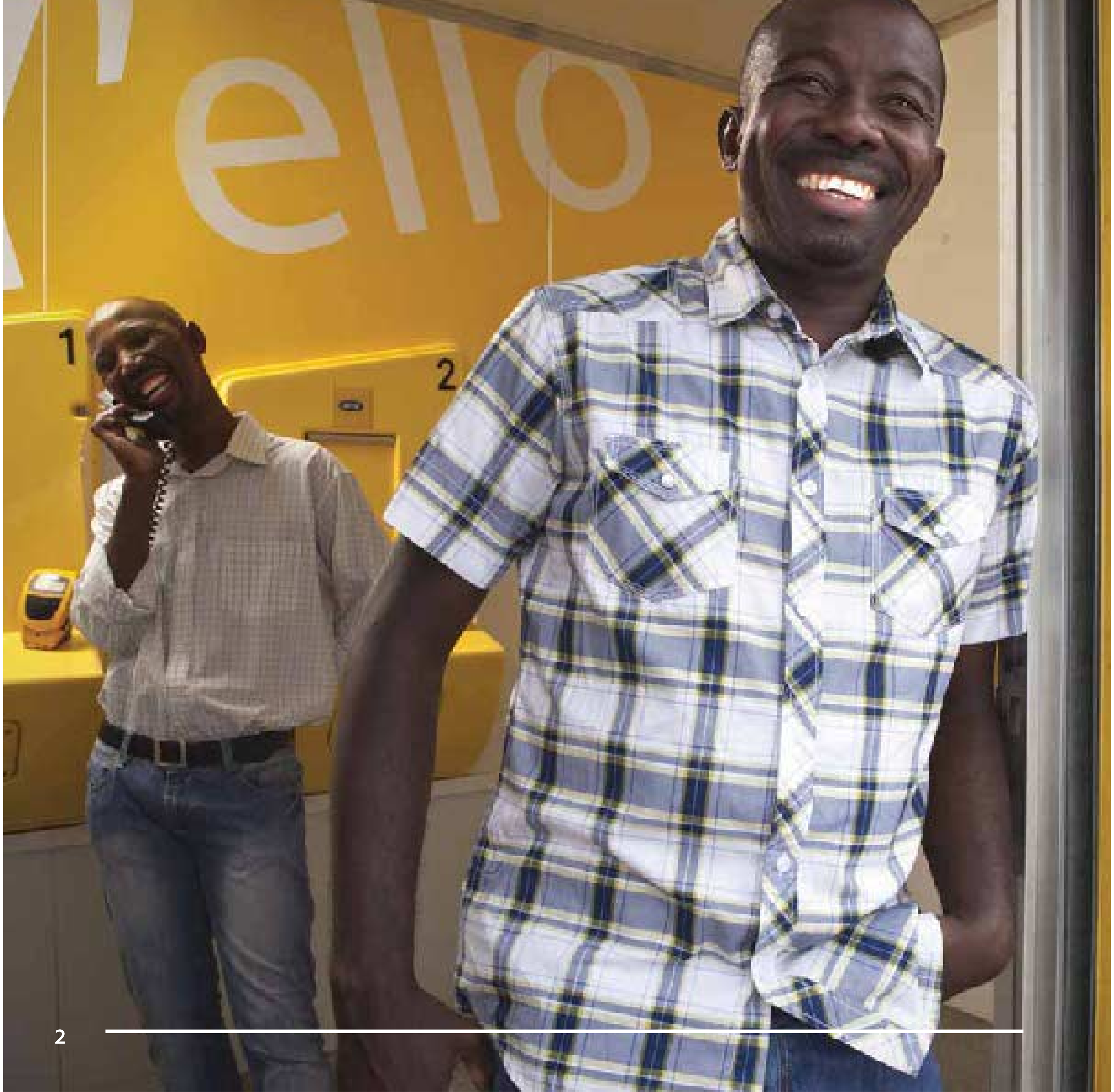

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2010 Pioneering the way

MTN is committed to connecting the emerging world. This is evident from our footprint that extends over 21 operations, covering a population of 552 million people with more than 36 750 base transceiver stations across its markets. The efficient ***distribution*** networks ensure that our products and services are available everywhere you go.

Profile

Incorporated in 1994, MTN Group Limited is a multi-national telecommunications group offering voice and data communications products and services to individuals and businesses. MTN has GSM licences in 21 countries and internet service provider businesses in 13 countries, spanning three continents. At the end of December 2010, it had 141,6 million total subscribers. In 2010, its revenues reached R114,7 billion and it invested R19,5 billion in developing its network infrastructure, bringing to more than 36 750 the total number of MTN BTS. MTN also made investments in fibre optic cables as well as growing access to broadband capacity on undersea cables. MTN predominantly uses independently owned outlets to distribute its products and services, but also has own branded stores.

MTN's vision is to be the leading telecommunications provider in emerging markets. It has 34 558 employees who communicate in five official languages and represent 55 nationalities. In 2010, MTN invested R246 million on employee development.

MTN Group Limited's head office is in Johannesburg, South Africa, where the Group is listed on the JSE Limited under the share code "MTN". MTN is the largest primary listing on the exchange. MTN also has a level 1 American Depository Receipt Programme. The Group operates in three regions: South and East Africa (SEA), West and Central Africa (WECA), and the Middle East and North Africa (MENA).

- **MTN SEA** is made up of GSM licences in MTN South Africa, MTN Swaziland, MTN Zambia, MTN Uganda, MTN Rwanda and Mascom Botswana and ISP businesses in South Africa, Uganda, Rwanda, Zambia, Namibia, Kenya and Botswana.

- **MTN WECA** comprises GSM licences in MTN Nigeria, MTN Ghana, MTN Cameroon, MTN Congo-Brazzaville, MTN Côte d'Ivoire, MTN Benin, MTN Guinea-Bissau, MTN Guinea Conakry and MTN Liberia and ISP businesses in Nigeria, Cameroon, Côte d'Ivoire and Ghana.

- **MTN MENA** consists of GSM licences in MTN Irancell, MTN Syria, MTN Sudan, MTN Afghanistan, MTN Yemen and MTN Cyprus and ISP businesses in Syria and Cyprus.

The core of MTN offerings include:

- Voice services via 2G and 3G networks, including prepaid and postpaid airtime (on various price plans), please-call-me message service, international roaming, electronic voucher distribution services and community payphones.
- Mobile and fixed data products, including short message service (SMS), multimedia message services (MMS), internet access via various technologies (including 3G, WiMax, EDGE, HSPA), MTN MobileMoney, content portal MTN Play, Google SMS information services, USSD services (including callback and balance enquiries) and corporate data services.

In certain markets MTN also serves corporate customers providing solutions designed to manage costs, improve efficiencies and deliver consistent quality. Among these are: data solutions, satellite connectivity, infrastructure solutions (data centres and hosting solutions), customer and productivity solutions, converged services and other support and sector-specific services.

MTN's business model is evolving. Although there is still considerable untapped demand for voice services in many markets, MTN is also investing in and expanding its infrastructure to enable more use of data services. As smartphones become more accessible to more people, demand for internet services grows and so MTN's opportunity expands.

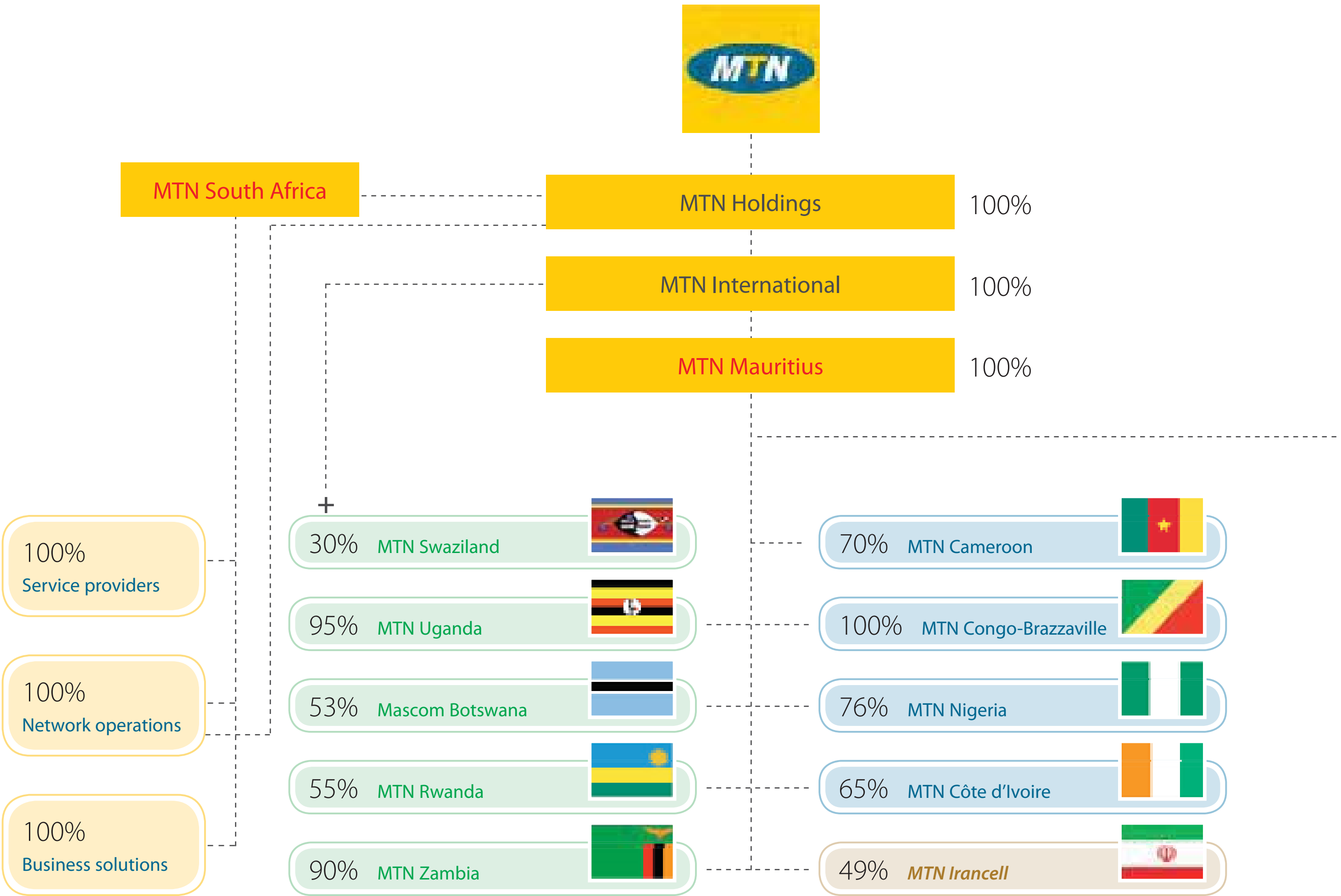
Key statistics

	2010	2009	Comments
Countries in which MTN has GSM licences	**21**	21	
Subscriber numbers	**141,6 million**	116,0 million	
Countries in which MTN has largest market share	**15**	15	
Market capitalisation	**R253 billion**	R217 billion	
Share price at year end	**R134**	R118	
Revenue	**R114,7 billion**	R111,9 million	
Data's contribution to revenue[1]	**11,1%**	8,5%	
EBITDA	**R50,5 billion**	R46,1 billion	
EBITDA margin[2]	**44,0%**	41,1%	
Average foreign exchange rates (rand to local currency)			
Nigerian naira	**20,67**	17,83	(16%)
Ghanaian cedi	**0,20**	0,17	(18%)
Iranian rial	**1 401**	1 195	(17%)
Average rand/dollar rate	**7,34**	8,32	+12%
Dividend payout ratio	**55%[3]**	25%	
Capital expenditure	**R19,5 billion**	R31,2 billion	
Investment in undersea cables since 2008	**R1,3 billion**	not applicable	
Internal audit hours	**130 000**	110 000	160 000[4]
Employees	**34 588**	34 543	
Investment in employee training	**R246 million**	not available	
CO_2 emissions from energy use[5]	**1 124 000 tonnes**	565 000 tonnes	
Scope 1	**743 000 tonnes**	280 000 tonnes	
Scope 2	**379 000 tonnes**	281 000 tonnes	
Scope 3	**4 000 tonnes**	4 000 tonnes	
Countries in which MTN deploys alternative energy	**14**	not available	
Investment in e-waste pilot (South Africa)	**R9,3 million**	not applicable	
Investment by MTN foundations	**$23 398 767**	not available	
Brand value[6]	**$4 920 million**	$4 693 million	

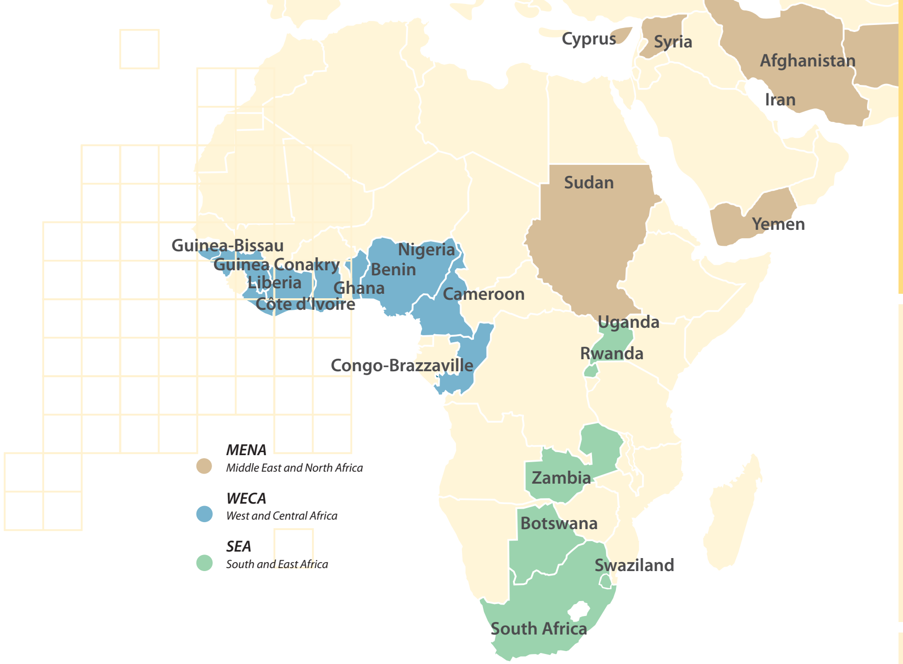
Note 1: Including SMS revenue
Note 2: Excluding MTN Zakhele
Note 3: Interim dividend introduced in 2010
Note 4: Projected for 2011
Note 5: This increase was the result of the inclusion of more MTN operations, as well as an increase in the scope and accuracy of the data.
Note 6: MTN is the only African brand in the 2011 BrandFinance®Global500, ranked 199.

As the integrated reporting process advances, MTN will provide more targets on key sustainability measures.

Group structure



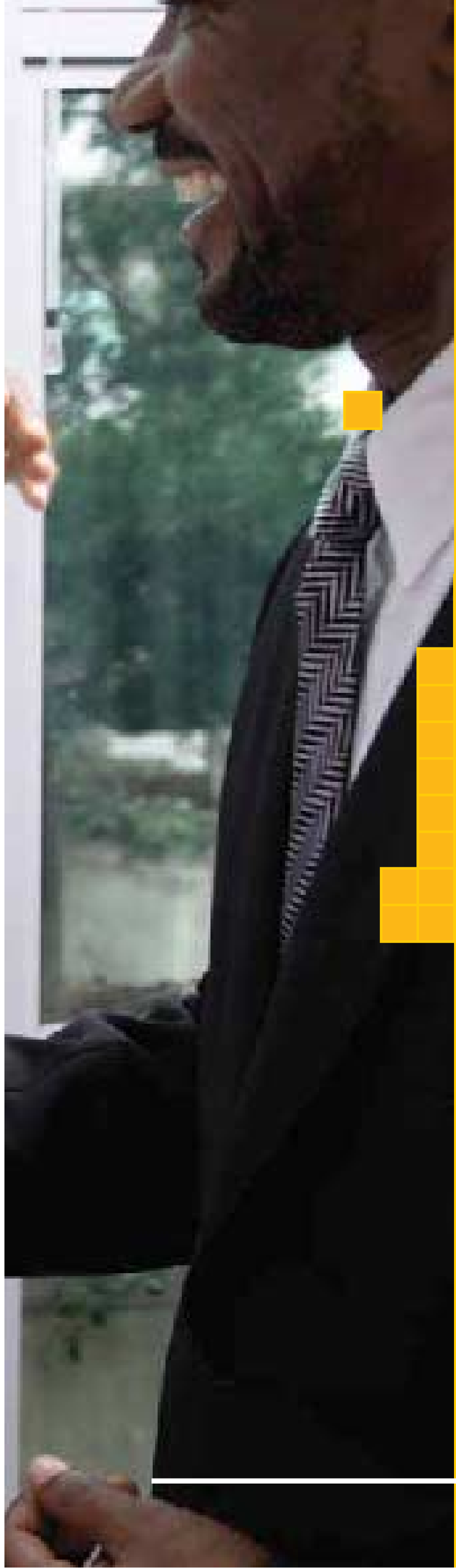
Legal ownership



MTN Dubai 100%

- 75% MTN Guinea Conakry
- 98% MTN Ghana
- 60% Lonestar Liberia
- 83% MTN Yemen
- 85% MTN Sudan
- 75% MTN Benin
- 100% MTN Guinea-Bissau
- 75% MTN Syria
- 50% MTN Cyprus
- 91% MTN Afghanistan

20% Belgacom International Carrier Services



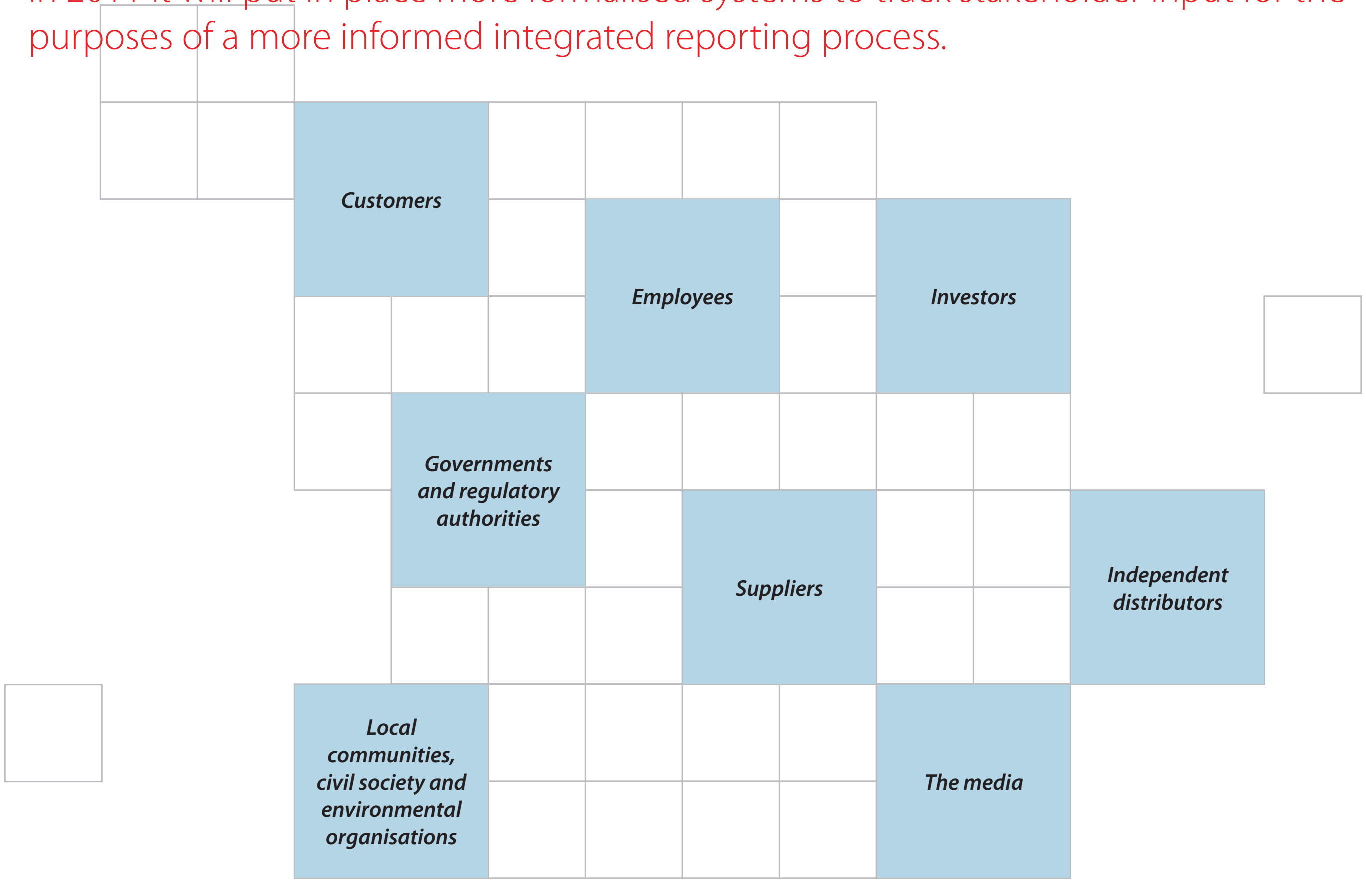
2010

Pioneering *the way*

MTN is a communications company that is inspired by bold and visionary ***leadership***, through which we endeavour to accelerate development in the emerging world.

Key relationships

As a step towards better articulating MTN's key relationships, the Group has identified its most important stakeholders in the graphic below. MTN has considered the interest, impacts and influences of all its stakeholders. Although the Group and its operating companies already maintain constructive relationships with stakeholders, in 2011 it will put in place more formalised systems to track stakeholder input for the purposes of a more informed integrated reporting process.



Integrated risk summary

MACRO

Exposure to currencies other than reporting currency
Exposure to various currencies has an impact on MTN's rand reported financial results and the servicing of foreign denominated expenses and liabilities. Fluctuations in the NGN/USD and the USD/ZAR have the most impact on the results.

Exposure to high risk countries
MTN's strategy is to be the leader in telecommunications in emerging markets. Emerging markets are generally higher risk countries. These risks include limited infrastructure, immature or unpredictable legal environments, human rights and security considerations as well as sanctions.

SECTOR

Increased regulation
Telecommunications is a regulated industry and of strategic importance as a key element of infrastructure to countries in which MTN operates. Regulatory requirements include telecommunication-related regulation such as licence renewals, SIM card registration, mobile termination rates as well as tax and central bank regulation which may have a negative impact on the Company's revenue and profitability.

OPERATIONAL

Shortage of skilled human resources
Experienced and skilled human resources in the telecommunications industry are scarce, potentially affecting business efficiency and effectiveness. This is exacerbated as competitors, also in search of similar expertise, attempt to attract MTN's pool of talent.

Inability to timeously, effectively and efficiently invest and upgrade network and IT technology
Although investments in networks is less of an issue than it was prior to MTN's extensive capital expenditure programme in 2008 and 2009, investment is required to ensure capacity for new subscribers and more traffic from tariff reductions. Equally important is the planning of networks and IT technology upgrades to ensure appropriate ROI and the timely roll out to ensure the opportunity is not lost.

Poor customer experience
In order for MTN to maintain its leadership position and positive brand perception the customer experience is important. Ensuring MTN's products are widely available with good customer service on all product ranges through all customer touch points are key factors.

Inadequate governance and control
The implementation of mature and well controlled processes such as revenue assurance, procurement, asset management and certain key financial controls are critical to MTN both from a profitability and governance point of view. In addition, aspects such as proper business continuity management procedures and governance structures are key factors.

STRATEGY

Slowing revenue growth
Subscriber growth is slowing as a result of increased voice penetration, more aggressive competition and increasing substitute products – for example VOIP and other internet-based product offerings. These factors require MTN to respond to evolving industry and consumer trends toward a broader product offering including mobile and fixed data and other services. Regulatory interventions such as reduced interconnect tariffs creates additional pressure on revenue.

Inability to maintain and/or grow profitability
In combination with slowing revenue growth, MTN's ability to maintain/reduce it costs is critical in order for it to continue to operate at historical profitability levels. Reducing the cost base and/or increased efficiencies will allow MTN to service lower-end customers as well as deliver a different product mix profitably.

Risk mitigation table

	Integrated risks	Operational mitigation	Social/economic and environmental sustainability
MACRO	**Exposure to currencies other than reporting currency**	Increasing diversification of the operating portfolio will reduce concentration of risk. Operations are managed on a local currency basis. Cash flow and foreign exchange risk is managed through treasury policy and committee oversight. Much of this risk is also an opportunity.	MTN supports local banking markets, providing an opportunity to develop the banking industry, keep profits local and decreasing potential volatility on local currencies by moving cross border flows to receive and service obligations.
	Exposure to high risk countries	Diversification of the operating portfolio through further M&A, in other emerging markets. An independent and dedicated risk management team monitors country risk and business continuity. Sound governance is ensured through the representation of independent non-executive members on all boards while representation of local shareholders provides local insight and understanding. MTN takes a politically neutral stance but does engage – through its dedicated stakeholders relationship function. MTN adheres to a strong code of conduct. There are various initiatives aimed at managing the impact of sanctions including in separating funds management from sanctioned countries.	MTN has a commitment to support local ownership, usually through private placements or OTC trading. These structures are also beneficial to the Company as local insight and understanding is shared. It is usually the largest national taxpayer and/or employer. It is involved in local social initiatives and its product is relevant to improving the lives of the local population.
SECTOR	**Increased regulation**	MTN has taken actions including continued constructive and transparent engagement with authorities at a Group and country level to ensure the success of social and commercial imperatives. This is best done through proactive relationships and insights into national challenges. MTN has also adopted a Group-wide tax risk management process to proactively as well as reactively consider the implications of changing legislation and management of these risks.	Every operation has a dedicated regulatory team lead by a local member of the executive team. Again MTN's local approach aimed at maintaining better relationships does assist, as does proactive engagement with regulators, showcasing international best practice and educating on environmentally friendly solutions. MTN engages on a range of social and environmental activities with government bodies.
STRATEGY	**Slowing revenue growth**	It is key to MTN to maintain its leadership position. MTN has embarked on a strategy to effectively penetrate deeper into the untapped voice markets by introducing a segmentation approach to better understand the customer and therefore offer more effective value propositions. This has been combined, in many countries, with the implementation of a more effective distribution strategy and framework. It has also recognised the need to diversify its revenue stream thereby offering its customers a more holistic service. MTN it has acquired ISPs in a number of countries and has been increasingly introducing more non-voice products including data and mobile money. In 2010 a dedicated commercial function under a senior VP at a Group level was introduced for further development and implementation of these strategies. MTN has also invested in undersea cables which will allow for cheaper broadband for MTN which will in turn make data products more affordable and accessible. This together with the decreases in the price and distribution of smartphones will help penetrate the untapped data market which presents a large opportunity for MTN.	Segmentation of the market creates more affordable technology solutions to lower income segments of the market increasing communication for the broadest possible group of people. Services in line with data strategy include banking the "unbanked", e-health and relevant social initiatives. MTN's foundations are focused on education, health and other social and economic upliftment projects of communications. This helps increase literacy which is a stimulus for social and economic development in the country and will support further data.

Integrated risks		Operational mitigation	Social/economic and environmental sustainability
STRATEGY	**Inability to maintain and/ or grow profitability**	MTN has aggressively over the last year been putting measures and structures in place to reduce costs to better respond to the evolving business model including new systems and processes. Although some of these initiatives are still in their infancy, many areas have been identified including a focused and ongoing procurement drive, infrastructure sharing (MTN has established a Tower Co in Ghana), shared services and outsourcing non-core activities, improving efficiency of the distribution channel, as well as tools such as ABC to leverage lessons and best practice across the Group. Revenue opportunities up and down the value chain are often being considered on a collaborative basis.	Outsourcing, shared services and similar create opportunities for local entrepreneurs as well as the leveraging of local resources.
OPERATIONAL	**Shortage of skilled human resources**	MTN strives to be an employer of choice. it is on a continuous basis reviewing and enhancing its retention incentives to staff. These include competitive remuneration practices which cover both short- and medium-term incentives. MTN has also established an Academy as well as a talent management programme building leadership succession pools headed by a talent board under the chairmanship of a non-executive director. The diversity of its operations together with its sound reputation put it at an advantage when securing talent.	Addressing scarcity of skills have directed the MTN Academy's initiatives to include more strategic investments in learning and organisational development across the group and its operations.
	Inability to timeously, effectively and efficiently invest and upgrade network and IT technology	Networks are monitored continuously ensuring adequate quality and headroom capacity. Standardisation and optimisation of systems and technologies together with outsourcing of non-core activities does not only provide reduced costs but also ensures discipline and focus on critical business requirements. Each operation has a capital expenditure steering committee to drive the initiatives implemented by the Group's CTIO's office.	Infrastructure sharing addresses environmental issues including CO_2 challenges. Energy efficient strategies including solar powered base stations, engineered solution efficiencies and a focus on waste mitigation.
	Poor customer experience	MTN has, in most countries, implemented a streamlined distribution framework which includes an enhanced and effective footprint to ensure broad and deep distribution. Customer service also forms part of the distribution framework and includes the regular training for store and call centre staff on new developments relating to products and services. This is aimed at ensuring a good and consistent MTN experience.	In many of our markets the distribution channels have created job opportunities. The commercial opportunities of the business has been taken further in some countries where MTN has assisted individuals from communities to establish their own businesses, also providing them with the various skills they require to effectively run businesses.
	Inadequate governance and control	Maturity of MTN's control environment and governance structures continues to improve. Comprehensive governance and oversight structures exist including audit committees, risk committees, internal audit, fraud prevention and risk management measures covering all OPCOs in the Group. Although there will always be areas of focus as far as the control environment is concerned, MTN has made tremendous progress on this aspect. MTN has done a comprehensive assessment of the King III requirements especially on aspects like combined assurance, IT governance, integrated reporting and compliance and projects are currently underway to address whichever gaps may exist in MTN's compliance on this topic.	MTN not only focuses on these issues internally but also in all of its external dealings bringing an understanding and appreciation in the communities in which it operates.

Through our unique culture and Can-Do spirit, we have become the ***preferred mobile operator*** in the emerging world and Africa's only global sponsor of the 2010 FIFA World Cup™.

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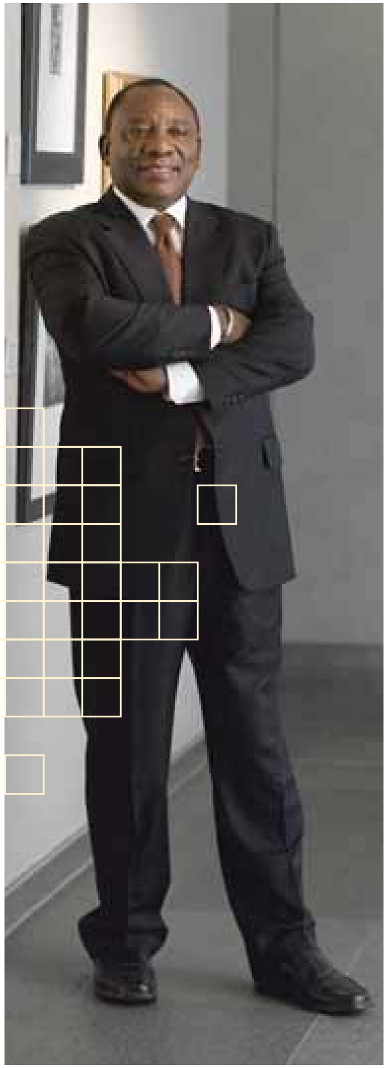
the way

Chairman's statement



Cyril ***Ramaphosa***
Chairman

"The board is able to balance its growth aspirations with that of ensuring improved short-term returns to shareholders."

Integrating our reporting

This year, MTN has started on a journey to provide a more integrated report, in terms of its social, environmental, economic and financial impacts and influences. This is one of the recommendations of the revised King Code and Report on Governance for South Africa (King III), which was published in 2010. The Group has worked towards ensuring compliance with King III's many other guidelines as well as additional regulatory requirements in line with international best practice.

Increasing returns to shareholders

The activities of MTN have for many years been guided by its vision to be a leader in telecommunications in emerging markets, supported by the following key strategic pillars:

- participating in the consolidation of the emerging markets' telecoms sector and reducing the concentration of MTN's earnings;
- leveraging MTN's existing footprint and intellectual capacity; and
- pursuing convergence and operational excellence.

MTN has delivered on this strategy through the various organic and acquisitive opportunities it has invested in to date.

In line with its ongoing pursuit of value-accretive opportunities, during the first half of 2010 MTN entered into discussions with an African and Middle Eastern telecoms operator relating to the acquisition of certain of that operator's businesses. However, the discussions were terminated on 9 June 2010 and on 15 July 2010, the board of MTN announced a shift in the priority of its strategic pillars. Although the board will continue to evaluate value-accretive opportunities, it has recognised that limited transformational opportunities exist within emerging markets. The board anticipates that the Group will generate increased cash flow through lower capital expenditure and relatively stable EBITDA margins in the period ahead. As a consequence, the board is able to balance its growth aspirations with that of ensuring improved short-term returns to shareholders.

On 20 August 2010, MTN announced its maiden interim dividend, together with an increased dividend payout ratio of 40%. A further increase in the dividend payout ratio to 55% of the full-year adjusted earnings per share was advised on 9 March 2011 when the Group announced its full-year results.

Confronting challenges

MTN's 2010 results were achieved under challenging conditions: competition intensified, regulators continue to be more demanding, the global economy's recovery from recession was sluggish and the rand remained strong. But many emerging markets and economies – indeed, many of the markets in which MTN operates – proved to be relatively resilient.

Africa is considered by some as the last frontier of growth: its resource-dependent economies are slowly diversifying and more of its people are moving into the cities. MTN considers there to be considerable opportunity for greater mobile penetration and other value-added services in this region, one in which MTN feels comfortable doing business, helped by its experience of the past 16 years. MTN's participation in the first FIFA World Cup™ on African soil proved this.

However, the current political upheaval in North and West Africa and the Middle East shows that operating in emerging markets requires long-term commitment and a steady hand as risks – be they political, economic, financial, social or regulatory – can, at times, appear overwhelming.

MTN adheres to a strong code of conduct and monitors country risks continuously, leveraging its dedicated risk management and stakeholder relationship function. It is constantly seeking to improve its medical, security and crisis risk management initiatives.

Engaging with regulators, developing new revenue streams and facing competition

Many countries consider the telecommunications industry to be one of strategic national importance. This, perhaps, has been one reason for increasing regulation across MTN's footprint. In 2010, regulators in South Africa and Nigeria reduced mobile termination rates. The registration of each customer's personal details was also implemented in these two important markets, as well as in several other countries.

MTN undertakes constructive and transparent engagement with regulators and has set up dedicated regulatory teams in each market to foster better communication.

Mobile licences continue to be issued in many markets, increasing competition. There are some operators whose business models appear to focus primarily on short-term tariff reduction. However, recent evidence suggests the preference of some regulators for a floor on tariffs. This is aimed at ensuring the sustainability and long-term commercial success of the sector. In turn, it is based on a growing acceptance of the important role of sound, reliable telecommunications businesses, and not forgetting the considerable taxes paid by these companies.

In recent years there has been an increase in the importance and focus on data and related products and services although these are still very much in their infancy in many of the markets in which MTN operates.

Various efficiency initiatives, including the conclusion of an infrastructure sale and lease back agreement in Ghana, address the mitigation of risks associated with the evolution of the industry and are dealt with in the operational sections of this report.

Focusing on the environment

MTN Group made considerable progress in integrating environmental matters into its core operations in 2010.

This is an important advance: many of the markets in which the Group operates are among the most vulnerable to climate change.

MTN is defined as a medium-impact company, and in 2010 worked to foster more responsible practices and efforts to preserve the environment and help mitigate the effects of global warming. MTN has investigated low-carbon and renewable sources of energy to power its base transceiver sites in a number of operations and is already reaping the rewards through lower operating costs, emissions and regulatory risk.

While many players in the information and communications technology sector are putting together programmes to step up the industry's energy efficiencies, the sector's biggest influence will be through playing an enabling role in fostering energy efficiency in other sectors. MTN's leverage of this includes machine-to-machine solutions, teleconferencing and telepresence and a recent energy efficient data centre which improves the cost base for corporate customers.

MTN's environmental efforts are detailed in the carbon footprint report on the JSE's Socially Responsible Investment Index and in the Group's sustainability report available on www.mtn.com/sustainability.

Working with communities

In 2010, MTN continued to work with communities mainly through MTN Foundations which facilitate and fund various initiatives and partnerships aimed at stimulating and contributing to both economic and social development.

By its very nature, MTN's offering is a key element of countries' infrastructure and an enabler of development. The Group works to enhance wider access to mobile services, promoting inclusivity. It strives to build its network responsibly, by ensuring safety for people and the environment and securing customer privacy.

One of the highlights of 2010 was the finalisation of MTN Zakhele – the largest black economic empowerment equity ownership deal in the South African telecoms sector. The result is an initiative that not only demonstrates MTN's commitment to the codes of black economic empowerment in South Africa but more importantly contributes to the sustainable economic and social development of previously disadvantaged people.

Appreciating outstanding leadership

The year under review was the last full year that Phuthuma Nhleko held the position of Group president and chief executive officer following his resignation, effective 1 April 2011. The board and I would like to congratulate and thank Phuthuma for his enormous contribution to the success of MTN since his appointment to the position in July 2002.

Phuthuma is a visionary leader who is focused and hard working. He has an incisive ability to build good management teams and take calculated risks: he has taken MTN where many feared to go – and shown resilience in the face of setbacks.

However, stakeholders can feel confident that Phuthuma has left the Group's affairs in good hands – those of Sifiso Dabengwa, Group chief operating officer in the year under review. In Sifiso's 12 years with MTN, he has run the operations of South Africa and Nigeria, before taking on the Group COO role.

It has been announced that MTN is investigating the establishment of MTN International (MTNI). A subcommittee of the board has been established to thoroughly investigate the implications and rationale for the structure. Should a formalised subsidiary board structure for MTNI be approved, it is envisaged that Phuthuma Nhleko will accept an invitation to become non-executive chairman of the MTNI board of directors. An announcement on the final outcome of these investigations will be made as soon as they are completed. Phuthuma has separately accepted an invitation to rejoin the MTN Group board as non-executive vice-chairman with effect from 1 October 2011.

Three new independent, non-executive directors joined the board on 1 January 2010: Peter Mageza, Alan Harper and Dawn Marole.

Doug Band, an independent non-executive director of the Group, who also served as chairman of the nominations, remuneration, human resources and corporate governance committee, tendered his resignation from the board effective 11 March 2011. The directors and I wish to extend our appreciation to Doug for his outstanding contribution since he joined the board in October 2001.

Alan van Biljon, an independent non-executive director of MTN and the audit committee chairman, has been appointed as lead independent director effective 14 March 2011. The position of lead independent director is new at MTN and was created to further embed the culture of independence of the board of directors especially in instances of perceived conflict of interest.

Alan Harper, an independent non-executive director and member of the nominations, remuneration, human resources and corporate governance committee of MTN since 1 January 2010, has been appointed chairman of that committee on 14 March 2011. He succeeds Doug Band.

The board and I would like to congratulate both Alan van Biljon and Alan Harper on their new roles.

Looking forward

With a strong focus on cost management as well as on securing new revenue streams, MTN is well positioned in its markets to compete within a changing competitive and regulatory landscape.

The Group's attempt to make this year's report a more integrated one is the beginning of a process towards achieving a better articulation of MTN's strategy, risks and opportunities and we trust it will help stakeholders to better assess the ability of MTN to create and sustain value.

Cyril Ramaphosa

Cyril Ramaphosa
Chairman
March 2011

Group board of directors

at 31 December 2010

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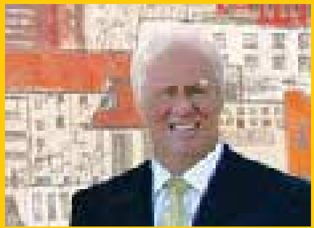

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1. MC Ramaphosa (58) | BProc, LLD (HC)

Independent non-executive director and chairman

Appointed: 1 October 2001

Board committee membership

- Nomination, remuneration, human resources and corporate governance committee.

Other directorships

Director of various companies in the MTN Group; founder and executive chairman of Shanduka Group (Pty) Limited; non-executive chairman of The Bidvest Group Limited; joint executive chairman of Mondi Plc and Mondi Limited. Non-executive chairman of SASRIA Limited, non-executive director of SAB Miller plc, Macsteel Global BV, Alexander Forbes Limited and Standard Bank Group Limited. Cyril is also a director of Kangra Coal (Pty) Limited, Assore Limited, TBWA Hunt Lascaris Holdings (Pty) Limited and Lonmin Plc (incorporated in England and Wales).

Skills, expertise and experience

Previously chairman of the Constitutional Assembly and the chairman of the specially formed Black Economic Empowerment Commission. Cyril was also a member of parliament, secretary general of the ANC and secretary of the National Union of Mineworkers. Cyril is currently on the national executive committee of the ANC and has received several honorary doctorates.

2. AF van Biljon (63) |** BCom, CA(SA), MBA

Independent non-executive director

Appointed: 1 November 2002

Board committee membership

- Chairman of the audit committee.

Other directorships

Director of various companies in the MTN Group, Hans Merensky Holdings (Pty) Limited, St Augustine College of South Africa, chairman and trustee of Standard Bank Group Retirement Fund and Liberty Group Pension and Provident Funds.

Skills, expertise and experience

Alan has held the position of the group financial director for Truworths Limited, The Greatermans Checkers Group, Sun International, and The Standard Bank Group from 1975 to 2002. In 2002, he established a specialised financial services company named Van Biljon & Associates. Past non-executive directorships include Alexander Forbes Group, Peermont Global Limited and Sage Group Limited.

3. PF Nhleko (51)* | BSc (Civil Eng), MBA

Executive director: Group president and chief executive officer

Appointed: 1 July 2001

Board committee membership

- Chairman of Group executive and steering committee.
- Attends various board committee meetings ex officio.

Other directorships

Director of various companies in the MTN Group, director of Newshelf 664 (Pty Limited and Engen Limited. Co-founder and non-executive chairman of Worldwide African Investments Holdings (Pty) Limited, the GSMC Association and a trustee of the Alpine Trust.

Skills, expertise and experience

Prior to joining MTN, Phuthuma worked at Standard Corporate and Merchant Bank. He was previously a director of Johnnic Holdings Limited, Nedcor Limited, The Bidvest Group Limited, Tsogo Sun KwaZulu-Natal (Pty) Limited and Alexander Forbes Limited.

4. DDB Band (67)* | BCom, CA(SA)

Independent non-executive director

Appointed: 1 October 2001

Board committee membership

- Chairman of the nomination, remuneration, human resources and corporate governance committee.
- Alternate member of risk management and compliance committee.

Other directorships

Director of various companies in the MTN Group, Business Against Crime South Africa, Myriad International Holdings BV, the Standard Bank of South Africa Limited, Standard Bank Group Limited and The Bidvest Group Limited.

Skills, expertise and experience

Previously, Doug served as managing director of CNA Gallo Limited, CEO of The Argus Holdings Group and chairman and CEO of the Premier Group Limited.

5. RS Dabengwa** (53) |** BSc (Eng), MBA

Executive director: Group chief operating officer

Appointed: 1 October 2001

Board committee membership

- Group executive and steering committee.
- Tender committee.

Other directorships

Director of various companies in the MTN Group, Newshelf 664 (Pty) Limited, Long Street Property Development (Pty) Limited, Salamax 765 (Pty) Limited and Tsiya Group (Pty) Limited.

Skills, expertise and experience

Prior to joining MTN, Sifiso was Eskom's executive director responsible for sales, customer service, electrification and distribution technology. Before Eskom, he worked as a consulting electrical engineer in the building services industry and in the mining and railway sectors.

6. A Harper (54) (British)* |** BA (Hons)

Independent non-executive director

Appointed: 1 January 2010

Board committee membership

- Nomination, remuneration, human resources and corporate governance committee.

**Resigned post year end.*

***Appointed lead independent director post year end.*

****Appointed chairman of the nomination, remuneration, human resources and corporate governance committee post year end.*

*****Appointed as Group president and chief executive officer post year end.*

Group board of directors *continued*

at 31 December 2010

Other directorships

Eaton Towers LLP and Venture Partnership Foundation Limited.

Skills, expertise and experience

Alan previously served as group strategy and new business director for Vodafone plc, was a member of the executive committee of the Vodafone Group, a board member of the GSM Association, chairman of Vodafone Ventures and chairman of the board of trustees of the Vodafone UK Foundation.

7. KP Kalyan (56) | BCom (Law) (Hons) Economics, Senior Executive Management Programme (London Business School)

Independent non-executive director

Appointed: 1 June 2006

Board committee membership

- Nomination, remuneration, human resources and corporate governance committee
- Risk management and compliance committee.

Other directorships

Standard Bank Group Limited, South African Bank Note Company Limited, South African Mint Company Limited, Edgo Merap (London) Limited, Omega Risk Solutions Limited, the Tallberg Foundation (Sweden) Limited, Hayleys Energy Services (Sri Lanka) Limited, Kgontsi Holdings Limited, Kgontsi Investments Limited and Euromax (London and Mumbai, India) Limited.

Skills, expertise and experience

Koosum is currently executive chairman of Edgo Merap in London. Prior to that, she was senior business development manager at Shell International Exploration and Production (Pty) Limited in London; general manager, corporate, for Shell Southern Africa; senior economist at the Chamber of Mines; and economist at the Electricity Commission of Victoria, Melbourne, Australia. She was also a graduate lecturer at University of Durban Westville.

8. NP Mageza (56) | FCCA (Fellow of the Association of Chartered Certified Accountants)

Independent non-executive director

Appointed: 1 January 2010

Board committee membership

- Audit committee.

Other directorships

The Bidvest Group Limited, Remgro Limited, Sappi Limited and Rainbow Chicken Limited.

Skills, expertise and experience

Peter is a Fellow of the Association of Chartered Certified Accountants United Kingdom, and was until June 2009, Absa executive director and group chief operations officer. Prior to this he had extensive experience in the financial/banking arena.

9. MLD Marole (51) | BCom (Acc), Dip Tertiary Education, MBA, Executive Leadership Development Programme

Independent non-executive director

Appointed: 1 January 2010

Board committee membership

- Risk management and compliance committee.

Other directorships

Non-executive director at African Bank Investments Limited, Incwala Resources (Pty) Limited, Eyomhlaba Investment Holdings Limited, Hlumisa Investment Holdings Limited, Richards Bay Titanium (Pty) Limited, Richards Bay Mining (Pty) Limited, JP Morgan SSA and DEMA Incwala Investment.

Skills, expertise and experience

Dawn's career has primarily been in the financial services sector and dates back to 1983. She is the current chairperson of POWA (People Opposing Women Abuse).

10. AT Mikati (38) (Lebanese) **|** BSc

Non-executive director

Appointed: 1 July 2006

Board committee membership

- Nomination, remuneration, human resources and corporate governance.

Other directorships

Director of various companies in the MTN Group, CEO of M1 Group Limited (an international investment group with a strong focus on the telecommunications industry), director of various companies in the M1 Group as well as EZ-Link, B-Pro Limited, B-Jet Limited, Horizon Global Services, IMC, Mint Trading, Unioil and Facconable Group.

Skills, expertise and experience

Azmi founded T-One, a telecoms company providing long-distance services between the United States and other international destinations.

11. MJN Njeke (52) | BCom, BCompt (Hons), CA(SA), H Dip Tax Law

Independent non-executive director

Appointed: 1 June 2006

Board committee membership

- Audit committee
- Risk management and compliance committee.

Other directorships

Director of various companies in the MTN Group, Lengau Logistics (Pty) Limited, ArcelorMittal SA, Ivolve Procurement & Rental Partner, Metropolitan Health Group, Metropolitan Holdings Limited, NM Rothschild and Sons (SA) (Pty) Limited, PSU Revenue Management trading as PSU International, RTG Fleet Services (Pty) Limited, Resilient Property Income Fund Limited, Serengeti Properties (Pty) Limited, Salvage Management and Disposal (SMD), Sameh Properties and Silver Unicorn Trading.

Skills, expertise and experience

Johnson is chairman of Metropolitan Holdings, ArcelorMittal SA and Resilient Property Income Fund. He served as a partner at PricewaterhouseCoopers and is a past chairman of the South African Institute of Chartered Accountants.

12. NI Patel (54) | BCom, BCompt (Hons), CA(SA)

Executive director: Group chief financial officer

Appointed: 29 November 2009

Board committee membership

- Group executive and steering committee.
- Attends various board committee meetings ex officio.

Other directorships

Director of various companies in the MTN Group.

Skills, expertise and experience

Nazir is a qualified chartered accountant with wide international experience in Europe and the Middle East. Since joining the MTN Group, Nazir has been responsible for the Group financial management and accounting function, has participated in several of the Group's merger and acquisition activities and serves on a number of MTN's subsidiary boards.

13. J van Rooyen (61) | BCom, BCompt (Hons), CA(SA)

Independent non-executive director

Appointed: 1 July 2006

Board committee membership

- Chairman of the risk management and compliance committee
- Audit committee.

Other directorships

Director of various companies in the MTN Group, various companies in the Uranus Group, Pick n Pay Stores Limited, Exxaro Resources Limited and a trustee of the International Financial Reporting Standards (IFRS) Foundation.

Skills, expertise and experience

Jeff is a founder member and CEO of Uranus Investment Holdings (Pty) Limited and previously served as CEO of the Financial Services Board. He is also a founder member and former president of the Association for the Advancement of Black Accountants (ABASA) and was chairperson of the Public Accountants and Auditors Board in 1995.

14. JHN Strydom (72) | MCom (Acc), CA(SA)

Non-executive director

Appointed: 1 March 2004

Board committee membership

- Audit committee
- Risk management and compliance committee

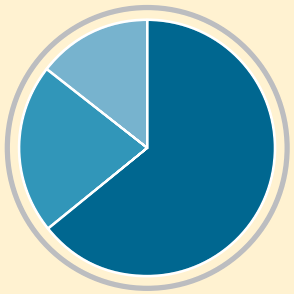
Other directorships

Non-executive director of various companies in the MTN Group, the Public Investment Corporation Limited, Growthpoint Properties Limited.

Skills, expertise and experience

Jan is a registered chartered accountant and a founding partner of Strydoms Incorporated Chartered Accountants (SA), a firm specialising in business valuations, litigation support and forensic investigations. He is now a professional consultant to Strydoms. He is also a senior member of the Special Income Tax Court for taxation appeals.

