MTN Group Limited

Integrated report for the year ended 31 December 2016

About this report

This integrated report is MTN Group Limited's (MTN, the Group or the Company) primary communication to stakeholders. It explains who we are; how we create value and interact with our stakeholders; how we implement strategy and remunerate our people; and how we are governed. It gives our performance in 2016 and our prospects ahead.

Scope and boundary

Material issues are those with the potential to affect, both positively and negatively, our ability to create value. Along with our strategy, they form the anchor of this report and determine its content. Details of our material issues, which are identified by MI, are on 8 – 9. How we respond to them is detailed throughout. The report gives commentary, performance measures and prospects for the Group's main operations for the period 1 January to 31 December 2016. We provide supplementary information in associated reports on MTN's website. The sustainability and corporate governance reports, as well as a full set of annual financial statements (AFS) and a tax report, are available at www.mtn.com/en/investors/Financial-Reporting/Integrated-Reports/pages/default.aspx.

Reporting principles

Financial information

The Group applies International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations as issued by the IFRS Interpretations Committee, complies with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. We also comply with the JSE Listings Requirements and the Companies Act of 2008. In parts of this report, we include data on MTN Irancell as it is a large and important operation. However, under IFRS, this business is equity accounted for. The audit committee recommends to the board, which approves the AFS. The AFS are jointly audited by PricewaterhouseCoopers Inc. (PwC) and SizweNtsalubaGobodo Inc.

Non-financial information

Local and global standards and guidelines are used in compiling non-financial information. The key standards of reference are the JSE Listings Requirements, the Companies Act of 2008, King Code of Governance Principles for South Africa 2009 (King III), the International Integrated Reporting Council (IIRC) guidelines, the FTSE/JSE Responsible Investment Index, the United Nations Global Reporting Initiative G4 Sustainability Reporting Guidelines, the telecommunications sector supplement and the CDP standard. We are preparing to implement King IV principles. Non-financial information on certain aspects of the business has been externally assured by PwC, and is identified by LA. These appear throughout the report and, on 90. The assurance statement is online.

Enhancements in the year

Every year we work to enhance our report. Improvements this year include:

- A simplified graphic on how we create value.
- More comprehensive disclosure on our use of and impact on each of the six capitals.
- Detailed stakeholder engagement coverage.
- Greater discussion on our operating context and investment case.

Approval by the board

The structure and layout of this report is based on guidance in the latest integrated reporting framework set by the IIRC. The report was prepared under the supervision of acting Group CFO Gunter Engling CA(SA). The audit committee ensures the integrity of the report and has applied its collective mind to its preparation and presentation. The directors are responsible for the integrated report as a whole, which they approved in March 2017.

Navigation

MTN's strategy (30) is driven through five strategic themes, the icons of which are:

- Creating and managing stakeholder value
- Creating a distinct customer experience
- Driving sustainable growth
- Transforming our operating model
- Innovation and best practice

Other icons

- www.mtn.com/en/investors/Financial-Reporting/Integrated-Reports/pages/default.aspx
- LA Limited assurance obtained
- MI Material issue

* Constant currency (organic) information.
** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.
*** The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.

Online reports

- GR Governance report
- SR Sustainability report
- AFS Annual financial statements
- TAX Tax report
- SE Social and ethics report
- SH Stakeholder engagement table

We welcome feedback on this report at:
investor_relations@mtn.co.za

Contents

The year in review

"There can be little doubt that the last 18 months have been the most difficult period in MTN's 22-year history. We faced unprecedented challenges, precipitated by regulatory, macro-economic, political and competitive forces in our two largest markets, and to varying degrees across our portfolio. With the agreement to settle the Nigerian regulatory fine in June 2016, deeper senior management capacity and skills in place, including the appointment of a Group CEO, the board conducted a deep and fundamental strategic review of the business and its processes. The review illuminated a number of issues in need of attention and affirmed the Group's unique strategic advantages on which we can continue to build a sustainable business for the future. Given their impact on our performance and the risk of being left behind in a fast-moving industry, these findings necessitated a decisive and immediate response. This precipitated our business transformation initiative, IGNITE, which sets out a clear roadmap for the next 18 months. There is still much to be done to transform the Group and position it for the future, but also much to look forward to for the people and stakeholders of MTN."

Phuthuma Nhleko, executive chairman

All about MTN

Who we are

MTN is a leading emerging markets mobile operator at the forefront of global technological changes. From our headquarters in Johannesburg and guided by our values, we are delivering a bold, new Digital World to our 240 million customers across Africa and the Middle East.

In just over two decades, through our extensive investment in advanced communication infrastructure and by harnessing the talent of our people, we have grown rapidly to offer voice, data and digital services to retail customers in the 22 countries in which our operations have telecoms licences. We also offer enterprise solutions to corporate and public sector customers in a total of 24 countries.

Our brand is among the most admired brands in Africa as well as among the most valuable African brands.

With a market capitalisation of R238 billion at the end of December 2016 we were the twelfth largest company on the Johannesburg Stock Exchange.

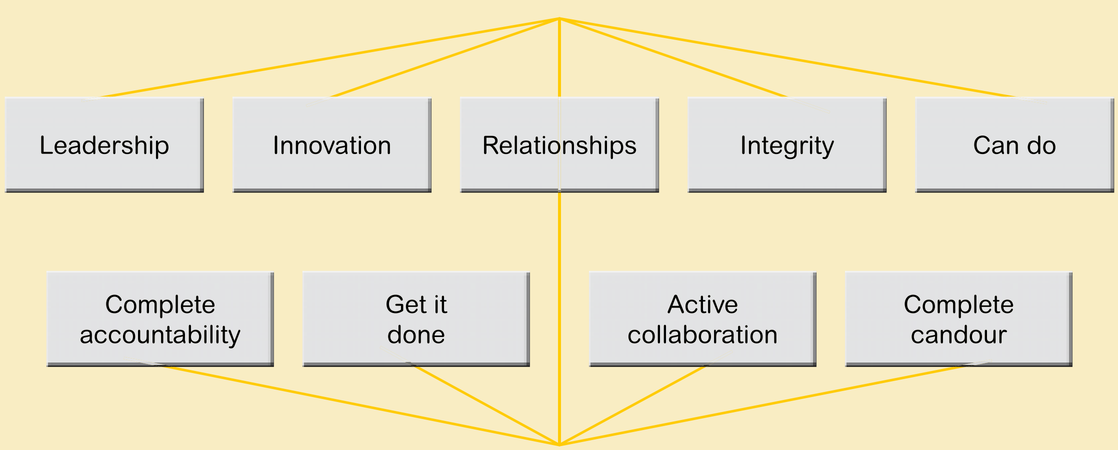
Our vision

To lead the delivery of a bold, new Digital World to our customers.

Our mission

To make our customers' lives a whole lot brighter.

Our values



Our vital behaviours

What we offer

Our products and services

We offer consumer, digital and business services to customers across our footprint.

1

Consumer

We connect people and communities through voice and data access services.

We enable people to make financial transactions using their mobiles, and bring them entertainment and online platforms, apps and online ventures through lifestyle, mobile financial services and e-commerce offerings.

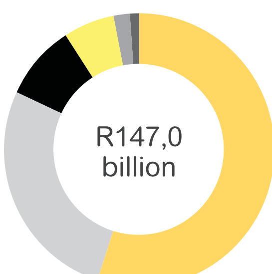
Digital

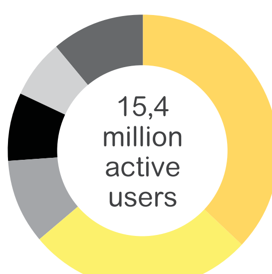
2

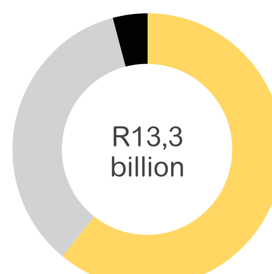
Business

We drive agility and growth through connectivity, communication and collaboration solutions over world-class infrastructure, as a committed partner to SMEs, corporates and the public sector.

3







1 Consumer revenue

Outgoing voice	55%
Data	27%
Incoming voice	9%
Devices	6%
SMS	2%
Other	1%

2 Mobile Money markets by subscribers

Ghana	37%
Uganda	27%
Nigeria	10%
Ivory Coast	8%
Rwanda	7%
Other	11%

3 Business revenue

Corporate	61%
SMEs	35%
Public sector and partnerships	4%

Where we operate and how we performed

To strengthen operational oversight, leadership, governance and regulatory compliance across our 22 GSM operations, in 2016 we reorganised the Group into three regions: South and East Africa (SEA), West and Central Africa (WECA) and the Middle East and North Africa (MENA). We also have a presence in Kenya and Namibia.

The WECA region is the biggest contributor to revenue and EBITDA, making up nearly 55% of revenue and almost 64% of EBITDA. It is home to 47% of our subscribers. Here we provide key statistics for our top nine operations. In line with accounting rules on joint ventures, in our contribution graphs we exclude revenue, EBITDA and capex numbers for our joint venture in Iran, which are disclosed separately.

- SEA
- WECA
- MENA

MTN Irancell:
- *Revenue of R16,5 billion (+12,8%*)*
- *EBITDA of R6,5 billion (+6,9%*)*
- *Capex of R5,1 billion (+15,0%*)*

Ivory Coast (59%)‡
No 2 operator
32,6% market share

Technology coverage#
2G – 95,17%
3G – 85,85%
LTE – 28,90%

Subscribers
9,5m +14%

Data revenue*
up 18,4%
(19% of revenue)

Ghana (98%)‡
No 1 operator
56,4% market share

Technology coverage#
2G – 83,00%
3G – 43,50%
LTE – 28,00%

Subscribers
19,3m +19%

Data revenue*
up 65,7%
(42% of revenue)

Nigeria (79%)‡
No 1 operator
48,0% market share

Technology coverage#
2G – 89,79%
3G – 62,05%
LTE – 11,04%

Subscribers
61,9m +1%

Data revenue*
up 10,8%
(21% of revenue)

Cameroon (70%)‡
No 1 operator
57,1% market share

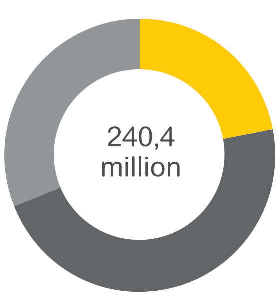
Technology coverage#
2G – 92,22%
3G – 64,00%
LTE – 37,70%

Subscribers
9,9m +8%

Data revenue*
up 25,9%
(19% of revenue)

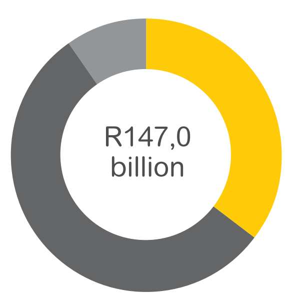
‡ *MTN legal ownership.*
# *Percentage of population covered by each technology.*
* *Constant currency (organic) information.*

The contribution of our regions



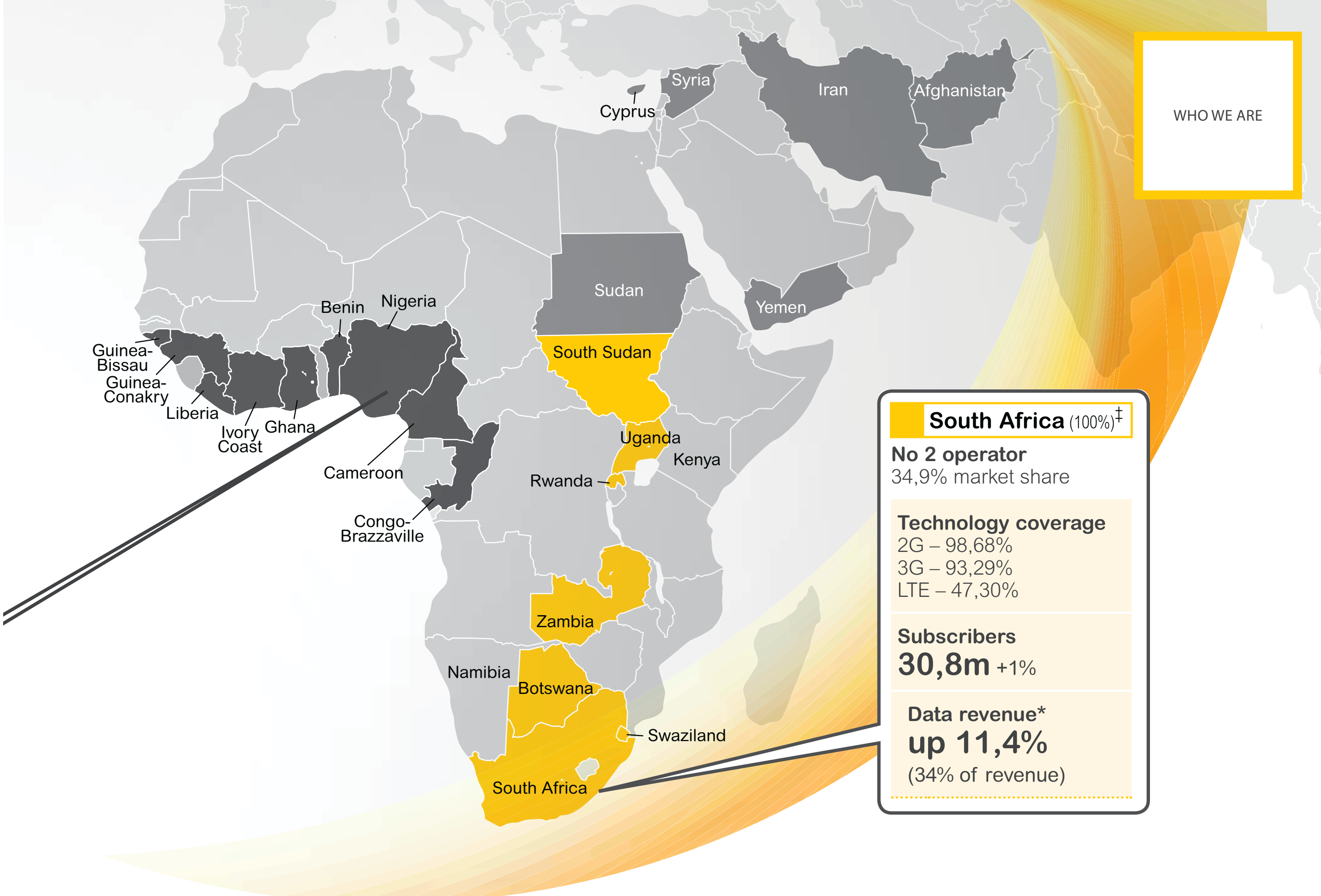
Subscribers
+3,3%

SEA	22%
WECA	47%
MENA	31%



Revenue
+0,4%

SEA	35,5%
WECA	54,9%
MENA	9,7%



South Africa (100%)‡
No 2 operator
34,9% market share

Technology coverage
2G – 98,68%
3G – 93,29%
LTE – 47,30%

Subscribers
30,8m +1%

Data revenue*
up 11,4%
(34% of revenue)

Uganda (96%)‡
No 1 operator
53,3% market share

Technology coverage#
2G – 79,51%
3G – 25,30%
LTE – 5,06%

Subscribers
10,5m +18%

Data revenue*
up 18,8%
(34% of revenue)

Sudan (85%)‡
No 2 operator
35,1% market share

Technology coverage#
2G – 55,92%
3G – 34,34%

Subscribers
7,5m -11%

Data revenue*
up 56,6%
(29% of revenue)

Syria (75%)‡
No 2 operator
44,6% market share

Technology coverage#
2G – 79,00%
3G – 69,00%

Subscribers
6,1m +2%

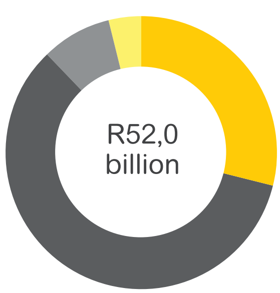
Data revenue*
up 26,9%
(29% of revenue)

Iran (49%)‡
No 2 operator
44,5% market share

Technology coverage#
2G – 85,96%
3G – 52,30%
LTE – 28,94%

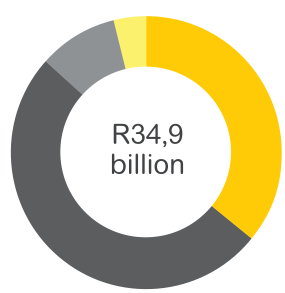
Subscribers
47,6m +3%

Data revenue*
up 58,8%
(42% of revenue)



EBITDA
-13,2%

SEA	31,5%
WECA	63,6%
MENA	9,0%
Head office	(4,1%)



Capex
+19,6%

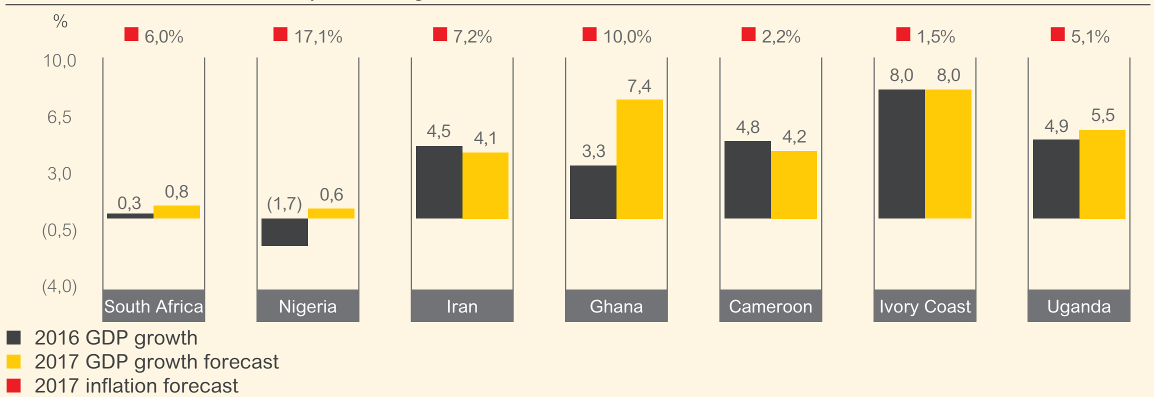
SEA	36,9%
WECA	49,6%
MENA	9,5%
Head office	4,0%

Our operating context

The environment in which we operate has direct implications for our ability to create value, and informs our strategy development and evaluation. By considering our operating context, we are better able to determine our material issues and how best to respond to them.

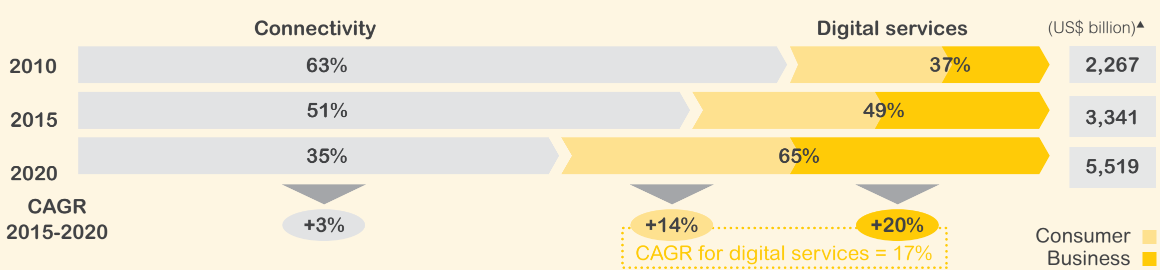
		Link to material issue
Macro environment	• In 2016 across the world, **the political landscape was unstable** • **Global economic growth slowed,** particularly in sub-Saharan Africa where many countries are reliant on commodity exports • **Governments implemented changes to policy** to account for the impact on revenues of weaker commodity prices • **Financial market sentiment toward emerging economies improved marginally** • **Currencies were volatile** and in some markets inflation increased, weighing on consumer and investor sentiment • The **youthful populations of our markets** continued to adopt ICT offerings enthusiastically	•1 MI •3 MI •4 MI
Telecoms environment	• **The telecoms industry continued its rapid evolution** in both the traditional connectivity business and non-traditional businesses such as mobile financial services and content-based services • **Competition intensified** and more consumers used over-the-top services driven by increased smartphone penetration • **The availability and use of mobile devices and broadband connectivity increased**. This provided telcos with the **opportunity to increase revenue** through greater connectivity and more sophisticated products and services	•2 MI
Regulatory environment	• **Regulatory demands continued to increase:** greater customer SIM card registration requirements, additional taxes and the obligation in some markets for foreign companies to list/localise their subsidiaries • **In South Africa, there were delays in the process to assign spectrum** so telcos had to erect more sites and re-farm spectrum • **In Nigeria, the regulator continued to consider MTN a dominant operator,** impacting our commercial success • **Building relationships with regulators and ensuring best-practice compliance** became more critical amid slow economic growth and low government revenue	•1 MI •2 MI •3 MI

The economic landscape in key MTN markets



Source: Various

Connectivity versus digital revenues in telco sector 2010 – 2020



Source: Delta Partners Analysis, Ovum, eMarketer, Bloomberg, Gartner, IMS Research, GMSA, ITU

Our new compliance structure

Our material issues

Material issues have the potential to affect, both positively and negatively, the delivery of strategy and the Group's ability to create value in the short, medium and long term.

Managing material issues

We manage material issues by identifying, prioritising, responding and reporting on them:

Identify

We **determined** our material issues in 2016 by considering factors that received the most management and board attention in the year – the central themes of our quarterly reporting meetings that were attended by the chief executives of our 22 operations. These took into account the key stakeholder issues as well as the Group's top risks.

Prioritise

These key stakeholder issues and risks formed the basis of discussion at workshops in which representatives from key departments participated; they **prioritised** the Group's material issues. These were then endorsed by the executive committee and the board.

Respond

We **responded** to them by evaluating their impact and by putting in place appropriate management actions to mitigate those with the potential to disrupt value creation, as well as management interventions to capitalise on those factors that offered opportunity for greater value creation. We give details of our responses throughout the integrated report using the icon. MI

Report

Our material issues and their impact in 2016

Here we set out our material issues, assigning numbers to each for easy referencing. The numbers do not necessarily indicate rankings of relative importance.

Material issue		Impact
Challenging economic conditions 1	•1 MI	• Pressure on MTN revenue and profitability • Foreign exchange translation losses on rand-reported results • Increased costs resulting from expenses denominated in foreign currencies and increased cost of debt • Reduced ability to remit dividends and repatriate cash from MTN Nigeria • Lower consumer spending • Contraction of the Nigerian economy had a knock-on impact on the rest of West Africa
Increased competition and disruption of traditional telecoms business 2	•2 MI	• Erosion of voice and data-access revenue • Higher capital expenditure required to remain competitive • Declining return on investment • Improvement in network quality and customer service • Opportunity to offer additional services and change our business model • Need to secure appropriate spectrum and new technologies
Tough political environments and greater regulatory and compliance requirements 3	•3 MI	• Reputational and relationship risks • Continuing to operate in countries where there is civil strife • Fines and penalties, more onerous on-boarding subscriber registration requirements • Demand for greater local participation, including stock exchange listings of operations • New taxes and changes in tax legislation • Restricted access to spectrum resulting in an increase in rollout costs • Enhancing information security
Easing of sanctions in Iran 4	•4 MI	• Enabled repatriation of cash to the Group • Opportunity to benefit from increase in economic growth in Iran
Inconsistent execution of Group strategy and implementation of regulatory compliance and governance policies by operations 5	•5 MI	• Lower-than-expected financial results • New senior management appointments • Need for better organisational oversight and more diverse skills • Need to constantly review business continuity measures • Pressure on the Group's reputation

How we create value using the six capitals

We create value by developing and distributing a range of innovative and reliable communication products and services. We depend on various relationships and resources, known as the six capitals, to do this.

Capital inputs

Capital	Inputs
Human	The skills, safety and diversity of our employees, suppliers and partners
Manufactured	Our networks, 2G, 3G and LTE base stations and fibre as well as public infrastructure
Financial	Debt and equity financing; cash generated from operations and investments
Intellectual	Our brand, experience, technology and proprietary and licensed procedures and processes
Social and relationship	Our customers; communities; civil rights groups; suppliers; trade unions; industry bodies; governments and regulators
Natural	Spectrum, energy and land

Our business model

Informed by our values, vision, mission and governance, our five-step business model supports the delivery of our strategy:

Licences and spectrum

- Acquire sufficient and appropriate radio spectrum through telecoms and other licences

Investments

- Invest in networks to ensure superior coverage, capability and quality
- Invest in businesses to facilitate expansion of new revenue streams
- Invest in people to make certain we deliver on our strategy

Product development

- Ensure the right products at the right prices to meet specific needs of our markets

Sales and distribution

- Establish and maintain a wide and deep distribution network and foster sound partnerships

Customer experience

- Work to attract and retain customers

By giving due consideration to our operating environment and our material issues, we ensure our agility – we are responsive to changes.

Underpinned by

To deliver on our strategy, as well as generate value for all stakeholders, we require inputs of each capital. When making decisions on capital allocation, we consider the trade-offs between the capitals, and seek to maximise positive outcomes and curb negative impacts.

Capital outputs

A range of **voice, data, digital** and **enterprise solutions**†

1 609 174 tonnes of carbon emissions#

† For details of our offerings see 3.

Defined as an output by the IIRC, however not material to our business.