Group board (independence status)



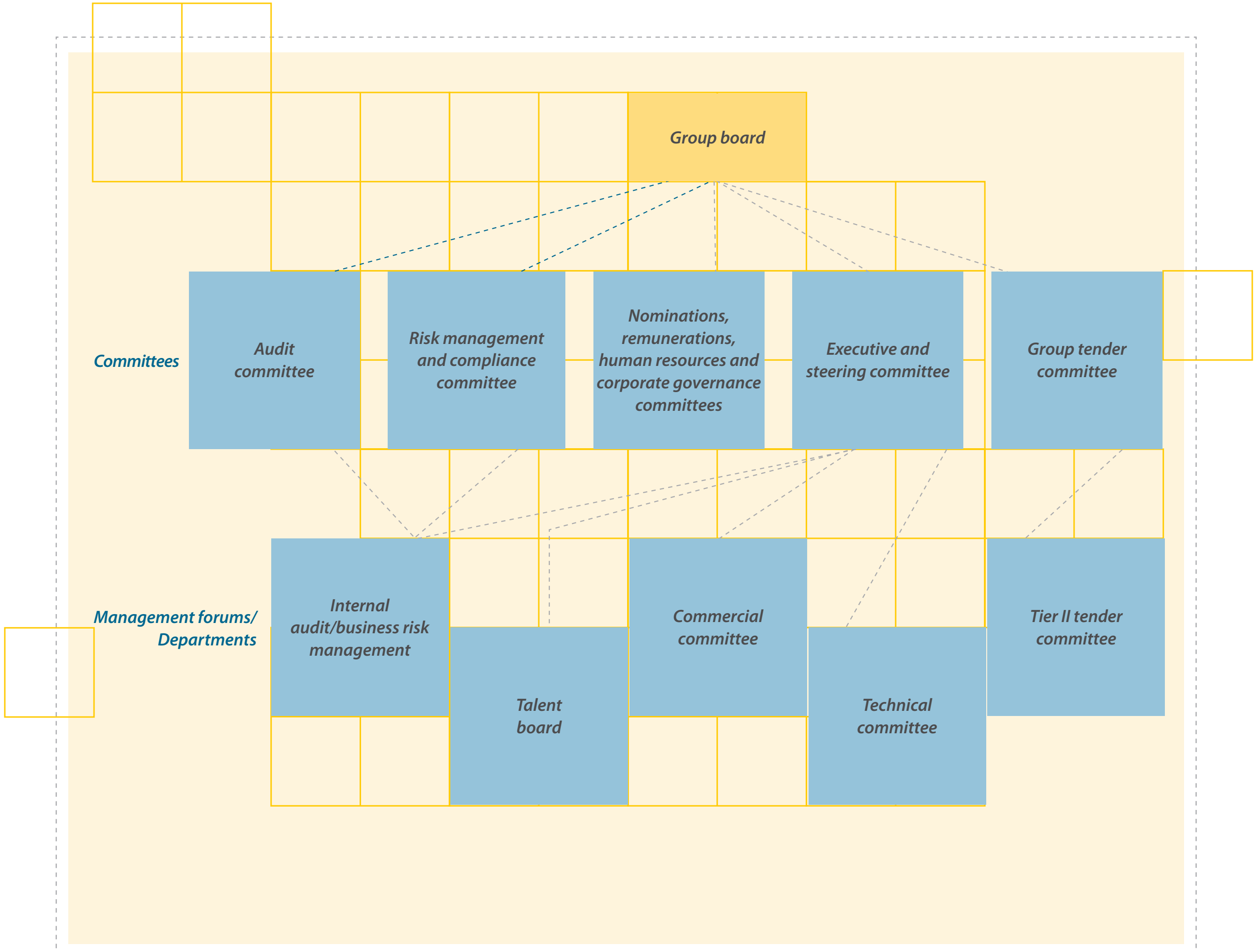
Board diversity

Directors, with their diverse expertise and experience, play a critical role as board representatives on the various board committees and ensure that the Group's interests are served by impartial, objective and independent views. MTN endeavours to have a board consisting predominantly of independent non-executive directors to ensure strong corporate governance as illustrated above.

Governance highlights

Governance structure

This section provides an overview of the Group's governance structure. This structure is also the basis for governance in the five largest MTN subsidiaries and others. In all subsidiary operations, the audit committee also assumes the responsibilities of risk management and compliance. The board endeavours to ensure that all operating companies comply with the same governance principles to which the Group aspires.



2010 – 2011 Corporate governance key focus

During 2010, the key focus was the review of the MTN Group corporate governance framework in light of King III, the Listings Requirements and the much awaited new Companies Act, 2008. The review was conducted with the assistance of independent advisers.

Hence, MTN is able to implement some of the key requirements of the new Companies Act, effective from 1 May 2011. As part of the first cut of the implementation plan, notice of the annual general meeting to be held in June 2011, has been prepared in accordance with the new Companies Act.

Group company secretary

The company secretary is a central source of information and advice to the board and within the Company on matters of ethics and good governance.

This office also communicates and monitors compliance, among others, with the Group trade embargo policy and the Listings Requirements ensuring that no employee, executive director or non-executive director is allowed to deal in the Company's securities during prohibited periods.

MTN understands that compliance with laws, regulations and all governance frameworks promotes and sustains the reputation and standing of a company. In ensuring compliance with King III, Listings Requirements and the Companies Act, 2008, the company secretary office, has the compliance function responsible for assisting the board of directors and management in implementing the awareness and assessment of compliance.

The general powers of the directors are set out in the Company's articles of association. The board charter regulates how the board and individual members discharge their responsibilities according to the principles of good governance. The charter aims to ensure that all board members understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct. It also details the division of responsibilities at board level and between the board and between the board and management.

The MTN Group board retains full and effective control over the Group and is responsible, *inter alia*, for the adoption of strategic plans, the monitoring of operational performance and management, and the development of appropriate and effective risk management policies and processes. The strategy of the Group is mapped by the board in consultation with the Group executive and steering committee (Exco). The board and Exco meet annually to formulate, review and agree on the group's strategic intent.

The directors are of the opinion that they have adhered to the terms of reference as detailed in the board charter for the 2010 financial year.

Board committees

The board is satisfied that the board committees set out in detail below have effectively discharged their responsibilities as contained in their respective terms of reference during the year under review. Details of attendance and membership of the committees are set out on page 26. The committees' members' fees are included in the table of directors' emoluments and related payments on page 94. The committees' summaries are as follows:

Group audit committee

The primary role of the committee is to ensure the integrity of financial reporting and the audit process. The full report of the committee is set out on page 85.

Group nominations, remuneration, human resources and corporate governance committee (NRHR & CG)

The committee assists the board in discharging its duties relating to the nomination of board members and senior management. It makes recommendations to the board on the composition of the board and board committees; oversees the formulation of a remuneration philosophy and human resources strategy to ensure that the Group employs and retains the best human capital possible relevant to its business needs; maximises the potential of its employees; and ensures the Group's adherence to sound corporate governance principles. Some committee meetings were preceded or followed by an in-camera session (meeting of non-executive directors only). All members of the committee are independent non-executive directors.

In terms of King III and the Listings Requirements, the chairman of the nominations committee should be the chairman of the board, and membership of the committee must consist of only non-executive directors. MTN has combined the nominations committee, human resources and remunerations committees as well as the corporate governance committee under one committee. As such MTN is not strictly compliant with King III recommendation. The chairman of the board is, however, a member of the committee and thus able to influence the nomination processes sufficiently.

The committee's chairman attended the annual general meeting during the year under review.

Further details regarding directors' remuneration and the Group remuneration philosophy are set out on page 92.

Group tender committee

The Group tender committee's primary objective is to promote a sustainable and fair tender culture and to ensure that tender policies are applied consistently, always bearing in mind best business practices to develop all markets and promote economic development. The committee is chaired by an independent non-executive director. The committee's charter, which is approved by the board and reviewed periodically, aims to promote an effective, transparent and independent procurement and tender evaluation process. Due to the fact that the committee only reviews high-level tenders the meetings are convened as the need arises. Various lower-level tender committees are in place group-wide to ensure that all other tenders are reviewed with the same level of efficiency.

Special ad hoc board committees

In certain instances, the board constituted special board committees which are granted the necessary authority to deal with the salient matters under special projects and to allow for a more detailed consideration of issues. Special committees may consist of different directors depending on the expertise required to resolve any special matters under review by the committee.

Directors	Scheduled board meetings attended	Special board meetings attended	Audit	Meetings attended	Risk	Meetings attended	NRHR & CG	Meetings attended
Independent non-executives (INEDS)								
MC Ramaphosa	4/4	10/10					Member	8/8
DDB Band	4/4	9/10					Chairman	8/8
KP Kalyan	4/4	10/10			Member	3/3	Member	8/8
MJN Njeke	4/4	7/10	Member	4/5	Member	3/3		
AF van Biljon	4/4	10/10	Chairman	5/5				
J van Rooyen	4/4	10/10	Member	5/5	Chairman	3/3		
A Harper	4/4	10/10					Member	8/8
MLD Marole	4/4	10/10	Member			3/3		
NP Mageza	4/4	10/10	Member	5/5				
Non-executives								
AT Mikati	4/4	10/10					Member	8/8
JHN Strydom	4/4	10/10	Member	5/5	Member	3/3		
Executives								
PF Nhleko	4/4	10/10	Invitee	5/5	Invitee	3/3	Invitee	8/8
RS Dabengwa	4/4	10/10	Invitee	5/5	Invitee	3/3		
NI Patel	4/4	10/10	Invitee	5/5	Invitee	3/3	Invitee	8/8

Group tender committee members (including independent non-executive chairman)

Members	Committee member since	Scheduled meetings attended
MLD Marole (resigned 04/08/2010)	05/2004	N/A
WA Nairn (appointed as independent non-executive chairman on 01/08/2010)	08/2010	1/1
RS Dabengwa	05/2004	1/1
NI Patel	11/2009	0/1
I Sehoole	12/2010	0/1
C de Faria	06/2007	1/1
J Ramadan	06/2007	1/1
C Wheeler (resigned 30/11/2010)	05/2004	N/A

Executive governance

The board of directors delegates authority to the Group president and CEO to manage the day-to-day business affairs of the Group, although certain matters remain reserved for board and/or shareholder approval. The CEO also co-ordinates the Group's strategy for consideration and ultimate approval by the board. The Group executive and steering committee (Exco), chaired by the CEO, assists him in discharging his duties and meets at least monthly. The delegation of authority is reviewed periodically to ensure it remains aligned and relevant.

Exco has constituted the following subcommittees with a view to further enhance its ability to manage and oversee operational matters: the technical committee and the commercial committee. Both committees were chaired in 2010 by the Group chief operating officer and comprised at least two additional Exco members. Various other senior management representatives of large subsidiaries attend as permanent invitees to ensure broad representation. For further details of MTN's corporate governance, see www.mtn.com/Investor Relations.

Group risk management and compliance committee

The committee identifies, considers and monitors risks impacting the Group and ensures compliance with prevailing legislation and other statutory requirements (including voluntary corporate governance frameworks). The committee is also responsible for the sustainability framework and reporting to the Group. Three non-executive directors serving on the committee including the committee chairman also serve on the audit committee, to ensure that overlapping responsibilities are dealt with in an efficient manner.

Risk management

As a group that operates in and understands emerging markets, MTN believes that risk management and internal control are fundamental to effective corporate governance and the development of a sustainable business.

MTN is currently in the process of implementing the King III requirements with regards to risk management, specifically the aspects of combined assurance and IT governance.

Independent business risk management function

Business risk management is an independent function responsible for the disciplines of enterprise risk management, internal audit and fraud risk management and co-ordination of combined assurance across the Group. The business risk management function has a staff complement of more than 180 comprising risk, internal audit, fraud risk and forensic specialists across the 21 operating countries of which more than two thirds are internal audit specialists. The *internal audit* discipline within business risk management is *independent* from the risk management discipline. Business risk management is headed by a Group executive who reports to the Group president and chief executive officer and has direct access to and has regular meetings with the chairpersons of the Group audit committee and Group risk management and compliance committee. MTN now has business risk management functions in all of its operations with oversight from the Group business risk management function. The activities of the business risk management function are guided by a set of policies, frameworks and methodologies which have been approved by the Group audit committee and Group risk management and compliance committee.

Combined assurance

MTN is in the process of implementing a full combined assurance approach in line with best practice and King III. This approach will ensure that maximum value is extracted from the various assurance providers. These include first line assurance (management), second line assurance (risk management) and third line assurance (internal and external audit). Assurance from all the lines will be mapped to a set of principle risks and will allow the Exco as well as the Group board to get an improved view of the mitigation of risk in the organisation as well as the state of the control environment.

Risk appetite

MTN's risk appetite is determined by the type of risk. This allows for a more controlled way of managing risk levels. A *formal risk escalation structure* was implemented at the end of 2009 based on MTN's risk-bearing capacity and a set of risk thresholds at various levels in the Group. Aggregation of total risk is done qualitatively and the Group risk management and compliance committee assesses the acceptability of MTN's consolidated risk profile.

Enterprise risk management

As far as *enterprise risk management* is concerned, the business risk management function is responsible for ensuring the existence of an effective framework for risk management and driving the implementation of this framework throughout the Group. This is done by assisting and advising management on the topic and by ensuring effective reporting and escalation of risks.

The process of risk management in the Group is guided by a risk framework which is based on best practice risk management procedures and will in future form the foundation of the combined assurance methodology. The Group business risk management function, together with management, has the mandate and responsibility of ensuring that adequate risk management processes are implemented in all areas of the business in line with the risk framework.

Insurance and risk transfer

MTN has a comprehensive insurance programme in place which covers perils such as material damage, business interruption, political risk, public liability, directors' and officers' liability, crime and professional indemnity. The limits of indemnity for these covers have been structured to optimise the balance between maximum potential loss and containing premiums. MTN also believes that risk retention and self-insurance are necessary to keep premiums at reasonable levels and show commitment towards risk management. MTN's risk retention levels differ from policy to policy.

IT governance

IT governance has always been an important aspect of the control environment in MTN, as the Group is technology driven. However, in line with the new chapter in King III, MTN is in the process of improving and formalising certain aspects of its IT governance framework. The Group has embarked on a shared services model to improve technology efficiency and cost synergy. This will form an integral part of the IT governance framework in future along with aspects such as information security, data privacy and business continuity.

Fraud risk management

The fraud risk management function (part of business risk management) is responsible for assessing fraud risk across the Group and driving the implementation of fraud prevention activities, which include whistleblowing processes. Fraud risk management is also responsible for detecting and investigating fraud. The Group has made good progress with the implementation of its fraud prevention activities. This includes the roll out of a Group-wide whistleblowing programme, central fraud incident database, fraud awareness campaigns etc. MTN continues to see an increase in the number of fraud cases but believes that this is as a result of the success of the fraud prevention and detection mechanisms and not necessarily an increase in fraud activity. The overall value of fraud and theft incidents uncovered to date is not material in relation to the size of the Group.

MTN recognises new legislation including the UK Bribery Act. Although it does not apply to MTN directly, it applies to the Group – suppliers and finance providers.

In 2011, MTN will focus on the following inherent fraud risk categories from both a fraud risk and internal audit point of view:

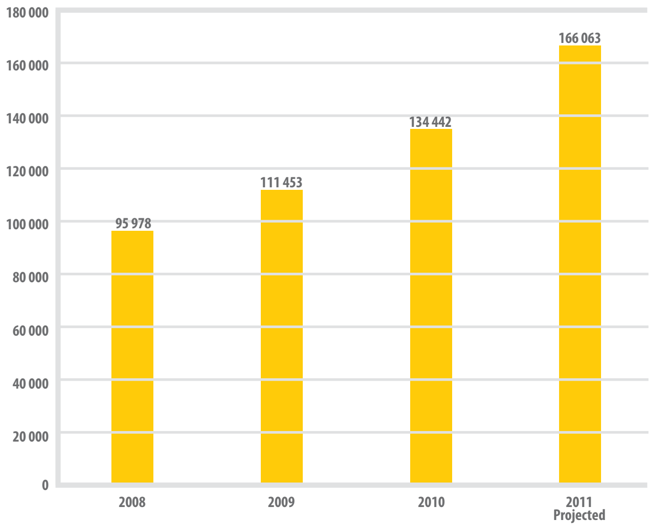
- Procurement – conflict of interest and collusion with suppliers
- Review and/or subscriber fraud
- Asset and inventory theft
- Site acquisition and construction
- Manipulation of billing data
- Bribery and corruption

Internal audit

MTN has a substantial internal audit function (part of business risk management) which is responsible for providing independent internal audit assurance to the Group. The independence of the internal audit discipline is maintained and internal audit work is ultimately governed by the Group audit committee, within an internal audit charter. In future, internal audit will form an integral part of third line assurance in the combined assurance methodology.

Internal audit activity in the Group has increased constantly over the past few years with total internal audit hours in 2010 rising to 130 000 from 110 000 in 2009. Internal audit assurance is guided by extensive risk evaluation. Projected internal audit hours for 2011 are in excess of 160 000 hours. The Group is now reaching the point where internal audit coverage is extending to most operations and all high-risk processes.

Total internal audit hours



Remuneration

MTN believes that its ongoing success depends on employing skilled and motivated employees who deliver. To achieve this, MTN needs to ensure a strong value proposition to employees to attract and retain the necessary skills. The Group delivers this through a global remuneration philosophy stance, one which seeks to maintain an appropriate balance between the interests of stakeholders and closely aligned to MTN's core values and philosophies which include risk awareness, meritocracy, and employee ownership.

The remuneration of executive directors and senior management seeks to balance long- and short-term objectives. Performance bonuses for Group executive management are based on key performance indicators (KPIs) including adjusted headline earnings per share and the underlying performance of operations.

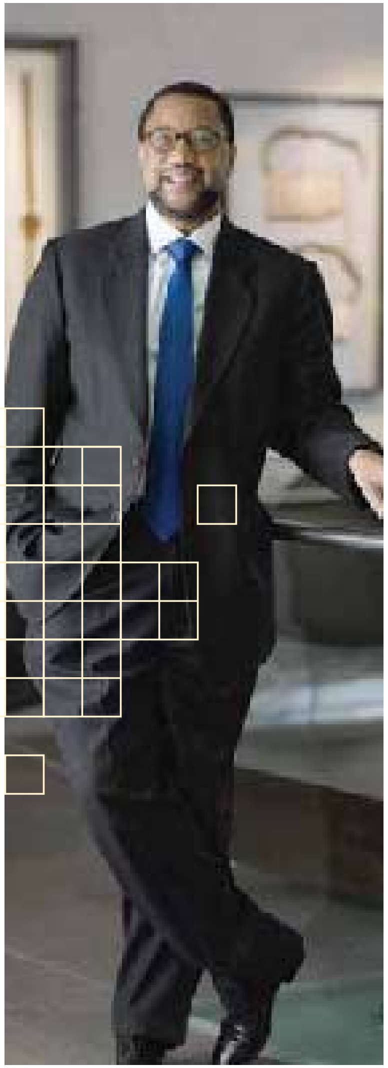
For country-level executive management, short-term performance bonuses are linked to the operational and financial value drivers pertaining to the individual operations' performance against budget. The relative weightings of KPIs depend on country specifics. Longer-term incentives are a mix of company performance and the performance of the wider Group, and include phantom share options.

The fees for non-executive directors are considered annually and are determined in light of best practice and with reference to the time commitment and responsibilities associated with the roles.

The NRHR & CG committee will work to continuously ensure that reward offerings remain appropriately competitive, provide an incentive for performance, and take due regard of MTN's culture, values, philosophies and business strategy. The committee will keep the existing remuneration arrangements under review during 2011, particularly taking cognisance of any additional regulatory and market-driven remuneration reform proposals.

For more details, please see the directors' report on page 92 and the full remuneration report on the MTN website: www.mtn.com/InvestorRelations

Group president and CEO's statement



Phuthuma ***Nhleko***
Group president and CEO

"MTN recognises the importance of evolving its business as the industry matures and consumers move towards broader product offerings."

Achieving a solid performance in 2010

MTN performed satisfactorily in 2010 with most operations increasing their share of the subscribers under difficult circumstances as fierce competition and pressure on tariffs continued. The Group achieved solid subscriber growth of 22% to 141,6 million with a pleasing 2,9 percentage point expansion of the EBITDA margin to 44% excluding the MTN Zakhele transaction.

This performance, together with lower capital expenditure, resulted in strong cash generation with EBITDA less capital expenditure increasing 108% to R31 billion. In line with MTN's revised strategic priorities announced on 15 July 2010, the Group increased cash returns to shareholders with a dividend payout policy of 55% announced together with the results for the year ended 31 December 2010.

Leading the way

MTN recognises the importance of evolving its business as the industry matures and consumers expect broader service offerings. Even though MTN's 21 markets are at various stages of development, a number of product development and value-added service initiatives continued to gain momentum during 2010.

As part of positioning the Group for the ongoing evolution in the future, a new role, senior vice-president commercial and innovation, was established. The senior VP appointed, Christian de Faria, is now responsible for new product development and innovation, activities which require a higher level of co-ordination across the Group. The increasingly competitive environment makes it critical that MTN takes advantage of products developed across its operations.

MTN's product and service innovation is motivated by a sound business imperative to remain competitive, as well as a social imperative to bridge the digital divide. The implementation of a common and standard service delivery platform, accessible by all operations, will enhance the promotion of data and related services. This will be complemented by investments in undersea cables and high bandwidth broadband infrastructure to provide cheaper and more inclusive access to new data services and products. This opens up a new space for innovation in areas such as financial and medical services. In 2010, the function's priority was to develop a more comprehensive data strategy for the Group's operations. Partners, products and process frameworks are now better established for rapid roll out, where appropriate, across the Group. More details of Christian's responsibilities with regard to innovation are provided in the operating and financial performance review on page 38.

Remaining competitive

With tariffs under increasing pressure from competition, the key to remaining competitive is having a high-quality network and being able to deliver services efficiently. Therefore the enhanced strategy also focuses on closely monitoring infrastructure investments to ensure appropriate levels of capacity and availability of networks. This incorporates continued investment in metropolitan and national fibre, as well as undersea cables to service evolving voice requirements as well as the potential for data growth to continue on its rapid upward trajectory. MTN believes it made the correct decision with regard to investing heavily in infrastructure between 2007 and 2009, ensuring solid improvements in network quality and giving the Group the capacity to compete robustly as mobile penetration increases. However, it will monitor developments in all its markets and respond appropriately.

For MTN to continue to operate at historical levels of profitability, it is critical that the Group maintains or reduces its cost base. This will enable MTN to profitably service lower-end customers as well as deliver a different product mix. To ensure this, a number of initiatives are at various stages of development across the Group.

In 2010, MTN continued optimising efficiencies through infrastructure sharing, the standardisation of systems and processes, the rationalisation of suppliers and stricter cost management and optimisation. This focus was, however, sharpened through the implementation of a structural framework which forms part of ongoing initiatives including a shared-service project driven through the senior vice-president technology and information systems, Jyoti Desai, who was appointed to this position at the beginning of 2010.

Over the past few years, MTN has already started to achieve some momentum on sharing infrastructure through one-for-one swap arrangements and some commercial leasing of towers. However, MTN is pleased to report the agreement reached towards the end of 2010 for the sale of its towers in Ghana to a joint venture in which it will hold 49%. This deal – with leading owner, operator and developer of wireless and broadcast communication sites, American Tower Company – unlocks the value of the towers, monetising cash from passive infrastructure assets to improve return on assets better for the Group and enable MTN to focus on its core business. It also helps reduce the Group's environmental footprint. More details are available in the MTN Ghana report on page 58. Ultimately, MTN intends to establish a tower holding company for all of its operations in sub-Saharan Africa.

As detailed by the chairman in his report, MTN has numerous energy-efficiency projects in place, and more are being investigated. These target reductions in greenhouse gas emissions and operational costs and also aim to mitigate the risk of carbon taxes.

As to the Group's increased focus on procurement, in addition to the responsibilities of the senior VP commercial and innovation, Christian de Faria is also responsible for rapidly evolving the Group's procurement function to an independent highly centralised and more disciplined supply chain management function. A key feature of his role is to achieve economies of scale and develop strategic sourcing opportunities. These include reverse auctions, during which vendors enter competitive supply bids and from which the Group has already recorded tangible benefits.

Enabling MTN people to thrive

MTN recognises the vital role that a skilled and motivated workforce plays in MTN's success and long-term sustainability and works to enable its 34 558 people to thrive. In 2010, to attract and retain talent, the Group developed a new employee value proposition that will be rolled out in 2011, based on independently verified employee survey results. MTN invested more than R246 million on training, offering nearly 50 000 learning and development courses to employees, many of these specifically designed in-house courses. The Y'elloStars programme continues to reward and recognise employees who have displayed outstanding value and contribution to the organisation both on a local, regional and Group-wide basis. The Group has also implemented various initiatives to engage employees as well as foster respect for diversity, equality and representation at specific operations.

Engaging with regulators

Continued engagement with regulatory authorities in the development and refinement of the telecommunications sector remains critical to MTN's strategy and occupies a significant amount of senior management's time and attention. While progress in some countries is very slow, some Group businesses reported encouraging advances in the year. A highlight was the memorandum of understanding signed with the authorities in Syria to convert the build-operate-transfer arrangement to a standard mobile operator's licence which will significantly improve the profitability of the operation.

Empowering the historically disadvantaged and extending local ownership

2010 was also a milestone year for MTN as the MTN Zakhele offering was completed in November – the largest black economic empowerment equity ownership deal in the South African telecoms sector. The R8,1 billion transaction, which runs over six years, offered previously disadvantaged individuals the opportunity to buy shares in MTN Zakhele Limited, which ultimately holds 4% of MTN Group Limited's issued shares. This is just one of the many steps MTN has taken over the years towards helping right the economic wrongs of apartheid. It is part of the Group's efforts to ensure the sustainability of the business and the market in South Africa and – when combined with previous BEE initiatives – takes MTN's effective indirect BEE ownership level in South Africa beyond 30%.

In other markets, MTN has adopted a local approach, to better engage with stakeholders. A degree of local ownership of MTN's operations stimulates domestic economic empowerment and local participation in the business. In addition, the Group's investments in community programmes – including education and health – help develop and sustain the markets in which MTN operates. In 2010, MTN placed a 7,8% shareholding in MTN Zambia into a special fund combatting HIV and Aids.

The end of 2010 saw the beginning of a dramatic wave of pro-democracy protests across North and West Africa and the Middle East, which – at the time of writing – had led to the toppling of at least two long-standing political leaders. MTN, with its strong focus on emerging economies, will continue to monitor events across its markets and work to ensure the safety of all its people, everywhere.

Changing the guard

A number of key senior management changes occurred in the year. Ignatius Sehoole was appointed as vice-president of MTN's South and East Africa region. He took the reins from Tim Lowry, whose contract came to an end in June. MTN also said goodbye to Santie Botha, who left the Group after seven years of distinguished service as chief marketing officer. Marketing now reports to the senior VP commercial and innovation, Christian de Faria. Ahmad Farroukh was appointed VP for the West and Central African region early in 2011 after acting in the position for most of 2010 following Christian de Faria's change of role.

We would also like to bid farewell and thank to Nozipho January-Bardill, Group executive: corporate affairs and MTN's spokesperson. Corporate affairs now reports to Paul Norman, Group executive: human resources.

After having the honour of serving MTN as chief executive since July 2002, the time has come for me, too, to pursue other challenges. I would like to thank all MTN's stakeholders – customers, employees, partners, management and the board of directors, governments and regulators, suppliers, as well as investors – for their support over the years. May you continue to encourage the Group to deliver the best value proposition in the market.

Way back in 1961, Nobel Peace Prize winner Chief Albert Luthuli recognised that *"the world is now a neighbourhood"*. Although I am leaving the forward-looking comments to incoming CEO Sifiso Dabengwa, I have no doubt that in the years ahead MTN will work to facilitate this growing neighbourhood, guiding the way with innovative mobile offerings to make people's lives easier, wherever they are.

Phuthuma Nhleko

Phuthuma Nhleko
Outgoing president and chief executive officer
March 2011

Group executive and steering committee

at 31 December 2010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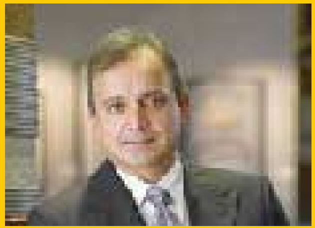
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1. **PF Nhleko***

2. **RS Dabengwa***

3. **NI Patel***

4. C de Faria (54) (French) | Degree in Finance Administration (CA)

Senior vice-president – Commercial and innovation

Other committee membership

- Tender committee.

Directorships

Director of various companies in the MTN Group, MTN Dubai and Uniglobe SA in France.

Skills, expertise and experience

Prior to joining MTN Group in 2006, Christian was CEO of PT Excelcomindo Pratama, known as XL, the largest mobile operator in Indonesia. Before joining XL, he was CEO of Telekom Malaysia International now known as Axiata, responsible for international strategy and involved in the rapid growth of investments in Sri Lanka, Bangladesh and Cambodia. From June 2006 until May 2010, Christian was the vice-president for MTN West and Central Africa. Since June 2010 he has had responsibility for the transformation of the supply chain function within the MTN Group. He is also leading the way in products, services and innovation at Group level as well as being responsible for Group marketing.

5. JA Desai (53) | BA (Hons) BCom

Senior vice-president – Technology and information systems

Other committee membership

- Commercial committee.
- Technical committee.

Directorships

Director of various companies in the MTN Group.

Skills, expertise and experience

Jyoti started her career at The Standard Bank of SA Limited. She moved to Telkom SA in an executive position before joining MTN Nigeria as chief information officer. She then moved to Iran in 2005 to start up the Iran operation as COO of MTN Irancell before taking up her current role.

6. S Fakie (57) | BCom, BCompt (Hons), CA(SA)

Executive: business risk management

Directorships

Director of various companies in the MTN Group.

Director of Absa Group Limited.

Skills, expertise and experience

Shauket has over 36 years' experience in accounting, auditing, consulting and advisory work. In 1999, he was appointed Auditor-General of South Africa for a seven-year term which ended in November 2006.

7. A Farroukh (50) (Canadian) |** Masters in Business Administration & Accounting and also a Certified Public Accountant in the USA

Acting vice-president: WECA Region and CEO of MTN Nigeria

Directorships

Director of various companies in the MTN Group.

Other committee membership

- Commercial committee.

Skills, expertise and experience

Ahmad previously worked for Mediterranean Investor Group, KPMG, Deloitte & Touche and the Investcom Holding Group. Ahmad was also an accounting lecturer at the American University of Beirut Prior to his appointment at MTN, Ahmad was managing director of Scancom Limited (Investcom Holding Group), Ghana and regional manager for West Africa covering Benin, Liberia, Guinea Bissau and Guinea Conakry. As CEO since July 2006, Ahmad has made significant contributions to the extraordinary growth of MTN Nigeria.

8. PD Norman (45) | MA (Psych)

Group executive: human resources & corporate affairs

Directorships

Director of various companies in the MTN Group.

Trustee of the Chartered Accountants Medical Aid Fund.

Skills, expertise and experience

Paul has been an executive at MTN since 1997. He has spent 20 years in the field of human resources and has worked extensively in the transport and telecommunications industries. He was awarded HR Practitioner of the Year in 2004 by the Institute of People Management.

9. J Ramadan (54) (French and Lebanese) | MA (Inf Tech)

Regional vice-president – MENA region

Committee membership

- Technical committee.
- Tender committee.

Directorships

Director on the boards of all MTN MENA region operations and MTN Dubai.

Skills, expertise and experience

Jamal was an executive director of Investcom LLC, which he joined in 1996 as operations director. Prior to that, he was director of IT at FTML (a subsidiary of France Telecom), operating in Lebanon.

10. I Sehoole (51) | BCom, BCompt (Hons), CA(SA), Cert in Theory of Accountancy

Regional vice-president – SEA region

Other committee membership

- Tender committee.

Directorships

Director on the boards of all MTN's SEA region operations. Public Investment Corporation and Accounting Standards Board.

Skills, expertise and experience

Ignatius also serves on various committees within PIC. He was the chairman of The Developing Nations Committee of The International Federation of Accountants (IFAC). He was previously a managing director of Inland Region at Fedics (Pty) Limited, senior executive at Murray & Roberts Holdings (Pty) Limited and also the executive president of the South African Institute of Chartered Accountants (SAICA). Ignatius had served as a member of the King Committee and was also the Chairman of National Treasury Audit Committee until March 2010.

11. KL Shuenyane (40) | B Econ and Internat Stud; CA (England and Wales)

Group executive: mergers and acquisitions

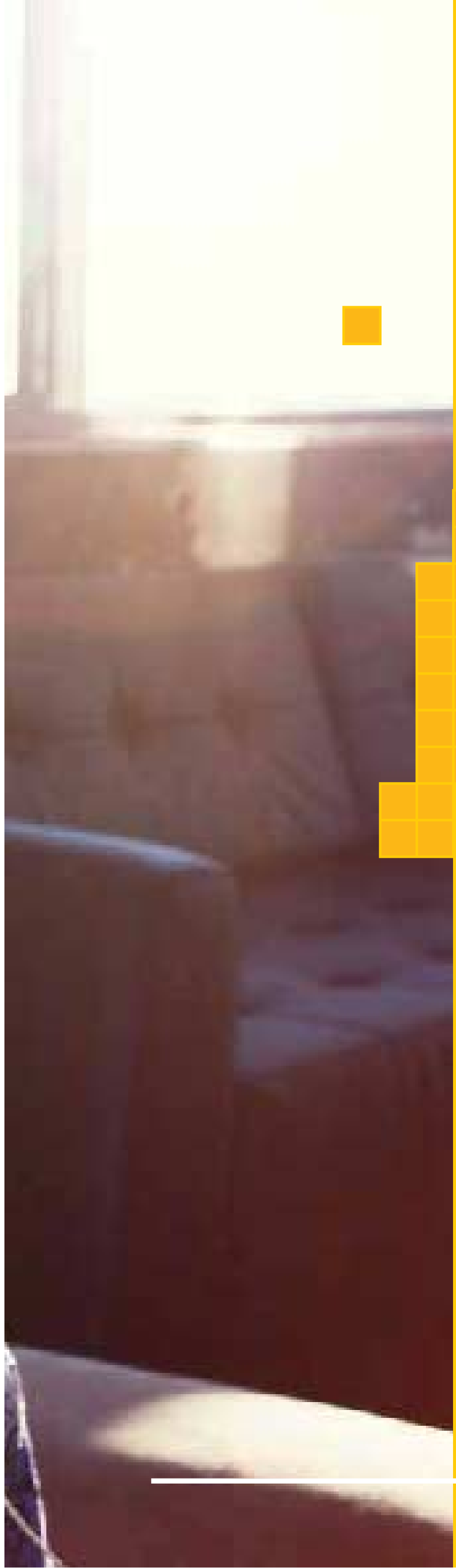
Directorships

Director of various companies in the MTN Group.

Skills, expertise and experience

Khumo was head of direct investments and a member of the executive committee of Investec's South African operations. He was previously a member of Investec's corporate finance division.

**Profiles appear on pages 20 to 22 of this report.*
***Appointed as VP of WECA region post year end.*



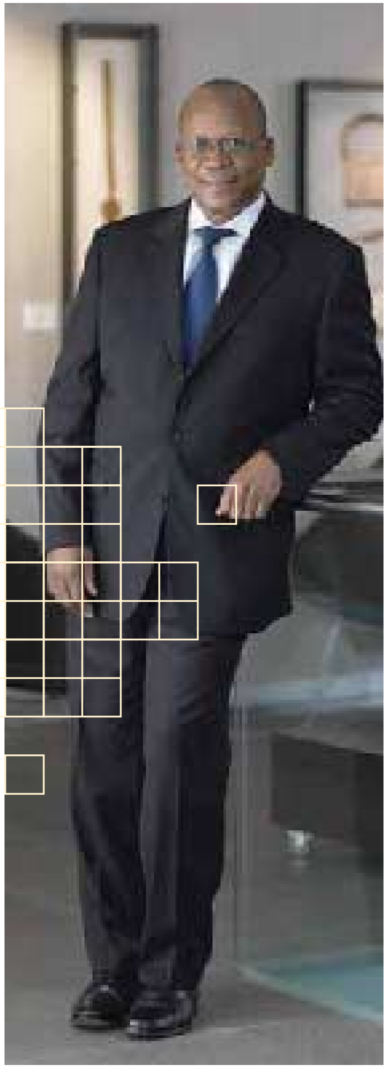
2010 Pioneering
the way

MTN continually seeks to enrich the lives of people across our footprint. We serve a colourful spectrum of consumer ***segments*** that are each individually unique and valued.

That is why MTN invests in a wide range of products and services to meet the needs of our diverse customer base.

Operational and financial performance review

for the year ended 31 December 2010



Sifiso ***Dabengwa***
Group chief operating officer

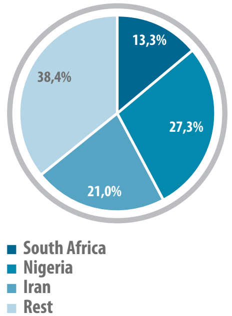
"Most operations increased their share of the subscriber market, notwithstanding fiercer competition and pressure on tariffs."

Sound operational and financial performance

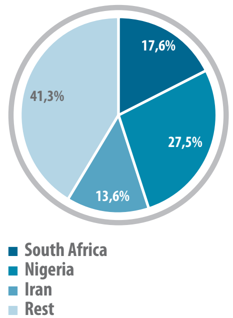
MTN Group performed well in 2010 under challenging market conditions and despite being negatively impacted by the strong rand. As more than 68% of MTN's revenue is generated outside South Africa, the translation into rand of the 2010 results had a significant impact on final reported figures. Most operations increased their share of the subscriber market, notwithstanding fiercer competition and pressure on tariffs with the Group achieving a 22% increase in subscribers to 141,6 million. However, the growth in subscribers is slowing as penetration increases and markets become more competitive. Constant currency revenue growth of 14% was still relatively satisfying. Penetration into lower usage segments of the markets and to a lesser extent lower tariffs, have, however, shifted the attention of the business model to focus on knowing your customer and catering for their evolving needs in order to sustain market share. Cost control has also become more important to maintain the profitability of the business. In 2010, the Group increased its EBITDA margin by 2,9% to 44%, excluding the MTN Zakhele transaction.

MTN continues to consider its mix of operations as the performance in South Africa, Nigeria and Iran remains key to the Group's results. Ghana and Syria are the two next largest operations by revenue and are therefore also described in more detail in the pages that follow. The impact of the conversion of the BOT in Syria to a full licence will be positive for increasing Syria's contribution to EBITDA. The upfront licence fee and lower revenue share change the EBITDA margin positively for the operations. The management of the various operations is bolstered by a regional focus headed by the three regional VPs. The three largest countries contribute 61,6% to the total Group subscribers and 58,8% to the total proportionate subscribers.

Subscriber mix (%)



Proportionate subscriber mix

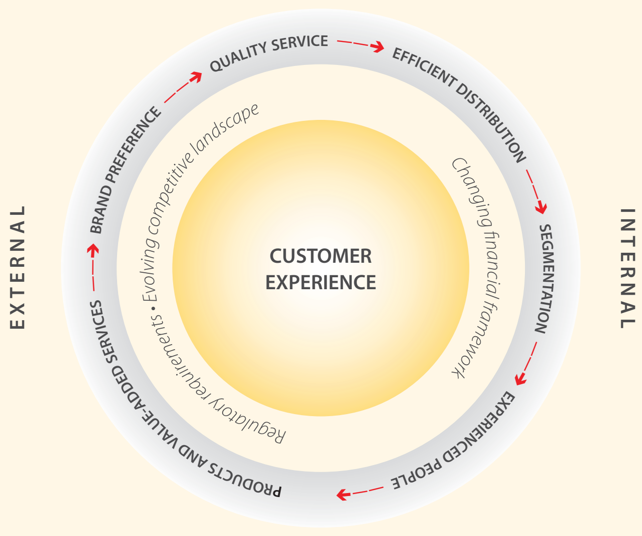


Elections in November 2010 in Côte d'Ivoire resulted in a prolonged standoff between the presidential candidates causing widespread disruption. Our results were not impacted in 2010, but contrivation in 2011 is expected to have some negative impact on the operation.

Benefiting from a clearly defined operational framework

These results were underpinned by a clearly defined operational framework which has and will continue to benefit operations going forward.

Operational framework

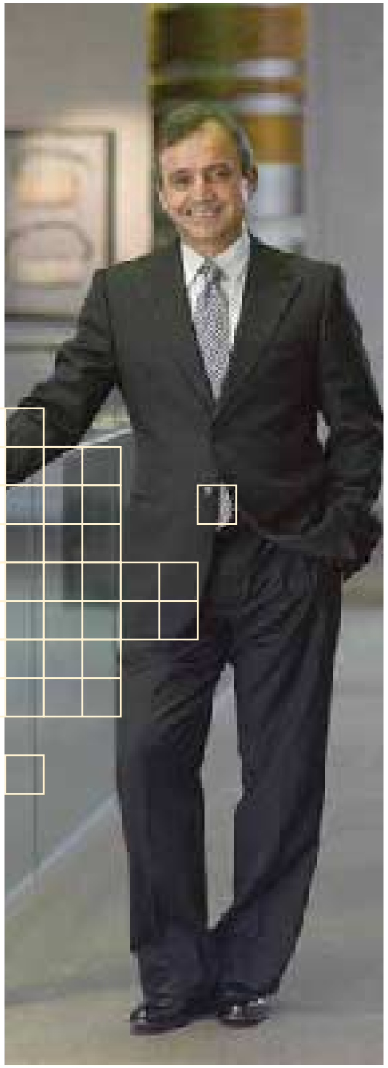


With the customer at its centre, MTN's operational framework focuses on working to provide the best experience for each of the Group's 141,6 million subscribers. We believe that the starting point for our operational framework is the Group's segmented approach to the market, which offers customers products and services appropriate to each particular sector. In the year, MTN worked to develop a more sophisticated customer segmentation model. This not only provides customers with wider product options but also allows MTN to penetrate low usage segments while ensuring efficient network utilisation.

Ensuring the right products and value-added service offering are vital to operational success. In addition to establishing new revenue streams, a more holistic offering is a critical element for maintaining market share and growing competitive advantage. In 2010, MTN continued to roll out MobileMoney, which had 4,3 million customers by year end. The Group is working to expand the functionality of this service, now available in 11 markets. It is developing a network of merchants in order that MobileMoney substitute banks in places where the banking system is underdeveloped and where credit cards are not widely used.

MTN recently entered into a partnership with three established money transfer groups , including Western Union, to capitalise on the market for international remittances. The Group has also launched initiatives to engage with the African diaspora so that they choose MTN as their remittance partner.

2010 marked a real shift in the role of data in the mobile market for MTN. The increasing affordability, or what some call "democratisation", of data-capable handsets has given more consumers access to these smartphones. The take-off in the use of social media, has further stimulated demand. Appropriate bandwidth and good quality content are necessary to meet customer demand. In 2010, MTN continued to invest in capacity on various undersea cables and in fibre roll out. In August, MTN linked in to EASSy (the Eastern Africa Submarine Cable System), after gaining partial access to the EIG (Europe India Gateway) system in February. This will allow both MTN and customers to benefit from lower bandwidth costs assisting with the growth in data solutions.



Nazir ***Patel***
Group chief financial officer

Recognising that product and service innovation is essential to keep data growth on a sharp upward trajectory, MTN established the Group-level innovation function in the year, as mentioned by the CEO. It compiled a roadmap of MTN's data and smartphone strategy, the network capability required to support it, as well as the Group's strategy to ensure that those customers who currently do not use the internet get connected. In pursuit of better applications and progressively richer and more relevant content, MTN is now entering various partnerships with suitable content providers.

MTN has identified the need to deliver cloud computing (where software and information are provided over the internet) to service small- and medium-sized corporate customers. The Group is also working on introducing near-field communication, whose potential future applications could include electronic ticketing, electronic money, electronic keys, identity documents and so forth.

Quality of service and timeously, efficiently and effectively investing and upgrading of networks and IT technology – whether it be reliable, clear voice or sophisticated data products – are critical to delivering on the customer promise in large markets and small. In addition to the heavy infrastructure investments made in 2008 and 2009, MTN invested a further R19,5 billion in network infrastructure in 2010 which has enabled operations to maintain and/or improve in the quality of their networks. The systems to support future products and services will increasingly go beyond traditional transmission, core and radio networks.

Efficient and deep distribution is also an important determinant of success: if customers have to travel far, or to inconvenient locations to buy airtime, they will be less inclined to do so. MTN recorded significant improvements in distribution in the year with more electronic recharge options and a refined distribution framework to ensure a deep and broad distribution footprint, the right locations and a quality experience at all customer touch points while also ensuring that commission structures to dealers are managed efficiently.

Experienced people are an essential part of MTN's competitive advantage, and the increasing number of mobile licences across the footprint means the necessary skills are in demand. MTN Group continuously works to offer the best employee value proposition in the industry and safeguard its key talent. It benefits from the numerous training programmes delivered by the MTN Academy and through the Group's e-learning platform. In 2010, MTN rotated a number of senior employees between different operations, facilitating a greater sharing of knowledge and experience, and helping develop employees' careers.

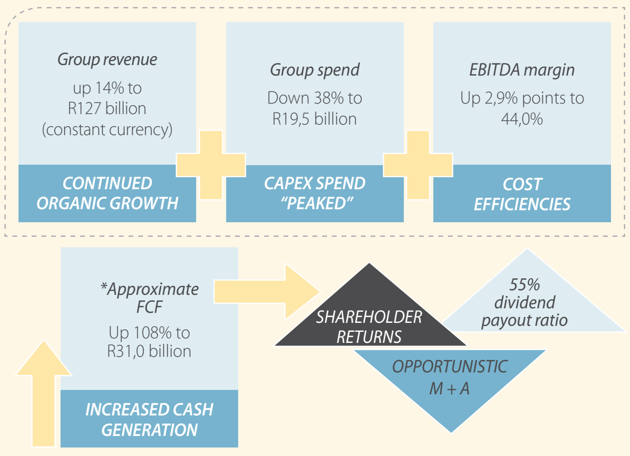
Brand preference often determines whether or not a customer joins or stays with a network. MTN's sponsorship of the 2010 FIFA

World Cup™ greatly supported brand perception in the year, differentiating and propelling it decisively into the global brand arena. At the time of writing, MTN had just been ranked as Africa's most valuable brand, and the only African global brand in the 2011 BrandFinance Global 500. The Group's efforts to understand its customers' motivation, needs, aspirations and values have been important in developing customer satisfaction, brand loyalty and sustainable success. These are core to the brand's promise and success.

Delivering on MTN's financial framework

To sustain MTN's momentum, MTN further developed its financial framework in the year.

Impact on financial framework

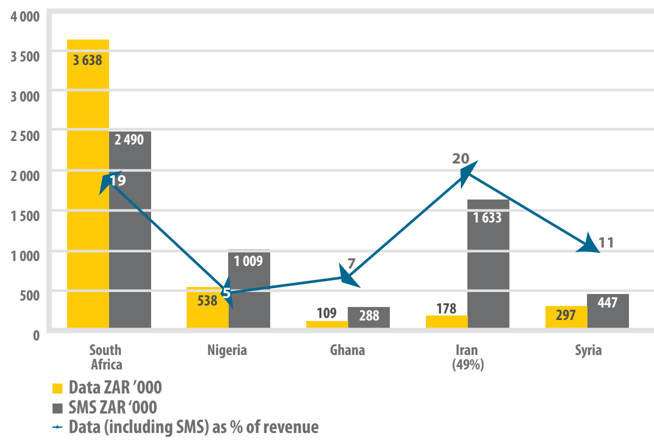


*EBITDA – Capex (approximate free cash flow)

MTN has shown delivery on its financial framework due to the strong operational performance, allowing the Company to pay 55% of adjusted headline earnings per share, taking the dividend yield to 4%, a significant increase from a year ago. For ease of understanding the underlining operational performance, the impact of MTN Zakhele has been excluded, and has been separately detailed where appropriate. The total cost of the transaction, together with the related ESOP scheme, was R2,9 billion which is included in EBITDA for statutory purposes.

Due to the strong rand, the contribution of South Africa increased relative to other operations. MTN's earnings and EBITDA continue to be dominated by South Africa and Nigeria which currently make up 60,4% of total revenue and 70% of EBITDA. Due to local shareholding levels, this changes when calculated on a proportionate basis to 53,4% of revenue and 59,3% of EBITDA.

Data and SMS revenue ZAR (billion)



Profit analysis

(ZAR million)	2010	2009	Variance %	Constant currency variance %
Revenue analysis				
Airtime and subscription	**78 400**	76 814	2	
Interconnect	**17 012**	19 516	(13)	
Data*	**6 206**	4 182	48	
SMS	**6 570**	5 437	21	
Connection fee	**544**	605	(10)	
Mobile telephones and accessories	**3 678**	3 279	12,2	
Other	**2 274**	2 114	7,7	
Total revenue	**114 684**	111 947	2,5	14
Direct network operating costs	**16 818**	15 925	5,61	
Costs of handsets and other accessories	**6 819**	6 297	8,29	
Interconnect and roaming costs	**12 593**	15 166	(16,97)	
Employee benefits costs	**5 961**	5 843	2,02	
Selling, distribution and marketing expenses	**14 741**	14 649	0,63	
Other	**7 242**	8 004	(9,52)	
Total	**64 174**	65 884	(2,6)	
EBITDA (excluding MTN Zakhele)	**50 510**	46 063	9,7	23
EBITDA margin % (excluding MTN Zakhele)	**44,0**	41,1	2,9 points	
MTN Zakhele costs	**2 973**			
EBITDA (including MTN Zakhele)	**47 537**	46 063	3,2	

Capital expenditure

(ZAR million)	2010	2009	Authorised 2011
South and East Africa	**5 421**	8 645	**5 676**
West and Central Africa	**9 919**	16 518	**10 723**
Middle East and North Africa	**3 402**	5 785	**4 871**
Head office companies	**724**	300	**861**
Total	**19 466**	31 248	**22 131**

**In the AFS on page 141, MTN Business Solutions is included in other revenue for 2009.*

Revenue analysis

In 2010, most operations reported strong organic growth as existing businesses increased their numbers of subscribers (albeit at reduced marginal average revenue per user), leading to good gains in revenue in local currency. Subscriber numbers increased by 22% to 141,6 million. MTN's reported results were dampened by the rand's gains against the currencies of the Group's main operations. The average Ghanaian cedi exchange rate dropped 18% versus the rand, the Iranian rial lost 17% and the Nigerian naira was 16% weaker. Total revenue increased 2,5% to R114,7 billion. On a constant-currency basis, revenue grew 14%.

The regulatory reductions in mobile termination rates in South Africa and Nigeria caused a 13% drop in the Group's interconnect revenue, but higher on-net traffic offset some of the decline. Revenue received a boost from a 48% increase in data revenue, albeit off a low base. The pricing of access to MTN networks was reduced in the year, resulting in a 10% decrease in connection fee revenue.

The strong showing in data growth was led by MTN South Africa, where the Group reported revenue of R3,6 billion from data and R2,49 billion from SMS. Together they accounted for 17% of MTN South Africa's revenue. MTN South Africa also recorded sales of R1,2 billion from MTN Business, up from R0,86 billion in 2009. In Iran, SMS revenue and to a lesser extent the uptake of GPRS services lifted the contribution of data and SMS to MTN Irancell's revenue to 20%. MTN Nigeria also showed a growing contribution of data in the year.

Numerous initiatives – in terms of technology enhancements, network capacity and product development – to further bolster the role of data in MTN's revenue mix are detailed later in this report.

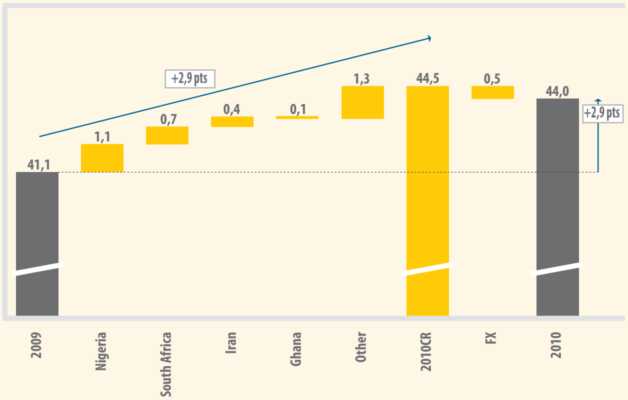
The higher revenue figures, coupled with good control of operational costs and other efficiencies, helped lift earnings before interest, tax, depreciation and amortisation (EBITDA) by 9,7% to R50,5 billion. Reported results were negatively affected by the strong rand. Had currencies remained unchanged in the year, the EBITDA increase would have been 23%.

The Group's EBITDA margin grew by 2,9 percentage points to 44%, driven mainly by margin expansion in Nigeria, Iran and South Africa (as well as improvements in Afghanistan, Syria and Zambia and despite margin deterioration in Sudan, Cameroon and Benin). This figure excludes the effect of MTN Zakhele. Without excluding this, the margin would have been 41,4% in the year.

The most notable cost achievements in the year were the selling, distribution and marketing costs up only 0,63%; interconnect cost down 18%. Despite the lower interconnect revenue in the year, the increase in on-net traffic had a positive impact on the margin contribution of interconnect to the Group following mobile termination rates cut in Nigeria and South Africa. Supply chain decreases (as the strategy to pursue more passive infrastructure sharing continued to bear fruit), the benefits of shared services and outsourcing, as well as standardisation and optimisation of systems and processes are expected to only make a meaningful impact in the years ahead. Details on these initiatives are provided in the chief executive officer's report.