Outcomes

19 989 employees in 24 countries

R9,2 billion paid in staff costs

Rolled out **2 450 2G**, **8 201 3G** and **7 676 LTE sites**

EBITDA of **R52,0 billion**

Declared total dividend of **700 cents** per share

Repatriated **R6,3 billion** from MTN Irancell (see 24)

R34,9 billion in capital expenditure

Paid **R33,7 billion** LA in total tax contributions

Avoided **833 tonnes** of GHG emissions

Spent **R295,45 million** LA in social investment

Recorded 67% LA in employee culture survey

Achieved **NPS improvement** to **81%** LA in South Africa

Doubled NPS in Nigeria to 30% LA

NPS in other key markets improved to 25% LA

MTN South Africa BEE contributor status rose to **level 2**

best-practice governance

Human capital

Our people's skills, experience and diversity enable us to provide competitive and reliable products and services. This ultimately helps us achieve our goals. We prioritise investment in employee engagement, as well as development, to deliver the best customer experience. Our culture is diverse and inclusive and underpinned by our values, including a "can do" approach. In many countries, our opcos are among the biggest corporate employers.

In 2016, we focused on securing and complementing the skills necessary to execute our business strategy (including appointing a new Group chief executive officer, chief financial officer and chief operating officer); realigning staff to the new reporting structure (effective 1 January 2016); implementing more effective cost-saving measures; and continuing to review our incentives for robustness.

Key human capital inputs

	2016	2015
Number of employees	**15 980**	15 202
Number of contractors	**4 009**	5 882
Gender split (men:women)	**63:37**	63:37
Investment in employee training (R million)	**392**	223
Number of nationalities employed	**60**	59

Outcomes of our activities on human capital

	2016	2015
Staff costs (R billion)	**9,2**	8,6
Voluntary staff turnover (%)	**7,2**	7,8
Employee culture survey results (%) LA	**67**	66
People trained in the year	**25 376**	13 240
Opcos with Global Investor in People accreditation (see 69 for details)	**16**	14

How we achieved our outcomes

- Appointed new executive committee members 64 – 65
- Invested in targeted training and development
- Restructured the business, with new regional reporting lines
- Encouraged diversity, so workforce understands the needs of our subscribers
- Implemented new notice period and restraint of trade measures for new appointees
- Worked to ensure the safety of employees and contractors in dangerous countries

Trade-offs in our use of human capital

Employees in 15 of our 22 operating companies did not receive bonuses for 2016 as these operations did not meet their financial targets. This negatively affected human capital. By outsourcing some functions MTN reduced its stock of human capital to the benefit of intellectual and financial capital.

Manufactured capital

We leverage on our asset base of network infrastructure – including data and switching centres, 2G, 3G and LTE base stations, high-end dedicated fibre, batteries, generators and air-conditioning units – to service our customers. We also rely on IT equipment and software, our office buildings and our distribution network (such as customer service centres and retail outlets) as well as other telecoms equipment (including handsets) and public infrastructure to run our business.

We continue to implement our plan to outsource our base station or network sites to tower management companies and to share other telecoms infrastructure. As we extend our offering of digital services, our investments in data centres are increasing, either through retrofitting and modernising existing facilities or investing in new data centres.

Key manufactured capital inputs

	2016	2015
Value of property, plant and equipment (R billion)	**95,6****	106,7**
Capital expenditure (R billion)	**35,3****	29,6**
Number of smartphones on our networks	**82 361**	69 224

- Offices and networks in 24 countries
- Access to public infrastructure, including transport facilities

Outcomes of our activities on manufactured capital

	2016	2015
2G sites rolled out	**2 450**	3 116
3G sites rolled out	**8 201**	7 891
LTE sites rolled out	**7 676**	5 241
Kilometres of fibre rolled out	**5 481**	1 469
Depreciation (R billion)	**21,0****	19,6**
Impairment of assets (R million)	**205****	77**
Impairment of goodwill (R million)	**873****	504**

***Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*

How we achieved our outcomes

- Focused 2016 capex on expanding and improving quality and download speeds of our 3G and LTE networks in key cities
- Provided solar power charging devices to entrepreneurs in four countries
- Offered MTN-branded smartphones in some markets, and at a price lower than the average cost of a smartphone
- Since 2010 we have sold many of our towers (including in Ghana, Uganda, Cameroon, Ivory Coast, Zambia, Rwanda and Nigeria), however we maintain equity stakes in IHS and American Tower Corp to whom the towers were sold

Trade-offs in our use of manufactured capital

By expanding our networks, we increase the stock of manufactured capital and reduce our stock of financial capital in the short term. However, ultimately this investment should boost our business and therefore our stock of financial capital in the longer term. By advancing manufactured capital, we impact negatively on natural capital. However, by sharing infrastructure and increasing the efficiency of existing infrastructure we are able to mitigate our impact on the stock of natural capital.

Financial capital

We leverage on equity and retained earnings generated by our operations to fund our business and achieve its growth. This financial capital enables us to deliver on our strategic themes of creating and managing stakeholder value (including dividends for shareholders, salaries for employees and investment in communities); of driving sustainable growth (by developing new opportunities in data, enterprise, financial services and content) and transforming our operating model (through procurement savings and capex efficiency in major markets).

In the year, we reached agreement to settle MTN Nigeria's regulatory fine, we repatriated funds from MTN Irancell and successfully restructured the balance sheet. Competitive pressure on data pricing suppressed revenue growth. This, and the need to maintain momentum in rolling out our data network led to lower returns of capital invested.

Key financial capital inputs

	2016	2015
Market capitalisation (R billion) at year-end	238	245
Interest received (R billion)	4,4**	5,4**
Net debt (R billion)	51,9**	31,6**

Outcomes of our activities on financial capital

	2016	2015
Profit/(loss) after tax (R billion)	(3,1)**	23,6**
Operating profit (R billion)	14,1**	35,3**
Cash generated through operations (R billion)	55,7**	57,6**
Net debt to EBITDA ratio^	1,01	0,46
Net interest paid (R billion)	3,7**	1,6**
Basic headline earnings/(loss) per share (cents)	(77)**	746**
Dividends declared to shareholders (R billion)	13,0	24,0
S&P Global Ratings long-term credit rating	BB+	BBB-

^ Excluding the Nigerian fine.
***Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*

How we achieved our outcomes

- Secured US$1 billion bond
- Repatriated R6,3 billion in cash from our Iran operation in 2016 (see 24)
- Agreed to settle NGN330 billion fine, reducing headline earnings
- Reduced dividend from 1 310 cents to 700 cents per share
- Improved our debt maturity profile
- Concluded significant rand banking facilities
- Secured local currency funding in many markets
- Updated and increased our domestic medium-term note programme

Trade-offs in our use of financial capital

By applying financial capital, we are able to grow our business, positively impacting on manufactured, human and intellectual capital, as well as social and relationship capital. However, through our use of financial capital to build new telecoms infrastructure we may negatively impact on the stocks of natural capital.

Our efforts to preserve financial capital through outsourcing and creating greater efficiencies have some negative implications for human and manufactured capital, but enable us to return more cash to shareholders.

Intellectual capital

Our strong brand, experience, technology and procedures and processes constitute our intellectual capital. In a dynamic industry, innovation of products and services is essential, as is a thorough understanding of our customer base. As the business evolves, we require new skills to develop new revenue streams. In developing markets, stimulating local innovation is an important part of economic inclusion, job creation and social development.

In the year, we reinforced our management structures, processes and policies and made senior management appointments to enrich our intellectual capital. We helped support startups, improving the capacity of entrepreneurs to ensure the development of locally relevant digital solutions.

Key intellectual capital inputs

- Our strong and established brand
- Our skilled and experienced employees
- Our partnerships and joint ventures
- More than 20 years' experience of operating in challenging emerging markets

Outcomes of our activities on intellectual capital

	2016	2015
Intangible assets and goodwill (R billion)	**46,5****	55,9**

- MTN Nigeria named the Most Valued Brand in the country (Top 50 Brands survey)
- MTN Uganda won Digital Brand of the Year Africa (Digital Impact Awards Africa)
- MTN Uganda won Best Mobile Financial Service in Uganda
- MTN South Africa named Most Valuable Brand in the country (Brand Finance)
- MTN South Africa won Brand of the Year in the regional tier of the World Branding Awards in the telecoms category
- MTN Ghana named CSR Company of the Year (CSR Excellence Awards)

***Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*

How we achieved our outcomes

- Employee training to develop our intellectual capability
- Partnering with experts in various fields, such as technology and management consultancy
- Creating and maintaining joint ventures and partnerships to expand new revenue streams
- Conducting the MTN Jumia Innovation Challenge in 13 countries and the MTN Mind 2 Machine Challenge in South Africa

Trade-offs in our use of intellectual capital

In the short term, our investment in intellectual capital reduces our stocks of financial capital while boosting in the longer term the stocks of human, financial and social and relationship capital.

How we create value using the six capitals continued

Natural capital

Radio spectrum is a natural capital and the industry's key enabler. Access to it is regulated and is influenced by a country's political and economic priorities. Where we do not have sufficient spectrum, we re-farm existing spectrum to offer our customers LTE services. We also depend on reliable access to energy and land.

Our most material area of environmental impact relates to the consumption of energy by our operations and the use of electronic and electrical equipment by both MTN and our customers. This results in greenhouse gas emissions, end-of-life waste management challenges, and other environmental impacts. As we sell some facilities to tower management companies, some of our impact is transferred. Through our investment in efficient and green power sources, energy and carbon accounting programmes, e-waste management and office-greening projects, we work towards using fewer non-renewable resources and a smaller environmental impact.

Key natural capital inputs

- Radio spectrum in the 800, 900, 1 800, 2 100, 2 300, 2 600 MHz bands

	2016	2015
Gigajoules of energy used	**13 514 716**	15 212 286

Outcomes of our activities on natural capital

	2016	2015
Carbon emissions (tonnes of CO_2 equivalent)	**1 609 704**	1 589 888
GHG emissions avoided (tonnes)	**833**	7 947
Total number of sites, data centre switches, hubs, offices at which energy-efficiency solutions implemented	**10 454**	10 439
Total number of solar and solar-hybrid sites (MTN owned)	**340**	329
E-waste recycled (tonnes)	**537**	534,5
Paper saved (kg)	**15 646**	15 271
Waste recycled (kg)	**1 808**	629

How we achieved our outcomes

- Optimised our network infrastructure for efficiencies through network modernisation and investments in new data centre technologies and facilities which are highly energy efficient
- Changed design of infrastructure to ensure resilience to change in climate or increase in extreme weather events
- Implemented alternative energy measures and thereby improved our energy security, countered increasing energy costs and reduced our exposure to carbon taxes
- Partnered to improve awareness about the problems created by e-waste generation, increase collection and recycling volumes and mitigate our environmental impact
- Secured spectrum in Nigeria, Ghana and Cyprus

Trade-offs in our use of natural capital

The short-term input to securing sufficient spectrum is financial capital. By establishing and maintaining an extensive high-quality network, and by using non-renewable resources, we impact negatively on natural capital. However, through infrastructure sharing, improving energy efficiencies and investing in low-carbon power we are able to mitigate the overall impact on this stock of capital. Opportunities also exist to use our ICT services to help industries improve the management, use and allocation of natural resources.

Social and relationship capital

The ICT sector is an important facilitator of economic development. It contributes directly through the creation of dealer, supplier and other enterprises and the payment of regulatory fees and taxes. Indirect contributions include reducing the cost of transactions and time and travel costs, increasing connectivity and by exposing people to information and opportunities beyond physical boundaries. MTN is among the largest tax payers, corporate employers and largest CSI investors in many of the countries in which we operate.

We work to foster relationships that are built on trust, and so ensure our social licence to operate. This encompasses interactions with all our stakeholders – our customers, employees, investors, civil society organisations, communities, regulators, suppliers, governments, industry partners and the media.

Key social and relationship capital inputs

- Constructive relationships with regulators, customers, trade unions, employees, communities, civil society
- Ongoing interactions with government and tax authorities
- Close engagement with shareholders and investor community

	2016	2015
Countries in which we have a presence	**24**	24
Regulators with whom we interact	**22**	22

Outcomes of our activities on social and relationship capital

	2016	2015
Total tax contributions LA ^ (R billion)	**33,7**	N/A
CSI spend LA (R million)	**295,4**	335,4
BBBEE status in South Africa	**Level 2**	Level 3
Number of calls to whistle-blower line LA	**120**	128
MTN Mobile Money active subscribers (million)	**15,4**	9,8
NPS South Africa (%) LA	**81**	78
NPS Nigeria (%) LA	**30**	14
NPS other key markets (%) LA	**25**	16

^ This data was only assured from 2016.

How we achieved our outcomes

- Agreement to settle Nigeria fine
- Recognition of union in South Africa
- Monitoring staff morale through annual culture survey
- Focusing CSI projects on education, enterprise and health
- Monitoring investor feedback through annual perception study
- Completing new MTN Zakhele Futhi black economic empowerment scheme in South Africa
- Extended MTN Mobile Money services to support broader requirements
- Piloted Internet of Things solutions
- Certified 19 MTN ethics officers
- Offered entrepreneurs opportunities to earn commissions
- Expansion of 3G and LTE networks

Trade-offs in our use of social and relationship capital

Investment in social and relationship capital reduces our financial capital in the short term. However, by helping to close the digital divide (including through our CSI work) we ultimately boost financial capital, and also build the stocks of human and intellectual capital.