MTN reduced capital expenditure (capex) in most operations after 2009's peak spending. Total capital expenditure for the year was R19,5 billion, down from R31,2 billion. The final capex figure was also helped by the stronger rand, leading to a R2,3 billion saving, as well as reductions in the price of capital equipment. The ratio of capex to revenue fell to 17% from 28% in 2009. For 2011, the Group has authorised capex of R22,13 billion, with increases planned mainly for Nigeria, Syria and other MENA operations.

EBITDA margin reconciliation (%)



2010CR is at constant prior year FX rate

Interest, tax and depreciation

Net finance costs (ZAR million)	2010	2009	% variance
Net interest paid	**1 925**	2 201	(12,5)
Net forex losses	**924**	1 106	(16,5)
Functional currency losses	**1 223**	3 204	(61,8)
Put option	**22**	(701)	(103,0)
Total	**4 094**	5 810	(29,5)

Tax (ZAR million)	2010	2009	% variance
Normal tax	**7 834**	6 425	21,9
Deferred tax	**1 984**	992	100,0
STC and other withholding tax	**1 450**	1 195	21,3
Total	**11 268**	8 612	30,8
Effective tax rate (%)	**36,3**	33,4	1,7 pts
Effective tax rate including MTN Zakhele (%)	**40,1**		

Net finance costs decreased by 29,5% to R4,1 billion in 2010 from R5,8 billion, due to a 61,8% reduction in functional currency losses to R1,2 billion at the end of December 2010. This was following capital restructuring of subsidiary holding companies. Functional currency losses relate to the foreign currency cash balances in Mauritius and reduced by 16,5% to R924 million.

The Group's effective tax rate increased to 36,3% from 33,4% in 2009. This was mainly the result of the additional secondary tax on companies (STC) on the maiden interim dividend and the reduced effect of the Nigerian put option on profit before tax. The decrease in the Nigerian investment allowance as a result of reduced capital expenditure in that country also contributed to the higher tax rate. On including the impact of MTN Zakhele, the effective tax rate increased to 40,1% due to the non-deductibility of these expenses.

The Group's depreciation charge increased by 12% to R13,2 billion for 2010. This was mainly the result of the impact of the first full year of depreciation in respect of the significant 2009 capital expenditure programme.

Earnings per share

After excluding the impact of MTN Zakhele, adjusted headline earnings per share (HEPS) increased by 20,5% to 909,1 cents. These adjusted figures exclude the impact of the put options in respect of subsidiaries.

Minority or non-controlling interests remained stable at R2,5 billion because of lower rand earnings from the Group's non-South African operations and an increased contribution by the South African operation to Group profit after tax.

Balance sheet highlights

Net cash

The Group's cash and cash equivalents increased R12,8 billion at year end, mainly the result of the R11,7 billion reduction in capital expenditure in 2010. This was also a key driver of the increase in approximate free cash flow for the period to R31,0 billion from R14,9 billion in 2009. The increase in cash and cash equivalents, combined with marginally lower gross debt levels, resulted in a net cash position of R905 million at end-December 2010, compared to a net debt position of R12,2 billion in 2009. This enabled the Group, in the absence of compelling acquisition opportunities, to meet the objective of its financial framework by ensuring greater returns to shareholders by way of increased dividends.

Looking forward

MTN is relatively confident of its ability to balance the need to increase returns to shareholders, while taking advantage of suitable, value-accretive acquisitions.

But as regulation and competition continue to intensify, revenue growth from traditional sources is likely to slow. The Group will therefore work to counter this decline by leveraging opportunities for data growth and facilitating an increase in the availability of smartphones. It will continue to have a segmented approach to the market, offering sector-specific products and services to customers. Despite increasing mobile penetration, the Group believes there is still opportunity to extend voice and data services to those who do not currently use a mobile. MTN acknowledges the role ahead of partners to further develop value-added services.

Effective network investment and rollout is a priority to ensure that network quality remains one of MTN's key competitive advantages. The Group will continue to upgrade and optimise networks to meet increased demand for data services and has approved capital expenditure of R22,1 billion for 2011.

EBITDA margin expansion remains an important goal, but necessitates greater efficiencies and is greatly affected by the mix of the various operations' contributions. MTN will continue to evaluate individual markets for opportunities to share both passive infrastructure and fibre, with benefits for the Group's environmental footprint as well as costs.

In the year ahead, MTN will leverage the new structural framework formed for key projects including cost-effective platforms for delivery of data and services; the ongoing standardisation of systems and processes; increased centralisation of procurement activities and rationalisation of suppliers; and shared services and outsourcing. Rather than follow a "big bang" approach, the Group plans to establish successful shared services and outsourcing models in certain markets, before extending them to other operations.

MTN will continue to investigate options to improve sustainable returns to shareholders now that a higher dividend payout policy has been adopted. It will also engage with authorities to sustain the social and commercial success of the telecommunications sector.

The Group expects net additions of 16,9 million subscribers in 2011, led by growth in Nigeria, Iran and South Africa.

Subscriber net additions guidance for 2011

Net additions 000's	
South Africa	**2 000**
Nigeria	**4 200**
Ghana	**390**
Iran	**3 350**
Syria	**600**
Rest	**6 385**
Total	**16 925**

For more details on the outlook for each of MTN's top five operations, please read the country reports in the pages that follow.

Sifiso Dabengwa

Sifiso Dabengwa
Group chief operating officer

Nazir Patel

Nazir Patel
Group chief financial officer
March 2011

MTN South Africa

Profit analysis

	December 2010 Rm	December 2009 Rm	% change
Revenue analysis			
Airtime and subscription	**19 297**	17 885	8
Interconnect	**6 568**	7 271	(10)
Data	**3 638**	2 475	47
SMS	**2 490**	2 021	23
Connection fee	**73**	69	7
Mobile telephones and accessories	**3 130**	2 870	9,1
Other	**626**	558	12,3
Total revenue	**35 822**	33 149	8,1
Direct network operating costs	**2 569**	2 319	10,8
Costs of handsets and other accessories	**4 677**	4 173	12,1
Interconnect and roaming costs	**5 483**	6 400	(14,3)
Employee benefit costs	**1 767**	1 576	12,1
Selling, distribution and marketing costs	**6 794**	6 832	(0,6)
Other expenses	**2 345**	1 439	62,9
Total operating expenditure	**23 634**	22 739	3,9
EBITDA	**12 188**	10 410	17,1
EBITDA margin (%)	**34,0**	31,4	2,6
Capex	**3 908**	6 034	(35)
Capex as percentage of revenue	**11**	18	(7)

Launched
June 1994

Market share
36%

Mobile penetration
105%

Population
50,2 million

Forecast market size in 2015
63 million

MTN shareholding
100%

"Strong uptake of MTN South Africa's expanded data offerings, supported by a world class network, led to growth of 47% in data (excluding sms) revenue"

Operational and financial performance

MTN South Africa achieved a strong and encouraging performance in 2010 in a challenging environment of increased competition and a mature market having more than 100% mobile penetration. The economy recovered slowly from the recession, while interest rates and inflation declined. However, unemployment and consumer debt levels remained stubbornly high.

MTN South Africa increased its market share to 36% from 32%, underpinned by strong growth in the prepaid segment, a stable network and improved billing, better distribution as well as a firm focus on appropriate segmented product offerings to customers. The MTN brand was greatly supported by the Group's affiliation to the 2010 FIFA World Cup™ and the continued success of the Ayoba advertising campaign.

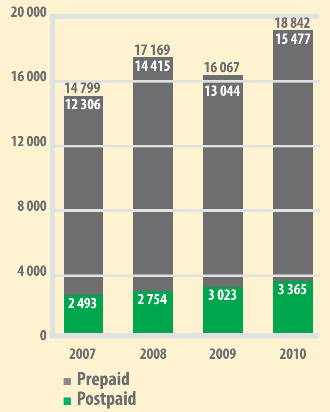
Subscribers increased by 17,3% to 18,8 million, mainly as a result of the 18,6% increase in prepaid users to 15,5 million in the year. The strong value propositions in this segment, including the enhanced MTN Zone and prepaid data offerings, were a considerable contributor to growth. It should be noted, however, that growth in the prepaid sector was off a lower subscriber base in 2009, following disconnections related to the implementation of the regulatory process in that year to register subscribers' details. MTN South Africa believes the prepaid base is now more resilient.

The postpaid segment (which includes hybrid users) increased by 11,3% to 3,4 million at the end of December 2010. The greater use of hybrid packages (which give contract customers a fixed monthly fee, with an option to "top up" with prepaid offerings if required) was partly offset by a fall in classic packages.

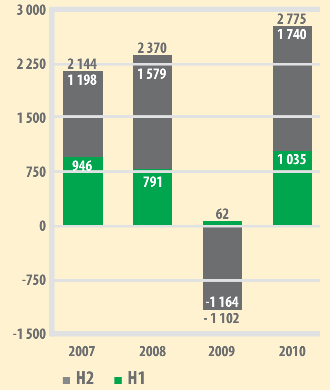
MTN South Africa's revenue grew by 8% for the period, driven mainly by 8% growth in airtime and subscription revenue. Strong uptake of MTN's expanded data offering (supported by a world-class network) led to growth of 47% in data (excluding SMS) revenue. This trend is expected to continue as data services become more accessible and smartphones more affordable.

The strong growth in data was partly offset by a 10% decrease in interconnect revenue in the year as the first reductions in mobile termination rates (from a peak rate of 125 to 89 cents) came into effect in March 2010. Following the

Subscribers ('000)

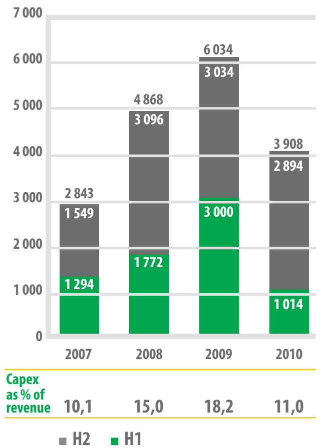


Net additions ('000)

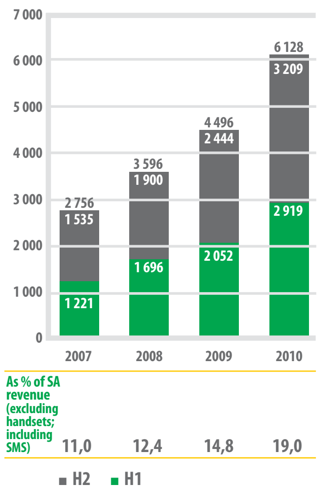


MTN South Africa *continued*

Capex ZAR (million)



Data revenue ZAR (million)



publication of the final termination regulations in October 2010, reductions will continue until both peak and off-peak rates are at 40 cents in March 2013.

Prepaid average revenue per user (ARPU) increased to R112 a month from R100 because of an increase in the percentage of revenue-generating subscribers in the reported base and an increase in spending on data. Postpaid ARPU declined R36 to R329 a month as users continued to feel the pinch of the tight economic conditions, reducing their out-of-bundle spending and increasingly opting for hybrids over traditional postpaid packages. The reduction in postpaid ARPU was also a result of the increased number of telemetry SIMs in use.

MTN South Africa's EBITDA margin increased 2,6 percentage points to 34,0%. This was attributable to increased data and prepaid revenue and a rise in on-network traffic which resulted in interconnection costs reducing by more than the reduction in interconnection revenue. Margins were also positively affected by relatively lower distribution costs, changes in the licence fee terms and improved collections on international roaming, assisted by the presence of international visitors to the 2010 FIFA World Cup™.

Effective and efficient network and IT investments and upgrades

MTN South Africa continued to invest in and upgrade its network, rolling out 369 3G and 284 2G BTSs in the year, and bringing the total BTS count to 8 912. At R3,91 billion, capital expenditure dropped to 11% of revenue, from 18% (R6,03 billion) in 2009 that marked the peak in the company's efforts to modernise and expand core capacity. MTN's 3G coverage grew to 49% of the population, in support of the growing data revenue opportunity.

As part of the IP-migration strategy, the company embarked on migrating the various voice bearer interfaces to internet protocol, allowing for enhanced scalability and network simplicity from a backbone perspective.

To further support the network, MTN advanced its self-provisioning efforts for transmission, completing the southern and northern Gauteng metropolitan rings, which comprise 220km of fibre. The rings are carrying the core needs in the Gauteng region and have proven to be stable.

In November, MTN South Africa was awarded the "best network improvement" award at the AfricaCom awards. It also won the award for the "best marketing campaign" for the Ayoba campaign, the pervasive nature of which contributed greatly to getting South Africans excited about the 2010 FIFA World Cup™.

Ensuring the right products and value added services

Greater use of 3G data cards, smartphones and telemetry (machine-to-machine communication, including vehicle tracking) contributed to increased take-up of secondary SIM cards in the year, during which MTN launched a prepaid data value proposition and also revised its postpaid data offering. More customers started using their phones for email and to surf the net, with almost half the subscriber base using packet data in the year. MTN South Africa's subscriber base used 1,6 million smartphones and nearly one million modems. At just 9%, South Africa's internet penetration rate means there is considerable room for data use to grow.

MTN Zone was the most preferred prepaid price plan, ending the year with over 9,6 million customers as a result of the Mahala4Life campaign. Being able to attract most of MTN's prepaid base to MTN Zone allowed for better control of effective rates and network utilisation as discounts could be adjusted based on historical traffic levels by cell site.

MTN South Africa continued to focus on the timely introduction of appropriate devices to meet customer requirements and reinforce its leadership position. With the ZTE S308, an ultra-low-cost handset priced below R100 was introduced, while at the other end of the spectrum the launch of the Apple iPhone was a milestone in MTN's smart device portfolio. The Sony Ericsson W205 offered unique football content and accessories for the 2010 FIFA World Cup™.

Efficient distribution and a good customer experience

Good and diverse distribution was a key contributor to a better overall performance. Increasing the distribution footprint, ensuring an appropriate location and customer experience remain MTN's key objectives. MTN closed 42 MTN-owned stores and converted 73 owned stores to franchisees. At year end, there were 448 stores, a third of which were owned by MTN. The company also launched a new dealer commission model and benefited from regional segmentation and a closer focus on the top contributing distributors.

Sustaining our success

A highlight of 2010 was the improvement in MTN South Africa's black economic empowerment (BEE) rating to level 3 from level 5. Elements that contributed to the improvement were enterprise development, socioeconomic development and preferential procurement. MTN's preferential procurement

MTN South Africa *continued*

strategy includes commitment plans and inclusion of B-BBEE in the tender adjudication process. This resulted in more than 86% procurement spend with B-BBEE-compliant suppliers, of which more than 26% was from black women-owned enterprises. To further improve the B-BBEE performance, more emphasis will be placed on empowerment of black women-owned enterprises and small- and medium-size enterprises. MTN is also reviewing some initiatives where it can invest in enterprise development. The MTN Zakhele transaction, facilitated by the Group, will further enhance MTN South Africa's BEE ownership credentials.

In addition to MTN Zakhele, MTN Group also issued 0,1% of its issued ordinary share capital to level 1 and 2 employees as an employee share incentive scheme. Employees continued to benefit from the activities of the MTN Academy, with MTN South Africa employees participating in training during the year.

The MTN South Africa Foundation maintained its focus on helping develop rural communities where there are high rates of unemployment, poor education and lack of healthcare resources. Its efforts remained concentrated on programmes aimed at improving education and health, stimulating arts and culture and facilitating entrepreneurship, and so providing communities with the tools to shape a brighter and more self-sustaining future.

The company also co-ordinated employee volunteerism efforts, harnessing the intellectual capacity, financial generosity and community spirit of the MTN South Africa workforce. Special projects in the year included support for 16 Days of Activism Against Women and Child Abuse campaign as well as the Women in Arts programme. The 21 Days of Y'ello Care campaign forms part of a culture of giving that spans 365 days of the year.

In pursuit of a lower carbon footprint, in August MTN unveiled a first-of-its-kind tri-generation plant to produce power and recycle water at the 14th Avenue, Fairland, campus. The plant uses clean-burning methane gas to generate electricity and, through a second re-absorption chiller cycle using the waste heat, generates water for the air-conditioning systems in MTN's buildings. The water from the six huge cooling towers is used to cool down the heat from the engines. As it is not used in the absorption cycle, this "grey water" is then recycled for facility use. All the plant's processes have been designed to result in savings in water and electricity costs. This 2MW plant complements the more than 20 solar, wind, biogas and hybrid-powered BTS sites and switches across South Africa. MTN also retained its ISO 14001 status and is working towards US-based leadership in energy efficient design (LEED) status in 2011.

Engaging with the industry regulator

MTN continued to work to meet the requirements of the Regulation of Interception of Communication and Provision of Communications Related Information Act (RICA), and by year end 81% of prepaid users and 71% of postpaid subscribers had been registered. The deadline for outstanding RICA requirements was extended from 31 December 2010 to 30 June 2011.

Looking ahead

With sharp hikes in electricity and fuel prices forecast, South African consumers will continue to be under pressure. This, together with increased competition and further reductions in mobile termination rates, will likely weigh on MTN South Africa's revenue.

In a mature market, 3G data services and smartphones and partnerships in the mobile content and application space will be key drivers of revenue growth. This growth will come not only from higher-income users, but also from the lower end of the market as the cost of smartphones and data dongles decrease and further segmented value propositions are developed.

MTN will continue to focus on enhancing customer experience.

The Group has budgeted capital expenditure in 2011 in South Africa of R3,9 billion, mainly in IT and value-added services as well as investment in the core network and physical infrastructure.

While managing convergence and service integration, MTN South Africa will also have to adapt to changes in the regulatory environment, including further reductions in mobile termination rates, the introduction of carrier pre-select and the requirements of the new Consumer Protection Act. Carrier pre-select provides customers with the choice, on a call-by-call basis, of which operator should carry calls.

Given these considerations, MTN estimates that the total addressable mobile market in South Africa will increase to 58,5 million SIMs by the end of 2012 and 62,9 million by 2015. For 2011, MTN South Africa expects to achieve net additions of two million.

MTN Nigeria

Profit analysis

	December 2010 Rm	December 2009 Rm	% change	Local currency change %
Revenue analysis				
Airtime and subscription	**28 194**	27 534	2	19
Interconnect	**2 864**	4 045	(29)	(18)
Data	**538**	363	48	78
SMS	**1 009**	959	5	21
Connection fee	**148**	116	27	50
Mobile telephone and accessories	**126**	81	56,2	83,2
Other	**613**	229	167,8	57,6
Total revenue	**33 492**	33 326	0,5	16,0
Direct network operating costs	**3 455**	3 240	6,6	22,3
Costs of handsets and other accessories	**763**	785	(2,9)	12,8
Interconnect and roaming costs	**1 868**	2 793	(33,1)	(22,3)
Employee benefit costs	**1 004**	1 034	(3,0)	10,2
Selling, distribution and marketing costs	**3 445**	3 250	6,0	21,3
Other expenses	**1 878**	2 477	(24,2)	(15,2)
Total operating expenditure	**12 412**	13 579	(8,6)	4,6
EBITDA	**21 080**	19 746	6,8	23,9
EBITDA margin (%)	**62,9**	59,3	3,7	4,0
Capex	**4 700**	10 222	(54,0)	(47,9)
Capex percentage of revenue	**14**	31	(17)	(17)

Launched
August 2001

Market share
52%

Mobile penetration
49%

Population
153,5 million

Forecast market size in 2015
117 million

MTN shareholding
76%

"MTN Nigeria's success story is incomplete without a mention of the 122 trade partners who contributed significantly to the distribution of the company's products"

Operational and financial performance

MTN Nigeria performed well in 2010, increasing its market share by two percentage points to 52% despite increased competition, particularly in the fourth quarter. The strong showing was as a result of superior network coverage and quality, attractive and innovative segmented promotions to customers and effective churn management. Improved customer service and product accessibility through enhanced distribution channels and customer call centres also contributed to a 25% increase in subscribers to 38,7 million.

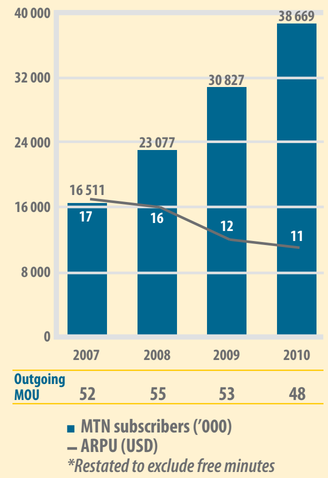
The second half of 2010 began to show signs of economic recovery in Nigeria. GDP grew by nearly 8%, comparing favourably with the average growth rate for Africa of 4,5%. However, the Nigerian economy continued to feel the effects of the global recession and the 2009 domestic banking crisis, while politically there was uncertainty after the May 2010 death of President Umaru Yar'Adua after a long illness and ahead of his replacement by Acting President Goodluck Jonathan. Job losses in the local banking sector affected disposable income and hence mobile affordability, mainly among middle-class consumers. The naira remained relatively stable in 2010, closing the year at NGN151 to the US dollar compared to a closing rate of NGN149 in 2009.

Mobile market penetration rose seven percentage points to 49%, with MTN Nigeria taking more than 60% of the market's net additions. The mobile industry continued to dominate Nigerian telephony, with an 89% share of the overall market.

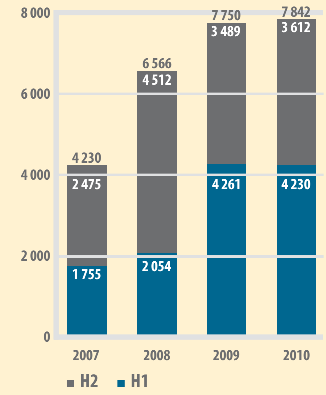
MTN Nigeria's naira revenue grew 16% mainly as a result of increased airtime and subscription revenue (up 19%). This was partially offset by lower interconnect revenue (down 18%) resulting from the introduction of lower termination rates by the industry regulator. Due to MTN's high proportion of on-network traffic, the net impact of these changes was relatively muted with interconnect costs declining marginally more than interconnect revenue. Data (including SMS) revenue continued on a strong trajectory, growing 17% for the year, albeit off a low base. In naira, average revenue per user (ARPU) per month declined 10% from 2009, in line with penetration into lower-usage segments of the market. In US dollars, ARPU was 11% lower at USD11.

MTN Nigeria's EBITDA margin increased 3,7 percentage points to 62,9%. This was mainly due to better economies of scale, an improvement in interconnect margin from higher on-net traffic and a once-off elimination of an impairment charge in relation to the outsourcing of spare parts in particular. The average exchange rate of the naira to the rand fell

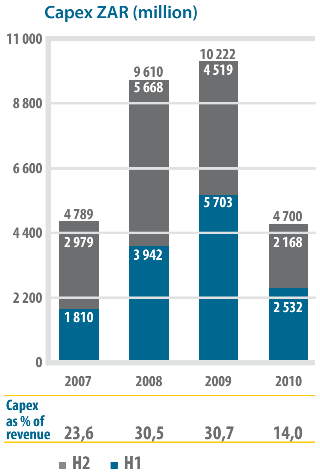
Subscribers ('000)/ARPU ($)

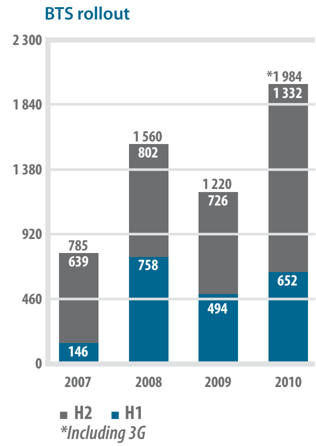


Net additions ('000)



MTN Nigeria *continued*





16% in the year, leading to lower rand-reported revenue and EBITDA growth. In rand terms, revenue grew 0,5% to R33,4 billion and EBITDA expanded 6,8% to R21,1 billion.

Effective and efficient network and IT investments and upgrades

The considerable investment in the MTN Nigeria network over the past few years has enabled the company to increase its market share while maintaining good levels of network quality and capacity. Between 2007 and 2010, more than R29 billion in capital investment was made in Nigeria.

In 2010, MTN Nigeria brought on line 1 504 2G and 480 3G base transceiver stations (BTS), increasing the total count to 9 110. In addition, 4 800 BTS sites were upgraded to improve capacity. At R4,7 billion, capital expenditure dropped to 14% of revenue from 30% (R10,2 billion) the prior year. MTN Nigeria's capital expenditure was lower than budgeted because of delays arising from the manufacturing and delivery of necessary equipment. However, spending required to complete 2010 projects has been included in the company's 2011 budget.

MTN Nigeria continued expanding its transmission capabilities, rolling out fibre across the country and completing a 696km backbone fibre ring between Yola and Bauchi through Gombe. In an effort to enhance data capabilities, it launched a national fibre expansion project, linking 71 high-capacity BTS sites on fibre. The roll out of WiMax also gained momentum, with 89 WiMax base stations set up in five states.

Mobile operators in Nigeria continued to face the challenge of having their infrastructure damaged during road construction activity across the country. Securing rights of way, as well as environmental approvals for new infrastructure, also impacted operators' ability to increase their fixed networks.

In July, the Main One submarine fibre optic cable system linking West Africa to Europe was commissioned. MTN Nigeria's access to this 7 000km long cable will help it deliver greater broadband capacity at reduced cost to customers.

Ensuring the right products and value-added services

MTN Nigeria's customer segmentation model, which offers different customer groups the most appropriate value propositions, played a key role in the company's ability to effectively manage 38 million users. In the second half, it launched its "Richer Life" segmented bundle packages as well as numerous innovative products. These included MTN E-presence – a first-of-its-kind offering in sub-Saharan Africa which enables people in different locations to communicate through a virtual meeting room.

Brand perception improved in the year, thanks to numerous initiatives related to the Group's sponsorship of the 2010 FIFA World Cup™. MTN Nigeria launched MTN Play (a WAP portal delivering entertainment content – including sports content during the 2010 FIFA World Cup™), and also introduced a football service offering customers a comprehensive range of football-related content, delivered by SMS and MTN Play.

MTN HyNet, a prepaid broadband internet service based on WiMax technology, was implemented in seven major Nigerian cities in the year. MTN introduced various segmented data bundles, facilitating 48% growth in data revenue and the sale in the year of 153 222 dongles (nearly double 2009's figure) and 41 740 3G handsets. This increased take-up illustrates the strong momentum for data offerings in Nigeria.

Efficient distribution and a good customer experience

MTN Nigeria's 2010 success story is incomplete without a mention of the 122 trade partners who contributed significantly to the distribution of the company's products. This indirect but highly efficient distribution channel accounted for over 99% of the company's sales in the year. MTN also opened additional customer call centres in 2010, offering quality service through its wide distribution network.

In the run up to the World Cup, MTN launched "the biggest ball tour" in Nigeria. The 35-foot ball, produced in Lagos, was endorsed by the Guinness Book of Records as the biggest ever made. It toured four major cities amid fanfare and excitement, taking the message of Africa United: One Team, One Spirit, One Supporters Club for Africa. It was also an opportunity to kick-start the SIM-card registration process across Nigeria and drive sales of MTN products and services.

In line with a commitment to deliver a single MTN-branded customer experience and engrain the customer centricity ethos in all employees, MTN Nigeria ran the second edition of the "back to the shop floor" initiative in the year. A total of 1 942 employees took part in the exercise and their feedback has been used to refine the MTN brand promise in the walk-in assistance centres. Motivated by feedback from employees, MTN Nigeria introduced extended opening hours at many of these centres.

In recognition of the strength of the MTN brand, MTN Nigeria won the Outdoor Advertising Association of Nigeria's award for the best media brand as well as the Advertisers' Association of Nigeria's award for the best television commercial for MTN Fastlink.

Sustaining our success

A highlight of the year was the conclusion in June of a USD2,2 billion financing deal allowing MTN Nigeria to further expand its network. In the largest naira-denominated syndication ever, a consortium of 15 Nigerian banks extended a facility of NGN250 billion to MTN Nigeria, while two foreign banks extended a further USD450 million.

MTN Nigeria's people remain critical to the success of the company. To foster the retention of key talent, in 2010 MTN Nigeria developed and implemented an integrated talent management strategy, involving talent review sessions and the deployment of succession plans for all divisions. It also developed and

MTN Nigeria *continued*

launched the Group-aligned MTN Nigeria employee value proposition to reinforce the company's position as the employer of choice.

The provision of quality training remains vital for the development and retention of employees. The company also contributes to knowledge share within the Group. In 2010, it provided 34 employees as technical and expert support to several other operating units through short-term assignments, training and skills transfer.

In recognition of its work in the community, the MTN Nigeria Foundation (which spent NGN1,6 billion on community projects in the year) won the "changing lives award" at the AfricaCom Awards in November 2010 for its rural telephony project. This offers micro-finance services to rural women, enabling them to purchase hardware (including phones, antennas, umbrellas, solar chargers and SIM packs) to operate call centres. This is in line with the MTN Nigeria Foundation's objective of facilitating the economic empowerment of Nigerians. It also aims to provide access to educational opportunities and alleviate health challenges in the country.

MTN continued to sponsor a number of community development projects, including the Lagos Street Soccer Championship, a grassroots football initiative aimed at developing young talent. It also engaged with customers in the youth market through various sponsorships including the MTN Project Fame West Africa televised musical talent show.

On the environmental front, MTN Nigeria started using alternative power solutions to reduce the diesel consumption (as well as operational costs) of BTS sites.

Engaging with the industry regulator

MTN Nigeria actively engaged the industry regulator, the NCC, on numerous initiatives in the year, including new mobile termination rates, SIM-card registration and mobile number portability (the commencement date of which is yet to be announced by the NCC). It secured approval for fixed numbering plans in Ilorin, Kaduna and Warri, as well as 3.5GHz spectrum allocation in 13 states and re-planning of 3.5GHz to Time Division Duplex (TDD) from Frequency Division Duplex (FDD) in all states in the federation.

The company worked with the regulator to collect debts owed by a number of other operators for interconnection services. This resulted in the receipt of several debts and MTN continues to engage with the regulator to recover amounts still outstanding.

In the year, MTN consolidated its relationship with the various regulatory agencies and consumer advocacy bodies and continued efforts to build a stable relationship with the National Environmental Standards and Regulations Enforcement Agency (NESREA).

Looking ahead

MTN will celebrate its tenth anniversary, a decade of bridging the digital divide, in Africa's most populous country in 2011. In a market where penetration is still relatively low and where voice remains the key revenue driver, competition is expected to intensify, placing pressure on revenue. MTN Nigeria remains confident it will maintain its competitive edge by continued investment and upgrades to its network quality and capacity. The innovation of products and value-added services, deep and broad distribution as well as improved customer care also remain key.

Although data use is still relatively low, investment in 3G networks and data products and services remains a priority and is expected to continue to increase as smartphones and other 3G devices become more affordable and accessible. In 2011, MTN Nigeria will accelerate the expansion of its WiMax offering and increase the penetration of MTN fixed data services to corporate clients, small and medium enterprises and individuals by providing solutions quicker and at a lower cost.

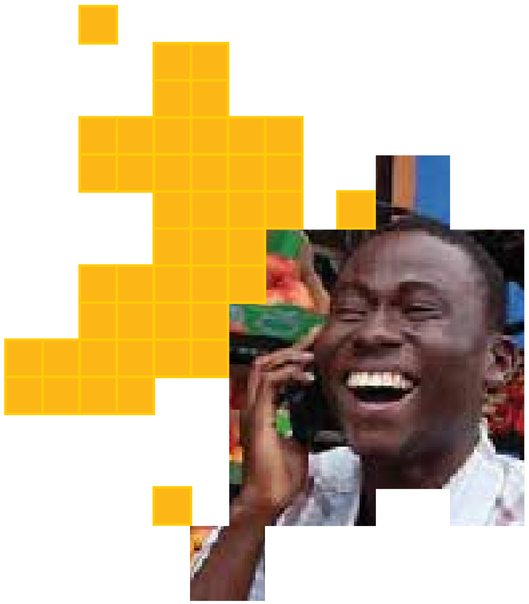
MTN Nigeria will continue to manage and maintain its cost base efficiently. However, lower interconnect rates and lower retail prices will place pressure on revenue. This, together with potentially more investment in value-added services, means that MTN Nigeria expects an erosion of its EBITDA margin from 2010's levels.

The company has authorised capital expenditure of R7,78 billion for 2011 – the largest single-market investment in the Group for the year. However, this figure includes a roll over from 2010, when capex was lower than budgeted. The majority of this spending will be on increasing the quality and capacity of 2G networks as usage is expected to increase following retail prices reductions implemented in early 2011.

Customer service is expected to receive a boost after the recent launch of a new customer relationship management tool. The company will continue to work to embed the employee value proposition, thereby increasing engagement, improving productivity and business results and attracting and retaining talent.

The Nigerian economy is expected to benefit from higher oil prices in 2011, however increased government spending ahead of the April elections and the measures taken to resolve the banking crisis are seen as stoking inflation. In an effort to tame price rises, interest rates are forecast to continue to rise.

By 2015, MTN estimates the mobile market in Nigeria will have grown to 117 million users from 2010's 74,6 million. MTN Nigeria anticipates adding at least 4,2 million subscribers in 2011. This expectation takes into account the impact of SIM card registration as well as fierce competition in Nigeria in the year ahead.



MTN Ghana

Profit analysis

	December 2010 Rm	December 2009 Rm	% change	Local currency change %
Revenue analysis				
Airtime and subscription	**4 089**	4 077	0	15
Interconnect	**1 023**	1 145	(11)	3
Data	**109**	58	89	118
SMS	**288**	293	(2)	11
Connection fee	**59**	38	56	79
Mobile telephone and accessories	**62**	45	36,3	55,9
Other	**20**	12	76,0	66,8
Total revenue	**5 651**	5 667	(0,3)	14
Direct network operating costs	**624**	519	20,2	32,7
Costs of handsets and other accessories	**266**	194	37,1	54,4
Interconnect and roaming costs	**689**	646	6,7	21,5
Employee benefit costs	**334**	256	30,4	48,9
Selling, distribution and marketing costs	**647**	592	9,4	24,6
Other expenses	**588**	894	(34,2)	(28,3)
Total operating expenditure	**3 147**	3 101	1,5	15
EBITDA	**2 503**	2 560	(0,7%)	13
EBITDA margin (%)	**44,3**	45,3	(0,2)	(0,3)
Capex	**3 130**	2 616	20	(7)
Capex as a percentage of revenue	**55**	46	9	(9)

Launched
November 1996

Market share
53%

Mobile penetration
67%

Population
24,5 million

Forecast market size in 2015
20 million

MTN shareholding
98%

"The company's performance was encouraging considering the extent of aggressive competition within the Ghanaian market"

Operational and financial performance

MTN Ghana performed satisfactorily in 2010 despite a marginal decline in market share to 53% from 55% in 2009. The company's performance was encouraging considering the extent of aggressive competition within the Ghanaian market and the impact of mandatory customer SIM registration which led to reduced gross connections in the second half. It recorded a 9% increase in subscribers to 8,7 million at December 2010, driven largely by the introduction of new price plans and the revision of MTN Zone dynamic tariffing to allow subscribers to view tariffs charged in monetary value rather than as percentage discounts.

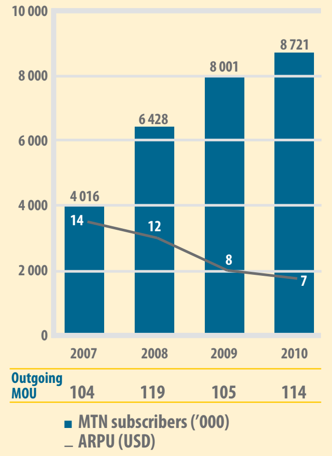
Ghana moved into the ranks of middle-income countries in 2010 following the statistical re-basing of the country's national accounts to better reflect growth in areas such as telephony and banking. This resulted in a sharp upward revision in economic growth. In December, Ghana started producing oil from its Jubilee field, adding crude to the economy's main resource exports of cocoa and gold. Initial production of 120 000 barrels per day is expected to rise to 250 000 bpd by 2013.

After a slowdown in inflation in the previous year, the central bank cut interest rates in the first half of 2010, before keeping them on hold for the rest of the year. Mobile telephony continued to grow, outpacing fixed-line growth, and increasing mobile penetration in the year to 67%.

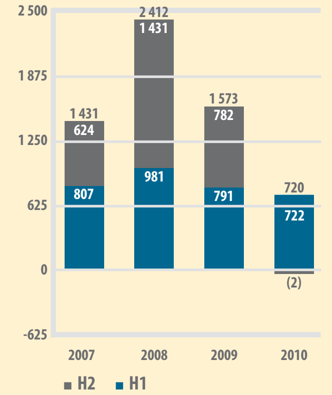
MTN Ghana's cedi revenue grew 14%, ahead of subscriber growth, mainly because of the increase achieved in airtime and subscription revenue. Although data revenue (including SMS) grew strongly at 13%, this was off a low base and contributed 7% to revenue. Reported ARPU decreased USD1 a month to USD7 while cedi ARPU remained stable.

MTN Ghana's EBITDA margin edged down slightly to 44,3% from 44,5% in the prior period. This was mainly because of the increase in direct network operating costs, specifically rent and utilities and maintenance costs associated with a price hike

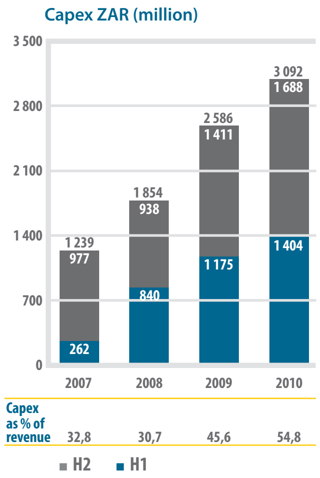
Subscribers ('000)/ARPU ($)

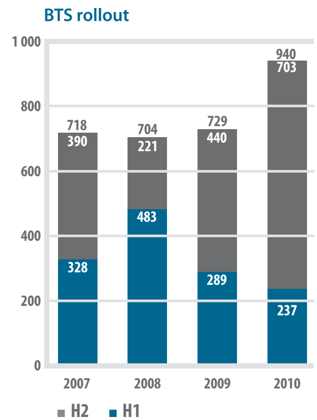


Net additions ('000)



MTN Ghana *continued*





in May 2010, as well as a bigger network. Staff costs also contributed to the decrease in margin as a result of improved retention initiatives. Again, in light of aggressive competition through headline tariff reductions, this was an encouraging performance.

The average cedi/rand exchange rate fell 18% in the year. Because of the strong rand, the results translated into no revenue growth in rand terms at R5,6 billion and a 3,8% decrease in EBITDA to R2,5 billion.

Effective and efficient network and IT investments and upgrades

In the face of stiffer competition, MTN Ghana was the only major operation in the Group to increase capital expenditure in the year, raising it to more than 55% of revenue (R3,1 billion) from 46% (R2,6 billion) the year before. The company maintained high network quality and capacity despite a meaningful increase in traffic by rolling out 940 BTS, bringing the total to 4 033, including a further 77 3G BTS.

Like MTN Nigeria, MTN Ghana benefited from the commissioning in July of the Main One open access submarine fibre optic cable system linking West Africa to Europe. Access to this broadband capacity has resulted in accelerated data use in the region. MTN Ghana also obtained approval in the year for a landing station in Ghana for the WACS submarine cable, which is expected to add to the regional data drive early in 2012.

Ensuring the right products and value-added services

MTN Ghana maintained its reputation for innovation, with the launch of various new products in the year, including changes to MTN Zone dynamic tariffing. As well as offering customers reduced rates when traffic volumes are low, the renewed offering (which shows discounts in cedi amounts rather than percentage terms) also allows MTN to offer its customers discounted prices while optimising its network capacity.

Customer perception about network quality improved significantly, but MTN Ghana lagged some competitors in terms of price perception. As a result, MTN introduced new tariff plans, including Talk-a-lot, So Cool and So Easy, and benefited from loyalty programmes. MTN MobileMoney continued to grow, with 1,8 million people using the service by year end, making Ghana the largest Mobile Money base in the Group.

Following the launch of 3G services in Ghana in the past two years, MTN Ghana introduced bundled data offerings and reduced data prices, leading to the sharp increase in data usage in the year. Some 44 000 data dongles and 166 000 3G subscribers were registered on the MTN Ghana network in 2010. MTN Ghana developed a separate value proposition to serve the data needs of its business customers via MTN Ghana Business Solutions, that started operating in the first quarter of 2010. It is focused on managed data network services (MDNS) for the corporate business market with three main products: leased lines, dedicated internet and VPN over mobile. Though demand for these services was very high in the year, performance was constrained by the absence of dedicated internet bandwidth and so-called "last mile" equipment.

MTN Ghana expects the completion of the WACS landing stations in 2011 to significantly enhance MTN Ghana Business Solutions' value propositions through the improved availability of capacity. In particular, MTN plans to tap into the significant demand for bandwidth and data capacity from offshore oil companies.

Efficient distribution and a good customer experience

MTN Ghana's regional distribution model again proved successful, reducing the distance between the company and its customers. In the year, MTN Ghana had 14 wholesale dealers, 28 MTN branches and 22 "connect" stores. Electronic airtime vouchers continued to gain momentum, reducing the company's reliance on paper recharge vouchers. MTN Ghana also invested in the trade channels in the year, with the deployment of 68 new distributor branches dedicated exclusively to driving MTN business as well as the deployment of 800 active sales canvassers dedicated to sales of pay-as-you-go SIM cards and ultra-low-cost handsets to limit churn and improve data penetration.

Sustaining our success

A highlight in the year was the agreement with American Tower Corporation to establish a joint venture in Ghana (TowerCo Ghana), in which MTN will hold 49%. The transaction involves the sale of up to 1 876 of MTN Ghana's existing sites to TowerCo Ghana for approximately USD428,3 million, of which American Tower will pay

MTN Ghana *continued*

up to USD218,5 million for its 51% stake. This initiative provides an opportunity for an additional source of revenue as well as a chance to reduce operational and capital costs associated with maintaining passive infrastructure. It also offers opportunities to expand coverage into previously under-serviced areas, which will further help to bridge the digital divide. Infrastructure sharing will also reduce MTN Ghana's environmental footprint.

Efforts to develop local skills – especially in network building and maintenance – continued in 2010. MTN Ghana spent USD2,5 million on various training and staff development initiatives from which more than 55% of the employee base benefited. The company also increased the number of staff seconded to other operating companies in 2010, enabling skills transfer, knowledge share and career development.

In 2010, MTN Ghana recorded improvements in a cultural audit of employees and won the Group's Y'ello Care Trophy for the voluntary work carried out by staff in the community. This included support to a government effort on eradicating malaria, various educational initiatives and a blood-donation exercise. The MTN Ghana Foundation is driving other community support programmes, including the rehabilitation of some hospitals and schools in deprived areas in Ghana.

MTN Ghana continues to explore more environmentally friendly ways of operating and has introduced community phones that are fully powered by solar panels. Another 45 sites that had previously relied on diesel generation are now powered by hybrid systems.

Engaging with the industry regulator

Ghana continued to increase mobile regulatory requirements in the year. In July, subscriber registration started and by year end, 70% of the subscriber base had registered their details. The process is scheduled to be completed by the end of June 2011.

MTN Ghana continued to engage proactively with the National Communications Authority on various issues, including mobile number portability (which is due to be introduced in 2011) and the increase in SIM box activity. This occurs when third party carriers bypass interconnect fees by using devices called SIM boxes or GSM gateways (essentially two phones on different networks rigged up so that a call arriving on one is routed out again on the other). To the networks involved, each call appears to start and end on its own network. To customers, these services can often be of poor quality.

During the year, Ghana implemented new telecoms governance technology to monitor inbound international calls for revenue. The authorities asked telecoms operators to charge, from June, a new, higher fixed rate for all inbound international calls. This move, along with the increased incidence of SIM boxing, affected MTN Ghana's international incoming revenue.

Late in 2009, the Environmental Protection Agency put a halt to the building of mobile towers until it had agreed an environment framework with operators, holding back network expansion in the interim. After intense industry engagement, this ban was lifted in the middle of 2010.

Looking ahead

The outlook for the mobile market in Ghana in 2011 remains challenging in a 67% penetrated market with five mobile operators and a sixth set to launch in mid 2011. However, MTN Ghana remains positive that it will sustain its leadership position despite increased competition and increased regulatory requirements. It will continue to focus on churn management as data and other value-added services – including MobileMoney – become increasingly important.

Sustaining the EBITDA margin is unlikely in the short term given the market pressures on revenue and the establishment of TowerCo Ghana. MTN Ghana will continue efforts to maintain a tighter cost base and focus on data and value-added services initiatives.

To ensure that it continues to deliver leading network quality and capacity, MTN Ghana has authorised capital expenditure of R1,2 billion for 2011, mainly in 2G, cable and fibre.

The Ghanaian economy is expected to expand strongly, benefiting from its new oil exports, but inflation could return to double digits after sharp rises in retail fuel prices. Apart from the effect on consumers' disposable incomes, there will also be pressure from increasing maintenance costs (related to higher diesel prices), while increased competition will mean more downward pressure on mobile tariffs.

Among regulatory challenges in the year ahead are the completion of subscriber registration and preparations for the introduction of mobile number portability. By 2015, MTN estimates the total addressable mobile market in Ghana will be 20,1 million. This compares to a mobile market of 16,37 million in 2010. MTN Ghana expects to achieve at least 9,1 million customers by the end of 2011.

MTN Irancell (49%)

Profit analysis

	December 2010 Rm	December 2009 Rm	% change	Local currency change %
Revenue analysis				
Airtime and subscription	**4 895**	4 051	21	42
Interconnect	**2 306**	2 167	6	25
Data	**178**	92	93	140
SMS	**1 633**	1 118	46	73
Connection fee	**98**	150	(35)	(22)
Mobile telephones and accessories				
Other	**91**	47	94,7	105,9
Total revenue	**9 201**	7 625	20,7	42,0
Direct network operating costs	**3 108**	2 789	11,4	31,5
Costs of handsets and other accessories	**118**	179	(34,2)	(20,9)
Interconnect and roaming costs	**1 134**	937	21,1	42,9
Employee benefit costs	**118**	95	24,2	46,4
Selling, distribution and marketing costs	**534**	614	(13,0)	3,6
Other expenses	**404**	347	16,3	31,4
Total operating expenditure	**5 416**	4 961	9,2	28,7
EBITDA	**3 786**	2 664	42,1%	66,6
EBITDA margin (%)	**41,1**	34,9	6,2	6,1
Capex	**1 661**	3 326	(50,1)	(46,1)
Capex as a percentage of revenue	**18**	44	(26)	(28)

Launched
October 2006

Market share
44%

Mobile penetration
92%

Population
73,2 million

Forecast market size in 2015
82 million

MTN shareholding
49%

"Data revenue (including SMS revenue) expanded 45% to contribute almost a fifth to total revenue"

Operational and financial performance

In its fourth full year of operations, MTN Irancell reported a solid performance, increasing its market share to 44% from 40% in 2009 and contributing to the expansion of mobile penetration in the country to 92%. Improvements in the quality and coverage of its network (particularly in greater Tehran), attractive seasonal promotions and the continued roll out of electronic distribution channels helped support gains in the health of the MTN Irancell brand. This, in turn, resulted in net additions of 6,5 million, increasing total subscribers by 28% to 29,7 million by the end of the year.

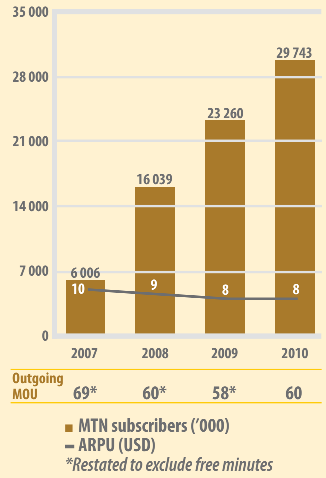
The Iranian economy grew by an estimated 2% in 2010, mainly driven by relatively stable international oil prices and increased petrochemical product output both for export and for domestic gasoline consumption in light of sanctions on the importation of gasoline. The Iranian rial depreciated by 4% against the dollar over the year. In June, the United Nations tightened sanctions on Iran.

Inflation slowed to its lowest level in over 10 years in August, before resuming its upward trend, ending the year at 10%. In December, the government started reducing subsidies on essential items such as food, fuel and electricity and introduced direct subsidy payments to households.

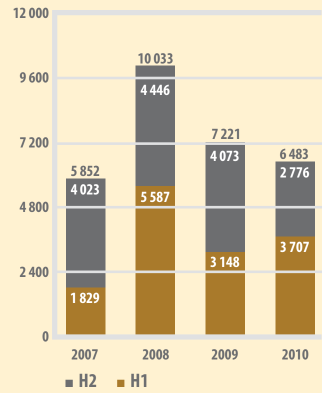
MTN Irancell's rial revenue increased 42%, significantly ahead of subscriber growth. This was largely driven by airtime and subscription revenue, which grew 42%, and data (including SMS) revenue which expanded 50% to contribute almost a fifth to total revenue. These gains were partly offset by a decrease in connection revenue as a result of the lower prices charged by MTN Irancell on prepaid connections. Although growth in data revenue excluding SMS was high, it remained insignificant as a percentage of total revenue, limited by regulatory controls over content.

Reported average revenue per user (ARPU) was stable at USD8 a month, while ARPU in rials increased slightly because of improved network quality and increased data and SMS usage.

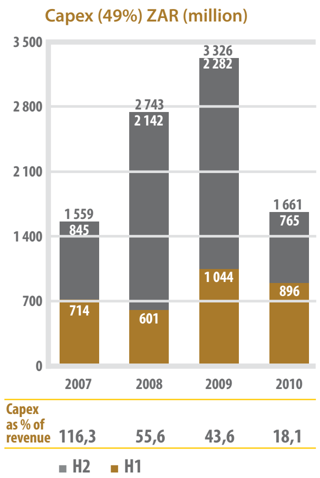
Subscribers ('000)/ARPU ($)

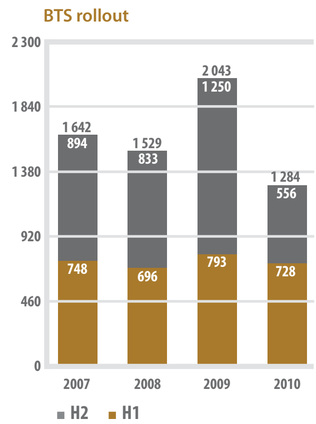


Net additions ('000)



MTN Irancell *continued*





MTN Irancell's EBITDA margin grew 6,2 percentage points to 41,1% in 2010. This was mainly due to better cost efficiencies in maintenance arising from renegotiated supplier contracts as well as a reduction in marketing expenses. A diversified channel and distribution strategy led to the reduction in prepaid dealer commissions, which together with transmission cost savings also contributed to the improvement.

The average rial exchange rate to the rand weakened 17% in the year, which translated into 21% growth in revenue and 42% growth in EBITDA in rand terms. MTN Group consolidates only 49% of MTN Irancell.

Effective, efficient network and IT investments and upgrades

The roll out of infrastructure in Iran since inception in 2006 has been the fastest ever undertaken. In 2010, the company's main focus was on increasing the coverage, quality and capacity of the 2G network. By year end, MTN Irancell had increased coverage of the population to 77% and geographic coverage to 20%.

In 2010, the MTN Group spent R1,7 billion on its share of MTN Irancell's capital expenditure, which equated to some 18% of revenue down from 43% the prior year. The company added 1 284 base transceiver stations (BTS), bringing its total to 6 859.

It also added 5 772km of road coverage. MTN Irancell continued to roll out its WiMax wireless data transmission technology, increasing the number of live sites by 206 during the year to 535, mainly in major cities.

While MTN Irancell recorded a significant improvement in the quality of its network in Tehran, Tabriz, Ahvaz, Mashhad and Shiraz in 2010, securing site rentals in Esfahan remained a challenge. MTN Irancell's priority is to further enhance network quality, including securing better quality service on leased transmission links from the current provider.

Ensuring the right products and value-added services

To stimulate subscriber uptake, MTN Irancell continued to offer attractive products and also introduced various new value propositions in the year. These included the popular Buy One Get One Free SIM-card promotion introduced prior to the current year. Another successful campaign gave customers who bought a new SIM card a bundle of free MMS, a free ring-back tone and some additional content.

In January, MTN Irancell formally launched its WiMax services, providing wireless data transmission. The initial take-up was slower than expected, but activations increased in the second half, with 36 293 WiMax subscribers registered by year end. The company continues to work on optimising the network and improving its coverage, speed and quality (particularly in Tehran and Esfahan). However, securing approval from Tehran landlords for the installation of WiMax equipment is proving a challenge.

EDGE was activated on nearly 90% of the cells in the network. This, together with an increase in SMS's and the launch of WiMax, resulted in an 800% increase in data traffic in the year.

In the second quarter, MTN Irancell introduced its Farsi short messaging service (SMS). Due to the technical structure of using Farsi (resulting in the message being sent in unicode) these SMS have fewer characters than Roman-character text messages and come at a lower price to customers. Initially, the introduction led to a reduction in MTN Irancell's SMS revenue, which now appears to have recovered thanks to the increasing usage of the Farsi option.

In October 2010, MTN Irancell introduced its first mobile-banking-related product. This enables MTN Irancell subscribers to link their SHETAB (the interbank card switch) cards to their MSISDNs and directly purchase logical PINs from their handsets by dialling a USSD code and having the cost deducted from their bank accounts.

Other services introduced during the year included: direct top-ups through an internet portal, "magic numbers" in the loyalty programme, various enhancements to ring-back tones and further improvements to the content delivery platform.

Efficient distribution and a good customer experience

MTN Irancell made strides in honing its distribution model in the year. At year end, logical airtime sales represented 57% of the total recharge count, after the company promoted airtime top-ups through points of sale and bank cash machines (ATMs). It added 9 000 ATMs, bringing the

MTN Irancell *continued*

total to 16 500, and introduced 365 000 point of sale terminals. The active dealer base grew to 9 786 from 8 000 dealers, as the number of distributors increased to 19. The number of internet banking websites on which MTN Irancell products are sold increased by five to nine.

By year end, all recharge vouchers were locally produced (up from 90% the previous year) and the Iranian production of SIM cards increased to 40% of all SIM cards used by MTN Irancell from just 5% in 2009.

The company has two call centres, in Tehran and Tabriz, and a third will start operating in Shiraz in 2011.

During 2010, MTN Irancell handled 176 million calls from subscribers, down 18% from the previous year. The company installed a new customer management system in an effort to improve customer satisfaction and continued to invest in regular training of customer management and call centre staff.

Sustaining our success

MTN Irancell remains committed to the Iranian people through employment creation and skills and knowledge transfer. As an employer of choice, MTN Irancell offers a superior employee value proposition that creates benefit not only to staff and their families but also to the community as it builds good corporate citizens.

Employees at MTN Irancell have an opportunity to gain both on-the-job experience and international training. Skills gained by our staff are then brought back into the country, driving development and sustainability. Apart from direct employment, MTN Irancell's outsourcing model has created thousands of indirect jobs which contribute significantly to the Iranian economy.

MTN Irancell is committed to working to minimise its impact on the environment, employing concepts such as site sharing and recycling to limit its environmental footprint. The company also aims to create focus groups with communities to help drive a cleaner, healthier environment.

Engaging with the industry regulator

MTN Irancell maintained its active engagement with the authorities in the year, complying with requirements despite a lack of formal industry regulations on issues such as interconnection or facilities leasing. The company has applied for additional number ranges and in the meantime continues to "recycle" out-of-use numbers to new subscribers.

Following the award of a third mobile licence in 2010, the new entrant is expected to start operating in 2011. The new competitor has exclusive rights for a two-year period from commercial launch date to deploy a 3G network. MTN Irancell rolled out a

WiMax network last year to address its customers' data needs. The regulator is holding discussions on national roaming with operators, and has put number portability discussions on hold.

Looking ahead

The Iranian economy is expected to benefit from higher oil prices in 2011 although the government's subsidy reform programme could impact consumers' disposable income, with implications for spending on mobile telephony. Although subsidies on oil and energy have already been withdrawn, the government is giving monthly cash allowances to all registered citizens. This may benefit mobile operators in the short term, however the removal of the subsidies could impact the cost structure of MTN Irancell going forward.

In 2011, MTN Irancell will continue to work to improve the quality of its network, and particularly its WiMax value proposition. The MTN Group has committed R1,3 billion for its share of MTN Irancell's capital expenditure for 2011, most of which will be dedicated to the 2G and core network.

MTN Irancell intends increasing its coverage of the population further as well as expanding into more remote parts of the country. It plans to complete the roll out of WiMax in Tehran and Esfahan in 2011. Despite the anticipated launch in the second half of a new mobile operator, these initiatives are expected to help MTN Irancell achieve its business targets for 2011.

MTN Syria

Profit analysis

	December 2010 Rm	December 2009 Rm	% change	Local currency change %
Revenue analysis				
Airtime and subscription	**5 373**	5 451	(1)	10
Interconnect	**497**	514	(3)	9
Data	**297**	135	121	152
SMS	**447**	398	12	28
Connection fee	**27**	64	(58)	(53)
Mobile telephone and accessories	**8**	19	(57,9)	13,8
Other	**165**	406	(59,5)	46,3
Total revenue	**6 814**	6 987	(2,5)	10,4
Direct network operating costs	**3 719**	3 891	(4,4)	7,7
Costs of handsets and other accessories	**69**	70	(1,4)	9,7
Interconnect and roaming costs	**442**	424	4,4	17,5
Employee benefit costs	**213**	243	(12,2)	(0,7)
Selling, distribution and marketing costs	**263**	342	(23,3)	(13,5)
Other expenses (general and administration)	**503**	644	(21,9)	(10,3)
Total operating expenditure	**5 210**	5 614	(7,2)	4,8
EBITDA	**1 604**	1 372	16,9	33,6
EBITDA margin (%)	**23,5**	19,6	3,9	4,1
Capex	**410**	748	(45,0%)	(38,2)
Capex as a percentage of revenue	**6**	11	(5)	(5)

Launched
June 2002

Market share
45%

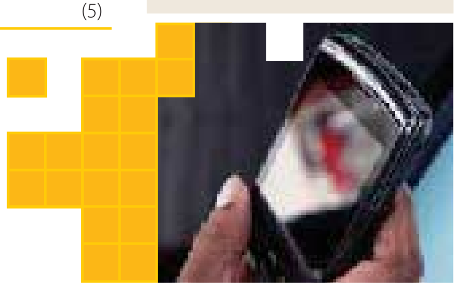
Mobile penetration
50%

Population
21,8 million

Forecast market size in 2015
12,69 million

MTN shareholding
75%

"Since its launch, MTN Syria's customer relationship management has been a key differentiator, providing a competitive edge"



Operational and financial performance

Attractive segmented customer value propositions, loyalty initiatives and improved brand perception helped MTN Syria increase subscriber numbers by 15% to 4,9 million in 2010, while maintaining its market share at 45%.

Despite the economy continuing to feel the effects of the global recession, harming consumers' purchasing power, MTN Syria recorded net additions of 649 000. This helped support the increase in mobile penetration in the country of 21,8 million people to 50% of the population from 46% in 2009.

The highlight of the year was the signing in November of a memorandum of understanding with the Ministry of Telecommunications for the conversion of the build-operate-transfer (BOT) arrangement to a freehold mobile operators' licence. This change, which is expected to be implemented in the first half of 2011, will give MTN Syria the confidence to invest more aggressively in its operations and product offering.

MTN Syria's revenue in local currency expanded 10,4% in the year, mainly as a result of a 10% increase in airtime revenue and 9% growth in interconnection revenue. Increased data product offerings helped lift data revenue (including SMS revenue) 41% for the year, contributing 11% of total revenue.

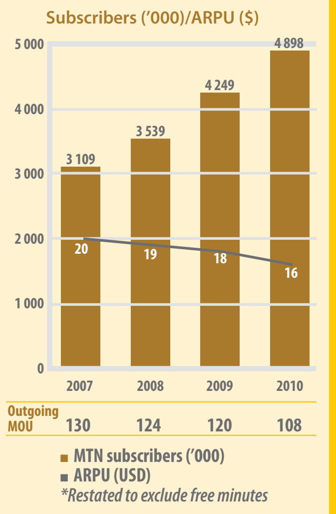
With more subscribers in lower-usage segments, MTN Syria's reported average revenue per user (ARPU) decreased USD2 to USD16 a month. In Syrian pounds, ARPU declined 8%. MTN Syria's EBITDA margin increased 3,9 percentage points to 23,5% at the end of the period. This was largely because of a decrease in rent and utility costs resulting from a decline in maintenance and site insurance expenses. Transmission and maintenance costs also decreased following the adoption of lower pricing from the regulator. Commissions paid in the market declined, leading to a material reduction in distribution costs.

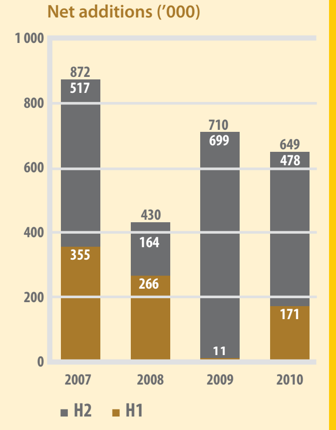
Because of the strong rand, MTN Syria reported a 2,5% drop in revenue in rand terms to R6,8 billion and a 14% increase in EBITDA to R1,6 billion at the end of December 2010.

Effective and efficient network and IT investments and upgrades

The delayed resolution of the conversion of the BOT arrangement to a standard mobile operator's licence affected the roll out of network infrastructure in the year. Nevertheless, MTN Syria added 415 base transceiver stations (BTS), bringing the cumulative total at the end of the period to 3 912. Capital expenditure dropped to 6% of revenue (or R410 million) from 10% (or R748 million) the prior year.

Despite the reduced spending, the performance of the network improved because the operation completed its frequency plans and re-engineered radio transmission to ensure increased network quality and capacity. Now that the BOT issue is resolved, MTN Syria intends to increase the momentum of its roll out in the year ahead.





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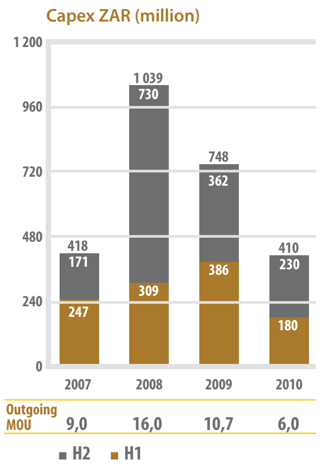
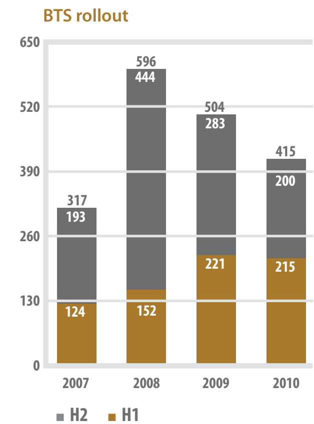




Ensuring the right products and value-added services

While providing basic voice services of appropriate quality remained MTN Syria's primary objective, more effort was devoted in 2010 to support the introduction of innovative new content and solutions ahead of anticipated changes in the regulatory environment.

Among the numerous product launches and promotions in the year were various SMS and data bundles; the MTN Gold campaign (during which traffic received a boost from gold prize giveaways); and the 2010 FIFA World Cup™ ticket competition for subscribers. MTN also reduced the price by a quarter of prepaid SIM connections and extended the validity and reduced the price of most denominations of pay-as-you-go vouchers.

In line with government requirements, MTN Syria offered limited 3G services to customers, with internet access the main application. The company continued to work to position MTN Syria as a major internet service provider, with particular focus on solutions for the corporate market.

The company reported significant improvements in the key performance indicators of the MTN Syria customer contact centre in the year.

Efficient distribution and a good customer experience

Since its launch, MTN Syria's customer relationship management has been a key differentiator, providing an edge over the competitor's client services. This is thanks to the "one language" spoken with MTN subscribers, the customer-oriented approach and the focus on service. The real challenge – in terms of complexity of treatment – has always been the 561 906 postpaid subscribers who represent a third of the company's revenue. To ensure the retention of these important customers, MTN Syria continues to work to improve their management, including the proper handling of complaints, requests and bad debts. All these require reliable systems and appropriate processes and procedures.

To service customers across all regions of the country, MTN Syria owns 33 customer centres and has another 18 which are franchised. Together, these centres log over 700 000 visits by customers a month.

Sustaining our success

The expansion of MTN Syria's services means there is great demand for skilled employees, but the rapid growth in the telecoms industry in the region is exacerbating the shortfall in certain skill sets. MTN Syria continued to work to recruit competent Syrians living abroad and is pleased to report some success in the year in this regard.

The company benefited from the training provided by the regional MTN Academy, encouraging employees to share knowledge gained during courses at the academy in Dubai. In the year, MTN Syria carried out various activities focused on engaging with employees and motivating them, and retaining their skills. Among the most popular was an internal competition to attend games in South Africa during the 2010 FIFA World Cup™, sponsored by the Group.

MTN Syria understands the responsibility that comes with being a large company in Syria. It made good progress in its five-year project with the UN Development Programme on establishing the MTN Cancer Research Centre and also continued to contribute to various sports events, including the Discover Syria Rally, and a number of health and education programmes. Among these is the MTN Smart School Programme, where a computer laboratory with internet access is prepared, equipped and launched by MTN in collaboration with provincial education authorities. The first lab was launched in Homs on 1 December.

In recognition of its contribution to the community, MTN Syria won the private sector social responsibility award presented by the Junior Chamber International in recognition of its serious engagement and social involvement.

As part of its commitment to introduce the latest high-tech products and environment-friendly technology for its mobile network, MTN Syria signed an agreement with Ericsson in the year for the provision of Ericsson's latest multi-standard base stations. MTN Syria will now deploy the RBS 6102 base station family, which consumes less power, within its radio network.

Engaging with the regulator

The regulatory environment in Syria continued to evolve, requiring proactive and wide-ranging engagement by the company with the authorities. In June, the president signed a new telecoms law and approved the formation of an organisation to oversee the industry. This is a first step towards the establishment of an independent regulator for the telecommunications industry.

After extensive negotiations with the government regarding the conversion of the BOT contract to a licence, the memorandum of understanding was signed, covering the scope of the new licence, which will likely have a 20-year lifespan, with an upfront fee payable in Syrian pounds and includes a 25% revenue share with the government plus a maximum fee of 1,5% of revenue for universal service funding.

Ahead of the change in the regulatory landscape from a heavily regulated one to one which is more open and competitive, MTN Syria did substantial preparatory work in the year on various issues, such as interconnect. A third mobile operator is expected to start operating in Syria in 2011.

Looking forward

MTN considers that the potential for strong growth in data is good, and continues to prepare for this new era.

Once it has secured a 20-year operating licence, MTN Syria will invest more in modernising the current infrastructure in terms of towers and the speed and quality of transmission. It will continue to transform the network from a legacy-based one to one based on internet protocol.

MTN Syria's EBITDA margin is expected to increase in the medium to long term following the conversion of the BOT arrangement which currently has a 50% revenue share.

MTN Group has authorised capital expenditure of more than R1 billion for the Syrian operation in 2011 – more than double that committed in 2010. Much of this will be spent on IT systems and value-added services and the core network. This will allow for greater penetration in rural areas and the addition of an expected 600 000 new subscribers in the year.

With mobile penetration of just 50%, MTN forecasts that the Syrian mobile market will continue to grow. By 2015, it expects a market of 12,7 million subscribers from 10,9 million in 2010.

Five-year review

Financial information	**December 2010**	December 2009	December 2008	December 2007	December 2006
Income statement – extracts (Rm)					
Revenue	**114 684**	111 947	102 526	73 145	51 595
EBITDA	**47 537**	46 063	43 166	31 845	22 413
Profit from operations	**32 137**	31 588	30 407	22 872	16 094
Net finance costs	**(4 094)**	(5 810)	(1 917)	(3 173)	(1 427)
Income tax expense	**(11 268)**	(8 612)	(11 355)	(7 791)	(2 591)
Profit after tax attributable to					
– Equity holders of the Company	**14 300**	14 650	15 315	10 608	10 610
– Non-controlling interest	**2 527**	2 511	1 820	1 308	1 489
Basic headline earnings	**14 011**	14 869	15 603	10 886	10 628
Statement of financial position – extracts (Rm)					
Property, plant and equipment	**63 361**	67 541	64 193	39 463	30 647
Goodwill	**20 797**	24 756	31 914	25 744	27 017
Intangible assets	**9 469**	11 308	13 872	13 053	13 088
Investments and loans	**4 693**	5 291	4 683	2 493	2 925
Deferred taxation	**1 407**	1 317	657	1 332	2 605
Bank balances, deposits and cash	**36 232**	24 741	28 738	17 607	10 091
Other current assets	**18 002**	21 283	26 049	15 894	10 544
Assets of a disposal group classified as held for sale	**825**	—	—	—	—
Total assets	**154 786**	156 237	170 106	115 586	96 917
Ordinary shareholders' interest	**71 855**	70 011	76 386	47 315	38 696
Non-controlling interest	**2 219**	2 855	4 156	4 187	4 033
Interest-bearing liabilities	**35 328**	36 917	41 590	33 657	32 979
Non-interest-bearing liabilities	**38 344**	40 788	42 985	27 751	18 431
Deferred taxation	**7 040**	5 666	4 989	2 676	2 778
Total liabilities	**80 712**	83 371	89 564	64 084	54 188
Total equity and liabilities	**154 786**	156 237	170 106	115 586	96 917
Cash flow statement – extracts (Rm)					
Cash generated from operations	**50 536**	49 632	44 836	34 334	22 934
Net cash inflows from operating activities	**34 728**	36 282	34 236	25 850	17 622
Net cash outflows from investing activities	**(15 701)**	(33 192)	(27 177)	(17 152)	(35 711)
Net cash outflows from financing activities	**(2 055)**	(926)	292	(2 135)	18 993
Cash and cash equivalents	**35 907**	22 646	25 596	15 546	9 008
Dividends paid	**(6 313)**	(3 381)	(2 536)	(1 675)	(1 083)
Capital expenditure	**(15 343)**	(27 720)	(26 896)	(15 348)	(9 796)

Financial information (continued)	**December 2010**	December 2009	December 2008	December 2007	December 2006
Performance per ordinary share					
Basic headline earnings (cents)	**760,6**	803,2	836,5	584,8	606,5
Adjusted headline earnings (cents)	**747,0**	754,3	904,4	681,9	584,7
Attributable earnings (cents)	**776,2**	791,4	821,0	569,9	605,4
Dividends (cents)	**343,0**	181,0	136,0	90,0	65,0
Net asset value – book value (rands)[1]	**38,1**	38,2	41,0	25,4	20,8
Returns and profitability ratios					
Return on assets (%)[2]	**20,7**	19,4	21,3	21,5	22,7
Return on average shareholders' funds (%)[3]	**19,8**	20,3	25,2	25,3	36,4
EBITDA margin (%)	**41,5**	41,1	42,1	43,5	43,4
Enterprise value/EBITDA multiple (times)[4]	**5,4**	5,3	5,1	8,1	8,3
Effective taxation rate (%)	**40,1**	33,4	39,9	39,5	17,6
Solvency and liquidity ratios					
Gearing (%)[5]	**(1,2)**	16,7	16,0	31,2	53,6
Interest cover (times)[6]	**5,2**	2,6	3,5	4,6	4,9
Dividends cover (times)[7]	**2,2**	4,2	4,6	4,3	6,3
Net debt to EBITDA[8]	**—**	0,3	0,3	0,5	1,0
Operating cash flow/revenue (%)	**44,1**	44,3	43,7	46,9	44,5
Share performance					
Number of ordinary shares in issue (million)					
– at year end	**1 885**	1 841	1 868	1 865	1 860
– weighted average during the year	**1 884**	1 851	1 865	1 862	1 752
Closing price (cents per share)	**13 442**	11 790	10 850	12 806	8 530
Market capitalisation (Rm)	**253 318**	216 999	202 385	238 806	158 684

Definitions

[1] *Ordinary shareholders' interest dividend by the number of ordinary shares in issue at year end*
[2] *Profit from operations as a percentage of the average of the opening and closing balances of total assets*
[3] *Headline earnings as a percentage of the average of the opening and closing balances of ordinary shareholders' interest*
[4] *Market capitalisation less net debt (interest-bearing liabilities less bank balances, deposits and cash) divided by EBITDA*
[5] *Net debt as a percentage of total equity*
[6] *Profit from operations divided by finance costs*
[7] *Headline earnings divided by total dividend*
[8] *Interest-bearing liabilities less cash divided by EBITDA*

Operational information	**December 2010**	December 2009	December 2008	December 2007	December 2006
South Africa					
Mobile penetration (%)	**105**	103	97	86	74
Market share (%)	**36**	32	36	36	36
Subscribers (million)	**19**	16	17	15	12
ARPU (ZAR)	**154**	126	164	149	159
EBITDA margin (%)	**34**	31	33	35	34
Capex/sales (%)	**11**	18	15	10	10
Nigeria					
Mobile penetration (%)	**49**	42	36	28	19
Market share (%)	**52**	50	44	43	46
Subscribers (million)	**39**	31	23	17	12
ARPU (USD)	**11**	12	16	17	18
EBITDA margin (%)	**63**	59	58	57	57
Capex/sales (%)	**14**	31	30	24	25
Ghana					
Mobile penetration (%)	**67**	61	50	33	22
Market share (%)	**53**	55	55	52	52
Subscribers (million)	**9**	8	6	4	3
ARPU (USD)	**7**	8	12	15	17
EBITDA margin (%)	**44**	45	46	51	42
Capex/sales (%)	**54**	46	31	31	28
Iran					
Mobile penetration (%)	**92**	80	61	37	20
Market share (%)	**44**	40	37	23	1
Subscribers (million)	**30**	23	16	6	*
ARPU (USD)	**8**	8	9	10	9
EBITDA margin (%)	**41**	35	30	(13)	(75)
Capex/sales (%)	**18**	44	56	116	1 003
Syria					
Mobile penetration (%)	**50**	46	38	26	26
Market share (%)	**45**	45	46	46	46
Subscribers (million)	**5**	4	4	2	2
ARPU (USD)	**16**	18	19	17	17
EBITDA margin (%)	**24**	20	28	35	32
Capex/sales (%)	**6**	11	16	17	10

** Amount less than R1 million*

Glossary

Terms and acronyms

2G	Second generation
3G	Third generation
ADR	American depository receipt
AI	Africa Investor
ARPU*	Average revenue per user per month
ATM	Automatic teller machine
BA	Bankers' acceptance rate
BEE	Black economic empowerment
BOT	Build operate and transfer
Bps	Basis points
BRM	Business risk management
BTS	Base transceiver station
Capex	Capital expenditure
CBC	African business awards
CDMA	Code-Division Multiple Access
CFA	Communaute Financiére Africaine franc
CGU	Cash-generating unit
CSR	Corporate social responsibility
CST	Communication service tax
dti	South African Department of Trade and Industry
E	Emalengeni
EASSy	Eastern Africa Submarine Cable System
EBITDA	Earnings before interest, tax, depreciation and amortisation

ECA	Electronic Communications Act of South Africa
ECICSA	Export Credit Insurance Corporation of South Africa
EMF	Electromagnetic field
EPS	Earnings per share
eTOM	enhanced telecom operations map
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
EVD	Electronic voucher distribution
EXCO	Executive committee
FEC	Forward exchange contract
FIFA	Federation Internationale de Football Association
FIPPA	Foreign Investment Promotion and Protection Act
FMCG	Fast moving consumable goods
GDP	Gross domestic product
GHC	Ghana cedi
GPRS	General packet radio service
GRI	Global Reporting Initiative
GSM	Global system for mobile communications
HEPS	Headline earnings per share
HIV/Aids	Human immunodeficiency virus/acquired immune deficiency syndrome
HR	Human resources
HSDPA	High speed downlink packet access

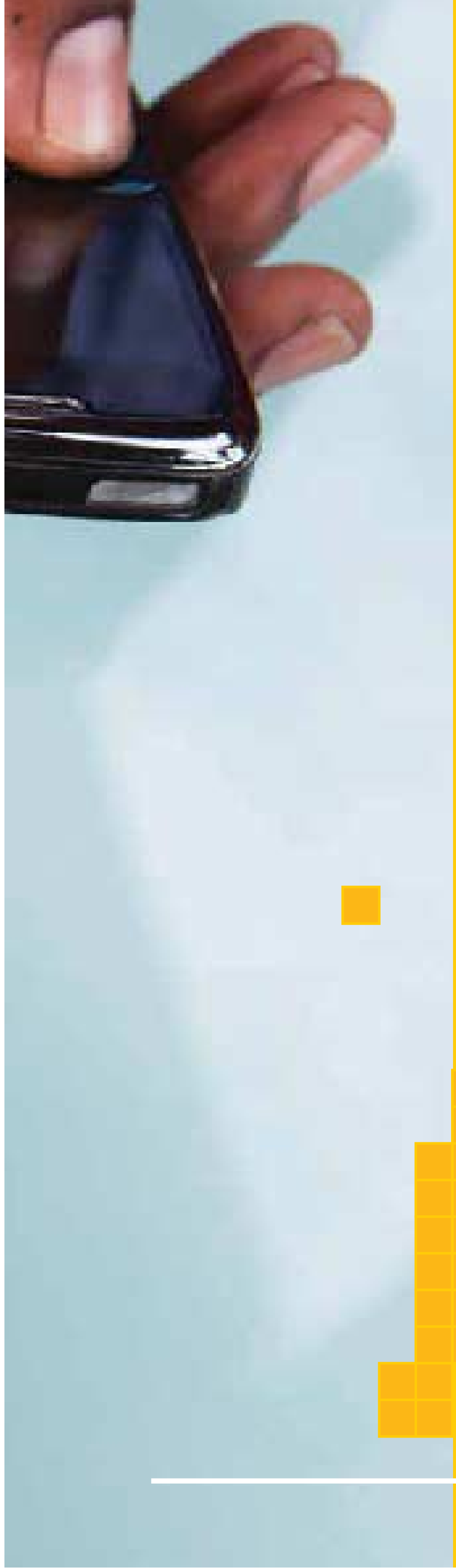
**ARPU is measured on a monthly basis. The revenue (including interconnect fees but excluding connection fees and visitor roaming revenue) is divided by the weighted average subscriber base over the reported period.*

IAS	International Accounting Standards
ICASA	Independent Communications Authority of South Africa
ICT	Information and communication technologies
ifc	International Finance Corporation
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IP	Internet protocol
IRR	Iranian rials
IS	Information Systems
ISO	International Standards Organisation
ISP	Internet service provider
ITIL	Information technology infrastructure library
IVR	Interactive voice response
JSE	JSE Limited – the South African stock exchange
JIBOR	Johannesburg Interbank Offered Rate
King II	King committee report on corporate governance 2002
King III	King committee report on corporate governance 2009
LCs	Letters of credit
Loerie	South African advertising industry's accolades
LIBOR	London Interbank Offered Rate
LTE	Long-term evolution
NRHR & CG	Nomination, remuneration, human resources and corporate governance committee

MCharge	MTN's virtual recharge mechanism
MENA	Middle East and North Africa region includes operations in Iran, Afghanistan, Syria, Yemen, Cyprus and Sudan
MMS	Multimedia messaging service
MNP	Mobile number portability
MOU	Minutes of use
MPLS	Multiprotocol label switching
NCC	Nigerian Communications Commission
NGN	Next-generation networking
NGN	Nigerian naira
NIBOR	Norwegian InterBank Offered Rate
NokNok	MTN's instant social messaging chat service, launched in 2007
NTC	National Telecommunications Corporation
off-net	Telephone calls originating and terminating on different networks
OIETAI	Organisation for Investment Economic and Technical Assistance of Iran
on-net	Telephone calls originating and terminating on the same network
PAT	Profit after tax
PAYG	Pay as you go
PIC	Public investment corporation
PIN	Personalised identification number
postpaid/ contract	Services for which the subscriber has a contract and pays monthly
PTO	Public telecommunications operator
prepaid	Services for which the subscriber pays in advance

PSTN	Public switched telephone network
PWC	PricewaterhouseCoopers Inc.
RICA	Communication-Related information Act
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Services
SARs	Share Appreciation Rights Scheme
SDG	Sudanese pounds
SEA	South and East Africa includes operations in South Africa, Botswana, Swaziland, Uganda, Rwanda and Zambia
SHE	Safety, health and environment
SIM	Subscriber identity module
SME	Small and medium enterprise
SMS	Short message service
SP	Service provider
SPE	Special purpose entities
STC	Secondary taxation on companies
SPV	Special purpose vehicle
STRATE	Share Transactions Totally Electronic
subscriber	A customer who has participated in a revenue generating activity within the last 90 days
SYP	Syrian pound
SRI	Social responsible investment index
TCI	Telecommunications company of Iran
TDM	Time division multiplexing
UCT	University of Cape Town
Unisa	University of South Africa
USD	US dollar
UGX	Uganda shilling
VGC	VGC Communications Limited
VoIP	Voice over internet protocol
VP	Vice president
WECA	West and Central Africa includes operations in Nigeria, Cameroon, Côte d'Ivoire, Ghana, Benin, Liberia, Guinea Republic, Guinea-Bissau and Congo-Brazzaville
WiMax	Worldwide interoperability for microwave access/broadband wireless technology
ZAR	South African rand
ZCA	Zambian Communications Authority
ZMK	Zambian kwacha


MTN



2010

Pioneering
the way

Through the development of our consumer segments, we are able to address and develop innovative ***products and services*** such as MTN Zone and PayAsYouGo, both of which are tailored to suit customer needs.

Statement of directors' responsibility

for the year ended 31 December 2010

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of MTN Group Limited and its subsidiaries in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, No 61 of 1973 as amended, (the Companies Act). The Group annual financial statements and annual financial statements of MTN Group Limited presented on pages 106 to 231 have been prepared in accordance with the requirements of IFRS and the Companies Act and include amounts based on judgements and estimates made by management.

The directors consider that having applied IFRS in preparing the financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Group and the Company at year end, in accordance with IFRS.

The directors have responsibility for ensuring that accounting records are kept. The accounting records disclose, with reasonable accuracy, the financial position and results of the Group and the Company and enable the directors to ensure that the financial statements comply with relevant legislation.

MTN Group operates in an established controlled environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are controlled. Any new acquisitions which do not apply the same standards and procedures will be integrated into the Group and, during such integration, uniformity of standards will be achieved. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group or any company within the Group will not be a going concern in the year ahead, based on forecasts and available cash resources. These financial statements support the viability of the Group and the Company.

The Group's external auditors, PricewaterhouseCoopers Incorporated and SizweNtsaluba VSP, jointly audited the financial statements and their unqualified audit report is presented on page 83.

The annual financial statements and Group annual financial statements which appear on pages 106 to 231 were approved for issue by the board of directors on 8 March 2011 and are signed on its behalf by:

MC Ramaphosa
Chairman

PF Nhleko
Group president and chief executive officer

Fairland
8 March 2011

Report of the independent auditors

for the year ended 31 December 2010

We have audited the Group annual financial statements and annual financial statements of MTN Group Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2010, and the consolidated and separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 106 to 231.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of MTN Group Limited as at 31 December 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: S Sooklal
Registered Auditor

Sunninghill
8 March 2011

SizweNtsaluba vsp.

SizweNtsaluba VSP.
Director: A Mashifane
Registered Auditor

Woodmead
8 March 2011

Certificate by the company secretary

for the year ended 31 December 2010

In terms of section 268(d) of the Companies Act, No 61 of 1973 as amended, (the Companies Act), I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies for the year ended 31 December 2010, all such returns as are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

SB Mtshali
Company secretary

Fairland
8 March 2011

Report of the audit committee

Report in terms of section 270A (1) (f) of the Companies Act, No 61 of 1973, as amended

Group audit committees

The report provides an overview of the audit committee and its activities as well as appropriate information on how the committee has discharged its responsibilities. The committee is a statutory committee and performs duties delegated by the board. The committee has a majority of independent non-executive directors who are financially literate as recommended by King III.

The committee's chairman attended the annual general meeting during the year under review.

The committee meets not less than four times per year.

The head of Group business risk management/internal audit (BRM) and external auditors have unrestricted access to the committee and its chairman. Internal audit's performance is reviewed annually by the committee.

Audit committees exist in each Group operation and significant risk and audit matters relating to operations are regularly reported to the Group audit committee. The non-executive chairpersons of subsidiary audit committees do meet formally with the Group audit committee annually or more often as required. Audit workshops are held annually to consider and agree on audit plans for all operations for the year ahead and to review the effectiveness of the overall internal audit function.

The main meetings of the committee are preceded by an in-camera session of non-executive members only and are concluded by separate in-camera sessions with the management, internal and external audit as key invitees. Executive directors attend committee meetings as permanent invitees.

The external auditors' performance and independence is regularly monitored by the committee and formally assessed annually. The audit partners are rotated every five years. Auditors are appointed by the board on the recommendation of the committee and ratified by shareholders. Both internal and external auditors attend all committee meetings.

The committee has conducted its work over the year and discharged its responsibilities in accordance with these terms of reference. The committee is pleased to present below its report in terms of section 270A (1) (f) of the Companies Act, No 61 of 1973, as amended, for the financial year ended 31 December 2010. The committee was formally reappointed by the board during the year.

Execution of functions of the audit committee

The committee has executed its duties and responsibilities in accordance with its terms of reference as they relate to the MTN Group's accounting, internal auditing, internal control and financial reporting practices. The committee performed the following activities during the year under review:

- Considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan;
- received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested and considered appropriate responses from management;
- reviewed the processes in place for the reporting of concerns and complaints relating to accounting practices, internal audit, contents of the Company's financial statements, internal controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review;

- reviewed the report prepared by internal audit regarding the risk management processes in the Company and the extent to which such have been embedded within each operating division;
- reviewed and approved the Company's policy for non-audit services that can be provided by the external auditors. This policy sets out those services that may not be provided by the external auditors and the required authorisation process for those services that the external auditors may provide;
- considered the independence and objectivity of the external auditors and ensured that the scope of additional services provided did not impair their independence;
- approved the non-audit-related services performed by the external auditors in the year in accordance with the policy established and approved by the board;
- approved the external auditors' fees for 2010 and the budgeted fees for the 2011 financial year.

In addition the chairman of the committee:

- Met separately over the course of the year with management, and with both internal and external auditors; and
- attended the Group risk management and compliance committee meetings held during the year under review.

During the year, the internal audit function reviewed the Company's system of internal controls and risk management. Considering information and explanations given by management, and discussions with both internal and external auditors on the results of their audits, assessed by the audit committee, nothing has come to the attention of the audit committee that caused it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

Further to this, the Company launched King III compliance project during the year to identify gaps and address new requirements as a consequence of King III, including a review of the mandate, implementation of a combined assurance approach, and implementation of a more comprehensive IT governance framework.

After assessing the requirements set out in section 270A(5)(a-d) of the Companies Act, the committee is satisfied with the independence and objectivity of the external auditors, and recommends the reappointment of the joint external auditors at the next annual general meeting.

The Group's external auditors are PricewaterhouseCoopers (Inc) and SizweNtsaluba VSP. Fees paid to the auditors for the year under review are disclosed in note 5 to the annual financial statements on page 141.

The committee has evaluated the financial statements of MTN Group for the year ended 31 December 2010 and, based on the information provided to it, considers that the Group complies with the Companies Act, as amended, International Financial Reporting Standards (IFRS) and the Listings Requirements of the JSE.

In compliance with paragraph 3.84(h) of the JSE Listings Requirements, the committee reviewed the performance, appropriateness and expertise of the Group finance director, NI Patel. The committee is satisfied that he has the appropriate expertise and experience to fulfil the role of Group finance director and has performed appropriately during the year under review.

AF van Biljon
Audit committee chairman
8 March 2011

Directors' report

for the year ended 31 December 2010

The directors have pleasure in presenting their report which forms part of the audited annual financial statements of the Company and the Group for the year ended 31 December 2010.

Nature of business

MTN Group Limited (MTN Group or the Company), incorporated on 23 November 1994, carries on the business of investing in the communications industry through its subsidiary companies, joint ventures and associated companies. MTN Group is listed on the JSE Limited.

International Financial Reporting Standards (IFRS)

MTN Group's financial statements were prepared in accordance with International Financial Reporting Standards.

Financial results

Full details of the financial results of MTN Group are set out on pages 106 to 231 of these annual financial statements and accompanying notes for the year ended 31 December 2010.

Year under review

The detailed reviews and the activities of MTN Group are contained in the chairman and Group president and CEO's statements and the operational and financial review as set out on pages 16 to 73.

Subsidiary companies

Details of entities in which MTN Group has a direct or indirect interest are set out in Annexure 1 of the financial statements on pages 228.

All Group subsidiaries have a year end consistent with that of the MTN Group, with the exception of Irancell Telecommunication Services Company (Private Joint Stock) (MTN Irancell), which has a year end of 19 March, due to statutory requirements in Iran.

Distribution to shareholders

Final dividend

A final dividend of 349 cents per share (December 2009: 192 cents per share) amounting to R6 577 million (December 2009: R3 534 million) in respect of the financial year ended 31 December 2010 was declared on Wednesday, 8 March 2011, payable to shareholders registered on Friday, 25 March 2011.

Interim dividend

A maiden interim dividend of 151 cents per share amounting to R2 780 million in respect of the half-year period ended 30 June 2010 was declared on Wednesday, 18 August 2010, paid to shareholders registered on Friday, 10 September 2010.

The payments of future dividends will depend on the board's ongoing assessment of MTN Group's earnings, financial position, cash needs, future earnings prospects and other factors.

Shareholders on the South African register who dematerialised their ordinary shares receive payment of their dividends electronically, as provided for by STRATE. For those shareholders who have not yet dematerialised their shareholding in the Company in certificated form, the Company operates an electronic funds transmission service, whereby dividends may be electronically transferred to shareholders' bank accounts. These shareholders are encouraged to mandate this method of payment for all future dividends, by approaching our share registrar, Computershare Investor Services (Proprietary) Limited, whose contact details are set out on page 254 of the notice of the annual general meeting.

Share capital

Authorised share capital

There was no change in the authorised share capital of the Company during the year under review. The authorised ordinary share capital of MTN Group is 2,5 billion shares of 0,01 cent each. The movements in the issued ordinary share capital during the period under review were reflected as follows:

During the year under review there was a net increase in the issued share capital due to the acquisition of shares by MTN Zakhele Limited in respect of the MTN BEE transaction and the subsequent issuing of shares under the Employee Share Ownership Plan (ESOP).

Options exercised and allotted

Shares	Strike price
250 740	R9,31
84 290	R13,53
52 806	R27,00
159 426	R40,50

Shares issued to MTN Zakhele Limited in terms of the MTN BEE transaction

Number of shares	Issue price
42 040 364	R107,46

Shares issued in respect of the Employee Share Ownership Plan (ESOP)

Issued	1 405 200
Delisted	(19 200)
	1 386 000

Accordingly, at 31 December 2010, the issued share capital of the Company was R188 453 (December 2009: R184 053) comprising 1 884 510 117 (December 2009: 1 840 536 491) ordinary shares of 0,01 cent each. As at the date of this report, there were no treasury shares held by the Company.

Control of unissued share capital

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 221 of the Companies Act, 1973 as amended (Act No 61 of 1973) (the Companies Act). As this general authority remains valid only until the next annual general meeting, which is to be held on 22 June 2011, members will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares, up to a maximum of 10% of the Company's issued share capital, under the control of the directors until the next annual general meeting.

Further details of the authorised and issued shares as well as the share premium for the year ended 31 December 2010 are set out in note 18 to the Group annual financial statements.

MTN broad-based BEE transaction

Rationale for and principles of the MTN broad-based BEE transaction

BEE is integral to the ethos of MTN and MTN believes that broad-based BEE participation is important to its future success.

MTN has been guided primarily by the following principles in structuring the MTN BEE transaction:

- the vesting (through MTN Zakhele) of full voting and economic rights to the BEE participants from inception;
- achieving a sustainable and robust BEE transaction at a realistic economic cost (inclusive of any dilution) to shareholder;
- broadening MTN's South African BEE ownership by structuring the MTN BEE transaction through an offer to the black public; and
- acting as far as possible within the letter and spirit of the broad-based black economic empowerment codes of practice and their requirements for the empowerment of South African businesses.

During the period under review, the Company launched an empowerment vehicle where members of the black public were invited to subscribe for ordinary shares in MTN Zakhele Limited (MTN Zakhele). In terms of the prospectus issued by MTN Zakhele on 30 August 2010, all black staff and black directors of MTN and its major subsidiaries and their associates were entitled to participate in the MTN Zakhele offer on precisely the same terms as members of the black public.

A total of 80 900 000 MTN Zakhele shares were offered to the members of the black public at R20 per share. Although there was an oversubscription of shares, MTN Zakhele Limited shares were allotted and issued to all successful applicants. No preference in any allocation was given to any employee or director of MTN or its subsidiaries, or their associates.

MTN Zakhele shares cannot be traded during the minimum investment period (ie the first three years). Restricted trading is allowed during the fourth to sixth years, where MTN Zakhele shares could be sold to eligible MTN Zakhele ordinary shareholders. All sales during the fourth to sixth years are subject to approval and verification by MTN or a designated committee. There are no special restrictions on the sale or encumbrance of MTN Zakhele shares after the empowerment period.

Details of participation in MTN Zakhele scheme by black MTN directors, directors of major subsidiaries and company secretary are set out on page 104.

Employee Share Ownership Plan (ESOP)

MTN established the ESOP for the benefit of eligible employees (employees who are South African citizens or permanent residents and at job level 1 and 2 that do not participate in any other existing share scheme within MTN Group). The ESOP was effective from 1 December 2010. Eligible MTN ESOP employees were not required to contribute any equity to participate and will be entitled to full voting and dividend rights. Eligible MTN ESOP employees were granted an allocation of 400 MTN shares each not exceeding R50 000 per eligible MTN ESOP employee. With limited exceptions (eg death), participants in the ESOP are required to hold the MTN shares awarded to them under the ESOP for a period of at least five years.

The implementation of the ESOP was not conditional upon the implementation of the MTN BEE transaction and eligible MTN ESOP employees were issued the ESOP shares directly and not through MTN Zakhele.

New employee share incentive plans

During the period under review, MTN Group established two employee share incentive schemes, namely, MTN Group Limited Performance Share Plan 2010 and MTN Group Limited Share Appreciation Rights Scheme 2010. The shareholders of the Company approved these two schemes and their salient features at the annual general meeting held on 15 July 2010. No allocations had been made in terms of these two schemes as at 31 December 2010.

Acquisition of the Company's own shares

At the last annual general meeting held on 15 July 2010, shareholders gave the Company or any of its subsidiaries a general approval in terms of sections 85 and 89 of the Companies Act, by way of special resolution, for the acquisition of its own shares. As this general approval remains valid only until the next annual general meeting, which is to be held on 22 June 2011, members will be asked at that meeting to consider a special resolution to renew this general approval until the next annual general meeting, subject to a maximum extension of 15 months. During the year under review there were no acquisition of the Company's own shares.

Shareholders' interest

Disclosure in accordance with section 140A (8) (a) of the Companies Act and paragraph 8.63 of the JSE Listings Requirements.

The following information was extracted from the Company's share register as at 31 December 2010:

MTN Group Limited: Shareholder analysis tables

Register date: 31 December 2010
Issued share capital: 1 884 510 117

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	57 254	80,39	17 399 492	0,92
1 001 – 10 000 shares	11 399	16,00	32 308 580	1,72
10 001 – 100 000 shares	1 642	2,31	55 036 993	2,92
100 001 – 1 000 000 shares	743	1,04	231 965 788	12,31
1 000 001 shares and over	185	0,26	1 547 799 264	82,13
	71 223	100,00	1 884 510 117	100,00

		31 December 2010		31 December 2009	
Nominees holding shares in excess of 5% of the issued ordinary share capital of the Company		**Number of shares**	**% of issued share capital**	Number of shares	% of issued share capital
Nedcor Bank Nominees Limited		**592 362 611**	**31,43**	707 311 323	38,43
Standard Bank Nominees (Tvl) (Proprietary) Limited		**591 663 890**	**31,40**	619 607 675	33,66
First National Nominees (Proprietary) Limited		**277 262 580**	**14,71**	312 383 573	16,97
Absa Nominees (Proprietary) Limited		**165 390 793**	**8,78**	122 630 962	6,66
Spread of ordinary shareholders	**Number of shareholdings**				
Public	71 202	**1 279 613 654**	**67,90**	1 184 393 703	64,35
Non-public	21	**604 896 433**	**32,10**	656 142 788	35,65
– Directors of MTN Group Limited and major subsidiaries	9	**2 880 023**	**0,15**	9 006 155	0,49
– Empowerment*	4	**85 509 785**	**4,54**	10 412 747	0,57
– Lombard Odier Darier Hentsch & Cie (M1 Limited)	7	**184 271 933**	**9,78**	190 084 630	10,33
– GEPF**	1	**332 234 692**	**17,63**	446 639 256	24,26
Total issued share capital	71 223	**1 884 510 117**	**100,00**	1 840 536 491	100,00

* *National Empowerment Fund StratEquity Empowerment Investment and MTN Zahkele.*
** *Government Employee Pension Fund managed through various asset, investment and fund managers.*

According to information received by the directors, the following shareholders held shares in excess of 5% of the issued ordinary share capital of the Company:

Beneficial shareholders holding 5% or more	31 December 2010 Number of shares	31 December 2010 % of issued share capital	31 December 2009 Number of shares	31 December 2009 % of issued share capital
Government Employees Pension Fund	**332 234 692**	**17,63**	446 639 256	24,27
Lombard Odier Darier Hentsch & Cie (M1 Limited)	**184 271 933**	**9,78**	190 084 630	10,33
Old Mutual Investment Group (SA) (Proprietary) Limited	**—**	**—**	116 613 767	6,34

Directorate and Company secretary

The composition and profiles of the board of directors of MTN Group are set out on pages 20 to 23.
Details of directors' remuneration and shareholding are set out on pages 94 and 100.
Details of board changes during the reporting period are set out on page 19 of the chairman's statement.
The Company group secretary is SB Mtshali, whose business and postal addresses are set out below:

Business address
216 – 14th Avenue, Fairland
Gauteng, 2195

Postal address
Private Bag X9955
Cresta
2118

Directors

In accordance with the articles of association of the Company, one-third of the board is required to retire by rotation at each annual general meeting. Retiring directors are those who have been in office the longest since their last re-election and directors who have been appointed between annual general meetings.

The directors retiring by rotation in terms of the articles of association at the forthcoming annual general meeting and who are available for re-election are J van Rooyen, MJN Njeke AT Mikati, JHN Strydom and KP Kalyan. The profiles of the directors retiring by rotation and seeking re-election are set out on pages 235 to 237 of the notice of the annual general meeting.

During the year under review, NP Mageza, A Harper and MLD Marole were appointed to the existing board to fill vacancies and were subsequently re-elected at the annual general meeting held on 15 July 2010. The other directors who were due for rotation, MC Ramaphosa, AF van Biljon, DDB Band were re-elected.

Interests of directors and officers

During the year under review, no contracts were entered into in which directors and officers of the Company had an interest which significantly affected the business of the Group. Black MTN directors had an indirect interest in MTN Group Limited securities through subscription for MTN Zakhele Limited, details of which are set out on page 104.

The directors had no interest in any third party or company responsible for managing any of the business activities of the Group.

The emoluments and perquisites of executive directors are determined by the Group nominations, remuneration, human resources and corporate governance committee (NRHR & CG committee) and approved by the board. No long-term service contracts exist between executive directors and the Company, with the exception of the contract of service between the Group president and CEO and the Company, of which the first contract had commenced on 1 July 2002 and terminated on 30 June 2007. The contract was subsequently renewed at the AGM held on 13 June 2007 until 30 June 2010.

The Group president and CEO did not renew his long-term contract of employment which ended on 30 June 2010. However, he agreed to continue in his current role until 31 March 2011. The Company has entered into a restraint of trade agreement with PF Nhleko which was ratified at the AGM on 15 July 2010. In terms of this agreement, the Company will pay PF Nhleko R33 million on 1 April 2011. The restraint is for a three-year period.

Reward and remuneration philosophy

The principles of MTN Group's remuneration policy reflect the Group's objectives of a sound governance process and long-term value creation for the Group's shareholders. It is also designed to support key business strategies and create a strong, performance-orientated environment as well as attract, motivate and retain employees.

Performance management

The performance of MTN employees is enhanced through an effective performance management system at all levels of remuneration, whether through the fixed guaranteed package, or the various short-term and long-term incentive schemes.

As a multinational company, all applicable employees and executives within Group companies and operating units participate in the Group's Integrated Performance Framework (IPF) by means of performance agreements, thereby ensuring that the entire Group is fully aligned in achieving the strategic objectives and goals as determined by the board. This process consists of two elements, namely: the individual performance section, which rewards individuals for achieving targets through the salary increase process; and the team performance section which rewards the team for achieving the strategically determined value drivers, coupled with the Company's performance targets, and is rewarded through the performance bonus incentive scheme.

The MTN Group board of directors has delegated responsibility for remuneration policy to the NRHR & CG committee. The role of this committee, among others, is to establish the overall principles that determine the remuneration of the executive directors and senior management. The full details of the NRHR & CG committee's role, constitution and attendance are outlined in the corporate governance report.

In setting remuneration policy, the NRHR & CG committee recognises the need to be competitive in an international market. The committee's practice is to set remuneration levels which ensure that executive directors and senior management are fairly and responsibly rewarded for their contribution to the Group's operating and financial performance. In addition, in order to promote a common interest with shareholders, performance-linked, share-based incentives are considered to be an important element of the executive incentive policy.

Executive directors and senior management

The remuneration of the executive directors and senior management currently consists of three main components to balance long- and short-term objectives: base salary; annual bonus plan with performance targets; and long-term incentives in the form of share-based incentive schemes. The last two are designed to encourage and reward superior performance, employee retention and to align the interests of the executive directors and senior management employees as closely as possible with the interests of shareholders. In addition to these main components, the executive directors and senior management also receive pensions, medical insurance, death/disability insurance and other benefits.

Performance bonuses for executive directors are linked to the operational and financial value drivers pertaining to business performance against budget for individual operations and the Group as a whole. These value drivers are determined by the board every year in respect of the next financial year. Each executive director's performance bonus is conditional upon achievement of their specific value drivers and key performance indicators which are structured to retain a balance between the performance of entities for which they are directly responsible, and that of the Group. In order to align incentive awards with the performance to which they relate, bonuses reflected are for amounts accrued in respect of each year and not the amounts paid in that year. The bonuses are determined by the NRHR & CG committee and are approved by the board.

The base salary of executive directors is subject to annual review and is set with reference to external market benchmarks, taking individual performance into consideration. Executive directors do not receive payment of director's fees or committee fees in respect of meetings attended.

MTN Group recognises the benefits that the involvement of executive directors as non-executive director's of other companies (under certain conditions) convey to the individuals and the Company. However, each executive director is normally permitted to accept only one outside appointment, and the earned director's fees are ceded to MTN Group.

Remuneration of non-executive directors

MTN Group's non-executive directors receive an annual retainer and meeting attendance fees. They do not participate in any type of share incentive scheme or receive pension-related benefits.

The board is proposing fee increases of 9,1% for local non-executive directors and a 4,1% increase for international non-executive directors for the retainer and attendance of board meetings. A 7,1% increase is proposed for the retainer and attendance of committee meetings. It is important to ensure that the remuneration of non-executive directors remains competitive in order to enable the Company to retain and attract persons of the required calibre who can make meaningful contributions. Given its global footprint and growth rate and having regard to the appropriate capabilities, skills and experience required, the Group president and CEO, in consultation with the Group executive: human resources and Group financial director conducted a review of the remuneration paid to non-executive directors, based on data provided by independent remuneration specialists and benchmarked against comparable entities. The NRHR & CG committee debated and considered the revised remuneration proposal at length and after reaching consensus, recommended the revised remuneration proposal to the board, which sanctioned the proposal for recommendation to shareholders at the annual general meeting to be held on 22 June 2011. The proposed new fee structure is outlined in the notice of the sixteenth annual general meeting and will be applicable with effect from 1 January 2011.