Social and relationship capital continued

Our approach to social investment

The launch of the MTN South Africa Foundation by former President Nelson Mandela on 5 December 2001 marked the formalisation of MTN's commitment to creating shared value in the communities in which we operate. In the 15 years since then, as we have expanded across the emerging world, we have established 13 more foundations.

A multi-media laboratory at Bongani High School, Douglas, Northern Cape, South Africa.

- We finance projects that build people's capacity and self-reliance using digital technology.
- We work mainly in education, but also in the health sector and assist with the development of small enterprises and other national priority areas.
- In 2016, we committed R295,4 million LA in social investment, almost half of which was to improve access to education.

Highlights of our education programme

We implemented a number of digital teaching and learning initiatives. In many markets, we established multimedia centres, with PCs, workstations, servers, printers, projectors and internet connectivity to enable remote access to tutorials, such as the Cyber Cloud solution in **Cameroon**. We rolled out similar centres in **Benin, Ghana, Ivory Coast, Rwanda** and **Congo**.

- We also set up computer labs for special needs learners in **South Africa.**
- In **Sudan**, we installed interactive whiteboards and trained teachers on how to use them.
- We set up mobile libraries in **Cameroon**, and opened the first of eight libraries planned for **Congo-Brazzaville.**
- In **Guinea-Bissau** we helped parents pay school fees through a secure MTN Mobile Money fees system, which also helped schools safeguard their revenues.
- In **Swaziland**, MTN's Educare programme broadcasts maths and science lessons, delivering content via social media, allowing learners to interact with teachers in real time.
- In **Cyprus**, we launched MTN Read – an app with a digital library offering more than 70 eBooks spanning primary and secondary school curricula.
- In **Ivory Coast**, we partnered with Succes Assuré to make quality education content easily accessible. Learners received free online access to curricula, educational videos, courses, tests, previous exams, exercises and model answers.

The MTN Internet Bus in North Uganda.

- In **Uganda**, the MTN Internet Bus toured the country and exposed people in rural areas to ICT. We also supported the government's drive to digitise secondary school learning material.

The handover of three primary schools in Kumba, South West region of Cameroon.

Telling Africa's history from another perspective

MTN is committed to support UNESCO's drive to write Africa's history from an African perspective, through the General History of Africa initiative. By supporting the second phase of this project, MTN is participating in a crucial education initiative aimed at re-appropriating the interpretation and writing of Africa's history, as well as emphasising the contribution of African cultures to the history of humanity.

MTN's donation of books to the Abura Dunkwa Community Library, Central Region of Ghana.

Encouraging volunteerism

For the 10th year running for 21 days in June 2016, MTN employees across our footprint volunteered to participate in a number of diverse and high-impact community projects. Armed with purpose and an unfailing "can do" spirit, over 10 500 MTNers left the comfort of their offices and became bricklayers, carpenters, painters and tutors, to make the lives of our communities a whole lot brighter. By the end of the three weeks, these volunteers had:

- built 10 classrooms;
- established 56 libraries, including two digital libraries, one mobile library, 50 mini-libraries, an audio library and two standard libraries;
- established eight ICT laboratories; and
- benefited over 100 000 people.

MTN Ivory Coast CEO Freddy Tchala participating in the annual 21 days of Y'ello Care.

A computer lab established at an orphanage in Afghanistan.

"21 Days of Y'ello Care" has become an extension of our positive social contribution and the associated work of MTN Foundations and social investment departments. It is a platform where ordinary people can make an extraordinary difference to those around them.

Relationships on which we rely to create value

Successful interactions with our stakeholders are essential for sustainable value creation. We strive to understand what is important to those who impact our business, as well as to those on whom we have an impact, and to be responsive to their expectations. This informs our material issues, our strategy development and evaluation and our management of risks.

2016 marked the second year during which our opcos reported against the new protocol on stakeholder relationship management and monitoring. In addition, we added new measures to gauge the perceptions of CSI, ethics and issue management on the reputation of the organisation and to create a trackable "reputation score" for each country.

We formalised engagement and involvement of our 10 primary stakeholder groups in our core business activities and made measurement and reporting more systematic. We also introduced some structural changes to heighten stakeholder focus. The business accountability for stakeholder engagement and relationships was assigned at executive level and placed under the three regional vice-presidents. We created a Group executive position for regulatory affairs and public policy. These measures ensured that accountability for reputation is at the highest level in the organisation and that regulatory oversight from the centre is strengthened. The board's social and ethics committee continued to have quarterly oversight over MTN's corporate reputation activities, recommending improvements, among them a complete review of the compliance levels for all the MTN Foundations and CSI divisions to the Group's strategy and policy. Our social and ethics committee report can be found online SE, as can our detailed stakeholder engagement report. SH

Our key stakeholder themes

The key stakeholder themes in 2016 are derived from our interactions in the year and describe those issues on which management engaged the most, and on which the sustainability of the business relies. All are linked to the execution and delivery of our strategy and are measured through KPIs (30).

Key stakeholder themes	Our actions in 2016	Link to strategy and material issues
Heightened regulatory scrutiny and uncertainty The impact of the circumstances that led to the Nigerian Communications Commission imposing a significant fine on MTN Nigeria in late 2015 was felt across MTN's African footprint. This led to increased vigilance, both by the regulatory authorities and network operators.	• Enhanced our compliance structure and established an operational risk and compliance committee to ensure all licence requirements are adhered to, key among which was proper registration of subscribers, failing which we risked incurring more penalties. • Increased engagement with **regulators** and **customers** to minimise the business impact of subscriber termination and new registrations across our markets. • Strengthened MTN's regulatory function, with executive oversight and support from the Group. Appointed an executive for Group regulatory affairs and public policy. • Increased engagement with **regulators** to drive MTN's growth agenda, as well as to mitigate regulatory risks, including non-compliance with licensing conditions.	3 MI
Quality of service MTN operates in dynamic markets characterised by rapidly changing **customer** needs and growing demand for world-class services. The shift to data services has increased network requirements and customer expectations for quality services. Often this leads to network quality challenges, which ultimately undermine MTN's brand promise.	• Continued to roll out competitive value propositions to customers as part of delivering a bold new Digital World. • Continued to modernise and expand network infrastructure. • Increased regulatory engagements on new spectrum allocation across our markets. • Secured new spectrum in many markets. • Educated **customers** about use and pricing of digital services through engagements and marketing campaigns. • Implemented a "fair treatment" policy for digital services.	2 MI 5 MI
Corporate citizenship Society's expectation of business continues to grow, so do MTN's corporate citizenship activities evolve to drive socio-economic development in our markets.	• MTN remains one of the largest contributors to fiscal revenues in the vast majority of our markets, enabling governments to provide social services to citizens. • MTN Foundations continue to transform people's lives in the areas of education, health and enterprise development. • The work of MTN Foundations creates enduring positive perceptions of the MTN brand in our **communities** (see (18 – 19).	1 MI 3 MI

The changes implemented in 2016 improved the upward flow of information and insights, as well as the quality of stakeholder engagements and outcomes. They also led to better sharing within the Group: quarterly stakeholder theme feedback to opcos at regional workshops builds a collective understanding of stakeholder relations, and sharing of ideas, activities and approaches to stakeholder engagement. We will do more work in 2017 to improve alignment and sharing of stakeholder approaches to enhance MTN's reputation. Creating and managing stakeholder value remains one of our strategic themes, essential for good business management.

Our executive chairman's report

The last 18 months have undoubtedly been the most difficult period in MTN's history. We faced unprecedented challenges, precipitated by regulatory, macro-economic, political and competitive forces in our two largest markets, Nigeria and South Africa. With the Nigerian fine settled and deeper senior management capacity and skills in place, the board conducted a fundamental review of the business. The review flagged a number of issues in need of attention and affirmed the Group's unique strategic advantages on which we continue to build a sustainable business. The findings necessitated a decisive response, precipitating our business transformation initiative, IGNITE, which sets out a roadmap for the next 18 months. There is still much to be done, but also much to look forward to for the people and stakeholders of MTN.

Weathering the perfect storm

MTN's operating environment remained challenging in 2016. Global economic growth slowed and sub-Saharan Africa followed suit, with many of its economies constrained by their reliance on commodity exports. This put consumer spending under pressure, restricting the Group's revenue growth, and triggered currency volatility across our footprint, which drove up foreign-denominated expenses and foreign exchange losses in the year.

Regulatory requirements intensified, with economic vulnerability prompting unfortunate policy reactions and additional taxes in some markets. SIM card registration requirements remained a feature, with the consequential disconnections most keenly felt in Nigeria, Uganda and Cameroon. In South Africa, there were further delays in awarding spectrum, to the detriment of the country's ICT development – a situation that requires urgent resolution. In Nigeria, the regulator's classification of MTN as a "dominant operator" continued to undermine our competitiveness, affecting pricing and efficiency of offers approved. There was no respite from difficult competitive conditions as regards to voice and data services across all markets.

After extensive engagement with the Federal Government of Nigeria (FGN), on 10 June 2016, we resolved to pay 330 billion Nigerian naira (R25,1 billion based on a fixed exchange rate at the time) over three years in full and final settlement of the regulatory fine imposed on MTN Nigeria in 2015. This represents a reduction of R34 billion in the original fine. Our relationship with the regulatory authorities in Nigeria improved considerably over the course of resolving this matter, auguring well for MTN Nigeria's continued recovery, especially as we seek to address the impact on our competitive position on the "dominant operator" categorisation by the NCC.

* *Constant currency (organic) information.*
** *Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*
*** *The forward-looking financial information disclosed in this Integrated Report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

We continued to engage constructively with various agents of the FGN with the view to meeting the other regulatory conditions imposed as part of the settlement of the fine, including a planned listing of MTN Nigeria on the Nigerian Stock Exchange when conditions are favourable.

Despite the weak economic environment and the significant disruption of the Nigerian fine, there were early signs of being on the road to recovery in both South Africa and Nigeria. Towards the end of 2016, the turnaround reflected in revenue growth and market share gains in MTN Nigeria, and a more favourable revenue mix and better profitability in MTN South Africa. Both operations achieved meaningful improvements in their net promoter scores (NPS) and this trend extended into the first few months of 2017.

MTN Irancell reported a strong performance driven by data revenue growth. Youthful demographics, higher GDP and increased smartphone penetration provided a conducive environment for its performance.

MTN Ghana also reported a solid performance supported by data revenue growth, while MTN Uganda, MTN Cameroon and MTN Ivory Coast showed improved momentum towards the fourth quarter of 2016.

The depreciation of the rand and the significant fall in the naira against the US dollar constrained growth in Group revenue. However, data revenue grew by 19,7%* to contribute 27% of total revenue, supported by the decision to accelerate network investment particularly in South Africa, Nigeria and Iran. Our NPS improved in many markets as we

Phuthuma Nhleko, *Group executive chairman*

gained ground on competitors. Group NPS rose from 24% in December 2015 to 35% in December 2016, underpinned by improvements in network quality, value offerings and brand image.

The Group reported a number of material once-off costs, which negatively impacted Group EBITDA. These costs include the Nigerian regulatory fine of R10 499 million**; professional fees related to the settlement of the Nigerian regulatory fine of R1 324 million**; MTN Zakhele Futhi share-based payment expense of R1 008 million**; the impairment of property, plant and equipment in South Sudan of R295 million (R2 679 million*) and Project Winback, relating to the reconnection of subscribers in Nigeria of R530 million**. As a result of these once-off costs, EBITDA declined by 31,1%** to R40 751 million**. Excluding the impact of hyperinflation and the attributable goodwill impairment, tower profits, the Nigerian regulatory fine and the MTN Zakhele Futhi share-based payment expense, EBITDA declined 13,2%.

Reported basic headline earnings per share (HEPS) declined by 110%** to a loss of 77 cents**. This was significantly impacted by the Nigerian regulatory fine, which had a 500 cents negative impact on HEPS. 455 cents was non-recurring and 45 cents related to the interest unwind of the fine. In addition, HEPS was negatively impacted by:

- Foreign exchange losses of 329 cents;
- Losses from MTN's 51% equity interest in Nigeria Tower InterCo B.V. of 122 cents mainly as a result of unrealised foreign exchange losses on US dollar-denominated loans (non-recurring from 1 February 2017 when MTN exchanged its 51% interest in Nigeria Tower InterCo B.V. for an increased stake in IHS Holdings Limited, now at approximately 29%);
- The MTN Zakhele Futhi impact of 88 cents;
- Professional fees related to the settlement of the Nigerian regulatory fine of 73 cents (non-recurring);
- Losses from our investments in Digital Group, mainly including Africa Internet Holdings (AIH), Middle East Internet Holdings (MEIH) and Iran Internet Group (IIG) of 39 cents; and
- Hyperinflation of 37 cents.