The fees received by executive and non-executive directors during 2010 are reflected in the following table:

Directors' emoluments and related payments
For the year ended 31 December 2010

	Date appointed	Salaries R000	Retirement benefits R000	Other benefits* R000	Bonuses R000	Total R000
Executive directors						
PF Nhleko	01/06/01	**8 955**	**1 133**	**76**	**20 206**	**30 370**
NI Patel	27/11/09	**3 530**	**449**	**328**	**2 706**	**7 013**
RS Dabengwa	01/10/01	**4 457**	**562**	**564**	**2 480**	**8 063**
		16 942	**2 144**	**968**	**25 392**	**45 446**

In terms of the share appreciation rights scheme and share rights plan, the executive directors made the following pre-tax gains:

	R000
PF Nhleko	**21 441**
NI Patel	**2 890**
RS Dabengwa	**3 859**
	28 190

* *Includes medical aid and unemployment insurance fund.*

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Special projects R000	Ad hoc work R000	Total R000
Non-executive directors							
MC Ramaphosa	01/10/01	**904**	**738**	**363**	**116**	—	**2 121**
DDB Band	01/10/01	**264**	**481**	**189**	**150**	—	**1 084**
K Kalyan	13/06/06	**276**	**487**	**195**	**116**	—	**1 074**
A T Mikati *†	17/07/06	**736**	**808**	**351**	**–**	—	**1 895**
MJN Njeke	13/06/06	**268**	**296**	**195**	**17**	—	**776**
JHN Strydom	11/03/04	**287**	**455**	**195**	**116**	—	**1 053**
AF van Biljon	01/11/02	**287**	**412**	**195**	**133**	—	**1 027**
J van Rooyen	17/07/06	**315**	**473**	**195**	**132**	—	**1 115**
MLD Marole	01/01/10	**237**	**367**	**195**	**116**	—	**915**
NP Mageza	01/01/10	**248**	**404**	**195**	**116**	—	**963**
A Harper *	01/01/10	**736**	**808**	**351**	**29**	—	**1 924**
		4 558	**5 729**	**2 619**	**1 041**	—	**13 947**

**Fees that have been paid in euro have been converted to rand.*
† *Fees are paid to M1 Limited.*
#*Retainer and attendance fees include fees for board and committees.*

Director's emoluments and related payments

For the year ended 31 December 2009

	Date appointed	Salaries R000	Retirement benefits R000	Other benefits R000	Bonuses R000	Total R000
Executive directors* **						
PF Nhleko	01/06/01	6 727	749	218	8 000	15 694
RD Nisbet (resigned during 2009)	01/10/01	3 615	333	310	—	4 258
NI Patel	27/11/09	311	40	6	2 000	2 357
RS Dabengwa	01/10/01	4 113	527	558	3 093	8 291
		14 766	1 649	1 092	13 093	30 600

The increase in PF Nhleko's bonus is due to the 2010 amount being calculated using a 200% hyperbonus multiple, whereas 2009 bonus amount was based on 100% multiple as he did not qualify for the higher multiple.

In terms of the share appreciation rights scheme and share rights plan, an executive director made the following pre-tax gains:

	R000
RD Nisbet	1 357
	1 357

	Date appointed	Retainer##	Attendance##	2008 fees paid in 2009 Retainer#	2008 fees paid in 2009 Attendance##	Special board	Special projects	Ad hoc work	Total
Non-executive directors*									
MC Ramaphosa	01/10/01	633	329	177	728	460	—	—	2 327
DDB Band	01/10/01	196	223	152	19	238	136	369	1 333
K Kalyan**#	13/06/06	556	420	—	—	372	103	—	1 451
AT Mikati **†	17/07/06	799	320	—	—	634	277	—	2 030
MJN Njeke	13/06/06	212	234	157	28	238	33	—	902
JHN Strydom	11/03/04	212	296	157	25	238	162	—	1 090
AF van Biljon	01/11/02	210	326	152	74	238	136	24	1 160
J van Rooyen	17/07/06	232	318	165	62	238	136	24	1 175
		3 050	2 466	960	936	2 656	983	417	11 468

*At the annual general meeting held on June 2009, the shareholders approved an increase in fees for non-executive directors with retrospective effect from 1 January 2008. The payment of the increased fees to non-executive directors was made at the end of the second quarter of 2009 and was in respect of scheduled board and committee meetings as well as numerous special board and committee meetings and for ad hoc work and special projects during the course of the year.

**Fees that have been paid in euro have been converted to rand.

***Share options/SARS details are not reflected in the remuneration schedule but are disclosed on page 142 of the 2010 annual financial statements.

† Fees are paid to M1 Limited.

Fees for quarters 1 and 2 were paid in euros while for quarters 3 and 4 were paid in rand.

Retainer and attendance fees include fees for board and committees.

The MTN Group share options, share appreciation rights and share rights schemes

The Company operates share options, share appreciation rights and share rights schemes (jointly referred to as the schemes) and eligible employees including executive directors, are able to participate in accordance with the schemes' rules. The schemes are designed to retain and recognise the contributions of executive directors and eligible staff and to provide additional incentives to contribute to the Company's continued growth.

In terms of the Company's share option scheme, the total number of shares which may be allocated for the purposes of the scheme shall not exceed 5% of the total issued ordinary share capital of the Company, being 94 225 505 shares.

The following information is provided in accordance with the schemes:

The vesting periods under the schemes are as follows: 20%, 20%, 30% and 30% on the anniversary of the second, third, fourth and fifth years respectively, after the grant date. The strike price is determined as the closing market price for MTN Group Limited shares on the day prior to the date of allocation.

If the options or appreciation rights remain unexercised after a period of 10 years from the date of grant, they lapse. Furthermore, rights are forfeited if the employee leaves the Group before they vest.

Share options

Details of the share options allocated and reversed are as follows:

	December 2010 Number of shares	December 2009 Number of shares
Options outstanding at beginning of year	**1 374 364**	3 575 079
Adjustment to prior year closing balance	**(1 320)**	930
	1 373 044	3 576 009
Less: Options forfeited	**(6 190)**	(54 945)
Less: Options exercised during the year	**(547 262)**	(2 146 700)
Options outstanding at year end	**819 592**	1 374 364

The market weighted average share price on the dates that share options were exercised during the year was R116,33.

The options outstanding at the end of the period under review have a weighted average remaining contractual life of three years (December 2009: four years). During the year ended 31 December 2010, no options were granted. The fair values as reflected on page 182 under note 22 of the financial statements were calculated using the stochastic model. The inputs into the model are reflected below:

	December 2010	December 2009
Weighted average share price for the year	**R116,33**	R114,05
Weighted average exercise price	**R122,24**	R111,40
Expected life	**1 year**	1 year
Risk-free rate	**5,80%**	7,16%
Expected dividend yield	**1,80%**	1,29%
Expected volatility	**25,45%**	30,46%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous six years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected dividend yield was determined based on historical data.

Options exercised during the year yielded the following proceeds, after transaction costs:

	December 2010 R000	December 2009 R000
Ordinary share capital – at par	*****	*
Share premium	**11 357**	35 546
Proceeds	**11 357**	35 546
Fair value, at exercise date, of shares issued	**56 435**	232 309

**Amount less than R1 million.*

The MTN Group share options, share appreciation rights and share rights schemes continued

Share options continued

The balances of share options are reflected below:

Offer date	Strike price	Number outstanding at 31 December 2009 R	Forfeited during 2010 R	Adjustment during 2010 R	Exercised during 2010 R	Number outstanding at 31 December 2010 R
28 September 2001	13,53	235 904	**(500)**	**—**	**(84 290)**	**151 114**
2 September 2002	9,31	506 730	**—**	**—**	**(250 740)**	**255 990**
1 December 2003	27,00	294 366	**(3 200)**	**(1 320)**	**(52 806)**	**237 040**
1 December 2004	40,50	337 364	**(2 490)**	**—**	**(159 426)**	**175 448**
Total		1 374 364	**(6 190)**	**(1 320)**	**(547 262)**	**819 592**

MTN Group share appreciation rights scheme and share rights scheme (the rights schemes)

The share appreciation rights scheme was implemented on 31 May 2006, and superseded the share option scheme.

On 26 August 2008, the board approved the share rights scheme, which superseded the share appreciation rights scheme. Both the rights schemes operate under the same provisions with the exception that the share rights scheme was extended to allow participation by junior managers.

Share rights under the rights schemes are granted to eligible employees by the relevant employer subsidiary company. Exercised rights are equity settled whereby the relevant MTN Group subsidiary purchases the required MTN shares in the open market.

The following is a summary of the outstanding share appreciation rights as at 31 December 2010 for the share appreciation rights scheme 2006:

Offer date	Strike price R	Number outstanding at 31 December 2009	Offered during 2010	Forfeited during 2010	Adjustment during 2010	Exercised during 2010	Number outstanding at 31 December 2010
31 May 2006	56,83	286 160		**(3 330)**		**(107 040)**	**175 790**
31 May 2006[#]	56,83	1 207 670	**—**	**(7 440)**	**—**	**(501 669)**	**698 561**
21 November 2006	71,00	2 324 980	**—**	**(960)**	**—**	**(1 178 100)**	**1 145 920**
1 January 2007	85,30	104 600	**—**	**—**	**—**	**(41 840)**	**62 760**
2 April 2007	98,50	23 700	**—**	**—**	**—**	**—**	**23 700**
22 June 2007	96,00	669 480	**—**	**(157 800)**	**—**	**(147 260)**	**364 420**
19 March 2008	126,99	519 400	**—**	**(19 600)**	**—**	**(27 700)**	**472 100**
Total		5 135 990	**—**	**(189 130)**	**—**	**(2 003 609)**	**2 943 251**

[#] *The vesting period in respect of part of the allocation made on 31 May 2006 was accelerated by six months, due to the fact that the Company had not issued any share incentive rights to eligible employees in 2005. The remaining contractual life of these rights is thus reduced by six months.*

The following is a summary of the outstanding share rights as at 31 December 2010 for the share rights scheme 2008:

Offer date	Strike price R	Number out-standing at 31 December 2009	Offered during 2010	Forfeited during 2010	Adjustment during 2010	Exercised during 2010	Number out-standing at 31 December 2010
1 September 2008	118,64	2 242 200	—	(149 820)	4 900	(163 740)	1 933 540
28 June 2010	107,49	—	3 402 400	(130 400)	—	(15 700)	3 256 300
Total		2 242 200	3 402 400	(280 220)	4 900	(179 440)	5 189 840

A valuation has been prepared using the stochastic model to determine the fair value of share appreciation rights and the expense to be recognised during the year.

The inputs into the stochastic model were as follows:

	December 2010	December 2009
Share price at reporting date	134,42	117,9
Expected life	1 – 5 years	1 – 5 years
Risk-free rate	5,80% – 7,80%	7,16% – 8,39%
Expected volatility	25,45% – 34,20%	30,46% – 39,23%
Dividend yield	1,80%	1,29%

Expected volatility was determined by calculating the historical volatility of MTN Group share price over the previous six years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected dividend yield was determined based on historical data.

The nominations, remunerations, human resources and corporate governance committee periodically assesses the effectiveness of the Company's long-term incentive scheme, to ensure alignment with shareholder requirements and international best practice.

Equity compensation benefits for executive directors, the company secretary and directors of major subsidiaries

Participation in the MTN Group Limited share schemes for the year ended 31 December 2010.

Equity compensation benefits in respect of share options for executive directors and directors of major subsidiaries

Offer date	Strike price R	Vesting date	Offered	Number outstanding at 31 December 2009	Exercised 2010	Exercise date	Exercise price R	Number outstanding at 31 December 2010
RS Dabengwa								
1 December 2003	27,00	01/12/2007	87 330	43 770	**—**	—	—	**43 770**
1 December 2003	27,00	01/12/2008	87 330	87 330	**—**	—	—	**87 330**
Total			174 660	131 100				**131 100**
KW Pienaar								
1 December 2004	40,50	01/12/2009	9 330	9 330	**9 330**	19/10/2010	127,00	**—**
Total			9 330	9 330	**9 330**			**—**
PD Norman								
2 September 2002	9,31	02/09/2005	110 020	20	**20**	26/11/2010	125,07	**—**
2 September 2002	9,31	02/09/2006	165 030	35 030	**35 030**	26/11/2010	125,07	**—**
2 September 2002	9,31	02/09/2007	165 030	65 030	**65 030**	26/11/2010	125,07	**—**
			440 080	100 080	**100 080**	—	—	**—**
1 December 2004	40,50	01/12/2006	6 780	6 780	**—**	—	—	**6 780**
1 December 2004	40,50	01/12/2007	6 780	6 780	**—**	—	—	**6 780**
1 December 2004	40,50	01/12/2008	10 170	10 170	**—**	—	—	**10 170**
1 December 2004	40,50	01/12/2009	10 170	10 170	**—**	—	—	**10 170**
			33 900	33 900				**33 900**
Total			473 980	133 980	**100 080**			**33 900**

Offer date	Strike price R	Vesting date	Offered	Number out-standing at 31 December 2009	**Exercised 2010**	Exercise date	Exercise price R	**Number out-standing at 31 December 2010**
Z Bulbulia								
2 September 2002	9,31	02/09/2004	18 480	18 480	**18 480**	01/12/2010	123,59	**—**
2 September 2002	9,31	02/09/2005	18 480	18 480	**18 480**	01/12/2010	123,59	**—**
2 September 2002	9,31	02/09/2006	27 720	27 720	**27 720**	01/12/2010	123,59	**—**
2 September 2002	9,31	02/09/2007	27 720	27 720	**—**	—	—	**27 720**
			92 400	92 400	**64 680**			**27 720**
1 December 2003	27,00	01/12/2005	4 940	4 940	**—**	—	—	**4 940**
1 December 2003	27,00	01/12/2006	4 940	4 940	**—**	—	—	**4 940**
1 December 2003	27,00	01/12/2007	7 410	7 410	**—**	—	—	**7 410**
1 December 2003	27,00	01/12/2008	7 410	7 410	**—**	—	—	**7 410**
			24 700	24 700				**24 700**
Total			117 100	117 100	**64 680**			**52 420**
AR Bing								
2 September 2002	9,31	02/09/2007	7 290	7 290	**7 290**	26/11/2010	125,07	**—**
			7 290	7 290	**7 290**			**—**
1 December 2004	40,50	01/12/2007	6 670	6 670	**6 670**	26/11/2010	125,07	**—**
1 December 2004	40,50	01/12/2008	10 005	10 005	**10 005**	26/11/2010	125,07	**—**
1 December 2004	40,50	01/12/2009	10 005	10 005	**10 005**	26/11/2010	125,07	**—**
			26 680	26 680	**26 680**			**—**
Total			33 970	33 970	**33 970**			**—**

Directors' shareholdings and dealings

The interests of the directors and major subsidiaries directors in the ordinary shares of the Company were as follows:

Director	December 2010	December 2009	Beneficial
DDB Band	**14 023**	14 023	Direct
PF Nhleko	**120 413**	3 349 896	Direct
RS Dabengwa	**1 465 559**	1 414 818	Direct
NP Mageza	**400**	—	Indirect
SB Mtshali##	**—**	7 031	Direct
RD Nisbet	**—**	2 659 618	Direct
NI Patel	**—**	7 587	Direct
KW Pienaar#	**487 796**	609 796	Direct
Z Bulbulia#	**40 000**	40 000	Direct
SL Botha#	**300 000**	404 996	Direct
AR Bing#	**136 836**	100 273	Direct
PD Norman#	**314 996**	314 996	Direct
J Desai#	**—**	83 121	Direct
Total	**2 880 023**	9 006 155	

[#] *Major subsidiary director.*
** *Company secretary*

Total share dealings transactions concluded by directors, major subsidiaries directors and the company secretary during the financial year under review including options and transactions on MTN ordinary shares.

Transaction date	Number of shares	Sale price
Phuthuma Nhleko		
17/11/2010	3 231 047	131,33**
Total	3 231 047	

** *Transactions on MTN ordinary shares.*

Directors' shareholdings and dealings continued

Transaction date	Number of shares	Sale price	Purchase price
Andrew Bing			
05/11/2010	6 000	127,75	—**
26/11/2010	7 290	—	125,07*
26/11/2010	26 680	—	125,07*
Total	39 970		
Nazir Patel			
15/11/2010	7 587	125,40**	
Total	7 587		
Bongi Mtshali			
17/11/2010	7 031	132,00**	
Total	7 031		
Karel Pienaar			
19/10/2010	9 330	127,00*	
02/11/2010	122 000	127,02**	
Total	131 330		
Paul Norman			
15/11/2010	100 080	131,29	—
26/11/2010	100 080	—	125,07*
Total	200 160		
Santie Botha			
19/11/2010	104 996	129,04**	
Total	104 996		
Zunaid Bulbulia			
01/12/2010	64 680	123,59*	
Total	64 680		

* *Shares exercised under the share options scheme.*
** *Transactions on MTN ordinary shares.*

Directors' interests in MTN Group held through acquisition of shares in MTN Zakhele Limited

The following persons, being directors of MTN Group Limited and its major subsidiaries and the MTN company secretary were allocated the following number of MTN Zakhele shares which has a shareholding in MTN Group Limited shares.

Beneficiary	Nature of interest	Shares
PF Nhleko	Direct beneficial	2 010 700
MC Ramaphosa	Indirect beneficial	9 367 465
KP Kalyan	Direct beneficial	27 700
MLD Marole	Direct beneficial	15 700
MJN Njeke	Direct beneficial	6 700
NP Mageza	Indirect beneficial	51 420
SB Mtshali	Indirect beneficial	6 500
F Jakoet	Direct beneficial	30 700
CWN Molope	Direct beneficial	1 000
IN Mkhize	Direct beneficial	2 000
Total		11 519 885

Material resolutions
During the year there were no material resolutions from subsidiary companies.

Mergers and acquisitions
Details of the MTN Group's acquisitions and disposals are presented on pages 196 to 198 of the annual financial statements.

Events after the reporting date
No material events have occurred between the date of these financial statements, and the date of approval the knowledge of which would affect the users of these statements to make proper evaluations and decisions.

Property, plant and equipment
There were no changes in the nature of property, plant and equipment nor in the policy regarding their use during the financial year under review.

American depository receipt facility
A sponsored American depository receipt facility has been established. This ADR facility is sponsored by the Bank of New York and details of the administrators are reflected under the administration page 251.

Borrowing powers
In terms of the articles of association of the Company, the borrowing powers of the Company are unlimited. However all borrowings by the MTN Group are subject to limitations expressed in the treasury policy. The details of borrowings appear in note 20 of the annual financial statements.

Going concern
The directors have reviewed the MTN Group's budget and cash flow forecast for the year to 31 December 2011. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that the MTN Group has access to adequate resources to continue in operational existence for the foreseeable future and is a going concern and have continued to adopt the going-concern basis in preparing the financial statements.

Auditors
PricewaterhouseCoopers Inc. and SizweNtsaluba VSP will continue in office as joint auditors in accordance with section 270 of the Companies Act. The audit committee reviewed the independence of the auditors during the period under review and declared itself satisfied that the auditors were independent of the Company.

Group income statement

for the year ended 31 December 2010

	Note	**December 2010 Rm**	December 2009 Rm
Revenue	4	**114 684**	111 947
Direct network operating costs		**(16 818)**	(15 925)
Costs of handsets and other accessories		**(6 819)**	(6 297)
Interconnect and roaming		**(12 593)**	(15 166)
Employee benefits	5	**(5 961)**	(5 843)
Selling, distribution and marketing expenses		**(14 741)**	(14 649)
Other operating expenses		**(10 446)**	(7 837)
Reversal of impairment/(impairment) of property, plant and equipment	10	**231**	(167)
Depreciation of property, plant and equipment	10	**(13 248)**	(11 807)
Amortisation of intangible assets	11	**(2 120)**	(2 668)
Impairment of goodwill	11	**(32)**	—
Operating profit	5	**32 137**	31 588
Finance income	6	**2 077**	6 420
Finance costs	6	**(6 171)**	(12 230)
Share of results of associates after tax	12	**52**	(5)
Profit before tax		**28 095**	25 773
Income tax expense	7	**(11 268)**	(8 612)
Profit after tax		**16 827**	17 161
Attributable to			
Equity holders of the Company		**14 300**	14 650
Non-controlling interest		**2 527**	2 511
		16 827	17 161
Basic earnings per share (cents)	8	**776,2**	791,4
Diluted earnings per share (cents)	8	**764,5**	781,5
Dividend per share (cents)	9	**343,0**	181,0

The notes on pages 111 to 213 are an integral part of these consolidated financial statements.

Group statement of comprehensive income

for the year ended 31 December 2010

	December 2010 Rm	December 2009 Rm
Profit after tax	**16 827**	17 161
Other comprehensive income		
Exchange differences on translating foreign operations	**(9 811)**	(17 700)
Equity holders of the Company	**(9 318)**	(16 967)
Non-controlling interest	**(493)**	(733)
Cash flow hedges	**77**	(191)
Total comprehensive income/(loss) for the year	**7 093**	(730)
Attributable to		
Equity holders of the Company	**5 059**	(2 508)
Non-controlling interest	**2 034**	1 778
	7 093	(730)

The notes on pages 111 to 213 are an integral part of these consolidated financial statements.

Group statement of financial position

at 31 December 2010

	Note	December 2010 Rm	December 2009 Rm
ASSETS			
Non-current assets		**99 727**	110 213
Property, plant and equipment	10	**63 361**	67 541
Intangible assets	11	**30 266**	36 064
Investment in associates	12	**1 302**	1 462
Loans and other non-current receivables	13	**3 391**	3 829
Deferred tax assets	14	**1 407**	1 317
Current assets		**54 234**	46 024
Inventories	15	**1 589**	1 522
Trade and other receivables	16	**13 234**	16 373
Taxation prepaid	26	**721**	113
Current portion of loans and other non-current receivables	13	**2 458**	3 269
Other investments	41	**—**	6
Restricted cash	28	**285**	742
Cash and cash equivalents	27	**35 947**	23 999
Assets of a disposal group classified as held for sale	17	**825**	—
Total assets		**154 786**	156 237
EQUITY			
Ordinary shares and share premium	18	**45 602**	44 297
Retained earnings		**48 977**	40 990
Reserves	19	**(22 724)**	(15 276)
Total equity attributable to equity holders of the Company		**71 855**	70 011
Non-controlling interest		**2 219**	2 855
Total equity		**74 074**	72 866
LIABILITIES			
Non-current liabilities		**33 995**	28 426
Borrowings	20	**24 857**	21 066
Deferred tax liabilities	14	**7 040**	5 666
Other non-current liabilities	21	**1 927**	1 694
Put option liability	22	**171**	—
Current liabilities		**46 717**	54 945
Trade and other payables	23	**20 055**	24 740
Unearned income		**5 750**	4 708
Provisions	24	**3 102**	2 748
Taxation liabilities	26	**4 459**	3 675
Borrowings	20	**10 431**	14 498
Derivatives	40	**255**	585
Put option liability	22	**2 625**	2 638
Bank overdrafts	27	**40**	1 353
Total liabilities		**80 712**	83 371
Total equity and liabilities		**154 786**	156 237

The notes on pages 111 to 213 are an integral part of these consolidated financial statements.

Group statement of changes in equity

for the year ended 31 December 2010

	Share capital Rm	Share premium Rm	Retained earnings Rm	Reserves Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2009	*	23 905	50 712	1 769	76 386	4 156	80 542
Transfers between reserves	—	—	(188)	188	—	—	—
Purchase of non-controlling interest	—	—	—	(43)	(43)	—	(43)
Newshelf share buy-back	—	—	(21 226)	—	(21 226)	—	(21 226)
Share-based payments reserve	—	—	—	84	84	—	84
Shares issued during the year	—	20 392	—	—	20 392	—	20 392
Comprehensive income/(loss)	—	—	14 650	(17 158)	(2 508)	1 778	(730)
Dividends paid	—	—	(3 382)	—	(3 382)	(2 740)	(6 122)
Other movements	—	—	424	(116)	308	(339)	(31)
Balance at 31 December 2009	*	44 297	40 990	(15 276)	70 011	2 855	72 866
Balance at 1 January 2010	*****	**44 297**	**40 990**	**(15 276)**	**70 011**	**2 855**	**72 866**
Sale of non-controlling interest	**—**	**—**	**—**	**60**	**60**	**—**	**60**
Shares issued during the year	*****	**11**	**—**	**—**	**11**	**—**	**11**
MTN Zakhele transaction	*****	**1 294**	**—**	**1 382**	**2 676**	**—**	**2 676**
Employee share option plan	**—**	**—**	**—**	**171**	**171**	**—**	**171**
Share-based payments reserve	**—**	**—**	**—**	**87**	**87**	**—**	**87**
Comprehensive income/(loss)	**—**	**—**	**14 300**	**(9 241)**	**5 059**	**2 034**	**7 093**
Dividends paid	**—**	**—**	**(6 313)**	**—**	**(6 313)**	**(2 770)**	**(9 083)**
Other movements	**—**	**—**	**—**	**93**	**93**	**100**	**193**
Balance at 31 December 2010	*****	**45 602**	**48 977**	**(22 724)**	**71 855**	**2 219**	**74 074**

The notes on pages 111 to 213 are an integral part of these consolidated financial statements.

** Amounts less than R1 million.*

Group statement of cash flow

for the year ended 31 December 2010

	Note	**December 2010 Rm**	December 2009 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25	**50 536**	49 632
Interest received		**1 207**	1 835
Interest paid		**(2 674)**	(4 961)
Dividends paid		**(6 313)**	(3 381)
Income tax paid	26	**(8 028)**	(6 843)
Net cash from operating activities		**34 728**	36 282
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(15 343)**	(27 720)
– to maintain operations		**(1 338)**	(3 526)
– to expand operations		**(14 005)**	(24 194)
Proceeds from sale of property, plant and equipment and intangible assets		**162**	115
Acquisition of intangible assets		**(1 235)**	(1 982)
Loans repaid by third party		**758**	—
Cash outflows from acquisitions net of cash acquired		**—**	(2 205)
Increase in prepayments		**(43)**	(1 374)
Net cash used in investing activities		**(15 701)**	(33 166)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to non-controlling shareholders		**(2 196)**	(2 701)
Proceeds from the issuance of ordinary shares		**1 306**	36
Cash inflows/(outflows) from changes in shareholding	46.2	**124**	(26)
Cash outflow on share buy-back		**—**	(463)
Borrowings raised		**6 724**	11 945
Borrowings repaid		**(8 263)**	(10 647)
Decrease in restricted cash		**369**	992
Other cash outflows		**(119)**	(88)
Net cash used in financing activities		**(2 055)**	(952)
Net increase in cash and cash equivalents		**16 972**	2 164
Cash and cash equivalents at beginning of year		**22 646**	25 596
Exchange losses on cash and cash equivalents		**(3 711)**	(5 114)
Cash and cash equivalents at end of year	27	**35 907**	22 646

The notes on pages 111 to 213 are an integral part of these consolidated financial statements.

The cash flows shown above are presented net of VAT.

Notes to the Group financial statements

for the year ended 31 December 2010

1. REPORTING ENTITY

MTN Group Limited is the holding company of the MTN Group (the Group) and is domiciled in the Republic of South Africa. The address of the Company's registered office is 216 – 14th Avenue, Fairland, Gauteng.

The consolidated financial statements of the Company for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly controlled entities.

The Group is a leading provider of communications services, offering cellular network access and business solutions. The Group is listed in South Africa on the JSE Limited under the Industrial – telecommunications sector.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and have been consistently applied for all periods presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act, 1973, as amended.

The financial statements have been prepared on the historical cost basis, except for the following which is measured at fair value; derivative financial instruments, financial instruments at fair value through profit or loss and available-for-sale financial assets. The methods used to measure fair value are discussed further in accounting policy note 2.27.

Amounts are rounded to the nearest million with the exception of earnings per share and the weighted average number of shares (note 8).

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. Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. 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 consolidated financial statements is included in notes 2.28 and 2.29.

2.2 Going concern

The Group's and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and Company should be able to operate within the level of its current funding.

After making enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing their financial statements.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Consolidation

The Group financial statements incorporate the financial statements of MTN Group Limited and all its subsidiaries, joint ventures, associates and special purpose entities for the reporting date 31 December 2010 on the basis outlined below.

2.3.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or currently convertible are considered when assessing whether the Group has the power to control another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Special purpose entities (SPE) (including insurance cell captives and the various MTN Group staff incentive schemes) are consolidated when the substance of the relationship indicates that the SPE is controlled by the Group. The following indicators are considered:

- In substance, the activities of the SPE are being conducted on behalf of the entity according to its specific business needs so that the entity obtains benefits from the SPE's operation;
- in substance, the entity has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an "autopilot" mechanism, the entity has delegated these decision-making powers;
- in substance, the entity has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE; or
- in substance, the entity retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. 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 interest. 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 amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds 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 interest in the acquiree (if any), is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its non-controlling interests in subsidiary companies where control is maintained subsequent to the disposals are accounted for as equity transactions with non-controlling shareholders. Consequently, the difference between the purchase price and the book value of a non-controlling interest purchased is recorded in equity. All profits and losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders, where control is maintained subsequent to the disposal, are also recorded in equity.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. 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*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (ie the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3 *Business Combinations*.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

The Company accounts for investments in subsidiaries at cost, which includes transaction costs, less accumulated impairment losses.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Consolidation (continued)

2.3.1 Subsidiaries (continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are classified to profit or loss where appropriate.

2.3.2 Associates

Associates are all entities over which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Associates are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post-acquisition accumulated profits or losses of associated companies in the carrying value of the investments, which are generally determined from their latest audited financial statements and the annual profit attributable to the Group is recognised in profit or loss. The Group's share of post-acquisition movement in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The carrying amount of such interests is reduced to recognise any potential impairment, in the value of individual investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has an obligation, issued guarantees or made payments on behalf of the associate.

Where another Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to align them with the policies of the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

2.3.3 Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest, are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the proportionate consolidation method of accounting. The Group's share of the assets, liabilities, income and expenses and cash flows of jointly controlled entities are combined with the equivalent items in the Group annual financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

Accounting policies of joint ventures have been changed where necessary to align them with the policies adopted by the Group.

The Company accounts for investments in joint ventures at cost, which includes transaction costs, less accumulated impairment losses.

2.3.4 Common control transactions

For transactions in which combining entities are controlled by the same party or parties before and after the transaction and where that control is not transitory are referred to as common control transactions. The Group's accounting policy for the acquiring entity would be to account for the transaction at book values as reflected in the consolidated financial statements of the selling entity.

The excess of the cost of the transaction over the acquirer's proportionate share of the net assets value acquired in common control transactions, will be allocated to the common control reserve in equity.

2.4 Segment reporting

The Group has three reportable segments, as described below, that are used by the Group Executive Committee to make key operating decisions, allocate resources and assess performance. The reportable segments are geographically differentiated regions, namely South and East Africa (SEA), West and Central Africa (WECA) and the Middle East and North African (MENA) regions.

Operating results are reported and reviewed regularly by the Group Executive Committee and include items directly attributable to a segment as well as those that can be attributed on a reasonable basis, whether from external transactions or from transactions with other Group segments.

Unallocated items mainly comprise corporate expenses which do not directly relate to the operating activities of the segments or which cannot be re-allocated on a reasonable basis. Segment results are determined before any adjustment for non-controlling interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the functional currency). The Group financial statements are presented in South African rand, which is the functional and presentation currency of the parent company and the presentation currency of the Group.

2.5.2 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 and 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 except when deferred in other comprehensive income as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

2.5.3 Group companies

The financial statements of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at rates of exchange ruling at the reporting date;
- specific transactions in equity is translated at rates of exchange ruling at the transaction date;
- income and expenditure and cash flow items are translated at weighted average exchange rates for the period; and
- foreign exchange translation differences are recognised as other comprehensive income.

An entity may have a monetary item that is receivable from or payable to 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. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling at the reporting date.

2.6 Property, plant and equipment

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

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the present value of future decommissioning costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2010, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. In respect of the borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before 1 January 2010, the Group recognises the borrowing cost in profit or loss. The Group considers more than 12 months to be a considerable time to acquire, construct or produce a qualifying asset.

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.

Property, plant and equipment under construction is measured at initial cost and depreciated from the date the asset is available-for-use in the manner intended by management over its useful life. Assets are transferred from capital work-in-progress to an appropriate category of property, plant and equipment when commissioned and ready for its intended use.

Depreciation of property, plant and equipment is recognised to write off the cost of the asset to its residual value, on the straight-line basis, over its expected useful life as follows:

- Buildings owned 3 – 60 years
- Buildings leased 3 – 20 years (shorter of lease term and useful life)
- Network infrastructure 3 – 20 years
- Information systems equipment 3 – 10 years
- Furniture and fittings 3 – 10 years
- Leasehold improvements 3 – 10 years (shorter of lease term and useful life)
- Office equipment 3 – 10 years
- Motor vehicles 3 – 10 years

The depreciation method and the assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

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 are charged to profit or loss during the financial period in which they are incurred.

An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as disclosed in note 2.10.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the proceeds from the disposal and the carrying amount of the asset, and is included in profit or loss.

2.7 Leases

Leases over property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised at the lower of the fair value of the leased asset and the estimated present value of the minimum lease payments at the inception of the lease. The corresponding liability to the lessor, net of finance charges, is included in the statement of financial position under other non-current/current liabilities. Each lease payment is allocated between the liability and finance charges. Finance costs, which represent the difference between the total lease commitments and fair value of the assets acquired, are charged to profit or loss over the term of the relevant leases so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant leases.

In all significant leasing arrangements in place during the period, the Group acted as the lessee.

2.8 Intangible assets

2.8.1 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits, are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;

- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available;
- the expenditure attributable to the software products during its development can be reliably measured.

Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Expenditure that enhances or extends the performance of the computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

2.8.2 Licences

Licences are initially shown at historical cost. Licences have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Licences 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. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives from the commencement of service of the network. The useful lives and renewal periods of licences are given in note 11, and are determined primarily with reference to the unexpired licence period.

2.8.3 Goodwill

Goodwill arising on the acquisition of subsidiaries, joint ventures and associates is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's interest in the fair value of the net identifiable assets and liabilities of the acquiree at the date of acquisition. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill arising on the acquisition of an associate is included in "investments in associates", and is tested for impairment as part of the overall balance.

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

2.8.4 Customer relationships

Customer relationships acquired through business combinations are initially shown at fair value, and are subsequently carried at the initially determined fair value less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the value of the customer bases over their estimated useful lives. Prepaid customer bases are amortised over two to five years and postpaid customer bases are amortised over five years.

2.8.5 Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortisation and impairment losses. Other 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. Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

2.8.6 Non-current assets (or disposal group) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

2.8.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

2.9.1 Offsetting financial instruments

Offsetting of financial assets and liabilities arises when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

2.9.2 Non-derivative financial instruments

The Group classifies its financial instruments into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification is dependent on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents comprise cash on hand, deposits held on call and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group. Bank overdrafts are included within current liabilities on the statement of financial position, unless the entity has a legally enforceable right to set off the amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously. Derivative financial instruments with a maturity date of three months or less are included in cash and cash equivalents.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

(a) Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading, ie acquired principally for the purpose of selling the item in the short term. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred, assets in this category are classified as current assets. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise of loans, trade and other receivables (excluding prepayments), restricted cash and cash equivalents. Loans and receivables are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or not classified in any of the other categories. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

2.9.2 Non-derivative financial instruments (continued)

(d) Financial liabilities

Financial liabilities comprise trade and other payables, borrowings and other non-current liabilities (excluding provisions). Financial liabilities are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.9.3 Derivative financial instruments

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and attributable transaction costs are recognised in profit or loss when incurred. Subsequently derivatives are remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised liabilities (fair value hedge);
(b) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedged transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 40. Movements on the hedging reserve in shareholders' equity are shown in note 19. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.9.4 Derivative financial instruments and hedging activities

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment of the carrying amount of a hedged item for which the effective method is used, is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. Any cumulative gain or loss existing in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

Gains or losses accumulated in equity are included in profit or loss when the foreign operation is partially disposed of or sold.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(d) Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify are recognised immediately in profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.10 Impairment

2.10.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity, is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets, if not they are classified as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measure at amortised cost using the effective interest method, less provision for impairment.

An impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the trade receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

2.10.2 Non-financial assets

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. Goodwill is deemed to have an indefinite useful life.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units 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 in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expenses on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, foreign exchange losses and any losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 Inventories

Inventory mainly comprises items of equipment held for sale or rental and consumable items.

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is determined using the weighted average method. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where appropriate, an impairment provision is raised in respect of obsolete and defective inventories.

2.13 Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of ordinary shares or share options are recognised in equity as a deduction, net of tax from the proceeds.

Where the Company or its subsidiaries purchase the Company's equity share capital (treasury shares), the amount paid, including any directly attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares. When treasury shares are subsequently reissued or sold, the amount received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised as an increase in equity.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are measured initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries, joint ventures and associates operate and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised using the statement of financial position liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is not recognised for the following temporary differences: the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply to temporary differences when they reverse.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, where there is an intention to settle these balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures are not recognised if the parent company is in a position to control the timing of the reversal and if the reversal is unlikely to take place in the foreseeable future.

A deferred income tax asset is recognised for unused tax losses or deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.17 Employee benefits

Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised on an undiscounted basis as an expense in that reporting period. A liability is recognised for accumulated leave and for non-vested short-term benefits 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 are determined before the time of issuing the financial statements; 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 determined before the time of issuing the financial statements.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.17 Employee benefits (continued)

Share-based payment transactions

The Group operates two staff share incentive schemes, the MTN Group Limited share option scheme and the MTN Group share appreciation rights scheme.

Equity settled

These schemes are accounted for as equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest. The expense is adjusted to reflect the actual number of share options for which the related service and non-market-based vesting conditions are met.

Where employees exercise options in terms of the rules and regulations of the option schemes, treasury shares if available within the MTN Group Share Trust, are allocated, or alternatively new shares are issued to participants as beneficial owners. The directors procure a listing of these shares on the JSE Limited on which the company's shares are listed. For the share option scheme, in exchange for the share options the participants entitled to such share options pay a consideration equal to the option price allocated to them. The nominal value of shares issued is credited to share capital and the difference between the nominal value and the option price is credited to share premium. The share appreciation rights scheme is exercised at the participants' election in terms of the vesting period and on the date exercised the benefits associated with the share appreciation rights will be received by the participant. At the participants' election any tax associated with the rights awards and the settlement of the strike price can either be settled in cash or MTN would act as agent and dispose of the shares on the participants' behalf.

The proceeds of the disposal will be used to settle the participants' obligations. Further details of equity compensation schemes are provided in the Directors' report.

Defined contribution plans

Group companies operate various defined contribution schemes.

A defined contribution plan is a post-employment benefit plan under which the Group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due.

Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date due to death or retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are charged against income when the Group is demonstrably committed to any such plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy and it is probable the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after reporting date are discounted to their present value. 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.

2.18 Basis of accounting of underwriting activities

Underwriting results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

- Premiums written relate to business incepted during the period and exclude value added tax;
- unearned premiums represent the portion of premiums written during the period that relate to unexpired terms of policies in force at the reporting date, generally calculated on a time-apportionment basis;
- claims incurred comprise claims and related expenses paid in the period and changes in the provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries;
- claims outstanding represent the ultimate cost of settling all claims (including direct and indirect settlement costs) arising from events that have occurred up to the reporting date, including provision for claims incurred but not yet reported, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries.

2.19 Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

Decommissioning provision

In accordance with the Group's policy and applicable legal requirements, a provision for the costs of decommissioning base stations, and the related expense, is recognised when a base station is constructed on a site.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of indirect taxes, estimated returns and trade discounts and after eliminating sales within the Group.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Postpaid and prepaid products with multiple deliverables are defined as multiple element arrangements. Postpaid products typically include the sale of a handset, activation fee and a service contract; and prepaid contract include a SIM card and airtime. These arrangements are divided into separate units of accounting, which is based on the determination of each deliverable's separate value to the customer on a stand-alone basis. The arrangement consideration is then allocated to the units of accounting using the residual value method.

The main categories of revenue and the bases of recognition are as follows:

2.20.1 Postpaid/contract products

- Connection fees: Revenue is recognised on the date of activation by the GSM operator of a new Subscriber Identification Module (SIM) card;
- access charges: Revenue is recognised in the period to which it relates;
- airtime: Revenue is recognised on the usage basis commencing on the date of activation.

The terms and conditions of bundled airtime products, may allow for the carry over of unused minutes. The revenue related to the unused airtime is deferred and recognised when utilised by the customer or on termination of the contract.

2.20.2 Prepaid products

- SIM kits: Revenue is recognised on the date of sale;
- connection fees: Revenue is recognised on the date of activation;
- airtime: Revenue is recognised on the usage basis commencing on the date of activation.

Unused airtime is deferred and recognised when unutilised by the customer or on termination of the customer relationship.

2.20.3 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20.4 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the effective interest rate.

2.20.5 Other revenue

- Equipment sales: All equipment sales to third parties are recognised only when risks and rewards of ownership are transferred to the buyer;
- interconnect/roaming/data: Revenue is recognised on a usage basis, unless it is not probable on transaction date that the interconnect revenue will be received; in which case interconnect revenue is recognised only when the cash is received.

2.21 Connection incentives

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers. Connection incentives are expensed in the period in which they are incurred.

2.22 Dividends payable

Dividends payable are recognised as a reduction from equity in the period in which they are approved by the Company's shareholders.

2.23 Earnings per ordinary shares

Earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the net profit attributable to ordinary shareholders.

2.24 Headline earnings per ordinary share

Headline earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 3/2009 issued by the South African Institute of Chartered Accountants (SAICA).

2.25 Secondary taxation on companies

Secondary taxation on companies (STC) is provided for at a rate of 10% on the amount by which dividends declared by the Group exceeds dividends received. Deferred tax on unutilised STC credits is recognised to the extent that STC payable on future dividend payments is likely to be available for set-off.

2.26 New accounting standards and International Financial Reporting Interpretation Committee (IFRIC) interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2010 or later periods, which the Group has elected not to early adopt.

(a) Standards, amendments and interpretations effective for the first time for the financial year beginning 1 January 2010

It should be noted that all of the standards, amendments and interpretations listed below did not have a material impact on the Group in 2010, unless otherwise stated.

IAS 7 (Amendment) *Cash flow statements* (effective 1 January 2010)

The amendment requires that only expenditures that result in recognised assets in the statement of financial position can be classified as investing activities.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.26 New accounting standards and International Financial Reporting Interpretation Committee (IFRIC) interpretations (continued)

(a) Standards, amendments and interpretations effective for the first time for the financial year beginning 1 January 2010 (continued)

IAS 17 (Amendment) *Leases* (effective 1 January 2010)

The amendment removes the specific guidance regarding the classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the principles of IAS 17.

IFRS 3 (Revised) *Business combinations* (effective from 1 July 2009)

The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest. All transaction costs will be expensed.

IAS 27 (Revised) *Consolidated and Separate Financial Statements* (effective 1 July 2009)

IAS 27 (Revised) requires the effect of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured at fair value and a gain or loss is recognised in profit or loss.

IFRS 5 *Non-current Assets held for sale and discontinued operations*

This standard has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IAS 36 (Amendment) *Impairment of assets* (effective 1 January 2010)

The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8 *Operating segments* (that is, before the aggregation of segments with similar economic characteristics).

IFRS 2 (Amendment) *Group cash-settled share-based payment transactions* (effective 1 January 2010)

The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction.

The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

(b) Standards, amendments and interpretations effective in 2010 but currently not relevant to the Group (although they may affect the accounting for future transactions and events)

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010, but are not considered to be relevant to the Group's operations in the current year:

IFRS 1 (Revised) *First-time Adoption of International Financial Reporting Standards – Revised* (effective 1 July 2009)
The revised standard has an improved structure but does not contain any technical changes.

IFRS 2 (Amendment) *Share-based payment* (effective from 1 January 2010)
The amendment specifically removes contributions of a business formation of a joint venture and common control transactions from the scope of IFRS 2.

IAS 18 (Amendment) *Revenue* (effective 1 July 2009)
This amendment determines whether an entity is acting as a principal or as an agent.

IAS 38 (Amendment) *Intangible assets* (effective 1 January 2010)
The amendment provides further guidance on the valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

IAS 39 (Amendment) *Financial Instruments: Recognition and measurement* (effective 1 January 2010)
The amendment provides guidance as to when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment further clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects the profit or loss.

IAS 39 (Amendment) *Financial Instruments: Recognition and measurement* (effective 1 January 2010)
The amendment provides additional guidance that prepayment options, the exercise price of which compensates the lender for the loss from reinvestment risk, should be considered closely related to the host debt contract. The amendment also provides additional guidance to the scope exemption in paragraph 2 (g) of IAS 39 to clarify that:
(a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date;
(b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction;
(c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.

IAS 39 (Amendment) *Financial Instruments: Recognition and measurement Eligible Hedged Items* (effective 1 July 2009)
The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

IAS 39 (Amendment) *Financial Instruments: Recognition and measurement*
Scope exemption for business combination contracts.

IFRIC 17 *Distribution of non-cash assets to owners* (effective 1 July 2009)
The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.26 New accounting standards and International Financial Reporting Interpretation Committee (IFRIC) interpretations (continued)

(b) Standards, amendments and interpretations effective in 2010 but currently not relevant to the Company (although they may affect the accounting for future transactions and events) (continued)

IFRIC 18 *Transfers of assets from customers*

This interpretation is effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRIC 9 *Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement* (effective 1 July 2009)

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the "fair value through profit or loss" category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as fair value through profit or loss in its entirety.

IAS 38 (Amendment) *Intangible assets* (effective 1 January 2010)

The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IAS 1 (Amendment) *Presentation of financial statements* (effective 1 January 2010)

The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of a current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the end of the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2011 or later periods, and which the Group has elected not to early adopt.

Management is still in the process of assessing the impact of these standards and interpretations on the operations of the Group. These standards and interpretations will be adopted in the year in which they become effective.

IFRS 1 (Amendment) *Limited exemption from comparative IFRS 7 disclosures for first-time adopters*

The amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is effective for annual periods beginning on or after 1 July 2010 with early adoption permitted.

IFRS 7 (Amendment) *Disclosures – Transfer of financial assets*

The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.

IFRS 9 *Financial Instruments* (effective 1 January 2013)

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 outlines all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

IFRS 9 requires the classification and measurement of financial liabilities related to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IAS 24 (Revised) *Related party disclosures*, issued in November 2009

It supersedes IAS 24 *Related party disclosures*, issued in 2003. IAS 24 (Revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group will need to disclose any transactions with its associates. Initial estimates indicate that the standard will not have a significant impact on the Group.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.26 New accounting standards and International Financial Reporting Interpretation Committee (IFRIC) interpretations (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IAS 32 (Amendment) *Classification of rights issues issued in October 2009*

The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors*. The Group will apply the amended standard from 1 January 2011, but is not expected to have a material impact on the Group's financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective 1 July 2010)

When an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor, a gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective 1 January 2011)

The amendments correct an unintended consequence of IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011. It is not expected to have any impact on the Group's financial statements.

2.27 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on depreciated replacement cost.

(b) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

(d) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(e) Derivatives

The fair value of forward foreign exchange contracts is based on their listed market price.

(f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(g) Share-based payment transactions

The fair value is measured using the stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(h) Long-term receivables

The fair value of long-term receivables is determined using a discounted cash flow methods using market related rates at 31 December.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.28 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy measured in note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and the input factors most sensitive to change have been disclosed in note 11. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors results in any of the goodwill allocated to appropriate cash-generating units being impaired. Based on the analysis performed, there are no indications that an impairment of goodwill related to any of its cash-generating units that have been tested is required at reporting date.

Connection incentives and subscriber acquisition costs

Connection incentives paid to service providers are currently expensed by the Group in the period incurred. Service providers utilise the incentives received from the Group to fund a variety of administrative costs and/or to provide incentives to maintain/sign up customers on behalf of the Group, at their own discretion. The portion of the incentive used by the respective service providers as an incentive to retain/obtain existing/new subscribers on behalf of the Group, should be capitalised only to the extent that it is reliably measurable (prepaid discount). In accordance with the framework under IFRS, the Group has resolved not to capitalise these fees due to the portion of incentives utilised to acquire/retain subscribers on behalf of the Group by the respective independent service providers not being reliably measurable.

In accordance with the recognition criteria in terms of IAS 38 *Intangible Assets*, the Group has also resolved not to capitalise commissions paid to dealers, utilised to acquire new subscribers, as intangible assets (subscriber acquisition cost), due to the portion utilised to acquire subscribers on behalf of the Group not being reliably measurable.

Interconnect revenue recognition

Due to the receipt of interconnect revenue in certain operations not being certain at transaction date, the Group has resolved only to recognise interconnect revenue relating to these operations as the cash is received.

2.29 Critical judgements in applying the entity's accounting policies

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many calculations and transactions for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. OPERATING SEGMENTS

The Group's principal activities include, the provision of network IT services; local, national and international communications services; broadband and internet products and services; and converged fixed/mobile products and services.

The Group is organised into three regions which is regularly reported to the chief operating decision maker, ie Group executive committee.

	South and East Africa Rm	West and Central Africa Rm	Middle East and North Africa Rm	Head office companies Rm	Consolidated Rm
December 2010					
Revenue					
External sales	42 502	49 887	22 008	287	114 684
Total revenue	42 502	49 887	22 008	287	114 684
EBITDA	14 556	27 683	7 393	(2 095)	47 537
Depreciation of property, plant and equipment	(3 700)	(7 226)	(2 305)	(17)	(13 248)
Amortisation of intangible assets	(534)	(859)	(704)	(23)	(2 120)
Finance income	236	500	770	571	2 077
Finance costs	(359)	(1 948)	(333)	(3 531)	(6 171)
Impairment of goodwill	—	(32)	—	—	(32)
Share of results of associates after tax	(1)	—	53	—	52
Profit before tax	10 198	18 118	4 874	(5 095)	28 095
Income tax expense	(2 687)	(6 115)	(1 134)	(1 332)	(11 268)
Profit after tax	7 511	12 003	3 740	(6 427)	16 827
Segment assets					
Non-current assets	21 654	30 100	6 837	41 136	99 727
Current assets	11 850	14 174	13 280	15 755	55 059
Total assets	33 504	44 274	20 117	56 891	154 786
Segment liabilities					
Non-current liabilities	12 027	16 850	3 586	1 532	33 995
Current liabilities	12 282	15 363	14 739	4 333	46 717
Total liabilities	24 309	32 213	18 325	5 865	80 712
Capital expenditure*	5 421	9 919	3 402	724	19 466
Average number of employees for the period for each of the Group's principal segments were as follows	6 579	6 341	4 673	227	17 820

** Capital expenditure comprises additions to property, plant and equipment and additions to software.*

3. OPERATING SEGMENTS (continued)

	South and East Africa Rm	West and Central Africa Rm	Middle East and North Africa Rm	Head office companies Rm	Consolidated Rm
December 2009					
Revenue					
External sales	39 669	50 543	21 525	210	111 947
Total revenue	39 669	50 543	21 525	210	111 947
EBITDA	12 701	27 029	5 782	551	46 063
Depreciation of property, plant and equipment	(2 744)	(6 692)	(2 362)	(9)	(11 807)
Amortisation of intangible assets	(508)	(1 375)	(762)	(23)	(2 668)
Finance income	265	1 490	345	4 320	6 420
Finance costs	(333)	(3 188)	(431)	(8 278)	(12 230)
Share of results of associates after tax	(18)	—	13	—	(5)
Profit before tax	9 363	17 264	2 585	(3 439)	25 773
Income tax expense	(2 488)	(5 238)	(486)	(400)	(8 612)
Profit after tax	6 875	12 026	2 099	(3 839)	17 161
Segment assets					
Non-current assets	22 178	36 293	15 164	36 578	110 213
Current assets	11 977	11 338	10 168	12 541	46 024
Total assets	34 155	47 631	25 332	49 119	156 237
Segment liabilities					
Non-current liabilities	5 741	14 487	7 960	238	28 426
Current liabilities	19 310	20 074	14 899	662	54 945
Total liabilities	25 051	34 561	22 859	900	83 371
Capital expenditure*	8 645	16 518	5 785	300	31 248
Average number of employees for the period for each of the Group's principal segments were as follows	6 547	6 109	4 642	211	17 509

** Capital expenditure comprises additions to property, plant and equipment and additions to software.*

	December 2010 Rm	December 2009 Rm
4. REVENUE		
Airtime and subscription	**78 400**	76 814
Data	**6 206**	3 329
SMS	**6 570**	5 437
Interconnect	**17 012**	19 516
Mobile telephones and accessories	**3 678**	3 279
Other	**2 818**	3 572
	114 684	111 947
5. OPERATING PROFIT		
The following items have been included in arriving at operating profit		
Auditors' remuneration	**(96)**	(99)
– Audit fees	**(72)**	(60)
– Fees for other services	**(18)**	(27)
– Expenses	**(6)**	(12)
Directors' emolument	**(60)**	(42)
– Services as director	**(46)**	(31)
– Directors' fees	**(14)**	(11)
Operating lease rental	**(1 264)**	(668)
– Property	**(1 044)**	(465)
– Equipment and vehicles	**(220)**	(203)
Claim settlement	**—**	354
Loss on disposal of property, plant and equipment (note 25)	**(146)**	(132)
Reversal of impairment/(impairment) charge on property, plant and equipment (note 10)	**231**	(167)
Impairment charge on other intangible assets (note 11)	**(32)**	(14)
Writedown of inventories (note 15)	**145**	(67)
Impairment on trade receivables (note 16)	**(224)**	(283)

		December 2010 Rm	December 2009 Rm
5.	**OPERATING PROFIT** (continued)		
	Employee benefit	**(5 961)**	(5 843)
	– Wages and salaries	**(4 683)**	(4 793)
	– Pension costs	**(241)**	(218)
	– Share options granted to directors and employees	**(87)**	(83)
	– Training	**(246)**	(232)
	– Employee share option scheme	**(171)**	—
	– Other	**(533)**	(517)
	Fees paid for professional and consulting services	**(2 802)**	(3 077)
	Average number of employees	**17 820**	17 509
6.	**FINANCE INCOME AND FINANCE COSTS**		
	Interest income on loans and receivables	**244**	855
	Interest income on bank deposits	**916**	1 488
	Foreign exchange gains	**468**	2 555
	Functional currency gains	**—**	283
	Put options (note 8)	**449**	1 239
	Finance income	**2 077**	6 420
	Interest expense on financial liabilities measured at amortised cost	**(3 085)**	(4 544)
	Foreign exchange losses	**(1 392)**	(3 661)
	Functional currency losses	**(1 223)**	(3 487)
	Put options (note 8)	**(471)**	(538)
	Finance costs	**(6 171)**	(12 230)
	Net finance costs recognised in profit or loss	**(4 094)**	(5 810)

		December 2010 Rm	December 2009 Rm
7.	**INCOME TAX EXPENSE**		
	Analysis of tax expense for the year		
	Normal tax	**(7 834)**	(6 425)
	– Current year	**(7 766)**	(6 480)
	– Adjustment in respect of the prior year	**(68)**	55
	Deferred tax (note 14)	**(1 984)**	(992)
	– Current year	**(2 045)**	(974)
	– Overprovision in respect of prior year	**61**	(18)
	Capital gains tax	**(28)**	—
	Foreign income and withholding taxes*	**(786)**	(856)
	Secondary tax on companies	**(636)**	(339)
		(11 268)	(8 612)
	Secondary tax on companies		
	STC relating to post year end dividends	**(658)**	(353)

** Taxation for foreign jurisdictions is calculated at the rates that have been enacted or substantively enacted in the respective jurisdictions.*

7. INCOME TAX EXPENSE (continued)

The table below explains the differences between the expected tax expense on continuing operations, at the South African statutory rate of 28% and the Group's total tax expense for each year.

The income tax charge for the year is reconciled to the effective rate of taxation in South Africa as follows

	December 2010 %	December 2009 %
Tax rate reconciliation		
Tax at standard rate	**28,00**	28,00
Expenses not allowed	**2,60**	1,80
Zakhele share costs – disallowed	**2,96**	—
Effect of different tax rates in other countries	**(0,61)**	0,10
Nigeria investment allowance relief	**(0,48)**	(1,10)
Income not subject to tax	**(0,47)**	(0,20)
Nigeria put option revaluation	**(0,01)**	(0,80)
Reversal of underprovision – deferred tax	**0,48**	—
Withholding taxes	**2,80**	3,10
Effect of STC	**2,26**	1,30
Capital gains tax	**0,10**	—
Other	**2,47**	1,20
	40,10	33,40

The Group holds investments in Afghanistan, Belgium, Benin, Botswana, Cameroon, Congo-Brazzaville, Côte d'Ivoire, Cyprus, Ghana, Guinea-Bissau, Guinea-Conakry, Iran, Kenya, Liberia, Monaco, Namibia, Nigeria, Rwanda, Sudan, Swaziland, Syria, Uganda, Yemen and Zambia. Taxation for foreign jurisdictions is calculated at the rates that have been enacted or substantively enacted in the respective jurisdictions.

8. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share is based on net profit for the year of R14 300 million (December 2009: R14 650 million), and the weighted average number of ordinary shares in issue (excluding treasury shares) is 1 842 209 650 (December 2009: 1 851 260 334).

The calculation of basic and adjusted headline earnings per ordinary share is calculated on basic headline earnings of R14 011 million (December 2009: R14 869 million) and adjusted headline earnings of R13 761 million (December 2009: R13 963 million) respectively, and the weighted average number of ordinary shares in issue (excluding treasury shares) is 1 842 209 650 (December 2009: 1 851 260 334).

The calculation of diluted, basic headline and adjusted headline earnings per ordinary share is based on the respective earnings as indicated above, and the weighted average number of fully diluted ordinary shares in issue (excluding treasury shares) is 1 851 962 720 (December 2009: 1 860 307 308) during the year.

8. EARNINGS PER ORDINARY SHARE (continued)

Reconciliation between net profit attributable to the equity holders of the Company and headline earnings

	December 2010 Rm Gross	December 2010 Rm Net	December 2009 Rm Gross	December 2009 Rm Net
Net profit for the period		**14 300**		14 650
Adjusted for:				
Loss on disposal of property, plant and equipment*	**146**	**126**	132	124
Reversal/(impairment) of property, plant and equipment*	**(231)**	**(189)**	167	134
Profit on disposal of investments	**(258)**	**(258)**	(53)	(53)
Other impairment charges on intangible assets	**32**	**32**	14	14
Basic headline earnings		**14 011**		14 869
Adjusted for:				
Reversal of put options in respect of subsidiaries				
– Fair value adjustment	**(208)**	**(172)**	(537)	(537)
– Finance costs	**471**	**471**	537	537
– Foreign exchange (gain)/loss	**(241)**	**(277)**	(701)	(701)
– Non-controlling shareholders' share of profits	**(272)**	**(272)**	(205)	(205)
Adjusted headline earnings		**13 761**		13 963
Earnings per ordinary share (cents)				
– Basic		**776,2**		791,4
– Basic headline		**760,6**		803,2
– Adjusted headline		**747,0**		754,3
Diluted earnings per share (cents)				
– Basic		**764,5**		781,5
– Basic headline		**748,9**		793,2
– Adjusted headline		**735,4**		744,6

**Amounts are measured after taking into account non-controlling interests.*

8. EARNINGS PER ORDINARY SHARE (continued)

	December 2010 '000	December 2009 '000
Weighted average number of shares	**1 842 210**	1 851 260
Adjusted for		
– Share options	**820**	1 389
– Share options – Zakhele	**2 111**	—
– Share appreciation rights	**6 822**	7 658
Weighted average number of shares for diluted earnings per share calculation	**1 851 963**	1 860 307

Explanation of adjusted headline earnings

Impact of put options

IFRS requires the Group to account for a written put option held by non-controlling shareholders of the Group's subsidiaries, which provides them with the right to require the subsidiary to acquire their shareholding at fair value. Prior to the implementation of IFRS, the shareholding was treated as a non-controlling shareholder in the subsidiary as all risks and rewards associated with these shares, including dividends, accrued to the non-controlling shareholder. IAS 32 requires that in the circumstances described in the previous paragraph, (a) the present value of the future redemption amount be reclassified from equity to financial liabilities and that the financial liability so reclassified subsequently be measured in accordance with IAS 39; (b) in accordance with IAS 39, all subsequent changes in the fair value of the liability together with the related interest charges arising from present valuing the future liability, be recognised in profit or loss and (c) the non-controlling shareholder holding the put option no longer be regarded as a non-controlling shareholder, but rather as a creditor from the date of receiving the put option.

Although the Group has complied with the requirements of IAS 32 and IAS 39 as outlined above, the board of directors has reservations about the appropriateness of this treatment in view of the fact that (a) the recording of a liability for the present value of the future strike price of the written put option results in the recording of a liability that is inconsistent with the framework, as there is no present obligation for the future strike price, (b) the shares considered to be subject to the contracts that are outstanding, have the same rights as any other shares and should therefore be accounted for as a derivative rather than creating an exception to the accounting required under IAS 39.

9. DIVIDEND PER SHARE

The dividends paid during the December 2010 and 2009 financial years amounted to R6 313 million and R3 381 million respectively. A dividend in respect of the period ended 31 December 2010 of R3,49 per share, was approved at the quarterly board meeting on 8 March 2011.

	December 2010		December 2009	
	Cents per share	**Rm**	Cents per share	Rm
Dividends paid				
Final dividend paid in respect of the prior year	**192**	**3 534**	181	3 381
Interim dividend paid in respect of the current year	**151**	**2 779**	—	—
		6 313		3 381
Dividends declared				
Approved after the reporting date and not recognised as a liability	**349**	**6 577**	192	3 534

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work-in-progress/ other Rm	Vehicles** Rm	Total Rm
Cost							
Balance at 1 January 2009	4 067	897	83 438	6 149	6 887	944	102 382
Acquisitions through business combinations	—	7	157	106	—	4	274
Additions	686	245	16 309	1 797	10 847	236	30 120
Other movements	5	(7)	5 922	(3)	(6 223)	2	(304)
Reallocations	(2)	115	1 204	152	(1 722)	1	(252)
Disposals	(144)	(8)	(5 518)	(1 131)	(169)	(64)	(7 034)
Effect of movements in exchange rates	(696)	(135)	(17 688)	(1 085)	(1 815)	(236)	(21 655)
Balance at 31 December 2009	3 916	1 114	83 824	5 985	7 805	887	103 531
Balance at 1 January 2010	**3 916**	**1 114**	**83 824**	**5 985**	**7 805**	**887**	**103 531**
Additions	**644**	**366**	**10 950**	**1 358**	**4 818**	**150**	**18 286**
Other movements	**(63)**	**160**	**(1 936)**	**(619)**	**502**	**2**	**(1 954)**
Reallocations	**680**	**46**	**3 872**	**446**	**(5 293)**	**—**	**(249)**
Disposals	**—**	**(16)**	**(1 748)**	**(76)**	**(138)**	**(47)**	**(2 025)**
Effect of movements in exchange rates	**(331)**	**(134)**	**(10 120)**	**(658)**	**(884)**	**(132)**	**(12 259)**
Balance at 31 December 2010	**4 846**	**1 536**	**84 842**	**6 436**	**6 810**	**860**	**105 330**

** Included in land and buildings are leased assets with a carrying amount of R247 million (December 2009: R264 million).*
*** Included in vehicles are leased assets with a carrying amount of R73 million (December 2009: R81 million).*

	Land and buildings Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work-in-progress/ other Rm	Vehicles Rm	Total Rm
10. PROPERTY, PLANT AND EQUIPMENT (continued)							
Accumulated depreciation and impairment losses							
Balance at 1 January 2009	(551)	(494)	(33 065)	(3 631)	(89)	(359)	(38 189)
Depreciation for the year	(179)	(180)	(10 229)	(1 015)	(20)	(184)	(11 807)
Impairment loss	—	—	(165)	(2)	—	—	(167)
Acquisitions through business combinations	(2)	(1)	(30)	(131)	—	(4)	(168)
Other movements	7	(19)	54	15	5	(2)	60
Disposals	142	4	4 874	1 008	—	50	6 078
Effect of movements in exchange rates	151	86	7 178	668	24	96	8 203
Balance at 31 December 2009	**(432)**	**(604)**	**(31 383)**	**(3 088)**	**(80)**	**(403)**	**(35 990)**
Balance at 31 December 2010	**(432)**	**(604)**	**(31 383)**	**(3 088)**	**(80)**	**(403)**	**(35 990)**
Depreciation for the year	**(242)**	**(222)**	**(11 498)**	**(1 111)**	**(14)**	**(161)**	**(13 248)**
Reversal of impairment	**—**	**—**	**231**	**—**	**—**	**—**	**231**
Other movements	**9**	**(37)**	**478**	**196**	**17**	**(1)**	**662**
Disposals	**—**	**12**	**1 452**	**68**	**—**	**39**	**1 571**
Effect of movements in exchange rates	**60**	**72**	**4 209**	**383**	**9**	**72**	**4 805**
Balance at 31 December 2010	**(605)**	**(779)**	**(36 511)**	**(3 552)**	**(68)**	**(454)**	**(41 969)**
Carrying amounts							
At 1 January 2009	3 516	403	50 373	2 518	6 798	585	64 193
At 31 December 2009	3 484	510	52 441	2 897	7 725	484	67 541
At 1 January 2010	**3 484**	**510**	**52 441**	**2 897**	**7 725**	**484**	**67 541**
At 31 December 2010	**4 241**	**757**	**48 331**	**2 884**	**6 742**	**406**	**63 361**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

10.1 Register of land and buildings

Registers with details of land and buildings are available for inspection by members or their duly authorised representatives at the registered office of the Company and its respective subsidiaries.

10.2 Impairment loss

MTN Nigeria reversed a portion of the previously recognised impairment loss amounting to R231 million (2009: Rnil). During the prior year, MTN Nigeria impaired its network infrastructure by R125 million, MTN Yemen by R35 million with the remaining balance contributed by various other MTN operations.

10.3 Lease property, plant and equipment

The Group leases various premises and sites which have varying terms, escalation clauses and renewal rights.

10.4 Capital work-in-progress

There are various capital work-in-progress projects under way within the Group. At year end, the main contributors to these project balances were: MTN South Africa R1,8 billion (2009: R2 billion), MTN Ghana R1 billion (2009: R2 billion), MTN Afghanistan R370 million (2009: Rnil), MTN Nigeria R369 million (2009: R737 million), MTN Côte d'Ivoire R149 million (2009: R606 million) and MTN Irancell R119 million (2009: R656 million).

10.5 Changes in estimates

There were no significant changes in the depreciation method, useful life or residual values of any items of property, plant and equipment during the current year.

10. PROPERTY, PLANT AND EQUIPMENT (continued)

10.6 Encumbrances

MTN Côte d' Ivoire SA

Borrowings by MTN Côte d' Ivoire are secured by a fixed charge over the Company's land and buildings with a carrying amount R999 million (December 2009: R1 432 million).

MTN Uganda Limited

In terms of the Inter-creditor Security Package, MTN Uganda Limited has provided a first ranking floating charge over all its present and future assets, excluding its licence. Its property, plant and equipment has a carrying amount of R2 081 million (December 2009: R3 220 million). This serves as security for syndicated loans made to MTN Uganda Limited by various banks and financial institutions.

MTN Sudan Company Limited

Borrowings by MTN Sudan are secured by certain categories of property, plant and equipment with a carrying amount of R332 million (December 2009: R92 million).

MTN Congo SA

Borrowings by MTN Congo are secured by certain categories of property, plant and equipment with a carrying amount of R232 million (December 2009: Rnil).

MTN Zambia Limited

Borrowings by MTN Zambia Limited were secured by certain categories of property, plant and equipment with a carrying amount of R527 million (December 2009: R973 million).

MTN (Proprietary) Limited

Borrowings by MTN (Proprietary) Limited were secured by certain categories of property, plant and equipment with a carrying amount in 2009: R264 million.

	Goodwill Rm	Licences Rm	Customer relationships Rm	Software Rm	Other intangible assets Rm	Total Rm
11. INTANGIBLE ASSETS						
Balance at 1 January 2009	31 914	13 761	4 625	3 822	226	54 348
Additions	—	697	—	1 444	87	2 228
Arising from business combinations	1 750	—	284	—	—	2 034
Reallocations	—	—	—	192	60	252
Effect of movements in exchange rates	(8 908)	(2 823)	(192)	(634)	53	(12 504)
Balance at 31 December 2009	24 756	11 635	4 717	4 824	426	46 358
Balance at 1 January 2010	**24 756**	**11 635**	**4 717**	**4 824**	**426**	**46 358**
Additions	**—**	**105**	**60**	**1 170**	**8**	**1 343**
Disposals	**—**	**—**	**—**	**(142)**	**(1)**	**(143)**
Reallocations	**—**	**—**	**—**	**245**	**4**	**249**
Impairment loss	**(32)**	**—**	**—**	**—**	**—**	**(32)**
Other movements	**(50)**	**—**	**32**	**8**	**10**	**—**
Effect of movements in exchange rates	**(3 877)**	**(1 445)**	**(181)**	**(481)**	**(16)**	**(6 000)**
Balance at 31 December 2010	**20 797**	**10 295**	**4 628**	**5 624**	**431**	**41 775**

	Goodwill Rm	Licences Rm	Customer relationships Rm	Software Rm	Other intangible assets Rm	Total Rm
11. INTANGIBLE ASSETS (continued)						
Amortisation and impairment losses						
Balance at 1 January 2009	—	(3 764)	(3 079)	(1 570)	(149)	(8 562)
Amortisation for the year	—	(903)	(1 070)	(569)	(126)	(2 668)
Additions	—	3	—	131	(62)	72
Impairment loss	—	—	—	—	(14)	(14)
Effect of movements in exchange rates	—	386	255	194	43	878
Balance at 31 December 2009	—	(4 278)	(3 894)	(1 814)	(308)	(10 294)
Balance at 1 January 2010	**—**	**(4 278)**	**(3 894)**	**(1 814)**	**(308)**	**(10 294)**
Amortisation for the year	**—**	**(830)**	**(337)**	**(798)**	**(155)**	**(2 120)**
Disposals	**—**	**—**	**—**	**71**	**—**	**71**
Other movements	**—**	**—**	**(63)**	**6**	**57**	**—**
Effect of movements in exchange rates	**—**	**449**	**135**	**243**	**7**	**834**
Balance at 31 December 2010	**—**	**(4 659)**	**(4 159)**	**(2 292)**	**(399)**	**(11 509)**
Carrying amounts						
At 1 January 2009	31 914	9 997	1 546	2 252	77	45 786
At 31 December 2009	24 756	7 357	823	3 010	118	36 064
At 1 January 2010	**24 756**	**7 357**	**823**	**3 010**	**118**	**36 064**
At 31 December 2010	**20 797**	**5 636**	**469**	**3 332**	**32**	**30 266**

11. INTANGIBLE ASSETS (continued)

Impairment testing of cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation.

A summary of the goodwill allocation is presented below

	December 2010 Rm	December 2009 Rm
MTN Côte d'Ivoire SA	**1 313**	2 023
Scancom Limited (Ghana)	**7 353**	8 693
MTN Sudan Company Limited	**2 759**	3 527
MTN Yemen	**1 647**	1 949
MTN Afghanistan Limited	**1 040**	1 113
MTN Uganda Limited	**465**	631
MTN Congo SA	**546**	653
MTN Syria (JSE)	**300**	355
MTN Cyprus Limited	**456**	786
Spacetel Benin SA	**721**	888
Areeba Guinea SA (Conakry)	**446**	669
Others	**3 751**	3 469
	20 797	24 756

Goodwill is tested annually for impairment. There was no impairment of any of the CGU's above to which goodwill had been allocated, apart from the impairment charge in respect of the Cameroon CGU. The impairment charge arose in the Cameroon CGU amounting to R32 million (2009: Rnil) during the year in respect of its ISP business included in one of its subsidiaries, where forecasts were revised downwards in light of the difficult economic trading conditions.

The recoverable amount of a CGU was determined based on value-in-use calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a five to eleven-year period. Cash flows beyond the above period were extrapolated using the estimated growth rates measured below. The following key assumptions were used for the value-in-use calculations:

- Growth rate: We used a steady growth rate to extrapolate revenues beyond the budget period cash flows. The growth rate was consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGU operated. The average growth rates used ranged from 1% to 4,5% (2009: 2% to 4%).
- Discount rate: Discount rates range from 9,2% to 15,9% (2009: 7,3% to 17,9%). Discount rates used reflect specific risks relating to the relevant CGU.

11. INTANGIBLE ASSETS (continued)

Licence agreements	Type	Granted/ renewed	Term	Renewable term	Fee currency
South and East Africa					
Mobile Telephone Networks (Proprietary) Limited	ECS licence*	15/01/2009	15 years	Renewable on application using the prescribed format for similar licence period	ZAR
	ECNS licence*	15/01/2009	20 years	Renewable on application using the prescribed format for similar licence period	
MTN Uganda Limited	900MHz 1 800MHz	15/04/1998	20 years	5 years	USD
MTN Rwandacell S.A.R.L	900MHz 1 800MHz 1 900MHz	17/03/2000	13 years	5 years	USD
	Fixed line	30/06/2006	5 years	5 years	
Mascom Wireless Botswana Limited	900 1 800 2 100	13/06/2007	15 years	Determined in renewal process	BWP
MTN Zambia Limited	1 800MHz	23/09/1995	15 years	5 years	ZMK
Swazi MTN Limited	900MHz 1 800MHz	28/11/2008	10 years	10 years	SZL

** During the year the three existing network licences, namely 900MHz; 1 800MHz and 3G, were converted into ECS and ECNS (reflected above). This conversion was retrospectively effective from 15 January 2009.*

Initial licence/ Renewal fee	Annual fees	Further fees/obligations where applicable
—	Not applicable	Further obligations require a contribution of 1,5% of gross profit as defined by the Electronic Communications Act No 36 of 2005
100 million	Not applicable	Further obligations require a contribution of 1,5% of gross profit as defined by the Electronic Communications Act No 36 of 2005
5,8 million	Spectrum fee of 1% of gross network revenue	Not applicable
200 000	3% of network revenue as defined in the licence Spectrum fee of 50 000	RWF1,2 million per MHz annually Renewal fee of 500 000
350 000		
—	Licence operation of 1,1 million	3% of annual net turnover
—	Licence system of 0,2 million	
100 million	2,7 billion	Monthly licence fees – 3% of airtime revenues
3,6 million	Spectrum fee of 20 000 per channel used with a minimum of 600 000 Licence fee of 5% of net operating income with a minimum of 6 million	Universal services obligation of 0,5% of net operating income

11. INTANGIBLE ASSETS (continued)

Licence agreements	Type	Granted/ Renewed	Term	Renewable term	Fee currency
West and Central Africa					
MTN Nigeria Communications Limited	900MHz	09/02/2001	15 years	5 years	USD
	1 800MHz				
	3G Spectrum Licence	01/05/2007	15 years	Dependent on the Nigerian Communications Commission	
	Unified Access Licence (including international gateway)	01/09/2006	10 years	5 years	NGN
	International Submarine Cable Infrastructure and Landing Station Licence (WACS)	01/01/2010	20 years	20 years	USD
Scancom Limited (Ghana)	900MHz	02/12/2004	15 years	10 years	USD
	1 800MHz				
	3G	23/01/2009	15 years	Provisional licence	
	WAC licence	17/02/2010	20 years	Not applicable	
MTN Cameroon Limited	900MHz	15/02/2000	15 years	10 years	CFA
MTN Côte d'Ivoire SA	900MHz	02/04/1996	20 years	Determined in renewal process	XOF
	1 800MHz				
	WiMax 2,5 – 3,5Ghz	31/07/2002	20 years		
Spacetel Benin SA	900MHz	19/10/2007	10 years	5 years	CFA
	1 800MHz				
Areeba Guinea SA	900MHz	31/08/2005	18 years	Determined in renewal process	EUR
	1 800MHz				
	WiMax	04/06/2009	5 years		GNF
MTN Congo SA	900MHz	15/10/1999	15 years	15 years	XAF
	1 800MHz	21/08/2002	15 years	15 years	
	International gateway	05/02/2002	15 years	15 years	
	Optical fibre	02/04/2010	15 years	15 years	

Initial licence/ Renewal fee	Annual fees	Further fees/obligations where applicable
285 million	Annual operating levy 2,5% of gross revenue	Not applicable
150 million	Annual operating levy 2,5% of net revenue	Not applicable
114,6 million	Annual operating levy 2,5% of net revenue	Not applicable
220,500 (thousand)	Annual operating levy 2,5% of net revenue	Not applicable
22,5 million	Annual fee of 1% of revenue	Not applicable
28 million	Annual fee of 1% of revenue	Not applicable
1,025 million	Annual fee of 1% of revenue	Not applicable
44 billion	Regulatory management fee of 1,06% of network revenue	Spectrum fee – 200 000 accrued annually based on a temporary agreement with the regulator
	Telecoms development fund of 2% of network revenue	
40 billion	No annual fees specified in the licence agreement.	Not applicable
		Not applicable
10 million	No annual fees specified in the licence agreement	Not applicable
30 billion	15 per minute for each international interconnect call terminated in Benin	Regulations Authority operations fee of 1% of revenue
		Universal access fee of 1% of revenue
	2 franc on all national outgoing minute including on net	Regional development fee of 0,5% of revenue
		Training and research fee of 0,5% of revenue
30 million	GNF25 billion (fully paid as at 31/12/2010)	GNF16,33 billion
3 billion	Not applicable	GNF700 million
365 million	3% of local outgoing traffic	Frequency management fee of 265 million
150 million	3% of local outgoing traffic	Frequency usage fee of 708 million
100 million	6% international outgoing traffic	Included in licence above
505 million	Not applicable	Not applicable

11. INTANGIBLE ASSETS (continued)

Licence agreements	Type	Granted/ Renewed	Term	Renewable term	Fee currency
West and Central Africa (continued)					
Lonestar Communications Corporation LLC (Liberia)	900MHz	24/03/2009	15 years	Determined in renewal process	USD
	1 800MHz				
	WiMax	24/03/2009	15 years		
Spacetel Guinea-Bissau SA	900MHz	01/03/2004	10 years	Determined in renewal process	EUR
	1 800MHz				
Middle East and North Africa					
Irancell Telecommunication Company Services	900MHz	27/11/2006	15 years	Two periods of five years each	
					EUR
	1 800MHz				
	WiMAX	28/02/2009	6 years	5 years	
MTN Syria SA	900MHz	29/06/2002	15 years	3 years at discretion of Syrian licensing authority	USD
	1 800MHz	22/03/2007	10,25 years		
	3G	29/04/2009	8,16 years		SYP
	ISP	31/05/2009	3 years		SYP
MTN Sudan Company Limited	900MHz	25/10/2003	20 years	Determined in renewal process	EUR
	1 800MHz				
	3G				
MTN Afghanistan Limited	900MHz	15/10/2005	15 years	10 years	USD
	1 800MHz				
MTN Yemen	900MHz	31/07/2000	15 years	Determined in renewal process	USD
	1 800MHz	17/02/2008			
MTN Cyprus Limited	900MHz	01/12/2003	20 years	Determined in renewal process	EUR
	1 800MHz				
	3G				

Initial licence/ Renewal fee	Annual fees	Further fees/obligations where applicable
15 million	0,7 million	Not applicable
5 million	0,6 million	Not applicable
2,2 million	XOF 160 million per base station	Annual microwave links fee of XOF 49 million
	XOF 0,2 million per base station	
300 million	Regulatory fee of 0,25% of revenue of preceding contractual year	Annual fee in total not exceeding 5% of revenue of the previous contractual year
	Universal service contribution fee of 3% preceding contractual year and other fixed fees	Revenue share cost of 28,1% of revenue in each contractual year, with a minimum guaranteed amount based upon 80% of 28,1% of the revenue amount included in the business plan, subject to certain conditions being met, on an annual basis
50,7 million	Numbering fee	
	Dedicated frequency fee	Not applicable
20 million	Frequency protection fee of 50 000 or SP2,5 million per 1 MHz for transmission and reception	Revenue share costs of 30% of revenue for the first three years, 40% for next three years and 50% thereafter. A 60% revenue share applicable if the licence term is renewed
15 million		
250 million		
1,5 million		
150 million	0,5% of revenue	Not applicable
	Not applicable	Not applicable
	Not applicable	Not applicable
40 million	4,5% of revenue	AFN 200 000 per duplex 200KHz
10 million	0,5 million	Not applicable
1 million	1,2 million	Not applicable
21,8 million	No annual fees specified in the licence agreement	Not applicable
		Not applicable
		Not applicable

12. INVESTMENT IN ASSOCIATES

The Group had the following effective percentage interests in associates:

Associate	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital December 2010	December 2009
Number Portability (Proprietary) Limited	Porting	South Africa	**20**	33
Leaf Wireless (Proprietary) Limited	Cellular dealership	South Africa	**44**	40
Belgacom International Carrier Services SA	Telecommunications	Belgium	**20**	20

	December 2010 Rm	December 2009 Rm
Balance at beginning of year	**1 462**	60
Additions	**—**	1 508
Movements	**—**	(38)
Share of results after tax	**52**	(5)
Effect of movements in exchange rates	**(212)**	(63)
Balance at end of year	**1 302**	1 462
Share of results after tax comprises		
Share of results of associates after tax	**133**	5
Unwind of deferred tax on customer relationships – BICS	**42**	—
Amortisation of customer relationships – BICS	**(123)**	—
	52	5

Unless otherwise stated, the Group's associates' country of incorporation is also their principal place of operation.

In respect of the BICS acquisition that took place in 2009, the Group has concluded the PPA and the following represents a breakdown of the investment attributable to the associate

	December 2010 Rm	December 2009 Rm
Customer relationships	**454**	627
Deferred tax	**(156)**	(213)
Goodwill	**838**	934
Net assets at acquisition	**154**	111
	1 290	1 459

12. INVESTMENT IN ASSOCIATES (continued)

The Group's share of the results of its associates, which are unlisted, and its aggregated assets (including goodwill) and liabilities, are as follows:

Summary financial information

	Effective interest Rm	Number Portability Rm	Leaf Wireless Rm	Belgacom International Carrier Services Rm
December 2010				
Revenue	**3 229**	**19**	**240**	**15 591**
Share of results after tax	**52**	**(2)**	**(4)**	**670**
Total assets	**1 386**	**48**	**41**	**6 790**
Total liabilities	**(947)**	**(1)**	**(44)**	**(4 635)**
Attributable net asset value	**439**	**47**	**(3)**	**2 155**
December 2009				
Revenue	399	14	404	1 170
Share of results after tax	(5)	*	(45)	65
Total assets	1 706	28	93	8 297
Total liabilities	(1 233)	(1)	(94)	(5 979)
Attributable net asset value	472	27	(1)	2 318

There are no significant contingent liabilities relating to the Group's interests in these associates.

** Amounts less than R1 million.*

		December 2010 Rm	December 2009 Rm
13.	**LOANS AND OTHER NON-CURRENT RECEIVABLES**		
	Loan to Iran Electronic Development Company*	**422**	461
	Loan to Irancell Telecommunication Company Services*	**3 316**	4 343
	Non-current term advances	**2 089**	2 278
	Non-current prepayments	**22**	16
		5 849	7 098
	Less: Current portion	**(2 458)**	(3 269)
	– Loan to Iran Electronic Development Company*	**(422)**	(461)
	– Loan to Irancell Telecommunication Company Services*	**(2 036)**	(2 808)
		3 391	3 829

** The loans to Iran Electronic Development Company and to Irancell Telecommunication Company Services comprises the following four loans:*

Loan 1: USD64 million (December 2009: USD62 million) attracting interest at LIBOR + 4% per annum (effective rate of 6%) (December 2009: effective rate of 8,48%) which will be capitalised against the loan. The loan has been advanced from Irancell Telecommunication Company Services to Iran Electronic Development Company.

Loan 2: USD194 million (December 2009: USD248 million) will attract interest at LIBOR + 4% per annum (effective rate of 7%) (December 2009: effective rate of 8,4%) which will be capitalised against the loan.

Loan 3: EUR95 million (December 2009: EUR103 million) will attract interest at EURIBOR + 4% which will be capitalised against the loan (effective rate of 7%) (December 2009: effective rate of 9%).

Loan 4: EUR85 million (December 2009: EUR82 million) will attract interest at EURIBOR + 4% which will be capitalised against the loan (effective rate 10%) (December 2009: effective rate of 8,3%).

The above loans and capitalised interest were in terms of the original shareholders' loan agreement and repayable as follows:

Loan 1: The loan and capitalised interest was payable by August 2009.

Loan 2: The loan and capitalised interest was payable by November 2009.

Loan 3: The loan and capitalised interest was payable by 31 May 2008.

Loan 4: There were no fixed repayment terms.

MTN Group management have renegotiated the repayment terms of these loans in the current year as follows:

Loan 1: The loan and capitalised interest is payable in 2011.

Loan 2: The loan and capitalised interest is payable in 2014.

Loan 3: The loan and capitalised interest is payable in 2011.

Loan 4: The loan and capitalised interest is payable in 2011.

Loans 1, 3 and 4 have been classified as current receivables and Loan 2 has been classified as non-current receivables.

The remaining shareholder of MTN Irancell has provided its shares in the company as security for the above loans.

The recoverability of the loan was assessed at reporting date and was not found to be impaired.

The loans are registered with the organisation for Investments Economic and Technical Assistance of Iran (OIETAI) under the foreign investment licence obtained by the company and which is covered by the foreign Investment Promotion and Protection Act (FIPPA).

14. DEFERRED INCOME TAXES

	1 January 2009 Rm	Acquisition through business combinations Rm	Recognised in profit or loss Rm	Exchange differences Rm	31 December 2009 Rm	**Recognised in profit or loss Rm**	**Exchange differences Rm**	**31 December 2010 Rm**
Deferred tax assets								
Provisions and other temporary differences	389	—	262	199	850	**113**	**103**	**1 066**
Excess allowances over depreciation	56	—	(6)	255	305	**7**	**(63)**	**249**
Accelerated depreciation	95	—	—	(95)	—	**—**	**—**	**—**
Tax loss carried forward	99	—	82	(13)	168	**55**	**(134)**	**89**
Arising due to fair value adjustments on business combinations	25	—	(44)	13	(6)	**(9)**	**18**	**3**
Working capital allowance	(7)	—	—	7	—	**—**	**—**	**—**
	657	—	294	366	1 317	**166**	**(76)**	**1 407**
Deferred tax liabilities								
Assessed losses	5	—	(18)	(34)	(47)	**—**	**—**	**(47)**
Tax allowances over book depreciation	(3 469)	—	(1 942)	483	(4 928)	**(2 563)**	**564**	**(6 927)**
Other temporary differences	(688)	(80)	383	(487)	(872)	**132**	**149**	**(591)**
Revaluations	(1 218)	—	39	779	(400)	**48**	**63**	**(289)**
Working capital allowances	381	—	252	(52)	581	**233**	**—**	**814**
	(4 989)	(80)	(1 286)	689	(5 666)	**(2 150)**	**776**	**(7 040)**
Net deferred income tax asset/ (liability)	(4 332)	(80)	(992)	1 055	(4 349)	**(1 984)**	**700**	**(5 633)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

15. INVENTORIES

	December 2010 Rm	December 2009 Rm
Finished goods (handsets, SIM cards and accessories) – at cost	**1 879**	1 650
Consumable stores and maintenance spares – at cost	**36**	68
Less: Writedown to net realisable value	**(326)**	(196)
	1 589	1 522

MTN Uganda have secured facilities through the pledge of their inventories, please refer to note 20.

		At beginning of period Rm	Additions Rm	Utilised Rm	Exchange differences Rm	At end of period Rm
15.	**INVENTORIES** (continued)					
	December 2010					
	Movement in writedown	**(196)**	**(145)**	**9**	**6**	**(326)**
	December 2009					
	Movement in writedown	(162)	(67)	22	11	(196)

A writedown of R145 million (December 2009: R67 million) was incurred in the current year. This amount is included in other operating expenses in profit or loss (Refer to note 5).

		December 2010 Rm	December 2009 Rm
16.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**10 364**	10 990
	Less: Allowance for impairment of trade receivables	**(1 571)**	(1 549)
	Net trade receivables	**8 793**	9 441
	Prepayments and other receivables*	**2 069**	3 888
	Sundry debtors and advances**	**2 186**	2 921
	Other	**186**	123
		13 234	16 373

An impairment loss of R224 million (December 2009: R283 million) was incurred in the current year, and this amount is included in other operating expenses in profit or loss (refer to note 5).

MTN Uganda has secured facilities through the pledge of their trade and other receivables, please refer to note 20.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 47.

The carrying value of trade and other receivables approximates the fair value because of the short period to maturity.

** Prepayments and other receivables include prepayment for BTS and other property leases.*
*** Sundry debtors and advances include advances to suppliers and short-term loans.*

	December 2010 Rm	December 2009 Rm
17. ASSETS CLASSIFIED AS HELD FOR SALE		
Property, plant and equipment – Network assets	**825**	—
	825	—

Scancom Limited (MTN Ghana) announced on 6 December 2010 that it has concluded a transaction with American Tower Company (ATC) which involves the sale of up to 1 876 of MTN Ghana's existing BTS sites to TowerCo Ghana for an agreed purchase price of approximately USD428,3 million. 2% of the shareholding in TowerCo Ghana will be held by local non-controlling shareholders and the remaining 98% by TowerCo Ghana's holding company. ATC will hold a 51% stake in TowerCo Ghana's holding company, with the remaining 49% stake held by MTN Dubai Limited. MTN Ghana will be the anchor tenant, on commercial terms, on each of the towers being sold. The transaction is expected to close in 2011, subject to customary closing conditions.

	Number of shares	
	December 2010	December 2009
18. ORDINARY SHARES AND SHARE PREMIUM		
Ordinary share capital		
Authorised	**2 500 000 000**	2 500 000 000
Issued	**1 884 529 317**	1 840 536 491
On issue at beginning of year	**1 840 536 491**	1 868 010 304
Newshelf share buy-back	**—**	(243 500 011)
Shares issued – PIC	**—**	213 866 898
Options exercised	**528 062**	2 159 300
MTN Zakhele transaction	**43 445 564**	—
On issue at end of year	**1 884 510 117**	1 840 536 491
Options – MTN Zakhele transaction*	**(29 994 952)**	—
On issue at end of year – excluding MTN Zakhele transaction	**1 854 515 165**	1 840 536 491

** Due to the call option over the NVF shares, these shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.*

		December 2010 Rm	December 2009 Rm
18.	**ORDINARY SHARES AND SHARE PREMIUM** (continued)		
	Share capital		
	Balance at beginning of year	*	*
	Additions	*	*
	Balance at end of year	*	*
	Share premium		
	Balance at beginning of year	**44 297**	23 905
	Newshelf share buy-back	**—**	20 356
	Options – MTN Zakhele transaction*	**1 294**	—
	Options exercised	**11**	36
	Balance at end of year	**45 602**	44 297

MTN Group share option scheme and share appreciation rights scheme

The exercise of options and resulting share trades can be viewed under directors' share dealings on page 102 of the directors' report. All disclosure as required has been included in the directors' report.

MTN concluded its broad-based economic empowerment transaction "MTN Zakhele" during October 2010. The transaction is designed to provide long term, sustainable benefits to all BEE participants and will run for a period of six years. Over 122 552 applicants subscribed for shares and were successful.

The total cost of this transaction was R2 973 million which was recognised as a once-off charge in the income statement for the year. This charge includes the once-off IFRS 2 *Share-based payment* transaction charges for the notional vendor finance of R1 382 million, the employee share option plan of R171 million and a donation of R1 294 million. Transaction costs amounted to R126 million.

The donation was used to subscribe for 12 045 412 shares at the price of R107,46. Through the notional vendor finance, MTN issued 29 994 952 shares (NVF shares) to MTN Zakhele at par value. MTN has a call option over these shares. The value of the call option is R1 382 million and was determined using the Monte Carlo valuation model. The significant inputs into the model were the market share price of MTN shares of R128,85 at the grant date, being 14 October 2010, volatility of 40,2%, dividend yield of 4,1% and expected option life of six years and an annual risk free rate of 7,08%.

		December 2010 Rm	December 2009 Rm
19.	**RESERVES**		
	Balance at beginning of year	**(15 276)**	1 769
	Purchase/sale of non-controlling interest	**60**	(43)
	Transfer from retained earnings	**—**	188
	Share-based payment reserve	**1 640**	84
	Cash flow hedging reserve	**77**	(191)
	Other reserves	**93**	(116)
	Foreign currency translation differences of foreign subsidiaries and joint ventures	**(9 318)**	(16 967)
	Balance at end of year	**(22 724)**	(15 276)
	Consisting of:		
	Contingency reserve (as required by insurance regulations)*	**39**	29
	Statutory reserve (as required by Rwanda and Congo-Brazzaville legislation)**	**235**	168
	Purchase/sale of non-controlling interest	**(10 690)**	(10 750)
	Shareholders' loan revaluation reserve	**(244)**	(244)
	Cash flow hedging reserve	**—**	(77)
	Share-based payment reserve	**1 968**	328
	Other reserves	**(15)**	(31)
	Foreign currency translation differences of foreign subsidiaries and joint ventures	**(14 017)**	(4 699)
		(22 724)	(15 276)

** A contingency reserve has been created in terms of the Short-term Insurance Act, 1988. Transfers to the contingency reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of shareholders' funds. On dissolution of the special purpose entities to which these reserves relate, they will become available for distribution.*

*** A statutory reserve has been created in terms of local legislation. Transfers to the statutory reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of the shareholders' funds.*

	December 2010 Rm	December 2009 Rm	Denominated currency	Description of borrowing
20. BORROWINGS				
Unsecured				
South and East Africa	**670**	863		
MTN Mobile Money SA	**258**	268		
	258	268	ZAR	Term loan from JV partner
MTN Zambia Limited	**155**	215		
	155	215	ZMK	Syndicated term loan facility
MTN Rwandcell S.A.R.L	**221**	346		
	158	217	USD	Export credit guarantee backed term loan facility
	63	129	RWF	Syndicated term loan facility
Swazi MTN Limited	**28**	34		
	8	9	SZL	Bilateral term loan facility
	13	15	SZL	Bilateral term loan facility
	7	10	SZL	Bilateral term loan facility
Satellite Data Networks Mauritius Proprietary Limited	**8**	—		
	8	—	USD	Long-term loan
West and Central Africa	**11 868**	13 753		
MTN Côte d'Ivoire SA	**297**	286		
	—	21	XOF	Bilateral short-term loan facility
	—	4	XOF	Bilateral short-term loan facility
	—	81	XOF	Bilateral short-term loan facility
	—	16	XOF	Bilateral short-term loan facility
	111	164	XOF	Long-term loan – Various
	173	—	XOF	Various bilateral short-term loan facilities
	13	—	XOF	Bilateral short-term loan facility

** Nominal interest rates are the interest rates on the loans (whether NACM, NACQ, NACS, NACA) as at 31 December 2010.*
*** Effective interest rates are calculated as follows: interest paid in 2010/weighted average capital balance x number of days/365.*

Type of interest charged	Nominal* interest rate %	Effective** interest rate %	Repayment details
No interest	—	—	No set repayment term
Variable interest rate	7,00	9,00	Semi-annual. Final repayment – December 2012
Variable and fixed interest rate	2,76	2,76	Semi-annual. Final repayment – September 2014
Variable interest rate	15,00	15,00	Monthly. Final repayment – September 2014
Variable interest rate	8,00	13,00	Monthly. Final repayment – September 2012
Variable interest rate	9,00	13,00	Monthly. Final repayment – June 2013
Variable interest rate	9,00	12,00	Monthly. Final repayment – October 2013
Fixed interest rate	4,00	4,00	Capital – bullet payment
Fixed interest rate	—	—	Loan repaid during the year
Fixed interest rate	—	—	Loan repaid during the year
Fixed interest rate	—	—	Loan repaid during the year
Fixed interest rate	—	—	Loan repaid during the year
Fixed interest rate	8,25	8,28	Monthly. Final repayment – December 2014
Fixed interest rate	7,00	7,00	Monthly. Final repayment – March 2011
Fixed interest rate	7,50	7,50	Monthly. Final repayment – March 2011

	December 2010 Rm	December 2009 Rm	**Denominated currency**	**Description of borrowing**
20. BORROWINGS (continued)				
Unsecured (continued)				
West and Central Africa (continued)				
MTN Nigeria Communications Limited	**10 331**	12 008		
	8 920	3 157	NGN	Syndicated term loan facility
	1 242	3 717	USD	Syndicated term loan facility
	84	1 531	NGN	Revolving credit facility
	85	1 406	USD	Syndicated term loan facility
	—	2 197	USD	Syndicated term loan facility
MTN Congo SA	**190**	293		
	190	293	XAF	Syndicated term loan facility
MTN Cameroon Limited	**404**	605		
	404	492	XAF	Syndicated term loan facility
	—	48	XAF	Bilateral term loan facility
	—	65	XAF	Bilateral term loan facility
Spacetel Benin SA	**539**	443		
	539	443	XOF	Syndicated term loan facility
Lonestar Communications Corporation LLC (Liberia)	**107**	118		
	66	74	USD	Bilateral term loan facility
	41	44	USD	Bilateral term loan facility

** Nominal interest rates are the interest rates on the loans (whether NACM, NACQ, NACS, NACA) as at 31 December 2010.*
*** Effective interest rates are calculated as follows: interest paid in 2010/weighted average capital balance x number of days/365.*

Type of interest charged	Nominal* interest rate %	Effective** interest rate %	Repayment details
Variable interest rate	12,00	12,00	Annual. Final repayment – December 2015
Variable interest rate	2,00	3,00	Final repayment – October 2012
Variable interest rate	1,00	1,00	Final repayment – October 2012
Variable interest rate	3,00	3,00	Final repayment – October 2012
Variable interest rate	—	—	Loan repaid during the year
Fixed interest rate	8,25	8,80	Monthly. Final repayment – December 2013
Fixed interest rate	6,00	6,00	Semi-annual. Final repayment – May 2015
Fixed interest rate	—	—	Loan repaid during the year
Fixed interest rate	—	—	Loan repaid during the year
Fixed interest rate	8,00	9,00	Semi-annual. Final repayment – August 2014
Fixed interest rate	11,00	11,00	Tri-annual. Final repayment – June 2012
Variable interest rate	11,00	11,00	Semi-annual. Final repayment – August 2014

		December 2010 Rm	December 2009 Rm	Denominated currency	Description of borrowing
20.	**BORROWINGS** (continued)				
	Unsecured (continued)				
	Middle East and North Africa	**840**	740		
	Irancell Telecommunication Services Company (Proprietary) Limited	**573**	313		
		—	151	IRR	Bilateral short-term facility
		—	26	IRR	Vendor finance facility
		—	9	USD	Vendor finance facility
		301	—	EUR	Vendor finance facility
		272	127	EUR	Vendor finance facility
	MTN Sudan Company Limited	**23**	107		
		23	107	EUR	Bilateral term loan facility
	MTN Cyprus Limited	**244**	320		
		—	47	EUR	Syndicated term loan facility
		2	3	EUR	Bilateral term loan facility
		5	1	EUR	Bilateral term loan facility
		232	269	EUR	Bilateral term loan facility
		5	—	EUR	Bilateral term loan facility

** Nominal interest rates are the interest rates on the loans (whether NACM, NACQ, NACS, NACA) as at 31 December 2010.*
*** Effective interest rates are calculated as follows: interest paid in 2010/weighted average capital balance x number of days/365.*

Type of interest charged	Nominal* interest rate %	Effective** interest rate %	Repayment details
Fixed interest rate	—	—	Loan repaid during the year
Fixed interest rate	—	—	Loan repaid during the year
Variable interest	—	—	Loan repaid during the year
Variable interest	6,25	6,60	Final repayment – March 2012
Variable interest	5,25	5,71	Semi-annual. Final repayment – December 2012
Variable interest rate	4,00	4,00	Semi-annual. Final repayment – June 2011
Variable interest rate	—	—	Loan repaid during the year
Variable interest rate	6,00	6,00	Quarterly. Final repayment – July 2011
Variable interest rate	6,00	6,00	Monthly. Final repayment – May 2015
Variable interest rate	3,00	5,20	Semi-annual. Final repayment – December 2020
Variable interest rate	3,25	5,20	Quarterly. Final repayment – March 2014

	December 2010 Rm	December 2009 Rm	Denominated currency	Description of borrowing
20. BORROWINGS (continued)				
Unsecured (continued)				
Head office companies	**19 560**	17 478		
MTN Holdings (Proprietary) Limited	**18 799**	16 480		
	1 230	2 763	USD	Syndicated term loan facility
	1 750	3 500	ZAR	Syndicated term loan facility
	6 000	3 917	ZAR	Syndicated term loan facility
	—	5 000	ZAR	Domestic medium term note
	1 300	1 300	ZAR	Domestic medium term note
	1 250	—	ZAR	Domestic medium term note
	1 250	—	ZAR	Domestic medium term note
	1 500	—	ZAR	Domestic medium term note
	499	—	ZAR	Commercial paper
	984	—	ZAR	Commercial paper
	508	—	ZAR	Commercial paper
	1 016	—	ZAR	Revolving credit facility
	503	—	ZAR	General banking facility
	504	—	ZAR	General banking facility
	505	—	ZAR	General banking facility
MTN International (Mauritius) Limited	**761**	998		
	—	998	USD	Bilateral short-term loan facility
	761	—	USD	Bilateral short-term loan facility
Total unsecured borrowings	**32 938**	32 834		

Type of interest charged	Nominal* interest rate %	Effective** interest rate %	Repayment details
Variable interest rate	—	1,00	Semi-annual. Final repayment – July 2011
Variable interest rate	—	7,00	Semi-annual. Final repayment – July 2011
Variable interest rate	—	7,80	Final repayment – June 2013
Fixed interest rate	—	—	Loan repaid during the year
Fixed interest rate	10,19	10,19	Maturity – July 2014
Fixed interest rate	9,36	9,36	Maturity – July 2015
Fixed interest rate	10,13	10,13	Maturity – July 2017
Fixed interest rate	7,80	7,80	Maturity – October 2013
No interest	—	6,27	Maturity – January 2011
No interest	—	7,00	Maturity – April 2011
Variable interest rate	—	7,00	Maturity – July 2011
Variable interest rate	—	7,04	Maturity – January 2011
Fixed interest rate	—	5,90	Maturity – January 2011
Fixed interest rate	—	6,10	Maturity – February 2011
Fixed interest rate	—	7,00	Maturity – January 2011
Variable interest rate	—	—	Loan repaid during the year
Variable interest rate	1,80	1,94	Final repayment – March 2011

	December 2010 Rm	December 2009 Rm	**Denominated currency**	**Description of borrowing**
20. BORROWINGS (continued)				
Secured				
South and East African	**991**	1 270		
MTN Uganda Limited	**464**	749		
	332	447	UGX	Syndicated term loan facility
	132	148	USD	Syndicated term loan facility
	—	154	UGX	Revolving credit facility
MTN Zambia Limited	**527**	521		
	527	521	USD	Vendor finance facility
West and Central Africa	**1 046**	1 323		
MTN Côte d'Ivoire SA	**999**	1 323		
	876	1 131	XOF	Syndicated term loan facility
	123	192	XOF	Bilateral term loan facility
MTN Congo SA	**47**			
	47	—	XAF	Term loan facility

Type of interest charged	Nominal interest rate* %	Effective interest rate** %	Repayment details	Security
Variable interest rate	13,00	11,00	Quarterly. Final repayment – October 2014	Floating charge over current and future assets
Variable interest rate	4,00	5,00	Quarterly. Final repayment – October 2014	Floating charge over current and future assets
Variable interest rate	—	—	Loan repaid during the year	Floating charge over current and future assets
Variable interest rate	3,00	4,00	Semi-annual. Final repayment – June 2013	Pledge of specific network assets under a supply contract
Fixed interest rate	8,00	9,00	Semi-annual. Final repayment – March 2014	Pledge of assets
Variable interest rate	8,00	8,00	Quarterly. Final repayment – July 2014	Pledge of assets
Fixed interest rate	7,00	7,00	Monthly. Final repayment – January 2014	Pledge of property, plant and equipment

	December 2010 Rm	December 2009 Rm	Denominated currency	Description of borrowing
20. BORROWINGS (continued)				
Secured (continued)				
Middle East and North Africa	**313**	63		
MTN Sudan Company Limited	**313**	63		
	19	63	SDG	Bank borrowings against purchase of land and buildings
	41	—	EUR	Vendor finance facility
	253	—	USD	Vendor finance facility
Head office companies	**—**	74		
MTN (Dubai) Limited	**—**	74		
	—	74	USD	Bilateral term loan facility
Total secured borrowings	**2 350**	2 730		
Total unsecured borrowings	**32 938**	32 834		
Bank overdraft	**40**	1 353		
Total borrowings	**35 328**	36 917		

Type of interest charged	Nominal interest rate* %	Effective interest rate** %	Repayment details	Security
Fixed interest rate	12,00	13,70	Semi-annual. Final repayment – September 2011	Pledge of property
Variable interest rate	7,00	6,50	Quarterly. Final repayment – June 2020	Pledge of equipment
Fixed interest rate	10,00	10,20	Quarterly. Final repayment – December 2016	Pledge of equipment
Variable interest rate	—	—	Loan repaid during the year	Cash collateral

		December 2010 Rm	December 2009 Rm
20.	**BORROWINGS** (continued)		
	The maturity of the above loans and overdrafts is as follows:		
	Payable within one year or on demand	**10 471**	15 851
	Current borrowings	**10 431**	14 498
	Bank overdrafts	**40**	1 353
	More than one year but not exceeding two years	**4 019**	4 847
	More than two years but not exceeding five years	**19 178**	14 999
	More than five years	**1 660**	1 220
		35 328	36 917
	Less: Amounts included within current liabilities	**(10 471)**	(15 851)
	Amounts included in non-current liabilities	**24 857**	21 066
	The fair values of all borrowings and bank overdrafts approximate their book values.		
	The carrying amounts of the Group's borrowings are denominated in the following currencies:		
	South African rand	**17 826**	13 985
	US dollar	**4 418**	7 045
	Nigerian naira	**9 089**	9 811
	Uganda shilling	**332**	601
	Euro	**881**	554
	Congo-Brazzaville Communaute Financière Africaine franc	**237**	293
	Sudanese pound	**20**	63
	Iranian rials	**—**	177
	Benin Communaute Financière Africaine franc	**539**	443
	Cameroon Communaute Financière Africaine franc	**404**	605
	Côte d'Ivoire Communaute Financière Africaine franc	**1 296**	1 609
	Rwanda franc	**63**	129
	Zambian kwacha	**155**	215
	Swazi lilangeni	**28**	34
	Other	**40**	1 353
		35 328	36 917

		December 2010 Rm	December 2009 Rm
20.	**BORROWINGS** (continued)		
	The Group has the following undrawn facilities:		
	Floating rate	**7 473**	5 119
	Fixed rate	**—**	583
		7 473	5 702
	Further details of the Group's finance lease commitments are provided in note 34 to the financial statements.		
21.	**OTHER NON-CURRENT LIABILITIES**		
	Obligations under a finance lease over one year	**248**	255
	Other non-current provisions	**591**	357
	Deferred gain on asset swop for investment in BICS	**994**	1 341
	Other	**342**	14
		2 175	1 967
	Less: Current portion of deferred gain (note 23)	**(248)**	(273)
		1 927	1 694

** The deferred gain arose on the contribution of various assets from MTN Dubai, MTN International Carrier Services and Uniglobe in exchange for the 20% investment in associate in Belgacom International Carrier Services (refer to note 12), this gain was deferred and is being amortised over a five-year period, which is the period of the commitment to use the international gateway of Belgacom SA.*

	December 2010 Rm	December 2009 Rm
22. PUT OPTION LIABILITY		
Put options in respect of subsidiaries	**2 796**	2 638
Non-current portion	**171**	—
Current portion	**2 625**	2 638

The put options in respect of subsidiaries arise from arrangements whereby certain of the non-controlling shareholders of MTN Nigeria Communications Limited and MTN Afghanistan Limited have the right to put their shareholding in the respective companies to MTN Nigeria and MTN (Dubai) Limited, respectively.