During the year, we focused on restoring the strength of the Group's balance sheet, with our capital structure receiving considerable attention.

In the year we repatriated R6 308 million (€425 million) from MTN Irancell, being the entire amount due under the loan advanced for the licence fee in 2005. Subsequent to year end, the operational dividends of the last five years presently due to MTN were paid by MTN Irancell, totalling €468 million. This brings the total repatriation to €893 million. In 2015, MTN converted a portion of the dividends due to an interest-bearing loan of €135 million (at the 2016 year end closing exchange rate). This loan is due for settlement on 30 September 2017. This will substantially close the matter on the long outstanding payments due from MTN Irancell.

To meet ongoing capital expenditure and working capital requirements, we successfully refinanced maturing facilities and secured additional long-term financing facilities from local and international sources. This included issuing a US$1 billion bond. These initiatives diversified MTN's sources of funding, improved our debt maturity profile and gave us access to sufficient liquidity to respond swiftly to the ongoing needs of the business.

The board declared a second half dividend of 450 cents per share, bringing to 700 cents the total dividend for the year, down from 1 310 cents for 2015.

Leading the change to MTN of the future

As we continue to reinvigorate MTN's pioneering spirit it will be essential for the leadership team to explore new and innovative ways of leveraging various prospects available to the Group. To this end, our primary focus in the structural, strategic, operational and cultural shake-up necessary to position the Group for the future has been to find a suitable Group CEO and to strengthen our management teams.

We settled on an earlier-than-planned start date of 13 March 2017 for Rob Shuter to take office as the Group President and CEO, after which I will return to my role as non-executive chairman until I step down in December 2018. Rob has extensive leadership experience, familiarity and understanding of Africa's competitive markets and experience in the high-value customer segments gleaned from his work in Europe. In addition, his financial services expertise is pertinent to position the Group for new growth in a converging telecommunications industry.

Our NPS improved in many markets as we gained ground on competitors.

To ensure sufficient depth and wider experience within management, we appointed several senior executives with the requisite skills to take MTN into a new growth phase. The reinvigorated management team, of high calibre and diversity provides the qualitative basis for the success of IGNITE and beyond as the Group seeks to realise its full potential. Notably, the revised team includes dedicated executive focus on strategic business development and business transformation.

The additional capacity within the executive team has been replicated at board level, with key independent non-executive appointments made to the boards of MTN Group and MTN South Africa. Five new directors have been appointed to the MTN Group board over the past two years, and another two appointments will be made in the coming year to replace retiring directors. Besides the necessary succession planning, these changes have focused on deepening our commercial, risk and governance skills and experience, and aligning the board's collective expertise to the Group's strategic trajectory. I am confident that the boards now have the depth of skill and independence necessary to provide robust counsel and credible challenge to management's thinking in approving strategic plans and resource allocation. In MTN Nigeria, the planned listing will provide an opportunity to re-constitute that board accordingly.

My thanks are due to Johnson Njeke and Jan Strydom, who retired as directors in the year, for their valuable contribution over many years.

The board is confident that the operating structure and the manner in which it has been capacitated is fit for purpose. The multi-layered management reinforces oversight through stronger regional supervision and commercial focus across our broad network of operations, while giving the board improved visibility. Greater attention has been placed on regulatory and compliance issues, including compliance training, with the intention to support a more integrated approach to governance, risk, stakeholder management and operational imperatives.

A plan to transform and grow

We are focused on the key objectives of transforming the Group's operating model to realise the significant value inherent in our core business, and accelerating the growth of new revenue streams to diversify our base as voice revenue declines. In support of these objectives, we will look to improve certain operational processes and deploy capital resources – both our people and our money – more effectively.

These objectives are encapsulated in IGNITE, which we launched in MTN South Africa and MTN Nigeria and will be rolled out to all operations in the coming years. IGNITE is about shaping the future of MTN, as a more agile, efficient, innovative and profitable Group. The initiative will improve the co-ordination between marketing, advanced data analytics and network utilisation as the basis for delivering excellent customer experiences and value propositions. Ultimately, IGNITE is about realising our vision of leading the delivery of a bold, new digital world to our customers.

As we make the far-reaching changes necessary to reclaim the Group's position as a formidable competitor and pioneer in our markets, we recognise the importance of striking the right balance between driving performance and ensuring the health of our organisation. The events of the last 18 months have understandably put the organisation under significant strain in a number of areas.

Our markets have attractive growth profiles given their relative under-development.

This is likely to continue in the short term. However, the transformation plan was developed in a consultative way and should support the resolve and resilience that will be required to ensure the Group's normality, enabling it to meet its vision. Moreover, we established a Group transformation office to support our people through the change and ensure the effective implementation of all related initiatives and enablers. This office reports directly to a Group transformation board, which I chair.

We shall also continue to focus on our people management initiatives as a matter of course. The progress made in employment equity in South Africa and elsewhere in terms of the relevant localisation and diversity requirements are an important aspect of our employee value proposition and ethos of the Group.

Looking beyond the immediate need to transform, the opportunities that derive from our strong position are compelling and the Group has enormous scope for growth in the medium to longer term. We are online with the 240,4 million customers across our base and we have extensive distribution platforms to reach them. Our markets have attractive growth profiles given their relative underdevelopment and the extraordinary power of ICT to accelerate socio-economic advances. Our portfolio of new revenue streams is already plugged into this potential, and we will accelerate their development in the years ahead.

Our lifestyle and mobile financial services offerings supported growth of 44,2% in digital services revenue in 2016. Most notably, we expect MTN Mobile Money to be a significant revenue driver in our medium-sized markets as the service reaches critical mass. The number of customers of the service has grown to 41 million across the Group, with the number of 30-day active customers up 55,3% to 15,4 million across 15 countries. In addition to financial services such as remittances, we launched our micro-lending and savings offerings MoKash in Uganda and Zambia and Ayo, our insurance joint venture with MMI Holdings, in Uganda.

Our e-commerce offerings recorded mixed results in the year. We experienced slower growth in the Africa business mainly due to Nigeria's weak economy, somewhat offset by our entry into new markets like Morocco and Ivory Coast. The Middle East business posted double-digit monthly growth in revenue and customer numbers across all business lines. Our Iranian e-commerce business, which is the market leader, gained significant momentum based on favourable demographics and the economic revival of that country.

In our Enterprise Business Unit (EBU), the tough economic environment prompted customers to optimise operational efficiencies, resulting in the consolidation of accounts. In line with the Group strategic objective to accelerate growth in this area, we appointed a new executive head of Group EBU.

To leverage the Group's infrastructure base more effectively, on 1 February 2017 we exchanged our 51% share of Nigeria Tower InterCo B.V. (the parent of Nigerian telecoms tower operator INT Towers Limited) for an increased stake, from approximately 15% to approximately 29%, in IHS Holdings Limited (IHS). IHS is the largest independent tower operator in Africa and Middle East with over 23 000 towers. The transaction has enabled MTN to simplify the ownership structure and diversify our exposure to tower infrastructure across the IHS Group. MTN will no longer equity account our INT joint venture from 1 February 2017 onwards.

Our commitment to the sustainable development of the markets we serve is an important aspect of the responsibility we assume as a significant corporate citizen of the countries in which we operate. During the year, we successfully extended our black economic empowerment scheme in South Africa with the MTN Zakhele Futhi share offer, which gave the black public and existing MTN Zakhele shareholders another opportunity to invest – at a meaningful discount – in MTN's growth story.

Ultimately, IGNITE is about realising our vision of leading the delivery of a bold, new Digital World to our customers.

Looking forward to a new era

The board is comfortable that the measures put in place during the year are robust and preclude a re-occurrence of anything like what we have dealt with of late. However, the reality is that MTN operates in difficult environments, in which the respective political dispensations and regulatory frameworks remain unpredictable, exacerbated by the prevailing economic vulnerability. The changes we have made to the operating structure and management team should give stakeholders comfort that we can navigate these realities, and that we have our attention firmly focused on those factors within our control.

We have set aggressive six, 12 and 18-month targets for IGNITE, providing a clear basis to hold us to account. While ambitious, we believe the targets are achievable, although the downside risks to our assumptions include worsening macro-economic conditions and currency weakness specifically in Nigeria and South Africa, as well as any undue regulatory changes.

Despite the recent disruptions in some markets, Africa is still expected to deliver relatively robust economic growth over the medium to long term. MTN's unique position and the transformation under way will provide a springboard for the future growth of our operations across the continent. At MTN Nigeria, further improvements in network quality will remain a priority and we expect to strengthen our competitive position despite the weak economy. We also expect the recovery by MTN South Africa to continue, supported by a sharp focus on customer service and significantly improved network quality, capacity and speed.

New revenue streams, particularly digital services, should increase their contribution over the next 18 months, supported by a more focused approach and the process initiated to establish an advanced analytics unit. We expect our e-commerce joint ventures AIH, MEIH and IIG to continue growing strongly in customers and revenue and with improving unit economies. While a slowing economy and associated currency volatility in Nigeria and Egypt will affect AIH and MEIH, IIG is expected to benefit from improving GDP growth in Iran. The growth in that country following the easing of sanctions offers significant opportunities to expand, particularly in digital services.

MTN Nigeria will prepare for listing, subject to more suitable macro-economic conditions and the appropriate approvals from relevant stakeholders. MTN Ghana is working with regulators on its localisation transaction, which is expected to be completed during 2017. Going forward, the movement of monies from MTN Irancell is expected to normalise.

Given the network investment required to support our improving competitiveness over the next 18 months, capital expenditure will remain at around R35 billion in 2017. We will continue to review infrastructure investment opportunities, including Iran.

I am in no doubt that the Group has heeded the resounding wake-up call of this time. We have delivered against all reasonable expectations that our stakeholders had of us in response to the challenges we faced. I am confident the building blocks are now in place for a full recovery and higher growth trajectory, as we look forward to a new era for MTN.

Our ability to come through the difficulty, and to emerge stronger for it, would not have been possible without the resolute support of MTN's people, shareholders, regulators and governments. Our appreciation is grounded in our commitment to continue improving and restoring your trust by keeping the promises we have made.

Phuthuma Nhleko
Group executive chairman

** Constant currency (organic) information.*
*** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*
**** The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

By investing in MTN, shareholders are able to benefit from our significant differentiators: our scale and coverage; our experience and abilities; and our brand and balance sheet.

MTN's diverse portfolio will enable us to be successful in the new digital world:

- **240 million subscribers**
- **Strong presence in 24 countries,** 22 of which have GSM operations
- **MTN Nigeria and MTN South Africa named most valuable brands in those countries in 2016**
- **Significant untapped telephony potential**
- **Superior network coverage across Africa and the Middle East** (over 100 000 sites for 2G, 3G and 4G across our footprint)

- **19 989 diverse employees** who understand how to do business in challenging markets

- **15,4 million** active **MTN Mobile Money** users
- **Detailed information about consumer behaviour**
- **Undemanding share valuation**

AS WELL AS

- New senior management appointments with the skills required to take MTN into a new growth phase
- New organisational structure to enhance operational and governance oversight
- Refreshed board to ensure in-depth commercial, risk and governance skills and experience
- Deep and fundamental review of our operating model

The opportunity in Africa remains attractive, with consumption expected to grow significantly by 2025, driven by middle and high-income households. We are constantly refining our business model and strategy to participate in, and benefit from, the continent's exciting new growth phase.

Our strategic performance in 2016

MTN's strategy is built around five strategic themes: **creating and managing stakeholder value** and **innovation and best practice** describe our approach to our work, people and other stakeholders. Tangible priorities under **creating a distinct customer experience, driving sustainable growth** and **transforming our operating model** define how we strive to secure a sustainable competitive advantage and deliver superior shareholder returns.