The put options on the Group's own equity resulted in the recognition of a liability at fair value. Subsequent to initial recognition, the liability is measured at amortised cost using the effective interest method. To the extent that the put options are not exercisable at a fixed strike price, the estimated future cash flows change as the fair market value of the underlying equity changes. As the estimated future cash payments change, the net carrying amount of the financial liability will change accordingly. This change in the carrying amount is recognised in profit or loss.

The fair value of the MTN Nigeria put option is estimated based upon a comparison of valuations ascribed to the underlying equity by research analysts, publicly observed trading levels of comparable companies, transaction values paid in comparable transactions, and discounting of all future cash flows of the business to derive a fair present value. The valuation techniques include assumptions in respect of future cash flow growth, discount factors and terminal values.

The fair value of the MTN Afghanistan put option, in terms of which the IFC has the right to put 9,1% of their shareholding obtained during the current financial year to MTN Dubai, is determined based on an EBITDA multiple, as determined in accordance with the terms and conditions of the contractual arrangement. This put option is currently not exercisable.

In addition, the previously disclosed option in terms of which MTN had a put option and the non-controlling shareholders a call option in respect of 1% of the issued share capital of MTN Cyprus Limited, was exercised during the current financial year for an amount of R5,4 million (note 45.1). The change in shareholding did not result in a loss of control.

	December 2010 Rm	December 2009 Rm
23. TRADE AND OTHER PAYABLES		
Trade payables	**3 342**	6 275
Sundry creditors	**1 823**	4 768
Accrued expenses	**13 188**	11 146
Current portion of deferred gain (note 21)	**248**	273
Other payables	**1 454**	2 278
	20 055	24 740

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 47.

24. PROVISIONS

	At beginning of year Rm	Additional provisions Rm	Unused amounts reversed Rm	Utilised Rm	Exchange differences Rm	At end of year Rm
Provisions						
December 2010						
Bonus provision	**477**	**377**	**(17)**	**(355)**	**(29)**	**453**
Provision for decommissioning	**194**	**31**	**(2)**	**(121)**	**(8)**	**94**
Onerous leases	**532**	**—**	**(532)**	**—**	**—**	**—**
Licence obligations	**77**	**—**	**—**	**(25)**	**—**	**52**
Other provisions	**1 468**	**1 417**	**(82)**	**(170)**	**(130)**	**2 503**
	2 748	**1 825**	**(633)**	**(671)**	**(167)**	**3 102**
December 2009						
Bonus provision	466	429	(30)	(344)	(44)	477
Decommissioning provision	289	53	(19)	(74)	(55)	194
Onerous leases	685	209	(50)	(212)	(100)	532
Licence obligations	261	—	—	(184)	—	77
Other provisions	1 591	147	—	(80)	(190)	1 468
	3 292	838	(99)	(894)	(389)	2 748

Bonus provision

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall Company performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the MTN Group annual results have been approved.

Provision for decommissioning

This provision related to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the item and site on which the item is located to its original condition. The Group only recognises these decommissioning costs for the proportion of its overall number of sites for which it expects decommissioning to take place. The expected percentage has been based on actual experience in the respective operations.

Onerous leases

The Group recognises a provision for onerous contracts when the expected benefits from the contract are less than the unavoidable costs of meeting the obligations under that contract.

Licence obligations

The licence obligation provision represents the estimated costs to be incurred in fulfilling the Universal Services obligation.

Other provisions

The Group is involved in various regulatory and tax matters specific to the respective jurisdictions in which the Group operates. These matters may not necessarily be resolved in a manner that is favourable to the Group. The Group has therefore recognised provisions in respect of these matters based on estimates and the probability of whether an outflow of economic benefits will be due.

	December 2010 Rm	December 2009 Rm
25. CASH GENERATED FROM OPERATIONS		
Profit before tax	**28 095**	25 773
Adjustments for:		
Finance cost	**6 171**	12 230
Finance income	**(2 077)**	(6 420)
Depreciation of property, plant and equipment (note 10)	**13 248**	11 807
Amortisation of intangible assets (note 11)	**2 120**	2 668
Loss on disposal of property, plant and equipment (note 5)	**146**	132
Share of results of associates after tax less dividends received	**(52)**	5
Profit on disposal of investment	**—**	(53)
Increase in provisions	**760**	218
Amortisation of prepaid expenses	**—**	207
Impairment on intangible assets	**32**	14
Impairment loss on property, plant and equipment (note 10)	**(231)**	167
Impairment on trade receivables (note 16)	**224**	283
MTN Zakhele notional vendor finance	**1 382**	—
Other	**52**	(304)
	49 870	46 727
Changes in working capital	**666**	2 905
(Decrease)/increase in inventories	**(279)**	240
Increase in unearned income	**1 333**	1 046
Increase in receivables and prepayments	**2 130**	2 539
Increase in trade and other payables	**(2 518)**	(920)
Cash generated from operations	**50 536**	49 632

	December 2010 Rm	December 2009 Rm
26. INCOME TAX PAID		
Opening balance	**(3 562)**	(5 078)
Amounts recognised in profit or loss (note 7)	**(11 268)**	(8 612)
Deferred tax credit (note 14)	**1 984**	992
Effect of movements in exchange rates	**1 080**	1 339
Reversal of tax provision	**—**	195
Withholding taxes not paid	**—**	759
Closing balance	**3 738**	3 562
– Taxation prepaid	**(721)**	(113)
– Taxation liabilities	**4 459**	3 675
Total tax paid	**(8 028)**	(6 843)

27. CASH AND CASH EQUIVALENTS

For purposes of the cash flow statement, cash and cash equivalents comprise the following:

	December 2010 Rm	December 2009 Rm
Cash at bank and on hand	**35 947**	23 999
Bank overdraft	**(40)**	(1 353)
	35 907	22 646

MTN (Dubai) Limited and MTN Uganda have secured facilities through the pledge of their cash and cash equivalents. Please refer to note 20.

Included in cash and cash equivalent balances are amounts relating to the Syrian operations. The Syrian markets have only recently started liberalising foreign exchange legislation to allow for the purchase of foreign currency which is therefore still limited, hence the Group's difficulty in obtaining foreign currency in this market. This is a situation acknowledged by the Syrian authorities with whom we continue to engage.

In addition, due to sanctions imposed on Iran, it is proving difficult to repatriate funds from MTN Irancell. The Group is, however, considering various alternatives to facilitate the repatriation of the funds.

The Group's exposure to interest rate risk, credit risk and a sensitivity analysis for financial assets and finance liabilities is disclosed in note 47.

		December 2010 Rm	December 2009 Rm
28.	**RESTRICTED CASH**		
	Restricted cash deposits	**285**	742
	Restricted cash consists of monies placed on deposit with banks mainly in Nigeria, Cameroon, Dubai and Syria to secure Letters of Credit, which at reporting date were undrawn and not freely available.		
29.	**UNDERWRITING ACTIVITIES**		
	Underwriting activities are conducted through special purpose entities on commercial terms and conditions and at market prices.		
	Income statement effect		
	– Gross premiums written	**528**	395
	– Outwards reinsurance premiums	**(132)**	(153)
	– Other*	**(272)**	(209)
		124	33
	Statement of financial position effect		
	Share of technical provision		
	– Outstanding claims	**41**	48
	– Provision for unearned premiums	**20**	9
		61	57
	Receivables	**141**	170
	Payables	**(163)**	(245)

** Included in "other" are claims incurred, net of reinsurance; commissions paid; net operating costs; net investment income and taxation.*

	December 2010 Rm	December 2009 Rm
30. CONTINGENT LIABILITIES/(ASSET)		
Contingent liabilities*	**941**	1 209

** The Group's present policy is to pay incentives to service providers (SP) for handset upgrades. These upgrades are only payable once the subscribers have completed a 21-month period with the SP since the initial commencement of their contract or previous upgrade and the eligible subscriber has exercised the right to receive an upgrade for a new postpaid contract with minimum terms. The value of the obligation may vary depending on the prevailing business rules at the time of the upgrade. The total number of eligible subscribers who had not yet exercised their right to upgrade at 31 December 2010 was 845 413 (December 2009: 782 753). The estimated contingent liability at 31 December 2010 based on the prevailing business rules on such date amounts to R822 million (December 2009: R1 209 million).*

The Group has however provided for those upgrades which have been made but not presented for payment.

31. COMMERCIAL COMMITMENTS

MTN Zambia Limited

The licence issued by the Zambian Communications Authority (ZCA), a body corporate established under the provisions of the Telecommunications Act No 23 of 1994 Laws of Zambia, requires that ten percent (10%) of the issued share capital of MTN Zambia Limited be held by the Zambian public. The approval given by the ZCA for the company's purchase of 100% of the share equity was on the basis that 10% should be housed in a special purpose vehicle (SPV) for the beneficial ownership of the Zambian public. Previously it was reported that the ownership of 10% by the SPV, already formed, and ultimate placement with Zambian public was concluded.

Irancell Telecommunication Service Company (Proprietary) Limited

The investment in Irancell is subject to a number of sovereign, regulatory and commercial risks, which could result in the Group failing to realise full market value for its investment should it be required to dispose of any portion thereof. In this regard, 21% of Irancell is required to be offered to members of the Iranian public within approximately three years from the date of the licence. Such offering could have a proportional dilutory effect on the Company's 49% shareholding, effectively reducing its shareholding by 10,3% to 38,7%. The substantial terms and conditions of this commitment are yet to be finalised.

Eastern African Submarine Cable System (EASSy)

The Group, together with various other parties, has entered into a construction and maintenance agreement for the Eastern Africa Submarine Cable System (EASSy) to address the growing demand for international bandwidth in Africa. The Group's commitment in respect of the contract amounts to USD40 million which has been settled in full on 31 December 2010 (December 2009: USD30,9 million).

Europe-India Gateway (EIG) and West Africa Cable System (WACS)

The Group has entered into an agreement with several other parties to construct a high capacity fibre-optic submarine cable system. The Group's commitment in respect of the contract amounts to USD144,8 million of which USD89,4 million has been paid at 31 December 2010.

		December 2010 Rm	December 2009 Rm
32.	**CAPITAL COMMITMENTS**		
	Commitments for the acquisition of property, plant and equipment and intangible assets		
	Capital expenditure not yet incurred at the reporting date is as follows		
	– Contracted but not provided for	**2 557**	6 344
	– Authorised but not contracted for	**16 780**	16 809
	Group's share of capital commitments of joint ventures		
	– Contracted but not provided for	**1 610**	436
	– Authorised but not contracted for	**1 184**	10
	Total commitments for property, plant, equipment and software	**22 131**	23 599
	Capital expenditure will be funded from operating cash flows, existing borrowing facilities and where necessary by raising additional facilities.		
33.	**OPERATING LEASE COMMITMENTS**		
	The future aggregate minimum lease payments under non-cancellable operating leases are as follows		
	Not later than one year	**164**	203
	Later than one year and no later than five years	**184**	428
	Later than five years	**1**	201
		349	832
	The future aggregate minimum lease payments under cancellable operating leases are as follows		
	Not later than one year	**479**	397
	Later than one year and no later than five years	**1 435**	1 105
	Later than five years	**959**	480
		2 873	1 982

The Group leases various premises/sites under non-cancellable/cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Penalties are chargeable on certain leases should it be cancelled before the end of the agreement.

	December 2010 Rm	December 2009 Rm
34. FINANCE LEASE COMMITMENTS		
At the reporting date, the Group had outstanding commitments under non-cancellable finance leases which fall due as follows		
Minimum lease payments		
Not later than one year	**93**	86
Later than one year and no later than five years	**317**	359
Later than five years	**—**	46
	410	491
Less: Future finance charges on finance leases	**(107)**	(143)
Present value of finance lease obligations	**303**	348
Present value of finance lease obligations are as follows		
Not later than one year	**56**	46
Later than one year and no later than five years	**247**	258
Later than five years	**—**	44
	303	348
35. OTHER COMMITMENTS		
Sport sponsorships	**83**	173
Orders placed to purchase handsets	**370**	577
Installation on an indefeasible right of use (IRU)	**38**	—
	491	750

36. INVESTMENT IN JOINT VENTURES

The Group had the following effective percentage interests in joint ventures.

Unless otherwise stated, the Group's joint ventures country of incorporation is also their principal place of operation.

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital December 2010	December 2009
Swazi MTN Limited	Network operator	Swaziland	**30**	30
MTN Mobile Money Holdings (Proprietary) Limited	Wireless banking services	South Africa	**50**	50
Deci Investments	Investment holding company	Botswana	**33**	33
Mascom Wireless Botswana Limited	Network operator	Botswana	**53**	53
Irancell Telecommunication Company Services (Proprietary) Limited	Network operator	Iran	**49**	49
Village Phone Rwanda	Airtime sales	Rwanda	*****	50
Satellite Data Networks Mauritius (Proprietary) Limited	Internet service provider	Mauritius	**60**	60

** The investment in Village Phone Rwanda was increased to a 100% subsidiary during the current year for an immaterial amount.*

Summary financial information

The following table presents, on a condensed basis the Group's share of assets and liabilities, revenue and expenses of the joint ventures which are included in the consolidated statement of financial position and income statement.

	December 2010 Rm	December 2009 Rm
Revenue	**10 206**	8 592
Expenses	**(5 915)**	(5 457)
Non-current assets	**7 312**	7 780
Current assets	**4 954**	3 691
Total assets	**12 266**	11 471
Non-current liabilities	**(3 812)**	(4 704)
Current liabilities	**(7 241)**	(6 338)
Total liabilities	**(11 053)**	(11 042)

There are no significant contingent liabilities and capital commitments relating to the Group's interests in these joint ventures.

37. TRANSFER PRICING

In terms of the transfer pricing provisions contained in section 31 of the South African Income Tax Act, No 58 of 1962 (the Act), where a taxpayer supplies financial services to a connected person who is a non-South African resident, interest should be charged on an arm's length basis. The Group has consistently taken the view, based on professional advice, that the provisions of section 31 should not apply in respect of the loan element of shareholder equity funding to its African subsidiaries and joint ventures. The Group and its tax advisers continue to believe in the soundness of the approach adopted and accordingly consider that there is no necessity to raise a provision for any potential liability in this regard.

38. EXCHANGE RATES TO SOUTH AFRICAN RAND USED FOR THE PURPOSES OF IAS 21 TRANSLATIONS

		Closing rates		**Average rates**	
		December 2010	December 2009	**December 2010**	December 2009
United States dollar	USD	**0,15**	0,14	**0,14**	0,12
Uganda shilling	UGX	**348,03**	256,43	**295,99**	242,29
Rwanda franc	RWF	**89,27**	78,89	**79,33**	67,85
Cameroon Communaute Financière Africaine franc	XAF	**74,20**	61,89	**67,26**	56,58
Nigerian naira	NGN	**23,00**	20,29	**20,67**	17,83
Iranian rials	IRR	**1 565,67**	1 353,72	**1 401,06**	1 195,03
Botswana pula	BWP	**0,98**	0,90	**0,93**	0,86
Ivory Coast Communaute Financière Africaine franc	CFA	**76,07**	61,89	**67,43**	57,08
Congo-Brazzaville Communaute Financière Africaine franc	CFACB	**74,20**	61,89	**67,78**	57,01
Zambian kwacha	ZMK	**722,67**	626,66	**673,78**	614,04
Swaziland emalangeni	SZL	**1,00**	1,00	**1,00**	1,00
Lebanese pound	LBP	**226,48**	202,98	**204,85**	179,19
Afghanistan afghani	AFN	**6,84**	6,58	**6,29**	5,98
Euro	EUR	**0,11**	0,09	**0,10**	0,09
British pound sterling	GBP	**0,10**	0,08	**0,09**	0,07
Ghana cedi	GHC	**0,22**	0,19	**0,20**	0,17
Benin Communaute Financière Africaine franc	XOF	**74,20**	61,89	**67,62**	56,06
Guinean franc	GNF	**1 080,97**	740,87	**863,84**	592,69
Sudanese pound	SDG	**0,40**	0,32	**0,34**	0,29
Syrian pound	SYP	**7,13**	6,20	**6,39**	5,59
Guinea-Bissau Communaute Financière Africaine franc	XOF	**75,46**	61,92	**67,45**	55,84
Yemen rial	YER	**32,32**	28,07	**30,22**	24,25

	December 2010 Rm	December 2009 Rm
39. FOREIGN EXCHANGE EXPOSURE		
Included in the Group statement of financial position are the following amounts denominated in currencies other than the functional currency of the reporting entities		
Assets		
Non-current assets		
– US dollar	**194**	33
– Euro	**1 380**	2 056
– South African rand	**—**	15
	1 574	2 104
Current assets		
– US dollar	**9 868**	8 660
– Euro	**2 957**	1 120
– British pound sterling	**13**	—
– Sudanese pound	**—**	50
– CFA Congo-Brazzaville	**154**	—
– CFA Benin	**57**	—
– Ghana cedi	**87**	—
– Yemen rial	**254**	—
	13 390	9 830
Total assets	**14 964**	11 934

	December 2010 Rm	December 2009 Rm
39. FOREIGN EXCHANGE EXPOSURE (continued)		
Liabilities		
Non-current liabilities		
– US dollar	**(880)**	(12 319)
– Euro	**(433)**	(209)
– Nigerian naira	**(2 795)**	—
– CFA Congo-Brazzaville	**(169)**	—
	(4 277)	(12 528)
Current liabilities		
– US dollar	**(8 278)**	(3 981)
– British pound sterling	**(8)**	—
– Euro	**(2 358)**	(1 040)
– CFA Congo-Brazzaville	**(250)**	(173)
– Sudanese pound	**—**	(39)
– Syrian pound	**—**	(19)
– South African rand	**(231)**	(23)
	(11 125)	(5 275)
Total liabilities	**(15 402)**	(17 803)

		December 2010 Rm	December 2009 Rm
40.	**DERIVATIVES**		
	Included in the statement of financial position are the following derivatives:		
	– Liabilities	**(255)**	(585)
		(255)	(585)
	Fair value profit/(loss)		
	– taken to income statement	**(234)**	(585)
	– taken to cash flow hedge reserves	**77**	(191)
	Notional principal amount (USD forward exchange contracts)	**1 908**	2 860
41.	**OTHER INVESTMENTS**		
	Available for sale financial assets*	**—**	6
	** Consists of various investments made via Merrill Lynch, Forties and HSBC. No impairments have been made relating to the available-for-sale financial assets*		

42. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period ended.

		December 2010 Rm	December 2009 Rm
43.	**RELATED PARTY TRANSACTIONS**		
	Various transactions are entered into by the Company and its subsidiaries during the year with related parties. The terms of these transactions are at arm's length. Intra-group transactions are eliminated on consolidation.		
	Key management compensation		
	Salaries and other short-term employee benefits	**17**	15
	Post-employment benefits	**2**	2
	Other benefits	**2**	1
	Bonuses	**25**	13
	Share options	**—**	241
	Total	**46**	272

43. RELATED PARTY TRANSACTIONS (continued)

Loan to shareholder

Previously, certain legal claims were made against MTN Dubai and Scancom Limited (MTN Ghana) by two previous MTN Ghana shareholders; claiming beneficial title to a portion of the shares in MTN Ghana. As a result of this, an agreement was reached between M1 Limited (M1) and MTN Dubai that they will share the cost of settlement of these claims. During the prior year a loan was granted to M1 in respect of their share of these costs which was paid by MTN on their behalf.

This loan has fixed repayments and is interest free. The balance of this loan as at year-end is as follows

	December 2010 Rm	December 2009 Rm
Balance at beginning of year	**150**	208
Payments made to date	**(52)**	(52)
Effect of movement in exchange rates	**(9)**	(6)
Balance at end of year	**89**	150

The loan has been accounted for accordingly in terms of IAS 39.

For details of transactions/balances between the Company and its related parties, refer to note 11 of the Company financial statements.

Subsidiaries and joint ventures

Details of investments in subsidiaries and joint ventures (note 36) are disclosed in Annexure 1 of the financial statements.
For details on the put option please refer to note 22.
Outstanding loans with Irancell are disclosed in note 13.

Associates

Details of investments in associates are disclosed in note 12 of the financial statements.

Directors

Details of directors' remuneration are disclosed in note 5 of the Group financial statements as well as in the Directors' Report under the heading "Details of emoluments and related payments".

Shareholders

The principal shareholders of the Company are disclosed in the directors' report under the heading "Shareholders' interest".

44. BUSINESS COMBINATIONS

44.1 Acquisitions

During the year under review, the Group did not conclude any business combinations as defined in accordance with IFRS.

44.2 Prior year acquisitions

During the prior year, certain subsidiaries of the Group acquired the following entities:

(a) An additional 59% in iTalk Cellular (Proprietary) Limited, a cellular service provider, was acquired in January 2009 for a purchase consideration of R355 million.

(b) 100% of Verizon South Africa (Proprietary) Limited, an internet service provider, was acquired in February 2009 for a purchase consideration of R1 771 million.

iTalk and Verizon SA acquisitions

	Carrying amount on acquisition date Rm	Total fair value Rm
The assets and liabilities arising from the acquisitions are as follows		
Property, plant and equipment	106	106
Other non-current assets	95	95
Investments	1	1
Cash and cash equivalents	95	95
Net working capital	42	42
Borrowings	(118)	(118)
Taxation liabilities	7	7
Deferred tax liabilities	—	(80)
Customer relationships	—	284
Other liabilities	(56)	(56)
Net asset value	172	376
Purchase consideration		2 126
Fair value of net assets acquired		(376)
Goodwill		1 750

45. CHANGES IN SHAREHOLDING

45.1 The disposal of 1% of MTN Cyprus

In November 2010, the shareholding in MTN Cyprus, a telecommunications company incorporated in Cyprus, was reduced from 51% to 50% for R5,4 million. The transaction did not result in a loss of control.

	Carrying amount on acquisition date Rm
The assets and liabilities disposed of are as follows	
Property, plant and equipment	5
Intangibles	2
Investments	2
Inventories and receivables	1
Cash and cash equivalents	*
Borrowings	(5)
Payables	(6)
Net assets disposed of	(1)
Considerations received	5
Profit on disposal included in equity on consolidation	6

** Amounts less than 1 million.*

45.2 MTN (Zambia) Limited

In 2010 MTN Zambia issued a further 7,8% of its shares to an SPV resulting in a dilution of the Group's investment from 97,8% to 90,0%.

45.3 MTN Afghanistan Limited

In 2010 the shareholding in MTN Afghanistan was reduced from 100% to 90,9% however due to the put option a 100% is consolidated.

45. CHANGES IN SHAREHOLDING (continued)

Prior year changes in shareholdings

45.4 MTN Uganda additional shares acquisition

During July 2009 the Group increased its shareholding in MTN Uganda from 95,4% to 96,0% for R51 million.

	Carrying amount on acquisition date Rm
The assets and liabilities arising from the acquisitions are as follows	
Property, plant and equipment	24
Other non-current assets	6
Cash and cash equivalents	1
Net working capital	(4)
Borrowings	(6)
Taxation liabilities	(1)
Deferred tax liabilities	(4)
Net asset value	16
Purchase consideration	51
Net assets acquired	(16)
Difference included in equity on consolidation	35

45.5 MTN (Zambia) Limited private placement

In February 2009, MTN Zambia issued 2,2% of its shares to the public for a consideration of R24,6 million. This resulted in a dilution of the Group's investment from 100% to 97,8%.

		December 2010 Rm	December 2009 Rm
46.	**CASH FLOWS RELATING TO BUSINESS COMBINATIONS AND CHANGES IN SHAREHOLDINGS**		
46.1	**Cash flows relating to business combinations**		
	Prior year acquisitions	**—**	(2 300)
		—	(2 300)
	Amounts shown in the cash flow statement		
	Change in shareholding	**—**	(2 300)
	Cash acquired	**—**	95
		—	(2 205)
46.2	**Cash flows relating to changes in shareholding**		
	Disposal of 1% of MTN Cyprus Limited	**5**	—
	Proceeds from the issue of shares to non-controlling interests		
	– Cyprus	**21**	—
	– Zambia	**—**	—
	– Afghanistan	**98**	—
	Prior year change in shareholding	**—**	(26)
		124	(26)

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Introduction

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange and interest rate risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk profile

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments, such as forward exchange contracts, to hedge certain exposures, but as a matter of principle, the Group does not enter into derivative contracts for speculative purposes.

Risk management is carried out under policies approved by the board of directors of the Group and of relevant subsidiaries. The MTN Group executive committee identifies, evaluates and hedges financial risks in co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and investing excess liquidity.

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.1 Accounting classes and fair values

	Assets		Liabilities			
	Loans and receivables Rm	Available-for-sale Rm	Amortised cost Rm	Fair value through profit and loss Rm	Total carrying amount Rm	Fair value Rm
December 2010						
Non-current financial assets						
Loans and other non-current receivables	3 369	—	—	—	3 369	3 369
Current financial assets						
Current portion of loans and other non-current receivables	2 458	—	—	—	2 458	2 458
Trade and other receivables	11 165	—	—	—	11 165	11 165
Bank and cash	35 947	—	—	—	35 947	35 947
Restricted cash	285	—	—	—	285	285
	53 224	—	—	—	53 224	53 224
Non-current financial liabilities						
Borrowings	—	—	24 857	—	24 857	24 857
Put option obligations	—	—	171	—	171	171
Other non-current liabilities	—	—	1 181	—	1 181	1 181
Current financial liabilities						
Trade and other payables	—	—	18 353	—	18 353	18 353
Current borrowings	—	—	10 431	—	10 431	10 431
Put option obligations	—	—	2 625	—	2 625	2 625
Derivatives	—	—	—	255	255	255
Bank overdrafts	—	—	40	—	40	40
	—	—	57 658	255	57 913	57 913

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.1 Accounting classes and fair values (continued)

	Assets		Liabilities			
	Loans and receivables Rm	Available-for-sale Rm	Amortised cost Rm	Fair value through profit and loss Rm	Total carrying amount Rm	Fair value Rm
December 2009						
Non-current financial assets						
Loans and other non-current receivables	3 813	—	—	—	3 813	3 813
Current financial assets						
Current portion of loans and other non-current receivables	3 269	—	—	—	3 269	3 269
Trade and other receivables	12 485	—	—	—	12 485	12 485
Restricted cash	742	—	—	—	742	742
Other investments	—	6	—	—	6	6
Cash and cash equivalents	23 999	—	—	—	23 999	23 999
	44 308	6	—	—	44 314	44 314
Non-current financial liabilities						
Borrowings	—	—	(21 066)	—	(21 066)	(21 066)
Other non-current liabilities	—	—	(269)	—	(269)	(269)
Current financial liabilities						
Borrowings	—	—	(14 498)	—	(14 498)	(14 498)
Trade and other payables	—	—	(22 462)	—	(22 462)	(22 462)
Put option obligations	—	—	(2 638)	—	(2 638)	(2 638)
Derivatives	—	—	—	(585)	(585)	(585)
Bank overdraft	—	—	(1 353)	—	(1 353)	(1 353)
	—	—	(62 286)	(585)	(62 871)	(62 871)

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.2 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total carrying amount Rm
December 2010				
Liabilities				
Derivative liabilities	**—**	**255**	**—**	**255**
Total liabilities	**—**	**255**	**—**	**255**
December 2009				
Assets				
Available-for-sale financial assets	7	—	—	7
Total assets	7	—	—	7
Liabilities				
Derivative liabilities	—	585	—	585
Total liabilities	—	585	—	585

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market date where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as a present value of estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.3 Credit risk

Credit risk, or the risk of financial loss to the Group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures.

The Group's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk, with the exception of financial guarantees granted by the Group for which the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantees are called on.

The Group holds collateral over certain trade and other receivables. The collateral is made up of demand guarantees from financial institutions and Credit Guarantee Insurance Company (CGIC) policies which can be exercised on overdue invoices.

The following instruments give rise to credit risk

	December 2010 Rm	December 2009 Rm
Cash at bank and on hand; net of overdrafts	**35 907**	22 646
Restricted cash	**285**	742
Trade and other receivables	**11 165**	12 485
	47 357	35 873

Cash and cash equivalents

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded is spread amongst approved financial institutions. The Group actively seeks to limit the amount of credit exposure to any one financial institution and credit exposure is controlled by counterparty limits that are reviewed and approved by the credit risk department.

Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Trade and other receivables

The Group has no significant concentrations of credit risk, due to its widespread of customers across various operations and dispersion across geographical locations. The Group has policies in place to ensure that retail sales of products and services are made to customers with an appropriate credit history.

The recoverability of interconnect debtors in certain international operations is uncertain; however, this is actively managed within acceptable limits (this fact has been incorporated in the assessment of an appropriate revenue recognition policy in this regard (refer to note 2.20) and the impairment of trade receivables as applicable).

	December 2010 Rm Gross	December 2010 Rm Impaired	December 2010 Rm Net	December 2009 Rm Net
47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)				
47.3 Credit risk (continued)				
Ageing and impairment analysis				
Undiscounted maturity analysis				
Fully performing trade receivables	**5 588**	**—**	**5 588**	7 590
Interconnect receivables	**1 686**	**—**	**1 686**	2 627
Contract receivables	**3 411**	**—**	**3 411**	4 835
Other receivables	**491**	**—**	**491**	128
Past due but not impaired trade receivables	**4 776**	**(1 571)**	**3 205**	2 385
Interconnect receivables	**2 248**	**(622)**	**1 626**	1 391
0 to 3 months	**499**	**(32)**	**467**	613
3 to 6 months	**718**	**(133)**	**585**	313
6 to 9 months	**462**	**(35)**	**427**	326
9 to 12 months	**569**	**(422)**	**147**	139
Contract receivables	**2 317**	**(774)**	**1 543**	815
0 to 3 months	**681**	**(27)**	**654**	390
3 to 6 months	**232**	**(101)**	**131**	302
6 to 9 months	**961**	**(408)**	**553**	123
9 to 12 months	**443**	**(238)**	**205**	—
Other receivables	**211**	**(175)**	**36**	179
0 to 3 months	**38**	**(38)**	**—**	144
3 to 6 months	**112**	**(96)**	**16**	7
6 to 9 months	**16**	**—**	**16**	28
9 to 12 months	**45**	**(41)**	**4**	—
Total	**10 364**	**(1 571)**	**8 793**	9 975

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.3 Credit risk (continued)

Total past due but not impaired per significant operation

	Interconnect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
December 2010				
MTN RSA	**42**	**1 342**	**—**	**1 384**
MTN Nigeria	**319**	**71**	**81**	**471**
MTN Irancell	**1 065**	**45**	**4**	**1 114**
Rest of Africa and Middle East	**822**	**859**	**126**	**1 807**
	2 248	**2 317**	**211**	**4 776**
December 2009				
MTN RSA	4	18	—	22
MTN Nigeria	541	243	4	788
MTN Irancell	509	5	—	514
Rest of Africa and Middle East	337	549	175	1 061
	1 391	815	179	2 385

Certain of the loans to Irancell Telecommunications Services Company (Proprietary) Limited that are contractually receivable within the next financial year, have been classified as long-term due to management's intention not to call these loans within the next 12 months. These loans earn market-related interest and management believe them to be fully recoverable based on the future prospects of Irancell (note 13).

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.4 Liquidity risk

	At beginning of period Rm	Additions Rm	Unused Rm	Utilised Rm	Exchange differences Rm	At end of period Rm
Impairment movement						
December 2010						
Movement in provision for impairment of trade receivables	**(1 549)**	**(427)**	**196**	**7**	**202**	**(1 571)**
December 2009						
Movement in provision for impairment of trade receivables	(1 674)	(375)	92	87	321	(1 549)

Liquidity risk is the risk that an entity in the Group will be unable to meets its obligations as they become due.

The Group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures it has sufficient cash on demand (currently the Group is maintaining a positive cash position) or access to facilities to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following liquid resources are available

	December 2010 Rm	December 2009 Rm
Group		
Cash at bank and on hand; net of overdrafts	**35 907**	22 646
Trade and other receivables	**11 165**	12 485
	47 072	35 131

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.4 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities

	Carrying amount Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than 5 years Rm
December 2010				
Non-current liabilities				
Borrowings	**(24 857)**	**(4 019)**	**(19 178)**	**(1 660)**
Other non-current liabilities	**(1 352)**	**(1 323)**	**(29)**	**—**
	(26 209)	**(5 342)**	**(19 207)**	**(1 660)**

	Carrying amount Rm	Payable within 1 month or on demand Rm	More than 1 month but not exceeding 3 months Rm	More than 3 months but not exceeding 1 year Rm
Current liabilities				
Borrowings	**(10 431)**	**(4 694)**	**(2 816)**	**(2 921)**
Trade and other payables	**(18 353)**	**(9 413)**	**(3 461)**	**(5 479)**
Trade payables	**(3 342)**	**(1 270)**	**(1 337)**	**(735)**
Sundry creditors	**(1 823)**	**(1 021)**	**(146)**	**(656)**
Accrued expenses	**(13 188)**	**(7 122)**	**(1 978)**	**(4 088)**
Bank overdraft	**(40)**	**(9)**	**—**	**(31)**
Derivatives	**(255)**	**(255)**	**—**	**—**
Other current-liabilities	**(2 625)**	**(2 625)**	**—**	**—**
	(31 704)	**(16 996)**	**(6 277)**	**(8 431)**

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.4 Liquidity risk (continued)

	Carrying amount Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than 5 years Rm
December 2009				
Non-current liabilities				
Borrowings	21 066	6 870	11 683	2 513
Other non-current liabilities	269	269	—	—
	21 335	7 139	11 683	2 513

	Carrying amount Rm	Payable within 1 month or on demand Rm	More than 1 month but not exceeding 3 months Rm	More than 3 months but not exceeding 1 year Rm
Current liabilities				
Borrowings	14 498	1 570	998	11 930
Trade and other payables	22 189	5 109	6 778	10 302
Trade payables	6 275	1 515	2 722	2 038
Sundry creditors	4 768	1 986	1 590	1 192
Accrued expenses	11 146	1 608	2 466	7 072
Bank overdraft	1 353	1 353	—	—
Derivative liability	585	—	—	585
Other current-liabilities	2 638	2 638	—	—
	41 263	10 670	7 776	22 817

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.5 Market risk

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

47.6 Interest rate risk

Interest rate risk is the risk borne by an interest-bearing asset, due to variability of interest rates.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, bank overdrafts and loans receivable/payable. The interest rates applicable to these financial instruments are on a combination of floating and fixed basis in line with those currently available in the market.

The Group's interest rate risk arises from the repricing of the Group's forward cover and floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the significant cash balances which exist.

Debt in the South African entities and all holding companies (including MTN (Dubai) Limited and MTN International (Mauritius) Limited) is managed on an optimal fixed versus floating interest rate basis, in line with the approved Group Treasury Policy. Significant cash balances are also considered in the fixed versus floating interest rate exposure mix.

Debt in the majority of MTN's non-South African operations is at floating interest rates. This is due to the underdeveloped and expensive nature of derivative products in these financial markets. MTN continues to monitor developments which may create opportunities as these markets evolve in order that each underlying operation can be aligned with the Group Treasury Policy.

The Group makes use of various products including interest rate derivatives and other appropriate hedging tools as a way to manage these risks; however, derivative instruments may only be used to hedge existing exposures.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was

	December 2010		December 2009	
	Fixed rate instruments Rm	**Variable rate instruments Rm**	Fixed rate instruments Rm	Variable rate instruments Rm
Financial assets				
Loans and non-current receivables	**—**	**1 280**	—	4 804
Bank and cash	**10 976**	**22 727**	16 510	5 847
Restricted cash	**—**	**285**	—	—
Trade and other receivables	**171**	**884**	—	443
	11 147	**25 176**	16 510	11 094
Financial liabilities				
Borrowings	**9 006**	**24 383**	25 732	9 564
Bank overdraft	**—**	**40**	49	1 297
Trade and other payables	**501**	**—**	—	—
Other	**628**	**—**	344	4
	10 135	**24 423**	26 125	10 865

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.6 Interest rate risk (continued)

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in the following market interest rates: JIBAR, LIBOR, NIBOR and EURIBOR. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are recognised at their fair value.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remains constant. The analysis is performed on the same basis for 2009.

	December 2010			December 2009		
	Increase/(decrease) in profit before tax			Increase/(decrease) in profit before tax		
	Change in interest rate %	**Upward change in interest rate Rm**	**Downward change in interest rate Rm**	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	**1**	**(50,4)**	**50,4**	1	(149,7)	149,7
LIBOR	**1**	**(23,9)**	**23,9**	1	(285,3)	285,3
NIBOR	**1**	**(89,4)**	**89,4**	1	—	—
EURIBOR	**1**	**(22,7)**	**22,7**	1	22,1	(22,1)
Money market	**1**	**85,9**	**(85,9)**	1	2,2	(2,2)
Prime	**1**	**101,7**	**(101,7)**	1	19,2	(19,2)
Other	**1**	**(68,3)**	**68,3**	1	139,7	(139,7)

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.7 Currency risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

The Group operates internationally and is exposed to currency risk arising from various currency exposures. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. MTN is also exposed to translation risk as holding companies does not report in the same currencies as operating entities.

Where possible, entities in the Group use forward contracts to hedge their actual exposure to foreign currency. The Group's Nigerian subsidiary manages foreign currency risk on major foreign purchases by placing foreign currency on deposit as security against Letters of Credit (LCs) when each order is placed.

The Group has foreign subsidiaries whose assets are exposed to foreign currency translation risk, which is managed primarily through borrowings denominated in the relevant foreign currencies to the extent that such funding is available on reasonable terms in the local capital markets.

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss and equity of an instantaneous 10% strengthening or weakening in the rand against all other currencies, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of South African rand, US dollar, Nigerian naira, Euro, Syrian pound, Iranian rials, Ghanaian cedi, Sudanese pound and Zambian kwacha. This analysis considers the impact of changes in foreign exchange rates on profit, excluding foreign exchange translation differences resulting from the translation of Group entities that have functional currencies different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2009.

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.7 Currency risk (continued)

Sensitivity analysis (continued)

		Increase/(decrease) in profit before tax	
Denominated: functional currency	**Change in exchange rate %**	**Weakening in functional currency Rm**	**Strengthening in functional currency Rm**
December 2010			
USD:ZAR	**10**	**577,1**	**(577,1)**
USD:SYP	**10**	**(9,3)**	**9,3**
USD:IRR	**10**	**(179,3)**	**179,3**
USD:SDG	**10**	**(140,4)**	**140,4**
USD:NGN	**10**	**(243,2)**	**243,2**
USD:RWF	**10**	**(23,0)**	**23,0**
EUR:ZAR	**10**	**84,6**	**(84,6)**
EUR:SYP	**10**	**4,9**	**(4,9)**
EUR:IRR	**10**	**(138,0)**	**138,0**
EUR:SDG	**10**	**(141,5)**	**141,5**
December 2009			
USD:ZAR	10	(15,3)	15,3
USD:SYP	10	(77,4)	77,4
USD:IRR	10	(403,9)	403,9
USD:CEDIS	10	15,5	(15,5)
USD:SDG	10	(3,7)	3,7
USD:NGN	10	(157,0)	157,0
USD:RWF	10	(52,4)	52,4
EUR:ZAR	10	45,4	(45,4)
EUR:SYP	10	5,2	(5,2)
EUR:IRR	10	(31,3)	31,3
EUR:SDG	10	2,8	(2,8)

47. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

47.8 Price risk

The Group is not exposed to unnecessary commodity price risk or material equity securities price risk.

47.9 Capital risk management

The Group's policy is to maximise borrowings at an operating company level, on a non-recourse basis, within an acceptable level of debt for the maturity of the local company.

Equity funding for existing operations or new acquisitions is raised centrally, first from excess cash and then from new borrowings while retaining an acceptable level of debt for the consolidated Group. Where funding is not available to the operation locally or in specific circumstances where it is more efficient to do so, funding is sourced centrally and on-lent. The Group's policy is to borrow using a mixture of long-term and short-term capital market issues and borrowing facilities from the local and international capital markets as well as multilateral organisations together with cash generated to meet anticipated funding requirements.

The board of directors has approved three key debt protection ratios at a consolidated level being: Net debt:EBITDA, net debt:equity and net interest to EBITDA. Net debt is defined as cash and cash equivalents less interest-bearing borrowings. Equity approximates share capital and reserves attributable to equity holders of the Company.

These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies, being Moody's and Fitch.

Company income statement

for the year ended 31 December 2010

	Note	December 2010 Rm	December 2009 Rm
Other operating expenses	1	**(3 019)**	(10 081)
Operating loss		**(3 019)**	(10 081)
Finance income	2	**7 001**	18 682
Finance costs	2	**(3)**	(8)
Profit before tax		**3 979**	8 593
Income tax expense	3	**(632)**	(362)
Profit after tax		**3 347**	8 231

The notes on pages 218 to 227 are an integral part of these consolidated financial statements.

Company statement of comprehensive income

for the year ended 31 December 2010

	December 2010 Rm	December 2009 Rm
Profit after tax	**3 347**	8 231
Total comprehensive income for the period	**3 347**	8 231
Attributable to		
Equity holders of the Company	**3 347**	8 231
	3 347	8 231

The notes on pages 218 to 227 are an integral part of these consolidated financial statements.

Company statement of financial position

at 31 December 2010

	Note	December 2010 Rm	December 2009 Rm
ASSETS			
Non-current assets		**23 708**	23 707
Interest in subsidiaries	4	**23 708**	23 707
Current assets		**91**	144
Trade and other receivables	5	**87**	142
Cash and cash equivalents	6	**4**	2
Total assets		**23 799**	23 851
SHAREHOLDERS' EQUITY			
Ordinary shares and share premium	7	**45 602**	44 297
Retained earnings		**(23 638)**	(20 672)
Reserves		**1 662**	108
Total equity		**23 626**	23 733
LIABILITIES			
Current liabilities		**173**	118
Taxation liabilities		**24**	26
Trade and other payables	8	**149**	92
Total liabilities		**173**	118
Total equity and liabilities		**23 799**	23 851

The notes on pages 218 to 227 are an integral part of these consolidated financial statements.

Company statement of changes in equity

for the year ended 31 December 2010

	Share capital Rm	Share premium Rm	Retained earnings	Reserves Rm	Total Rm
Balance at 1 January 2009	*	23 905	74	101	24 080
Shares issued during the year	*	20 392	—	—	20 392
Newshelf share buy-back	—	—	(21 226)	—	(21 226)
Newshelf fair value movement in shares	—	—	(4 369)	—	(4 369)
Share-based payments reserve	—	—	—	7	7
Comprehensive income	—	—	8 231	—	8 231
Dividends paid	—	—	(3 382)	—	(3 382)
Balance at 31 December 2009	*	44 297	(20 672)	108	23 733
Balance at 1 January 2010	*****	**44 297**	**(20 672)**	**108**	**23 733**
Shares issued during the year	*****	**11**	**—**	**—**	**11**
MTN Zakhele transaction	**—**	**1 294**	**—**	**1 382**	**2 676**
Employee share option plan	**—**	**—**	**—**	**171**	**171**
Share-based payments reserve	**—**	**—**	**—**	**1**	**1**
Comprehensive income	**—**	**—**	**3 347**	**—**	**3 347**
Dividends paid	**—**	**—**	**(6 313)**	**—**	**(6 313)**
Balance at 31 December 2010	*****	**45 602**	**(23 638)**	**1 662**	**23 626**

The notes on pages 218 to 227 are an integral part of these consolidated financial statements.

**Amounts less than R1 million.*

Company statement of cash flows

for the year ended 31 December 2010

	Note	December 2010 Rm	December 2009 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH UTILISED BY OPERATIONS	9	**(1 348)**	(406)
Interest paid		*	(1)
Interest received		**6**	18
Income tax paid	10	**(635)**	(362)
Dividends paid		**(6 313)**	(3 381)
Dividends received		**6 987**	4 280
Net cash generated/(utilised) in operating activities		**(1 303)**	148
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of ordinary shares		**1 305**	36
Cash outflow on share buy-back		**—**	(463)
Net cash generated/(used in) from financing activities		**1 305**	(428)
Net increase/(decrease) in cash and cash equivalents		**2**	(280)
Cash and cash equivalents at beginning of year		**2**	282
Cash and cash equivalents at end of year	6	**4**	2

** Amounts less than R1 million.*

The cash flows shown above are presented net of VAT.

Notes to the Company financial statements

for the year ended 31 December 2010

		December 2010 Rm	December 2009 Rm
1.	**OPERATING PROFIT**		
	The following items have been included in arriving at profit before tax		
	Directors' emoluments	**(14)**	(11)
	– Directors' fees	**(14)**	(11)
	Fees paid for services	**(189)**	(80)
	– Administrative	**(136)**	(4)
	– Management (note 11)	**(53)**	(76)
	Management fees received (note 11)	**58**	82
	Donation to Newshelf	**—**	(9 577)
2.	**FINANCE INCOME AND FINANCE COSTS**		
	Recognised in profit or loss		
	Interest income	**6**	17
	Foreign exchange gains	**8**	1
	Other	**—**	3
	Dividend income	**6 987**	18 661
	Finance income	**7 001**	18 682
	Interest on borrowings	**(3)**	(8)
	Net finance income recognised in profit or loss	**6 998**	18 674

	December 2010 Rm	December 2009 Rm
3. INCOME TAX EXPENSE		
Secondary tax on companies	**(631)**	(337)
Normal tax	**—**	(24)
Deferred tax charge	**(1)**	(1)
	(632)	(362)

South African normal taxation is calculated at 28% (December 2009: 28%) of the estimated taxable income for the year.

	December 2010 %	December 2009 %
Tax rate reconciliation		
The charge for the year can be reconciled to the effective rate of taxation in South Africa as follows:		
Tax at standard rate	**28,0**	28,0
Exempt income	**(49,2)**	(60,8)
Effect of STC	**15,9**	3,9
Prior year under/overprovision	**—**	0,2
Expenses not deductible for tax purposes	**21,2**	32,9
	15,9	4,2

		December 2010 Rm	December 2009 Rm
4.	**INVESTMENT IN SUBSIDIARIES**		
	Mobile Telephone Networks Holdings (Proprietary) Limited	**22 173**	22 173
	Loan owing by subsidiary**	**1 478**	1 480
	Net interest in subsidiary Mobile Telephone Networks Holdings	**23 651**	23 653
	MTN Group Management Services (Proprietary) Limited	*****	*
	Loan owing by subsidiary	**57**	54
	Net interest in MTN Group Management Services	**57**	54
	Total interest in subsidiary companies	**23 708**	23 707

** Amounts less than R1 million.*
*** This loan account has been subordinated in favour of certain of the Group's lenders. This loan bears no interest and there are no fixed terms of repayment.*

		December 2010 Rm	December 2009 Rm
5.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables due from related parties***	**85**	134
	Trade receivables – net	**85**	134
	Prepayments and other receivables	**—**	—
	Sundry debtors and advances	**2**	8
		87	142

**** The entity believes that no impairment allowance is necessary in respect of receivables as no objective evidence existed at year end to indicate that one or more events may have a negative effect on the estimated future cash flows expected from any individual balance.*

		December 2010 Rm	December 2009 Rm
6.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and on hand	**4**	2

	Number of shares December 2010	December 2009
7. ORDINARY SHARE CAPITAL		
Authorised	**2 500 000 000**	2 500 000 000
Issued	**1 884 529 317**	1 840 536 491
On issue at 1 January	**1 840 536 491**	1 868 010 304
Issued for cash		
Newshelf share buy-back	**—**	(243 500 011)
Shares issued – PIC	**—**	213 866 898
Options exercised	**528 062**	2 159 300
MTN Zakhele transaction	**43 445 564**	
On issue at 31 December	**1 884 510 117**	1 840 536 491
Options – MTN Zakhele transaction**	**(29 994 952)**	—
On issue at 31 December – excluding MTN Zakhele transaction	**1 854 515 165**	1 840 536 491

	December 2010 Rm	December 2009 Rm
Share capital		
Balance at beginning of year	*****	*
Additions	*****	*
Balance at end of year	*****	*
Share premium		
Balance at beginning of year	**44 297**	23 905
Newshelf buy-back	**—**	20 356
Options – MTN Zakhele transaction	**1 294**	—
Options exercised	**11**	36
Balance at end of year	**45 602**	44 297

** Amounts less than R1 million.*

*** Due to the call option over the NVF shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and is shown as such in the share capital reconciliation.*

	December 2010 Rm	December 2009 Rm
8. TRADE AND OTHER PAYABLES		
Sundry creditors	**101**	77
Accrued expenses and other payables	**48**	15
	149	92

		December 2010 Rm	December 2009 Rm
9.	**CASH UTILISED BY OPERATION**		
	Profit before tax	**3 979**	8 593
	Adjustments for:		
	Finance income (note 2)	**(7 001)**	(18 682)
	Finance costs (note 2)	**3**	8
	Other	**1 559**	9 577
		(1 460)	(504)
	Changes in working capital	**112**	98
	Decrease/(increase) in trade and other receivables	**102**	(18)
	Increase in trade and other payables	**10**	116
		(1 348)	(406)
10.	**INCOME TAX PAID**		
	Balance at beginning of year	**(26)**	(19)
	Amounts recognised in profit or loss	**(632)**	(362)
	Other	**(1)**	(7)
	Balance at end of year	**24**	26
	Total tax paid	**(635)**	(362)

11. RELATED PARTY TRANSACTIONS

Various transactions were entered into by the Company during the period with related parties. The terms of these transactions are documented below.