Strategic themes	Three to five-year strategic objectives	2016 KPIs	2016 performance
Creating and managing stakeholder value 1 MI 2 MI 3 MI 4 MI	• Sustainable shareholder returns	• Dividend • Repatriation of cash from Iran	• H2 16 dividend of 450 cents per share, total FY16 dividend of 700 cents per share • Repatriated R6,3 billion from Iran
	• Responsible corporate citizenship	• Corporate reputation and stakeholder management – improve positive market sentiments	• Improved stakeholder reputation sentiment across all regions and improved stakeholder engagement outcomes
	• Creating a great place to work	• Employee engagement through productivity and reduced turnover – increase year-on-year (YoY) Group culture audit results	• Improved engagement score with reduced staff turnover
	• Instilling sound governance and values	• Risk and compliance – successful closure of internal audit findings and proactive compliance management	• Partial engagement and closure of audit findings
Creating a distinct customer experience 2 MI 3 MI 5 MI	• Brand leadership	• Drive positioning of Company as the leading customer operator by placing emphasis on the following net promoter score (NPS) dimensions:	
	• Customer experience	• Overall NPS improvement	• Lower than expected performance of relative score in comparison to the main competitor
	• Customer analytics	• Value (offerings) NPS	• Lower than expected performance of relative score in comparison to the main competitor
	• Network quality and coverage	• Network quality NPS	• Lower than expected performance of relative score in comparison to the main competitor
		• Service and billing NPS	• Slight reduction in the relative score in comparison to the main competitor
Driving sustainable growth 2 MI 5 MI	• MTN in the digital space	• Digital revenue growth	• 44,2% YoY growth, exceeded target
	• Adjacent sectors	• Mobile financial services revenue growth	• 61% YoY growth but below target
	• Voice and data evolution	• Access data growth	• 5,2% YoY growth but below target
	• Enterprise strategy	• EBU growth (with emphasis on ICT)	• 12,2% YoY growth but below target
	• M&A and partnerships	• Nigeria listing • MTN Ghana localisation • IHS/INT transaction	• MTN Nigeria hired advisors and is pursuing listing subject to market conditions and regulatory approvals. • Preparation to offer up to 35% of MTN Ghana to Ghanaians and Ghanaian entities underway • Exchanged stake in INT for additional stake in IHS in January 2017
Transforming our operating model 1 MI 5 MI	• Asset optimisation	• Sustainable profitability – driving effective return through efficient capitalisation (ROACE)	• Below target
	• Supply chain management	• Cost control – focusing on zero-based budgeting to increase efficiency	• Effective model to be built and used in South Africa, Nigeria, Ghana and Cameroon
Innovation and best practice 5 MI	• Best practice sharing		

Key: Good progress made | We are working on it | Requires attention

Here we provide an analysis of the Group's performance against strategic themes in the year. Using some of the main key performance indicators (KPIs) that we measure, we rate the Group's 2016 performance against targets set for the year and indicate the material issues, capitals and stakeholders that are most relevant to each KPI. We also list the executives whose primary responsibility it was to deliver on each KPI in 2016.

	Status	Relevant capital	Relevant stakeholders	Primary executive responsible in 2016	2017 – 2018
		Financial	Shareholders	Gunter Engling@	FY2017 dividend anticipated to be 700 cents*** per share at the discretion of the board and taking into consideration market conditions
		Social	All	Paul Norman	• Continue to improve stakeholder management to enhance MTN's reputation
		Human	Employees	Paul Norman	• Continue to improve employee engagement
		All	All	Gunter Engling@, Suren Sooklal	• Intensify compliance and regulatory training • Consolidate MTN's compliance framework • Increase audit activities
		Social and relationship	Customers	Jyoti Desai#, Godfrey Motsa, Karl Toriola, Ismail Jaroudi, Mteto Nyati, Ferdi Moolman	• 2017 capital expenditure guidance of R34,8 billion*** • Continue to improve NPS
		Social and relationship	Customers		
		Social and relationship	Customers		
		Social and relationship	Customers		
		Financial	Shareholders, customers	Jyoti Desai#, Godfrey Motsa, Karl Toriola, Ismail Jaroudi, Mteto Nyati, Ferdi Moolman	• Net addition guidance of 8,3 million • Project IGNITE • Increasing contribution of new revenue streams
		Financial	Shareholders, customers		
		Financial	Shareholders, customers		
		Financial	Shareholders, customers		
		Social and relationship	Regulators Shareholders		
		Social and relationship	Regulators Shareholders		
		Financial	Business partners	Stephen van Coller	
		Financial	Shareholders	Gunter Engling@	• Project IGNITE
		Financial	Shareholders	Gunter Engling@	
		Financial	Customers, shareholders	All	

Since retired.
@ Appointed as acting CFO on 1 October 2016.

While the mandates of all executives are clearly defined, at publishing date, detailed KPIs for 2017 were still being finalised.

Our approach to risk

The effective management of risk is essential in our work to deliver on our strategy that is driven through a number of board-approved strategic objectives, which are constantly monitored to ensure that they are met.

Our risk management process

The MTN board understands and takes accountability for all risks and delegates responsibility for overseeing the effectiveness of risk management to the audit committee, the risk management, compliance and corporate governance committee, the remuneration and human resources committee and the social and ethics committee.

Aligning risk management and corporate governance

MTN's risk management frameworks guide the operation of our business units, with whom primary responsibility for risk management resides. During the year, we undertook training and awareness interventions to improve the consistent application of various risk frameworks across the organisation.

Our approach to risk management is reviewed and amended where necessary to meet a rapidly changing environment.

During the year our business risk management (BRM) function commenced on its three-year transformation journey to create a world-class function that caters for MTN's current and future business needs in an effective and efficient manner. We are focusing on three pillars to achieve our desired level of maturity. They are as follows:

Governance – We enhanced governance through the creation of new committees and new organisational structures and the revision of delegations and mandates.

People – We acquired new specialist skills and augmented the capacity of our assurance, risk management and compliance functions. With the introduction of specialists, we significantly increased the capability of the group function to meet the current and future needs of MTN.

Methods and practices – We implemented new tools, policies and frameworks to enhance the efficiency, effectiveness, co-ordination and reporting of assurance and risk management activities.

During 2017, the focus of the implementation of our transformation roadmap will shift to our operating companies, where we will continue to ensure the following:

- The right tone at the top, both at Group level and at all operating units and entities.
- Clear measures of success and regular and robust monitoring of performance.
- Strong relationships at all levels of the business.

Business continuity management and crisis risk management

Our Group-wide BCM programme is gaining momentum and made significant progress during the year. We will continue to focus on the programme in order to enhance the level of maturity of our business continuity activities.

Our BCM approach leverages on industry best practice and standards, including ISO 22301 standards for BCM and the Business Continuity Institute Good Practice Guidelines, and ensures that we put in place adequate measures to protect our business brand and reputation and comply with statutory regulatory and contractual obligations. In addition, we are extending our BCM programme to enhance our business resilience.

During the year, we developed and implemented a Group-wide crisis management plan to deal with crisis events. With the establishment of new crisis management structures, we are able to respond to any crisis event in a structured and efficient manner. This aims to improve our capability to respond to and manage crisis events across the MTN Group.

Insurance and risk transfer

The MTN insurance programme is built around the close connection between risk management and insurance using an annual assessment of risk management at each operating company.

To achieve this, there is a strong commitment to the risk management assessment process, improving operational management's adoption of risk management best practices and to reduce risks across the entire insurance programme.

We have an insurance programme in place that covers perils such as physical/material damage, business interruption, political risk, public liability, directors' and officers' liability, cyber liability, crime and professional indemnity. The limits of indemnity for these covers have been structured to ensure that MTN has adequate cover for its risks but at the same time ensure that the Group gets maximum value from the programme and that premium spend is efficient. We believe that risk retention and self-insurance are necessary to keep premiums at reasonable levels and show commitment towards risk management. Our retention levels differ from policy to policy, guided by the nature of the risk being transferred. We also have a combination of cell captive structure, Multilateral Investment Guarantee Agency cover and Export Credit Insurance Guarantee Agency cover for some of the other insurance risks.

Information and technology governance

We at MTN acknowledge that information and technology are integral strategic assets to enable the delivery of "a bold new Digital World" to our customers. The Group's commitment to sound governance is supported by the ongoing activities and efforts in embedding the King Code of Corporate Governance principles and recommendations, with specific focus on technology governance through the establishment of various responsibilities, processes and supporting governance structures.

We significantly enhanced our Group information security function in the year with the appointment of a Group information security officer and approval of a more fit-for-purpose structure. We developed a new security approach, which we are busy implementing. It aims at using security as an enabler to business, by creating trust in the Digital World through new investments for a secured future in order to proactively manage cyber and privacy risk.

Fraud risk management

MTN Group's fraud risk management approach continues to evolve to meet the dynamic shifts in international fraud risk trends. Historically, we had focused on fraud detection and response, however we are now placing greater emphasis on proactive fraud prevention strategies. The significant components of our fraud prevention plan are the effective integration of fraud risk management within an integrated assurance environment, the rollout of the MTN Group ethics framework and greater organisational fraud awareness.

In 2016, 13 MTN operations had dedicated forensic personnel. The rest of the opcos were supported by the local internal audit and enterprise risk management functions or the Group fraud risk management function.

The majority of identified fraud incidents are reported via internal channels with employees preferring to report potential fraud incidents directly to the investigation team. However, we at MTN continue to provide employees and relevant stakeholders with access to an anonymous reporting facility managed by Deloitte. All whistle-blowing reports received are investigated and feedback is provided to the Group audit and risk committee to ensure that we maintain independent governance.

MTN Group's top fraud risks in 2016 were:

- Procure-to-pay associated fraud risks.
- Products and services-related fraud risks (including distribution channels).
- Financial services-related fraud risks.
- Cyber crime and confidential information leakage.

Internal audit

The MTN Group and all subsidiaries embrace the principles of the King III report and recognise the significant opportunities that present themselves to companies that do so.

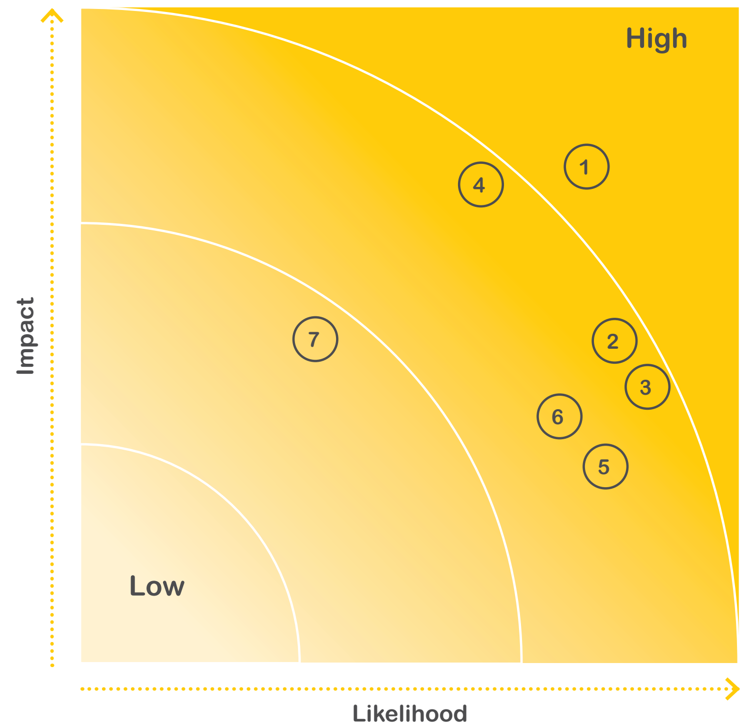
Internal audit continues to play the role of an objective and independent value-adding assurance provider. It takes into consideration the risks that may hamper the achievement of strategic objectives and risk profile of the organisation to determine the effectiveness of the internal control environment and risk management.

MTN's internal audit function has adopted an integrated assurance model as a co-ordinated approach by three lines of defence. MTN has dedicated teams that perform internal audits across the Group. The current function is being transformed in line with the recommendations of an evaluation of the department that was undertaken during 2015. At a Group level, internal audit reports functionally to the audit committee and administratively to the Group president and CEO. Internal audit coverage is extended to all operations and all high-risk processes are included in line with the internal audit methodology.

Our top risks

Using an integrated assurance methodology, in 2016 we considered the following to be MTN's most material risks based on the residual risk rating of each. This takes into account the probability of the risk occurring, the impact should it materialise and the mitigation strategies in place. The fact that we disclose details of these top risks means that each is important to MTN and, even though rankings change during the year, each of these risks receives equal management attention.

Group top risks at a glance



RISK	RISK DESCRIPTION
1	Adverse regulatory changes or non-compliance with laws and regulations
2	Network performance
3	Financial performance
4	Liquidity and hard currency availability
5	Compromised information security
6	Strategic execution risk
7	Create and maintain a competitive advantage

Mitigating our top risks

Here we provide details of our top risks in 2016, the mitigation strategies we implemented and how well they worked, as well as the link of each risk to our strategy and the associated opportunities.

Risk name and impact if not managed	Mitigation strategies	Link to strategy
Adverse regulatory changes or non-compliance with laws and regulations We have business ventures in a large number of jurisdictions and therefore must comply with an extensive range of laws and regulations. Increased regulatory or legal changes/requirements may negatively impact our business model, and affect revenue and profits. 3 MI 5 MI	• Strengthening of compliance and regulatory functions and governance structures. • Enhancing skills in the compliance and regulatory environment. • Enhancing non-compliance monitoring and reporting via a Red Flag Database. • Close monitoring of subscriber registration processes. • Assigning greater audit focus/coverage to compliance and regulatory processes.	
Network performance We depend on the uninterrupted operation of our networks to provide our services. From time to time customers experience data quality issues because of network constraints. Lack of timeous, effective and efficient capital investments to cater for greater subscriber numbers and traffic could lead to a loss of customers, and in turn a loss in revenue and a reduction in EBITDA margin. 2 MI 3 MI 5 MI	• Implementation of network modernisation programme. • Improvement of disaster recovery plan guidelines to enhance resilience of our networks. • Focus on spectrum acquisition, efficiency and utilisation.	
Financial performance Economic performance of the emerging markets in which we operate has been impacted by a fall in demand for and prices of commodities, and a slowdown in economic growth. This has adversely impacted the value of the currencies of these markets. Revenue growth is significantly hampered by a reduction in industry tariffs, regulator-imposed disconnections of subscribers and increased competition. As our performance is closely watched by stakeholders, any lower-than-expected performance may impact our brand and reputation. 1 MI 2 MI 3 MI 5 MI	• Closely monitor industry and market segment trends. • Implementing governance to ongoing cost-saving initiatives. • Focus on growth in data revenue and new revenue streams from digital businesses. • Focus on developing digital and EBU segmented reporting to provide view on new revenue streams. • Rollout of zero-based budgeting. • Renegotiate with vendors to convert forex-denominated contracts to local currency.	