The following is a summary of transactions with related parties during the period and balances due at reporting date

	December 2010 Rm	December 2009 Rm
Dividends received:		
– Mobile Telephone Networks Holdings (Proprietary) Limited	**6 987**	4 280
– Newshelf 664 (Proprietary) Limited	**—**	14 381
Donation		
– Newshelf 664 (Proprietary) Limited	**—**	(9 577)
– MTN Zakhele	**(1 294)**	—
Management fees paid:		
– MTN Group Management Services Company (Proprietary) Limited	**53**	(76)
Management fees received:		
– MTN International (Proprietary) Limited	**58**	82

Directors

Details of directors' remuneration are disclosed in note 1 of the Company financial statements as well as in the directors' report under the heading "Details of emoluments and related payments".

Shareholders

The principal shareholders of the Company are disclosed in the directors' report under the heading "Shareholders' interest".

12. CONTINGENT LIABILITIES AND COMMITMENTS

The Company does not have any contingent liabilities or commitments at year end.

	December 2010 Rm	December 2009 Rm
13. GUARANTEES		
The Company has guaranteed the bonds, revolving credit facilities and general banking facilities of MTN Holdings (Proprietary) Limited.		
The bond guarantees are as follows:		
Bonds and commercial paper	**7 291**	6 300
These bonds are listed on the Bond Exchange of South Africa		
Syndicated loan facilities		
USD revolving-credit-facility long-term loan of USD562 million	**1 230**	2 763
ZAR long-term loan	**1 750**	3 500
ZAR long-term loan	**6 000**	3 917
USD short-term bridge facility	**761**	—
General banking facility		
ZAR facility	**1 519**	—

14. FINANCIAL INSTRUMENTS

14.1 Accounting classifications and fair values

	Loans and receivables Rm	Amortised cost Rm	Total carrying amount Rm	Fair value Rm
December 2010				
Current				
Trade and other receivables	**87**	**—**	**87**	**87**
Cash and cash equivalents	**4**	**—**	**4**	**4**
	91	**—**	**91**	**91**
Current				
Trade and other payables	**—**	**147**	**147**	**147**
	—	**147**	**147**	**147**
December 2009				
Current				
Trade and other receivables	142	—	142	142
Cash and cash equivalents	2	—	2	2
	144	—	144	144
Current				
Trade and other payables	—	92	92	92
	—	92	92	92

14. FINANCIAL INSTRUMENTS (continued)

14.2 Credit risk

The following instruments give rise to credit risk:

	December 2010	December 2009
Cash and cash equivalents	**4**	2
Trade and other receivables	**87**	142
	91	144

14.3 Liquidity risk

The following liquid resources are available:

	December 2010 Rm	December 2009 Rm
Cash at bank and on hand; net of overdrafts	**4**	2
Trade and other receivables	**87**	142
	91	144

14. FINANCIAL INSTRUMENTS (continued)

14.3 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities excluding interest payments

	Carrying amount Rm	Payable within 1 month or on demand Rm
December 2010		
Current liabilities		
Trade and other payables		
– Trade payables from related parties	**101**	**101**
– Accrued expenses and other payables	**48**	**48**
	149	**149**
December 2009		
Current liabilities		
Trade and other payables		
– Trade payables from related parties	77	77
– Accrued expenses and other payables	15	15
	92	92

14.4 Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments were

	Variable rate instruments Rm
December 2010	
Financial assets	
Bank and cash	**4**
December 2009	
Financial assets	
Bank and cash	2

Annexure 1

As at 31 December 2010

INTERESTS IN SUBSIDIARY COMPANIES AND JOINT VENTURES

Subsidiaries and joint ventures in which MTN Group Limited has a direct and indirect interest	Principal activity	Place of incorporation	Effective % interest in issued ordinary share capital **December 2010 %**	December 2009 %
MTN Afghanistan Limited	Telecommunications	Afghanistan	**90,9**	100
Spacetel Benin SA	Telecommunications	Benin	**75**	75
Deci Investments (Proprietary) Limited**	Investment holding company	Botswana	**33**	33
Econet Wireless Citizens Limited	Investment holding company	Botswana	**82,8**	82,8
Mascom Wireless Botswana (Proprietary) Limited**	Network operator	Botswana	**53**	53
MTN Business Solutions Botswana (Proprietary) Limited	Internet service provider	Botswana	**80**	80
Easy Dial International Limited	Holding company	British Virgin Islands	**99**	99
Interserve Overseas Limited	International business	British Virgin Islands	**99**	99
Investcom Consortium Holding S.A.	Holding company	British Virgin Islands	**99**	99
Investcom Global Limited	Managing and holding company	British Virgin Islands	**99**	99
Investcom International Limited	Dormant company	British Virgin Islands	**99**	99
Investcom Mobile Benin Limited	Holding company	British Virgin Islands	**99**	99
Investcom Mobile Communications Limited	Holding company	British Virgin Islands	**100**	100
Investcom Telecommunications Afghanistan Limited	Holding company	British Virgin Islands	**100**	100
Investcom Telecommunications Guinea (Conakry) Limited	Holding company	British Virgin Islands	**99**	99
Investcom Telecommunications Yemen Limited	Telecommunications	British Virgin Islands	**100**	100
MTN Yemen	Telecommunications	British Virgin Islands	**82,8**	82,8
Prime Call Limited	Telecommunications	British Virgin Islands	**100**	100
Spacetel Africa Limited	Telecommunications	British Virgin Islands	**100**	100
Starcom Global Limited	Holding company	British Virgin Islands	**89**	89
Mobile Telephone Networks Cameroon Limited	Network operator	Cameroon	**70**	70
MTN Network Solutions Limited	Internet service provider	Cameroon	**100**	100
Afnet	Internet service provider	Côte d'Ivoire	**100**	100

Subsidiaries and joint ventures in which MTN Group Limited has a direct and indirect interest	Principal activity	Place of incorporation	Effective % interest in issued ordinary share capital December 2010 %	December 2009 %
Arobase	Fixed line operator	Côte d'Ivoire	**100**	100
MTN Côte d'Ivoire SA	Network operator	Côte d'Ivoire	**64,7**	64,7
Infotel Limited	Telecommunications and consumer products	Cyprus	**100**	100
MTN Cyprus Limited	Telecommunications	Cyprus	**50**	51
OTEnet Cyprus Limited	Telecommunications	Cyprus	**100**	100
Uniglobe SA	Management company	France	**99,8**	99,8
Scancom Limited	Telecommunications	Ghana	**97,7**	97,7
Areeba Guinea S.A.	Telecommunications	Guinea	**75**	75
Spacetel Guinea-Bissau S.A.	Telecommunications	Guinea-Bissau	**100**	100
Irancell Telecommunications Services Company (Proprietary) Limited**	Network operator	Iran	**49**	49
Uunet Communications (Proprietary) Limited	Internet service provider	Kenya	**95**	95
Uunet Kenya (Proprietary) Limited	Internet service provider	Kenya	**95**	95
Inteltec Offshore SAL	Maintenance and engineering services	Lebanon	**99,8**	99,8
Inteltec SAL	Maintenance and engineering services	Lebanon	**99,99**	99,99
MTN (Dubai) Limited	Holding company	Lebanon	**100**	100
Servico SAL	Services and transportation of goods	Lebanon	**99,97**	99,97
Lonestar Communications Corporation LLC	Telecommunications	Liberia	**60**	60
Guardrisk International Limited PCC	Insurance company	Mauritius	**100**	100
Mobile Botswana Limited	Investment holding company	Mauritius	**100**	100
MTN International (Mauritius) Limited	Investment holding company	Mauritius	**100**	100
Satellite Data Networks Mauritius (Proprietary) Limited**	Internet service provider	Mauritius	**60**	60

Annexure 1 *continued*

As at 31 December 2010

Subsidiaries and joint ventures in which MTN Group Limited has a direct and indirect interest	Principal activity	Place of incorporation	Effective % interest in issued ordinary share capital December 2010 %	December 2009 %
Inteltec Maroc SA	Maintenance and engineering services	Monaco	**99,83**	99,83
MTN International Carrier Services	Telecommunications	Monaco	**—**	99,84
MTN Business Solutions Namibia (Proprietary) Limited	Internet service provider	Namibia	**100**	100
Electronic Funds Transfer Operations Nigeria Limited	Virtual airtime	Nigeria	**50**	50
MTN Nigeria Communications Limited	Network operator	Nigeria	**76,1**	76,1
XS Broadband Limited	Telecommunications	Nigeria	**100**	100
Galactic Engineering Projects SA	Holding company	Panama	**78**	78
Vernis Associates SA	Holding company	Panama	**100**	100
MTN Congo S.A.	Network operator	Republic of the Congo	**100**	100
Supercell	Network operator	Republic of the Congo	**70**	70
MTN Rwandacell S.A.R.L **	Network operator	Rwanda	**55**	55
Village Phone Rwanda **	Airtime sales	Rwanda	**100**	35
Aconcagua 11 (Proprietary) Limited	Property holding	South Africa	**100**	100
Cell Place (Proprietary) Limited	Cellular dealership	South Africa	**51**	51
iTalk Cellular (Proprietary) Limited	Service provider	South Africa	**100**	100
Mobile Telephone Networks (Proprietary) Limited	Network operator	South Africa	**100**	100
Mobile Telephone Networks Holdings (Proprietary) Limited	Investment holding company	South Africa	**100**	100
MTN Business Solutions (Proprietary) Limited	Internet service provider	South Africa	**100**	100

Subsidiaries and joint ventures in which MTN Group Limited has a direct and indirect interest	Principal activity	Place of incorporation	Effective % interest in issued ordinary share capital December 2010 %	December 2009 %
MTN Group Management Services (Proprietary) Limited	Management services	South Africa	**100**	100
MTN International (Proprietary) Limited	Investment holding company	South Africa	**100**	100
MTN Mobile Money Holdings (Proprietary) Limited **	Wireless banking services	South Africa	**50**	50
MTN Network Solutions (Proprietary) Limited	Internet service provider	South Africa	**100**	100
MTN Propco (Proprietary) Limited	Property holding	South Africa	**100**	100
MTN Service Provider (Proprietary) Limited	Service provider	South Africa	**100**	100
Satellite Data Networks (Proprietary) Limited	Dormant company	South Africa	**100**	100
MTN Sudan Company Limited	Network operator	Sudan	**85**	85
Swazi MTN Limited**	Network operator	Swaziland	**30**	30
MTN Syria (JSC)	Telecommunications	Syria	**75**	75
MTN Publicom Limited	Payphone services	Uganda	**100**	100
MTN Uganda Limited	Network operator	Uganda	**95**	95
Spacetel International Limited	Dormant company	United Kingdom	**100**	100
Spacetel UK Limited	Telecommunications	United Kingdom	**—**	100
Cotel Holdings Limited	Investment holding company	Zambia	**100**	100
MTN (Zambia) Limited	Network operator	Zambia	**90**	100
Uunet Zambia (Proprietary) Limited	Internet service provider	Zambia	**95**	95

*** Joint ventures.*

20 P10neering the way

We strive to enhance value for our stakeholders by pursuing economic, social and environmental opportunities through our core business activities.

Notice of the sixteenth annual general meeting

for the year ended 31 December 2010

MTN Group Limited
Incorporated in the Republic of South Africa
(Registration number 1994/009584/06)
(the MTN Group or the Company)
JSE code: **MTN**
ISIN: **ZAE000042164**

This document is important and requires your immediate attention

If you are in any doubt about what action you should take, consult your broker, Central Securities Depository Participant (CSDP), legal adviser, banker, financial adviser, accountant or other professional adviser immediately.

If you have disposed of all your shares in MTN Group, please forward this document, together with the enclosed form of proxy, to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

Included in this document are:

- The notice of meeting, setting out the resolutions to be proposed thereat, together with explanatory notes. There are also guidance notes if you wish to attend the meeting (for which purpose the meeting location map is included) or to vote by proxy.
- A proxy form for use by shareholders holding MTN Group ordinary shares in certificated form or recorded in sub-registered electronic form in "own name".

Shareholders on the MTN Group share register who have dematerialised their ordinary shares through Strate, other than those whose shareholding is recorded in their "own name" in the sub-register maintained by their CSDP, and who wish to attend the meeting in person, will need to request their CSDP or broker to provide them with the necessary authority to do so in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration) entitled to attend and vote at the meeting may appoint one or more proxies or proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of the Company. The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

NOTICE TO SHAREHOLDERS: ANNUAL GENERAL MEETING (AGM)

Notice is hereby given to shareholders as at the record date of 24 May 2011, that the sixteenth annual general meeting of shareholders of the MTN Group will be held in the Auditorium, Phase II, level 0, 216 – 14th Avenue, Fairland, Gauteng, on Wednesday, 22 June 2011 at 14:30 (South African time), to (i) deal with such other business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, 71 of 2008, as amended (Companies Act), as read with the JSE Limited Listings Requirements (JSE Listings Requirements), which meeting is to be participated in and voted at by shareholders as at the record date of 17 June 2011 in terms of section 62(3)(a), read with section 59, of the Companies Act:

NB: Section 63(1) of the Companies Act – Identification of meeting participants

Kindly note that, meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

When reading the resolutions below, please refer to the explanatory notes for AGM resolutions on pages 245 to 248.

For the purposes hereof "Group" shall bear the meaning assigned to it by the JSE Listings Requirements, which defines "Group" as a holding company, not itself being a wholly owned subsidiary, together with all companies which are its subsidiaries.

1. Presentation of annual financial statements

The consolidated audited annual financial statements of the Company and its subsidiaries (as approved by the board of directors of the Company), including the directors' report, the audit committee report and the external auditors' report for the year ended 31 December 2010, have been distributed as required and will be presented to shareholders.

The complete annual financial statements are set out on pages 106 to 231 of the integrated annual report.

2. Ordinary resolution number 1
Re-election of AT Mikati as a director

"Resolved that AT Mikati, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company."

Age: (38)
First appointed: 17 July 2006
Educational qualification: BSc

Directorships: Director of various companies in the MTN Group, CEO of M1 Group Limited (an international investment group with a strong focus on the telecommunications industry), director of various companies in the M1 Group.

He is a non-executive director and serves on the nomination, remuneration, human resources and corporate governance committee.

3. **Ordinary resolution number 2**
Re-election of J van Rooyen as a director

"Resolved that J van Rooyen, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company."

Age: (60)
First appointed: 17 July 2006
Educational qualifications: BCom, BCompt (Hons), CA(SA)

Directorship: Director of various companies in the MTN Group, various companies in the Uranus Group, Pick n Pay Stores Limited, Exxaro Resources Limited and a Trustee of the IFRS Foundation.

He is an independent, non-executive director and serves as the chairperson of the risk management and compliance committee and a member of the audit committee.

4. **Ordinary resolution number 3**
Re-election of JHN Strydom as a director

"Resolved that JHN Strydom, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company."

Age: (71)
First appointed: 11 March 2004
Educational qualifications: MCom (Acc), CA(SA)

Directorship: Director of various companies in the MTN Group, Public Investment Corporation Limited (PIC) and Growthpoint Properties Limited.

He is a non-executive director and serves on the audit committee and risk management and compliance committee.

5. **Ordinary resolution number 4**
Re-election of MJN Njeke as a director

"Resolved that MJN Njeke, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company."

Age: (52)
First appointed: 13 June 2005
Educational qualifications: BCom, BCompt (Hons), CA(SA), H Dip Tax Law

Directorships: Director of various companies in the MTN Group, ArcelorMittal SA, Ivolve Procurement & Rental Partner, MMI Holdings Limited, Resilient Property Income Fund Limited, Serengeti Properties (Proprietary) Limited, Salvage Management and Disposal (SMD), Sameh Properties and Silver Unicorn

Trading, Adcorp Holdings Limited, Sasol Limited, Barloworld Limited. Johnson served as a partner at PricewaterhouseCoopers and is a past chairperson of The South African Institute of Chartered Accountants.

He is an independent, non-executive director and serves on the audit committee and risk management and compliance committee.

6. Ordinary resolution number 5
Re-election of KP Kalyan as a director

"Resolved that KP Kalyan, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company."

Age: (55)
First appointed: 13 June 2006
Educational qualifications: BCom (Law) (Hons) Economic, University of Durban Westville; Senior Executive Management Programme (London Business School)

Directorships: Director of various companies in the MTN Group, Standard Bank Group Limited, South African Bank Note Company Limited, South African Mint Company Limited, Non-executive chair of Edgo Merap (London) Limited, Omega Risk Solutions Limited, the Tallberg Foundation (Sweden) Limited, Hayleys Energy Services (Sri Lanka) Limited, Kgontsi Holdings Limited, Kgontsi Investments Limited and Euromax (London, Mumbai and India) Limited.

She is an independent, non-executive director and serves on the risk management and compliance committee and the nomination, remuneration, human resources and corporate governance committee.

7. Ordinary resolution number 6
Election of the audit committee – Election of AF van Biljon (chairperson)

"Resolved that AF van Biljon be elected a member and chairperson of the audit committee, with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

8. Ordinary resolution number 7
Election of the audit committee – Election of J van Rooyen

"Resolved that J van Rooyen be elected a member of the audit committee, with effect from the end of this meeting in terms of section 94(2) of the Companies Act, subject to his re-election as a director pursuant to ordinary resolution number 2."

9. Ordinary resolution number 8
Election of the audit committee – Election of JHN Strydom

"Resolved that JHN Strydom be elected a member of the audit committee, with effect from the end of this meeting in terms of section 94(2) of the Companies Act, subject to his re-election as a director pursuant to ordinary resolution number 3."

10. Ordinary resolution number 9
Election of the audit committee – Election of NP Mageza

"Resolved that NP Mageza be elected a member of the audit committee, with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

11. Ordinary resolution number 10
Election of the audit committee – Election of MJN Njeke

"Resolved that MJN Njeke be elected a member of the audit committee, with effect from the end of this meeting in terms of section 94(2) of the Companies Act, subject to his re-election as a director pursuant to ordinary resolution number 4."

12. Ordinary resolution number 11
Reappointment of joint independent auditors

"Resolved that PricewaterhouseCoopers Inc. and SizweNtsaluba VSP are reappointed as joint auditors of the Company (for the financial year ending 31 December 2011) until the conclusion of the next annual general meeting."

13. Ordinary resolution number 12
General authority to directors to allot and issue ordinary shares

"Resolved that, as required by and subject to the Company's memorandum of incorporation, and subject to the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over shares –

1. representing not more than 10% of the number of ordinary shares in issue as at 31 December 2010 (ie 188 451 012 ordinary shares);

2. as have specifically been reserved to be allotted and issued by the Company in terms of its share and other employee incentive schemes (ie 5% of the unissued ordinary shares,

from the authorised but unissued ordinary shares of 0,01 cent each in the share capital of the Company, such authority to endure until the forthcoming annual general meeting of the Company (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting), provided that it shall not extend beyond 15 months of the date of this meeting."

14. Ordinary resolution number 13
Endorsement of the Remuneration Philosophy (Policy)

"Resolved that, through a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out in the remuneration report contained in the integrated annual report, is endorsed."

SPECIAL RESOLUTIONS

1. Special resolution number 1
Proposed increase of remuneration payable to non-executive directors

"Resolved that, in terms of article 73(b) of the memorandum of incorporation of the Company and subject to the terms thereof, that the non-executive directors' remuneration, payable quarterly in arrears, be increased with effect from 1 July 2011 as set out below:

	Annual retainer fee		Meeting attendance fee	
	Current	**Proposed**	**Current**	**Proposed**
MTN Group board				
Chairperson	R825 000	R900 000	R71 500	R78 007
Member	R165 000	R180 015	R37 500	R40 912
International member	€72 450	€75 420	€7 245	€7 542
Local non-executive directors on special assignments or projects per day	n/a	n/a	R17 490	R18 207
International non-executive director on special assignment or projects per day	n/a	n/a	€3 177	€3 307
Ad hoc work performed by non-executive directors for special projects (hourly rate)	R3 180	R3 310		
Audit committee				
Chairperson	R84 800	R90 800	R26 500	R28 370
Member	R47 700	R51 100	R18 020	R19 300
International member	n/a	n/a	n/a	n/a
Risk management and compliance committee				
Chairperson	R63 300	R67 800	R23 850	R25 540
Member	R37 100	R39 730	R17 490	R18 730
International member	€3 105	€3 232	€3 105	€3 232
Nominations, remuneration, human resources and corporate governance committee				
Chairperson	R63 300	R67 800	R23 850	R25 540
Member	R37 100	R39 730	R17 490	R18 730
International member	€3 105	€3 232	€3 105	€3 232
Tender committee				
Chairperson	n/a	n/a	R21 200	R22 700
Member	n/a	n/a	R15 500	R16 600
MTN Group Share Trust (trustees)				
Chairperson	n/a	n/a	R21 200	R22 700
Other trustees	n/a	n/a	R11 600	R12 490

Special resolution number 1 is proposed in order to comply with the requirements of the Companies Act and the Company's memorandum of incorporation. The above rates have been selected to ensure that the remuneration of non-executive directors remains competitive in order to enable the Company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the Company, given its global footprint and growth rate.

In arriving at the proposal set out in special resolution number 1, the Group President and CEO, in consultation with the Group Executive for Human Resources, conducted a review of the remuneration paid to non-executive directors and other non-executive office bearers, based on data provided by independent remuneration specialists and benchmarked against comparable South African companies with international operations. The nomination, remunerations, human resources and corporate governance committee considered the revised remuneration proposal in detail and, after consensus, recommended the revised remuneration proposal to the board, which sanctioned the proposal for recommendation to shareholders.

The proposed revised remuneration is considered to be fair and reasonable and in the best interests of the Company.

2. Special resolution number 2

Repurchase of the Company's shares

Preamble

The board of directors of the Company has considered the impact of a repurchase or purchase, as the case may be, of up to 10% of the Company's shares, which falls within the amount permissible under a general authority in terms of the JSE Listings Requirements and, in respect of acquisitions by subsidiaries of the Company, the Companies Act.

Should the opportunity arise and should the directors deem it to be advantageous to the Company, or any of its subsidiaries, to repurchase or purchase, as the case may be, such shares, it is considered appropriate that the directors (and relevant subsidiaries) be authorised to repurchase or purchase, as the case may be, the Company's shares.

"Resolved that the Company and/or a subsidiary of the Company, is authorised to repurchase or purchase, as the case may be, shares issued by the Company, from any person, upon such terms and conditions and in such number as the directors of the Company or the subsidiary may from time to time determine, including that such securities be repurchased or purchased from share premium or capital redemption reserve fund, but subject to the applicable requirements of the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time; and subject further to the restriction that the repurchase or purchase, as the case may be, by the Company and/or any of its subsidiaries, of shares in the Company of any class under this authority shall not, in aggregate in any one financial year, exceed 10% of the shares in issue in such class as at the commencement of such financial year."

It is recorded that, as at the last practicable date, the JSE Listings Requirements provide, *inter alia*, that the Company or any subsidiary of the Company may only make a general repurchase of the ordinary shares in the Company if:

1. any such repurchase of shares is implemented through the order book operated by the JSE's trading system and done without any prior understanding or arrangement between the Company and the counter-party (reported trades are prohibited);

2. authorisation thereto is given by the Company's memorandum of incorporation;

3. at any point in time, the Company may only appoint one agent to effect any repurchase(s) on its behalf;

4. the general authority shall be valid only until the Company's next annual general meeting or 15 months from the date of passing of this special resolution, whichever is earlier;

5. the board of directors authorises the repurchase, that the company passes the solvency and liquidity test and that from the time that the test is done there are no material changes to the financial position of the Group;

6. when the Company or a subsidiary of the Company has cumulatively repurchased 3% of any class of the Company's shares in issue on the date of passing of this special resolution (the initial number), and for each 3% in aggregate of that class of shares acquired thereafter, in each case in terms of this resolution an announcement shall be published on SENS and in the press as soon as possible and not later than 08:30 on the second business day following the day on which the relevant threshold is reached or exceeded, and the announcement shall comply with the requirements of the JSE Listings Requirements in this regard;

7. that all general repurchases by the Company of its own shares shall not, in aggregate in any one financial year, exceed 20% of the Company's issued share capital of that class. The terms of the proposed special resolution, however, further restrict this to a maximum of 10% of the issued share capital of a class and not the full 20% allowed under the JSE Listings Requirements;

8. that the Company or its subsidiaries may not purchase any of the Company's shares during a prohibited period as defined in the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

9. no repurchases may be made at a price which is greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected (the maximum price). The JSE will be consulted for a ruling if the applicant's securities have not traded in such five-day period; and

10. if the Company enters into derivative transactions that may or will result in the repurchase of shares in terms of this general authority, such transactions will be subject to the requirements in paragraph 2, 3, 4, 7 and 8 above, and the following requirements:

    (a) the strike price of any put option written by the Company less the value of the premium received by the Company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than the maximum price in paragraph 9 above;

    (b) the strike price and any call option may be greater than the maximum price in paragraph 9 at the time of entering into the derivative agreement, but the Company may not exercise the call option if it is more than 10% "out the money"; and

    (c) the strike price of the forward agreement may be greater than the maximum price but limited to the fair value of a forward agreement calculated from a spot price not greater than the maximum price.

This resolution is required to be passed, on a show of hands, by not less than 75% of the number of shareholders of the Company entitled to vote on a show of hands, at the meeting who are present in person or by proxy or, where a poll has been demanded, by not less than 75% of the total votes to which the shareholders present in person or by proxy are entitled.

After considering the effect of such maximum repurchase:

- the Company and the Group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;

- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;

- the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and

- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of general meeting.

For the purpose of considering the special resolution number 2 and in compliance with paragraph 11.26 of the JSE Listings Requirements, the information listed below has been included in the annual report, in which this notice of annual general meeting is included, at the places indicated:

- directors and management – refer to pages 20 to 23 and pages 34 and 35 of this report;
- major shareholders – refer to page 91 of this report;
- directors' interests in securities – refer to page 102 of this report;
- share capital of the Company – refer to page 88 of this report.
- the directors, whose names are set out on pages 20 to 23 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution and certify that to the best of their knowledge and belief, there are no other facts, the omission of which, would make any statement false or misleading and that they have made all reasonable enquiries in this regard.

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware), which may have or have had a material effect on the Company's financial position over the last 12 months.

At the date of completing this notice, there have been no material changes in the financial or trading position of the Company and its subsidiaries that have occurred since December 2010.

At the present time, the directors have no specific intention with regard to the utilisation of this authority which will be used only if the circumstances are appropriate.

A general repurchase or purchase, as the case may be, of the Company's shares shall only take place after the JSE has received written confirmation from the Company's sponsor in respect of the directors' working capital statement.

3. **Special resolution number 3**
Financial assistance to subsidiaries and other related and inter-related entities and to directors, prescribed officers and other persons participating in share or other employee incentive schemes

"Resolved that, to the extent required by the Companies Act, the board of directors of the Company may, subject to compliance with the requirements of the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to –

1. any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the Company for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company; and

2. any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the Company's or Group's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Act, such authority to endure until the forthcoming annual general meeting of the Company."

Voting procedures

The directors of the Company decided in 2006 that in order to reflect more accurately the views of all shareholders and best practice, all resolutions and substantive decisions at the annual general meeting were to be put to a vote on a poll, rather than being determined simply on a show of hands. MTN Group has a large number of shareholders and it is not possible for them all to attend the meeting. In view of this and because voting on resolutions at annual general meetings of MTN Group is regarded as of high importance, putting all resolutions to a vote on a poll takes account of the wishes of those shareholders who are unable to attend the meeting in person, but who have completed a form of proxy. A vote on a poll also takes into account the number of shares held by each shareholder, which the board believes is a more democratic procedure. This year, all resolutions will again be proposed to be put to vote on a poll.

Voting at this year's AGM will be undertaken electronically. An electronic voting handset will be distributed before the start of the meeting to all shareholders who attend in person and are eligible to vote. The registrars will identify each shareholder's individual shareholding so that the number of votes that each shareholder has at the meeting will be linked to the number of votes which each shareholder will be able to exercise via the electronic handset. Shareholders who have completed and returned forms of proxy will not need to vote using a handset at the meeting unless they wish to change their vote.

Proxies

A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not also be a shareholder of the Company.

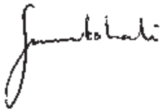
A form of proxy, in which is set out the relevant instructions for its completion, is attached for use by certificated shareholders and dematerialised shareholders with "own name" registration of the Company who wish to appoint a proxy. The instrument appointing a proxy and the authority, if any, under which it is signed must be received by the Company or its South African transfer secretaries at the addresses given below by not later than 14:30 (South African time) on Monday, 20 June 2011.

All beneficial owners of shares who have dematerialised their shares through a CSDP or broker, other than those shareholders who have dematerialised their shares in "own name" registrations, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions. Voting instructions must reach the CSDP, broker or nominee in sufficient time and in accordance with the agreement between the beneficial owner, and the CSDP, broker or nominee, as the case may be, to allow the CSDP, broker or nominee to carry out the instructions and lodge the requisite authority by 14:30 (South African time) on Monday, 20 June 2011.

Should such beneficial owners, however, wish to attend the meeting in person, they may do so by requesting their CSDP, broker or nominee to issue them with appropriate authority in terms of the agreement entered into between the beneficial owner, and the CSDP, broker or nominee, as the case may be.

Shareholders who hold certificated shares in their own name and shareholders who have dematerialised their shares in "own name" registration must lodge their completed proxy forms at the registered office of the Company or with the Company's South African transfer secretaries at the address below not later than 14:30 (South African time) on Monday, 20 June 2011.

By order of the board



SB Mtshali
Group secretary

27 May 2011

Business address and registered office
216 – 14th Avenue
Fairland, 2195
Private Bag X9955, Cresta, 2118

South African transfer secretaries
Computershare Investor Services (Proprietary) Limited
Registration number 2004/003647/07
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Fax number: +27 11 688 5238

Shareholder communication
Computershare Investor Services (Proprietary) Limited
Registration number 2004/003647/07
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Toll-free: 0800 202 360
Tel: +27 11 870 8206 (International)
Fax number: +27 11 688 5238

Explanatory notes to resolutions proposed at the sixteenth annual general meeting of the Company

For any assistance or information, please phone the MTN Group ShareCare Line on 0800 202 360 or on +27 11 870 8206 if you are phoning from outside South Africa.

Re-election of directors retiring by rotation at the annual general meeting – ordinary resolutions numbers 1 to 5

The reason for the proposed ordinary resolutions numbers 1 to 5 is to elect, in accordance with article 84 of the memorandum of incorporation of the Company and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act, AT Mikati, JHN Strydom, MJN Njeke and KP Kalyan, as directors of the Company, them having retired by rotation in terms of the Company's memorandum of incorporation and being eligible for re-election. Biographical details of the retiring directors offering themselves for re-election are set out on pages 20 to 23.

Election of the audit committee – ordinary resolutions numbers 6 to 10

In terms of the Companies Act, the audit committee is no longer a committee of the board but a committee elected by the shareholders at each annual general meeting.

In terms of the Companies Regulations, at least one-third of the members of the Company's audit committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Mindful of the aforegoing, the nomination, remuneration, human resources and corporate governance committee recommended to the board that the current members of the audit committee continue in such role to fulfil the duties prescribed in section 94(7) of the Companies Act, and the board has approved such recommendations, subject to the elections being made by the shareholders, as proposed in ordinary resolutions numbers 6 to 10.

Approval of reappointment of joint external auditors – ordinary resolution number 11

In compliance with section 90 of the Companies Act, PricewaterhouseCoopers Inc. and SizweNtsaluba VSP are proposed to be reappointed as joint auditors for the financial year ending 31 December 2011 and until the conclusion of the next annual general meeting.

Authorising the directors to deal, as they in their discretion think fit, with the unissued ordinary shares, limited to 10% of shares in issue as at 31 December 2010, excluding shares reserved for the Company's share or other employee incentive schemes – ordinary resolution number 12

In terms of article 7 of the Company's memorandum of incorporation, read with the JSE Listings Requirements, the members of the Company may authorise the directors to, *inter alia*, issue any unissued ordinary shares and/or grant options over them, as the directors in their discretion think fit.

The existing authority granted by the shareholders at the previous annual general meeting on 15 July 2010, is proposed to be renewed at this annual general meeting. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, other than in terms of the Company's share or other employee incentive schemes shall be limited to 10% of the number of ordinary shares in issue as at 31 December 2010.

The directors have decided to seek annual renewal of this authority in accordance with best practice. The directors have no current plans to make use of this authority, but wish to ensure, by having it in place, that the Company has the necessary flexibility in managing the Group's capital resources and to enable the Company to take advantage of any business opportunity that may arise in the future.

Explanatory notes to resolutions proposed at the sixteenth annual general meeting of the Company
continued

Approval of remuneration philosophy (policy) – ordinary resolution number 13
In terms of King III recommendations, every year, the Company's remuneration policy should be tabled for a non-binding advisory vote at the annual general meeting. The essence of this vote is to enable the shareholders to express their views on the remuneration policies adopted in the remuneration of executive directors and on their implementation.

Accordingly, the shareholders are requested to endorse the Company's remuneration policy as recommended by King III.

Remuneration payable to non-executive directors – special resolution number 1
In terms of paragraphs 15.1 and 15.2, read with paragraph 15.5, of the board charter, the board will determine the level of remuneration paid to members within any limitations imposed by shareholders. Levels and make-up of remuneration should be sufficient to attract and retain the right calibre of members needed to run the Company successfully, but the Company should avoid paying more than is necessary for this purpose. The board will review remuneration annually after taking independent advice and no director will be involved in deciding his own remuneration.

In terms of sections 66(8) and (9) of the Companies Act, which took effect on 1 May 2011, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of a company's memorandum of incorporation. In terms of article 73(b) of the Company's memorandum of incorporation, directors shall be entitled to such remuneration as directors as may be determined by the Company in a general meeting by an ordinary resolution, save that any director holding office for less than a year shall only be entitled to such remuneration in proportion to the period during which he has held office during such year. Although the Company has been advised that, in terms of the transitional provisions of the Companies Act, article 73(b) of the memorandum of incorporation could possibly prevail in the interim in respect of this apparent conflict between such article and the Companies Act, the board of directors nonetheless wishes to comply with the provisions of the Companies Act and as such the resolution is proposed as a special resolution.

The last increase was approved on 15 July 2010. Full particulars of remuneration paid to non-executive directors for the financial year ended 31 December 2010 are set out on page 95 and the proposed revised fees to be effective from 1 July 2011, being tabled for approval are set out in special resolution number 1. The directors will receive the top-up payment in order to compensate them for the fact that their fees were not increased with effect from the commencement of the financial year ending 31 December 2011.

General authority for the Company and/or a subsidiary of the Company to repurchase or purchase, as the case may be, shares in the Company – special resolution number 2
The existing general authority for the Company and/or a subsidiary thereof to repurchase or purchase, as the case may be, shares in the Company, granted by shareholders at the previous annual general meeting on 15 July 2010, is due to expire at this annual general meeting, unless renewed.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Company or any subsidiary of the Company to be in a position to repurchase or purchase, as the case may be, the shares issued by the Company through the order book of the JSE, should the market conditions and price justify such action.

Repurchases or purchases, as the case may be, will be made only after careful consideration, where the directors believe that an increase in earnings per share will result and where repurchases or purchases, as the case may be, are, in the opinion of the directors, in the best interests of the Company and its shareholders.

This general approval shall be valid until the earlier of the next annual general meeting of the Company, or the variation or revocation of such general authority by a special resolution passed at any subsequent general meeting of the Company, provided that the general authority shall not be extended beyond

15 months from the date of passing the special resolution. The resolution is required to be passed, if voted on by poll, by not less than 75% of the total votes to which the shareholders present in person or by proxy at the meeting are entitled.

General authority for the Company to provide financial assistance to its subsidiaries and other related and inter-related companies and corporations and to directors, prescribed officers and other persons participating in share or other employee incentive schemes – special resolution number 3

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and corporations, including, *inter alia*, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

Both sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that –

(a) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test; and

(b) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

MTN Group, when the need previously arose, had to provide loans to and guarantees loans or other obligations of subsidiaries and was not precluded from doing so in terms of its articles of association or in terms of the Companies Act, 61 of 1973, as amended. MTN Group would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for MTN Group to provide financial assistance to related or inter-related companies and corporations to subscribe for options or securities or purchase securities of MTN Group or another company related or inter-related to it. Under the Companies Act, MTN Group will however require the special resolution referred to above to be adopted. In the circumstances and in order to, *inter alia*, ensure that MTN Group's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from MTN Group (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number 3.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the Company's or the Group's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under such schemes will, *inter alia*, also require approval by special resolution. Accordingly, special resolution number 3 authorises financial assistance to any of MTN Group's directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a participant in any of the Company's share or other employee incentive schemes, in order to facilitate their participation in any such schemes that do not satisfy the requirements of section 97 of the Companies Act.

Explanatory notes to resolutions proposed at the sixteenth annual general meeting of the Company
continued

Voting and proxies

1. Every holder of shares present in person or by proxy at the meeting, or, in the case of a body corporate represented at the meeting, shall be entitled to one vote on a show of hands and on a poll shall be entitled to one vote for every share held.

2. A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration) entitled to attend and vote at the meeting may appoint one or more proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of the Company. The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

3. Duly completed proxy forms or powers of attorney must be lodged at the registered offices of the Company or with the Company's South African transfer secretaries, Computershare, at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), not less than 48 hours before the time appointed for holding the meeting. As the meeting is to be held at 14:30 (South African time) on Wednesday, 22 June 2011, proxy forms or powers of attorney must be lodged on or before 14:30 (South African time) on Monday, 20 June 2011. The name and address of the South African transfer secretaries are given on the back of the proxy form.

4. The attention of shareholders is directed to the additional notes relating to the form of proxy attached, which notes are set out in the proxy form.

5. Dematerialised shareholders other than dematerialised shareholders who hold their shares with "own name" registration, who wish to attend the annual general meeting must contact their CSDP or broker who will furnish them with the necessary authority to attend the annual general meeting or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between such shareholder and its CSDP or broker.

Appendix to the notice of annual general meeting

Important notes about the annual general meeting (AGM)

Date: Wednesday, 22 June 2011, at 14:30 (South African time)

Venue: The Auditorium, Phase II, Level 0, 216 – 14th Avenue, Fairland, Gauteng

Time: The AGM will start promptly at 14:30 (South African time)

Shareholders wishing to attend are advised to be in the auditorium by not later than 14:00. The meeting will commence with a short information session, informing shareholders of the electronic voting process to be utilised at the meeting. Staff will direct shareholders to the AGM. Refreshments will be served after the meeting.

Admission: Shareholders attending the AGM are asked to register at the registration desk in the auditorium reception area at the venue. Meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting.

Security: Secured parking is provided at the venue at owner's own risk. Mobile telephones should be switched off for the duration of the proceedings.

Please note

1. **Certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration**
Shareholders wishing to attend the AGM have to ensure beforehand, with the transfer secretaries of the Company, that their shares are in fact registered in their names. Should this not be the case and the shares be registered in any other name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their personal capacity. The proxy form contains detailed instructions in this regard.

2. **Enquiries**
Any shareholders having difficulties or queries in regard to the AGM or the above are invited to contact the Group Secretary, SB Mtshali on +27 (0) 11 912 4067 or the ShareCare Line on 0800 202 360 or +27 (0) 11 870 8206 if phoning from outside of South Africa. Calls will be monitored for quality control purposes and customer safety.

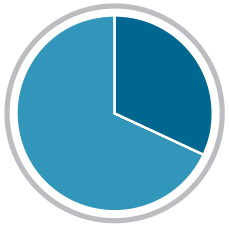
3. **Results of annual general meeting**
The results of the annual general meeting will be posted on SENS as soon as practically possible after the AGM.

Shareholders' information

as at 31 December 2010

Spread of ordinary shareholders	December 2009 Number of shares	December 2009 % of issued share capital	Number of shareholders	December 2010 Number of shares	December 2010 % of issued share capital
Public	**1 279 613 654**	**67,90**	71,205	1 382 662 216	73,37
Non-public	**604 896 433**	**32,10**	21	501 847 901	26,63
– Directors of MTN Group Limited and major subsidiaries	**2 880 023**	**0,15**		2 880 023	0,15
– Empowerment entities	**85 509 785**	**4,54**	4	10 146 647	0,54
– Lombard Odier Darier Hentsch & Cie (M1 Limited)	**184 271 433**	**9,78**	7	156 586 539	8,31
– GEPF	**332 234 692**	**17,63**	1	332 234 692	17,63
Total issued shared capital	**1 884 510 117**	**100,00**		1 884 510 117	100,00

Shareholding (% holding)



Public – 67,90%
Non-public – 32,10%

Stock exchange performance	December 2009	December 2010
Closing price (cents per share) as at 31 December	**11 790**	13 442
Highest price (cents per share)	**13 600**	13 245
Lowest price (cents per share)	**8 181**	9 822
Total number of shares traded (million)	**1 782,38**	1 786
Total value of shares traded (Rm)	**203 273**	174 683
Number of issued shares	**1 841**	1 885
Number of shares traded as a percentage of issued shares (%)	**96,8**	94,8
Number of transactions	**947 733**	1 113 502
Average weighted trading price (cents per share)	**11 405**	9 778
Average telecommunications index	**56 104**	56 472
Average industrial index	**23 241**	26 527
Average mobile index	**185,8**	188
Dividend yield (%)	**1,5**	2,6
Earnings yield (%) (headline earnings)	**7,7**	6,9
Price/earnings multiple (adjusted headline earnings) as at 31 December	**13**	15
Market capitalisation as at 31 December (Rbn)	**217**	253

Administration

Company registration number
1994/009584/06
ISIN code: ZAE 000042164
Share code: MTN
MTN Group ShareCare Line
Toll free: 0800 202 360
or +27 11 870 8206 if phoning from outside South Africa

Board of directors

MC Ramaphosa ***	PF Nhleko*
DDB Band ***	RS Dabengwa*
KP Kalyan***	AT Mikati†**
NI Patel*	MJN Njeke***
JHN Strydom**	AF van Biljon***
J van Rooyen***	MLD Marole***
NP Mageza***	A Harper#***

* *Executive*
† *Lebanese*
\# *British*
** *Non-executive*
*** *Independent non-executive director*

Group secretary
SB Mtshali
Private Bag X9955, Cresta, 2118

Registered office
216 – 14th Avenue, Fairland
Gauteng, 2195

American Depository Receipt (ADR) Programme
Cusip No. 62474M108 ADR to ordinary Share 1:1

Depository: The Bank of New York
101 Barclay Street, New York NY. 10286, USA

Office of the transfer secretaries
Computershare Investors Services (Proprietary) Limited
Registration number 2004/003647/07
70 Marshall Street, Marshalltown
Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Joint auditors
PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill, 2157
Private Bag X36, Sunninghill, 2157
SizweNtsaluba VSP Inc.
1 Woodmead Drive, Woodmead Estate
Woodmead, 2157
PO Box 2939, Saxonwold, 2132

Sponsor
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3 Exchange Square, 87 Maude Street, Sandton, 2196

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Shareholders' diary

Annual general meeting		**22 June 2011**
Reports		
Dividend declaration		8 March 2011
Summarised annual financial results	published	9 March 2011
Annual financial statements	posted	27 May 2011
Interim financial statements		17 August 2011
Financial year end		31 December 2011

Please note that these dates are subject to alteration.

Form of proxy

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN NAME" REGISTRATION ONLY

MTN Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1994/009584/06)
(MTN Group or the Company)
JSE Code: MTN
ISIN: ZAE 000042164

For use at the annual general meeting to be held at 14:30 (South African time) on Wednesday, 22 June 2011, in the Auditorium, Phase II, level 0, 216 – 14th Avenue, Fairland, Gauteng. **For assistance in completing the proxy form, please phone the MTN Group ShareCare Line on 0800 202 360 or on +27 11 870 8206 if you are phoning from outside South Africa.** A shareholder entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote and speak in his/her/its stead at the annual general meeting. A proxy need not be a shareholder of the Company.

I/We..(name in block letters)

of (address) ....

being a shareholder(s) of the Company, and entitled to .... vote, do hereby appoint:

.... of.. or failing him/her,

.... of.. or failing him/her,

the chairman of the annual general meeting, as my/our proxy to represent me/us at the annual general meeting to be held at 14:30 (South African time) on Wednesday, 22 June 2011, in the Auditorium, Phase II, level 0, 216 – 14th Avenue, Fairland, Gauteng, for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name (see note 2 overleaf) as follows::

Ordinary resolutions		For	Against	Abstain
1.	**Ordinary resolution number 1:** Re-election of AT Mikati as a director			
2.	**Ordinary resolution number 2:** Re-election of J van Rooyen as a director			
3.	**Ordinary resolution number 3:** Re-election of JHN Strydom as a director			
4.	**Ordinary resolution number 4:** Re-election of MJN Njeke as a director			
5.	**Ordinary resolution number 5:** Re-election of KP Kalyan as a director			
6.	**Ordinary resolution number 6:** To elect AF van Biljon as a member and chairman of the audit committee			
7.	**Ordinary resolution number 7:** To elect J van Rooyen as a member of the audit committee			
8.	**Ordinary resolution number 8:** To elect JHN Strydom as a member of the audit committee			
9.	**Ordinary resolution number 9:** To elect NP Mageza as a member of the audit committee			
10.	**Ordinary resolution number 10:** To elect MJN Njeke as a member of the audit committee			
11.	**Ordinary resolution number 11:** Reappointment of joint independent auditors			
12.	**Ordinary resolution number 12:** To authorise the directors to allot and issue all unissued ordinary shares of 0,01 cent in the share capital of the Company (subject to a maximum of 10% of the issued shares and the further limits in the resolution)			
13.	**Ordinary resolution number 13:** Endorsement of the remuneration philosophy (policy)			
Special resolution				
14.	**Special resolution number 1:** To approve the remuneration payable to non-executive directors			
15.	**Special resolution number 2:** To approve an authority for the Company and/or any of its subsidiaries to repurchase or purchase, as the case may be, shares in the Company			
16.	**Special resolution number 3:** To approve the granting of financial assistance by the Company to its subsidiaries and other related and inter-related companies and corporations and to directors, prescribed officers and other persons participating in share or other employee incentive schemes			

Please indicate with an 'X' in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.
Please read the notes on the reverse side hereof.

Signed at .... on 2011

Full name(s) .... (in block letters)

Signature(s) ....

Assisted by (guardian) .... (date)

If signing in a representative capacity, see note below.

Notes to proxy

1. Only shareholders who are registered in the register or sub-register of the Company under their own name may complete a proxy or alternatively attend the meeting. Beneficial owners who are not the registered holder and who wish to attend the meeting in person, may do so by requesting the registered holder, being their Central Security Depository Participant (CSDP), broker or nominee, to issue them with a letter of representation in terms of the custody agreements entered into with the registered holder. Letters of representation must be lodged with the Company's registrars by no later than 14:30 on Monday, 20 June 2011.

2. Beneficial owners who are not the registered holder and who do not wish to attend the meeting in person must provide the registered holder, being the CSDP, broker or nominee, with their voting instructions. The voting instructions must reach the registered holder in sufficient time to allow the registered holder to advise the Company or the Company's registrar of their instructions by no later than 14:30 on Monday, 20 June 2011.

3. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the space/s provided, with or without deleting "the chairman of the general meeting", but any such deletion or insertion must be initialled by the shareholder. Any insertion or deletion not complying with the foregoing will be declared not to have been validly effected. The person whose name stands first on the proxy form and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairperson of the general meeting.

4. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she/it deems it in respect of the entire shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her/its proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of votes exercisable by the shareholder or by his/her proxy.

5. To be effective, completed proxy forms must be lodged with the Company at its registered address or at the Company's South African transfer secretaries at the address stipulated below, not less than 48 hours before the time appointed for the holding of the meeting, in accordance with article 70 of the Company's memorandum of incorporation. As the meeting is to be held at 14:30 on Wednesday, 22 June 2011, proxy forms must be lodged on or before 14:30 on Monday, 20 June 2011.

6. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.

7. The chairperson of the general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes.

8. Any alteration to this proxy form, other than a deletion of alternatives, must be initialled by the signatory.

9. Documentary evidence establishing the authority of a person signing this proxy form in a representative or other legal capacity must be attached to this proxy form, unless previously recorded by the Company or the registrars or waived by the chairperson of the annual general meeting.

10. Where there are joint holders of shares:
    - 10.1 any one holder may sign the proxy form; and
    - 10.2 the vote of the senior shareholder (for which purpose seniority will be determined by the order in which the names of the shareholders appear in the Company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.

11. A minor must be assisted by his/her parent or legal guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

12. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.

Office of the South African transfer secretaries
Computershare Investors Services (Proprietary) Limited
Registration number 2004/003647/07
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Fax number: +27 11 668 5238

Shareholders are encouraged to make use of the **toll-free ShareCare Line** for assistance in completing the proxy form and any other queries.

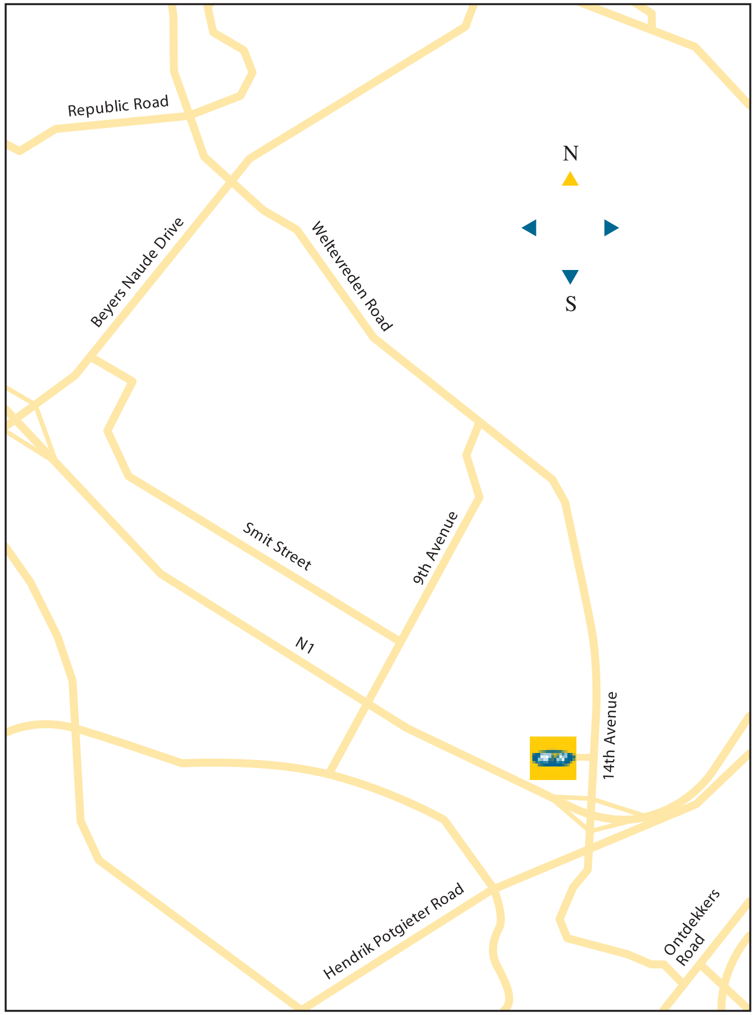
If you have any questions regarding the contents of this report, please call the MTN Group toll-free ShareCare Line on 0800 202 360
(or +27 11 870 8206 if phoning from outside South Africa)

Computershare

Please note that your call will be recorded for customer safety

Map

MTN Innovation Centre



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