	MTN's achievements in 2016	Opportunities in 2017	Risk ranking 2016	Risk ranking 2015
	• Strengthened compliance and regulatory functions through appointments of regional compliance officers, opco compliance officers and an executive for regulatory affairs. • Established Group compliance committee to focus on compliance, regulatory and risk-related matters. • Established central policy repository. • Implemented compliance software toolkit enabling opcos to define and maintain their compliance universe. • Conducted third-party assurance on anti-bribery and corruption policies and processes.	• Consolidation of MTN's compliance framework. • Intensify compliance and regulatory training. • Increase audit activity.	**1**	3
	• Spent R35,3 billion on network rollout, systems and improvements across our markets. • Connected 928 sites to fibre. • Distributed enhanced DRP guidelines to all opcos. • Secured spectrum in Nigeria, Ghana and Cyprus to cater for increased data traffic.	• Network standardisation drive. • Concerted drive to connect a large percentage of sites to fibre to cater for data growth and to ensure end-to-end quality of service. • Implement smart capex planning techniques to ensure optimal investment where required to maximise ROI, quality of service and customer experience. • Achieve standardisation of quality KPIs across MTN by introducing standardised drive testing and benchmarking procedures and rolling out a customer experience management tool. • Track DRP actions and improvements as per new DRP guidelines for all opcos.	**2**	1
	• Rolled out comprehensive cost transformation project across head office, Nigeria, South Africa, Ghana and Uganda. • Rolled out zero-based budgeting across head office, South Africa, Nigeria, Ghana and Uganda. • Group procurement renegotiated some contracts from dollars to local currency. • Project IGNITE in South Africa and Nigeria.	• IGNITE has several levers – including cost optimisation. Programme run by dedicated Group transformation officer. Though current focus on Nigeria and South Africa, roll out to tier 2 countries and head office to follow. • Greater focus on data revenue growth. • Roll out of a (new) standard budget tool across all opcos.	**3**	4

Mitigating our top risks continued

Risk name and impact if not managed	Mitigation strategies	Link to strategy
Liquidity and hard currency availability Currency fluctuations in emerging markets has in many instances been volatile. This, together with poor economic performance, has impacted on the availability of hard currency in these markets. Adverse changes in interest rates could result in higher costs of funding and reduced returns. Inability to repatriate earnings due to various reasons such as shortage of foreign currency, stringent exchange laws and regulations governing repatriation of earnings may have impact on our capital-intensive programmes. 1 MI	• Conversion of contracts from foreign currency to local currency where possible. • Maintain sufficient headroom facilities to manage liquidity. • Repatriation of funds from Iran is ongoing.	
Compromised information security Lack of an effective Group-wide information security programme may compromise our information as a result of an increase in cyber attacks worldwide. This could lead to reputational damage, disruption of services and the loss of customers, in turn impacting revenue and EBITDA margins. 3 MI 5 MI	• Establish a significantly enhanced information security function to proactively manage cyber security and privacy risks. • Develop and implement a comprehensive Group-wide information security plan. • Enhance security-monitoring and incident-response capabilities.	
Strategic execution risk Successful achievement of MTN's strategy is underpinned by efficient execution of strategic initiatives and programmes. Delays in implementation may result in not realising the benefits from the programmes in a timely manner. The numerous changes made within the Group, along with a large number of programmes being executed simultaneously significantly impacts the level of this risk. 5 MI	• Re-evaluation and consolidation of all the strategic programmes/initiatives to drive maximum benefits. • IGNITE programme to monitor benefits from strategic programmes.	
Create and maintain a competitive advantage The telecommunications and IT industry is characterised by rapid technological changes. Our commercial success depends on providing services at competitive prices as well as differentiating our offerings. Severe pressure on margins from existing and new revenue streams negatively impacts the return on capital invested. Lack of agility to respond to changing market conditions may affect our market share and revenue streams, as well as profits. MTN is moving into a new phase of its journey where commercial and operational excellence and innovation are becoming more critical. 2 MI 5 MI	• Launch of global value propositions integrating voice, data, SMS, mobile financial services and digital offerings. • Leverage on business intelligence and customer value management to improve customer insight and drive customer value. • Focus on smartphone penetration as key driver of data monetisation and adoption of apps. • Leverage on cloud and technology to improve efficiency and agility. • Leverage technology to deliver digital experience innovations to our customers in a differentiated way. • Use of customer feedback.	

	MTN's achievements in 2016	Opportunities in 2017	Risk ranking 2016	Risk ranking 2015
	• Secured US$1 billion in bonds. • Improved debt maturity profile. • Concluded significant rand banking facilities. • Secured local currency funding in a number of opcos, including Ivory Coast and Cameroon. • Updated and increased our domestic medium-term note programme. • Repatriated R6,3 billion from MTN Irancell as payment of the loan advanced for the licence fee in 2005 (24).	• Explore opportunities to contract in local currency.	**4**	7
	• Established an enhanced Group information security function. • Approved revised information security approach and structure. • Deployed security information and event management system within key opcos. • Deployed vulnerability assessment across key opcos. • Increased engagement with key vendors regarding security requirements. • Executed security awareness campaigns across key opcos.	• Capacitation of key positions in approved structure. • Deployment of Group-wide monitoring platform for key perimeter systems. • Deployment of Group-wide vulnerability assessment platform. • Enhance Group-wide DDOS protection systems. • Active participation in industry working groups.	**5**	5
	• Institutionalised tighter discipline around critical projects. • Enhanced Group capex management to focus on network projects. • Tightly monitored network improvement project for MTN South Africa and MTN Nigeria.	• Establish programme implementation reviews as part of the Group operations committee. • Embed lessons learnt. • Training to strengthen and standardise MTN's project management culture.	**6**	new
	• Launched products to drive global value proposition (including MTN Go, MTN HelloWorld roaming). • Appointed global brand agency. • Grew subscribers on MTNPlay app and gaming. • Recorded 15 operations as active with Mobile Money. • Increased smartphone penetration to 36%. • Ensured implementation of business intelligence transformation process. • Improved network quality and capacity.	• Increase base for data penetration and digital services adoption. • Enhance business intelligence and customer value management to protect and extract value from existing customer base. • Continue to improve network quality and capacity.	**7**	2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Financial review

Our financial results reflect the most difficult year in the Company's history, with a number of material regulatory, macro-economic and political challenges as well as operational underperformance in the first half of the year. However, towards year-end the business began to show encouraging first signs of a turnaround, with some of our larger markets including Ghana, Uganda and Ivory Coast recording solid improvements in the final quarter.

For purposes of the commentary below, please refer to the reconciliation of pro forma information on 44 and 45 of the report and to the financial results announcement which includes a full set of the pro forma financial information which is available on https://www.mtn.com/en/investors/financial-reporting/annual-results/Pages/default.aspx.

Revenue

Group revenue increased marginally to R146 894 million. Revenue growth was impacted by the depreciation of the rand and the significant depreciation of the naira against the US dollar, particularly in the second half of 2016 (average exchange rate for the period). The average naira depreciated by 19% against the US dollar and was 36% down against the US dollar at 31 December 2016 when compared to 2015. The average rand weakened by 16% against the US dollar, 6% against the Iranian rial, 10% against the Ghanaian cedi, 14% against the Central African franc, 8% against the Ugandan shilling and 9% against the Sudanese pound. The rand, however, strengthened 17% against the Nigerian naira and 50% against the Syrian pound.

On an organic basis, Group revenue increased by 2,9%*. WECA's revenue decreased by 0,3%* and remained the largest contributor to total Group revenue at 55% at the end of December 2016. SEA grew revenue by 7,9%* and contributed 36% to total Group revenue while MENA increased revenue by 3,8%* to contribute 10% to total Group revenue.

MTN's top line was negatively impacted by a decline in revenue in Nigeria (down 1,4%*), Cameroon (down 6,7%*), Ivory Coast (down 2,0%*) and Uganda (down 1,9%*). This was mainly as a result of regulatory challenges including the disconnection of subscribers as well as aggressive competition in the first half of the year. However, these declines were partly offset by growth of 4,7% and 19,8%* in revenue in South Africa and Ghana respectively. MTN South Africa's increase was driven by higher handset sales and data revenue, which benefited from improved network quality, particularly in the second half. MTN Sudan and MTN Syria also supported growth in total Group revenue, and increased revenue by 18,8%* and 20,3%* respectively.

Total outgoing voice revenue declined 3,6%* to contribute 55% to total Group revenue. While average voice traffic decreased 1,7%, the Group US dollar effective voice tariff in constant currency terms declined 14,3%*. This was largely due to price competition across markets and a tough economic environment. Data revenue increased by 19,7%* to contribute 27% to total Group revenue. Data revenue growth was supported by strong growth in most markets benefiting from significantly improved 3G and LTE network quality. Data traffic increased 143% while the effective data tariff declined 56,1%* (in constant currency US dollar terms). Digital revenue contributed 36% to total Group data revenue. This was supported by increased smartphone penetration and our expanded digital service offerings in the year. Device revenue increased 21,5%* and contributed 6% to total Group revenue. The remaining 4% of total Group revenue comprised SMS and other revenue. SMS revenue decreased 20,0%*.

Costs

Group operating costs excluding the impact of the Nigerian regulatory fine, hyperinflation, tower profits and the MTN Zakhele Futhi share-based payment expense, increased 9,8% to R94 913 million. On an organic basis, total Group costs increased by 17,7%*.

Once-off costs in organic EBITDA included professional fees of R1 324 million** incurred on a range of professional services relating to the negotiations that led to a reduction of R34 billion in the Nigerian regulatory fine, costs related to the reconnection of subscribers in Nigeria of R535 million* and a property, plant and equipment (PPE) impairment charge in South Sudan of R2 679 million*.

* *Constant currency (organic) information.*
** *Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.*
*** *The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

The increase in total costs was mainly as a result of foreign-denominated expenses following the depreciation of local currencies against the US dollar, particularly in MTN Nigeria where costs increased 15,1%*. MTN South Africa costs were 5,4% higher as a result of the higher subsidies on devices mainly in the first half of the year as well as costs associated with aggressive network rollout and increased staff costs.

Total direct network operating costs increased 34,7%* and contributed 25% to total costs. This was due to the increase in the number of sites rolled out as well as the US dollar-linked tower leasing costs incurred in Nigeria. Device costs increased by 15,2%* and contributed 13% to total costs mainly driven by South Africa's increase in device sales. Interconnect and roaming costs increased 5,2%* and contributed 14% to total costs, while staff costs increased 11,8%* and contributed 10% to total Group costs. Selling, distribution and marketing costs increased by 6,5%* and contributed 20% to total Group costs. This was due to an increase in digital services revenue share agreements entered into with content providers and increased marketing spend in South Africa. Government and regulatory costs declined 6,9%* and contributed 5% to total Group costs, while other operating costs increased 41,8%* and contributed 14% to total Group costs. Other operating expenses include the impairment of property, plant and equipment in South Sudan of R2 679 million* and professional fees incurred at a head office level mainly related to the negotiation of the settlement of the Nigerian fine.

EBITDA

Group EBITDA decreased by 13,2% to R51 981 million while EBITDA on an organic basis declined by 18,5%*.

Organic EBITDA was negatively impacted by once-off costs, foreign-denominated expenses in MTN Nigeria and device costs in MTN South Africa. Total Group EBITDA was supported by MTN Ghana (up 21,8%*), MTN Syria (up more than 100%*) and MTN Sudan (up 9,6%*). This was attributable to positive revenue growth and good cost optimisation.

Excluding the impact of the Nigerian fine, tower profits MTN Zakhele Futhi share-based expense and hyperinflation, the Group recorded a 5,5 percentage point (pp) decline in its EBITDA margin to 35,4%.

Depreciation and amortisation

Depreciation increased by 7,0% (8,2%*) to R20 483 million, impacted by the aggressive capex programme in 2015. Amortisation costs increased by 27,5% (31,7%*) to R4 684 million, driven by higher spend on software in previous years. Impairment of goodwill consisted of impairments in Guinea-Conakry (R402 million**) and Afrihost (R202 million**) and MTN Syria (R269 million**).

Net finance costs

Net finance costs amounted to R9 679 million compared to R3 005 million in the previous year. This was mainly due to an increase in net foreign exchange losses to R5 990 million from R1 409 million in the prior period and an increase in net interest paid to R3 689 million from R1 596 million paid in the previous period. The increase in the net interest expense is due to the higher net debt of R51 902 million** compared to R31 635 million** reported in the previous period.

Net foreign exchange losses include:

- forex losses in Mauritius of R2 102 million mainly due to the foreign-denominated Iran receivables;
- forex losses in Nigeria of R1 786 million incurred on US dollar-denominated third-party borrowings and payables;
- forex losses of R819 million in Sudan on foreign denominated third-party funding and payables; and
- forex losses of R626 million in South Sudan as a result of US dollar-denominated third-party trade payables.

Share of results of joint ventures and associates after tax

Joint ventures and associates reported a loss of R127 million** compared to a gain of R1 226 million** in the previous year. This included a charge of R1 853 million incurred by our operation in Iran mainly relating to the subsequent depreciation and amortisation of the previously hyperinflated assets that were historically written up under hyperinflation accounting. Losses of R2 227 million from MTN's 51% interest in Nigerian Tower InterCo B.V. were mainly a result of the foreign exchange unrealised losses (R2 254 million) incurred on US dollar-denominated loans. Short-term losses from Digital Group, mainly AIH, MEIH and IIG, of R706 million also contributed to the overall loss.

Taxation

The effective tax rate increased to 42,4% from 32,6% in the previous year, impacted by lower profit before tax (PBT) along with the effects of:

- the disallowance of deferred tax credits on assessed losses in MTN South Sudan and MTN Guinea-Conakry;
- unproductive interest in MTN Holdings and MTN Mauritius;
- Education tax in MTN Nigeria;
- additional taxes in MTN Ghana, MTN Syria and MTN Yemen;
- goodwill impairments in MTN Guinea-Conakry, MTN Syria and Afrihost; and
- withholding taxes incurred.

The Group's reported taxation charge decreased by 26,3%** (27,5%*) to R8 346 million for the period. This was a result of lower current tax due to lower profit before tax in 2016, lower withholding tax due to lower dividends upstreamed via MTN Mauritius and a higher deferred tax credit as a result of an assessed loss and foreign tax credit in MTN Mauritius.

Earnings/losses

The Group reported a basic headline loss per share of 77 cents** largely impacted by the Nigerian regulatory fine. Excluding this impact in both years, HEPS declined 63,2% to 423 cents. The attributable loss per share was 144 cents**, from attributable earnings per share of 1 109 cents in the prior year.

Financial position

Net debt increased to R51 902 million** compared to net debt of R31 635 million** reported at the end of December 2015. The Group reported a net debt/EBITDA ratio of 1,01 excluding the Nigerian regulatory fine. The net debt position at the end of the year was mainly impacted by the following:

- Nigeria regulatory fine payment of R5 870 million**;
- Dividend paid to minority shareholders of R1 178 million**;
- An increase in cash capital expenditure and licences to R35 247 million**; and
- Investments made mainly in Amadeus (TravelStart), the Autopage acquisition and cash paid to AIH on capital calls of R1 867 million**.

Capital expenditure

Capex increased 19,6% (28,7%*) to R34 920 million, of which R2 654 million was related to foreign currency movements.

Cash flow

Cash inflows from operations decreased by 3,3% to R55 681 million**. This was mainly as a result of the Nigeria payment on the regulatory fine of R5 870 million, which was offset by an increase in working capital movements. Dividend payments of R19 792 million** to equity holders, dividend payments of R1 178 million** to minorities and tax payments of R11 704 million** also affected cash flows. Group cash capex amounted to R35 247 million** and included the purchase of a 4G licence and spectrum in Ghana (R973 million), a LTE and fibre licence in Congo-Brazzaville (R266 million) and a Nigeria spectrum licence (R1 396 million).

A full set of audited financial statements can be found online and audited summary consolidated financial statements can be found on https://www.mtn.com/en/investors/financial-reporting/annual-results/Pages/default.aspx

* Constant currency (organic) information.
** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.
*** The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.

Reconciliation of pro forma financial information

***Note:** Certain financial information presented in this integrated report constitutes pro forma financial information. The pro forma financial information is the responsibility of the Group's board of directors and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present MTN's financial position, changes in equity, results of operations or cash flows. An assurance report has been prepared and issued by our joint auditors PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. in respect of the pro forma financial information included in this integrated report that is available for inspection on the website.*

1. *The financial information presented in this integrated report has been prepared excluding the impact of hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (consisting of the re-measurement impact when the settlement was entered into and the finance costs recognised as a result of the unwind of the initial discounting of the liability) and the MTN Zakhele Futhi impact (consisting of the share-based payment expense, net of the deferred tax impact recognised by MTN Zakhele Futhi arising on the capital gain on the investment in MTN) and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited financial statements for the year ended 31 December 2016. This pro forma financial information has been presented to eliminate the impact of hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (as defined above) and the MTN Zakhele Futhi impact (as defined above) from the financial results in order to achieve a comparable analysis year on year. Hyperinflation adjustments and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (as defined above) and the MTN Zakhele Futhi impact (as defined above) have been calculated in terms of the Group accounting policies disclosed in the consolidated financial statements for the year ended 31 December 2016.*
2. *Constant currency ("organic") information has been presented to illustrate the impact of changes in currency rates on the Group's results. In determining the change in constant currency terms, the current financial reporting year's results have been adjusted to the prior year's average exchange rates determined as the average of the monthly exchange rates which can be found on www.mtn.com/investors. The measurement has been performed for each of the Group's currencies, materially being that of the US dollar and Nigerian naira. The organic growth percentage has been calculated based on the current year constant currency results compared to the prior year results. In addition, in respect of MTN Irancell, MTN Sudan, MTN South Sudan and MTN Syria, the constant currency*

ZAR (million)	Actual 2016	Hyper-inflation(1)	Tower profit(2)	Zakhele Futhi impact(3)	Nigeria regulatory fine(4)	Actual 2016 adjusted
Revenue	147 920	1 026	–	–	–	146 894
Other income	335	–	31	–	–	304
EBITDA	**40 751**	**246**	**31**	**(1 008)**	**(10 499)**	**51 981**
Depreciation, amortisation and impairment of goodwill◊	26 609	791	–	–	–	25 818
Profit from operations	**14 142**	**(545)**	**31**	**(1 008)**	**(10 499)**	**26 163**
Net finance cost	10 495	(228)	–	–	1 044	9 679
Share of results of joint ventures and associates after tax	(127)	(1 851)	–	–	–	1 724
Monetary gain/(loss)	1 723	1 723	–	–	–	–
Profit/(loss) before tax	**5 243**	**(445)**	**31**	**(1 008)**	**(11 543)**	**18 208**
Income tax expense	8 346	35	–	593	–	7 718
Profit/(loss) after tax	**(3 103)**	**(480)**	**31**	**(1 601)**	**(11 543)**	**10 490**
Non-controlling interests	(489)	195	–	–	(2 444)	1 760
Attributable (loss)/profit	**(2 614)**	**(675)**	**31**	**(1 601)**	**(9 099)**	**8 730**
EBITDA margin	27,5%					35,4%
Effective tax rate	159,2%					42,4%

(1) Represents the exclusion of the impact of hyperinflation and related goodwill impairment for certain of the Group's subsidiaries (MTN Syria, MTN South Sudan and MTN Sudan) and the Group's joint venture in Iran, being accounted for on a hyperinflationary basis in accordance with International Financial Reporting Standards (IFRS) on the respective financial statement line items affected. During 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015.
The economy of Sudan was assessed to no longer be hyperinflationary effective 1 July 2016 and hyperinflation accounting was discontinued from this date onwards.
The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016 and hyperinflation accounting was applied for the year ended 31 December 2016.

(2) Represents the exclusion of the financial impact relating to the sale of tower assets during the financial year on the respective financial line items impacted, which include:
- *Tower sale profits for the year related to the Ghana release of deferred profit of R31 million (2015: Nigeria tower profit of R8 233 million and Ghana release of deferred gain of R30 million).*

(3) Represents the IFRS 2 Share based payment impact of MTN Zakhele Futhi. MTN made a public offer of ordinary shares to qualifying BEE investors. The Group recognised an IFRS 2 Share-based payment expense of R1 008 million and a tax expense of R593 million. The deferred tax expense is recognised by MTN Zakhele Futhi mainly in respect of the capital gain on the investment in MTN and is not eliminated on consolidation.

information has been prepared excluding the impact of hyperinflation. In 2015, the Iranian economy was assessed to no longer be a hyperinflationary environment. MTN therefore discontinued hyperinflation accounting in that operation effective 1 July 2015. In addition, during 2016, Sudan was no longer considered to be a hyperinflationary economy from 1 July 2016 and hyperinflation accounting was discontinued from this date onwards. The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016, and hyperinflation accounting was applied for the year ended 31 December 2016.

* *Constant currency ("organic") information.*
** *Reported-includes hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (as defined above) and the MTN Zakhele Futhi impact (as defined above).*
*** *The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

The Group's results are presented on a regional basis in line with the Group's new operational structure. This is comprised of South and East Africa (SEA), West and Central Africa (WECA) and Middle East and North Africa (MENA) and their respective underlying operations further outlined below.

The SEA region includes: South Africa, Uganda, Zambia, Rwanda, South Sudan, Botswana (joint venture-equity accounted), Swaziland (joint venture-equity accounted) and Business Group. The WECA region includes: Nigeria, Ghana, Cameroon, Ivory Coast, Benin, Congo Brazzaville, Liberia, Guinea Conakry and Guinea Bissau. The MENA region includes: Iran (joint venture-equity accounted), Syria, Sudan, Yemen, Afghanistan and Cyprus.

Although Iran, Botswana and Swaziland form part of their respective regions geographically and operationally, they are excluded from their respective regional results due to being equity accounted for by the Group.

Actual 2015	Hyper-inflation(1)	Tower profit(2)	Nigeria regulatory fine(4)	Actual 2015 adjusted	Adjusted change %
147 063	710	–	–	146 353	–
8 409	1	8 263		145	110
59 125	231	8 263	(9 287)	59 918	(13)
23 797	473	–	–	23 324	11
35 328	(242)	8 263	(9 287)	36 593	(29)
3 010	5	–	–	3 005	222
1 226	(1 768)	–	–	2 994	(42)
1 348	1 348	–	–	–	NM
34 892	(667)	8 263	(9 287)	36 583	(50)
11 322	91	(707)		11 938	(35)
23 570	(758)	8 970	(9 287)	24 645	(57)
3 366	231	1 854	(1 966)	3 247	(46)
20 024	(989)	7 116	(7 321)	21 398	(59)
40,2%				40,9%	(5,5) pp
32,4%				32,6%	9,8 pp

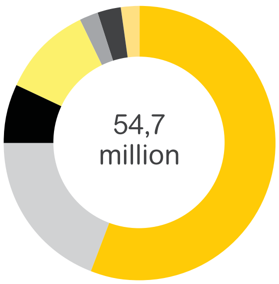
(4) Represents the impact of the Nigerian regulatory fine subsequent to conclusion of the settlement agreement during 2016 on the respective financial line items impacted, which include:
- *The re-measurement impact when the settlement agreement was entered into on 10 June 2016, constituting the difference between the balance of the provision recorded on this date (after taking into account finance cost accrued from the beginning of the financial year up to 9 June 2016) and the present value of the financial liability arising on this date in accordance with IFRS (included in the EBITDA line);*
- *The finance cost impact recognised as a result of the unwind of the discounting of the provision (for the period from 1 January to 9 June 2016) and the financial liability (for the period from 10 June 2016 to reporting date).*

◊ *Additional depreciation from hyperinflation adjustments related to the unwind of Sudan assets historically written up. R223 million of the goodwill impairment recognised in relation to MTN Syria relates to the previously recorded hyperinflation uplift.*

Operational reviews

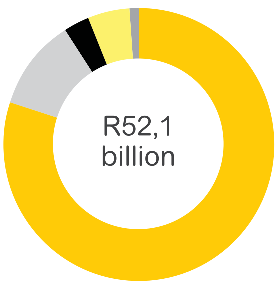
South and East Africa

- **Subscribers increased by 3,6% to 54,7 million**
- **Revenue increased by 7,9%***
- **Data revenue increased by 14,5%***



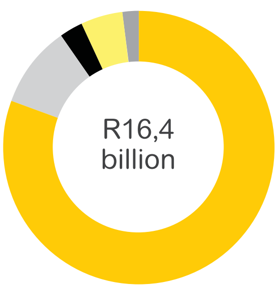
Subscribers

South Africa	56%
Uganda	19%
Rwanda	7%
Zambia	11%
South Sudan	2%
Botswana (joint venture)	3%
Swaziland (joint venture)	2%



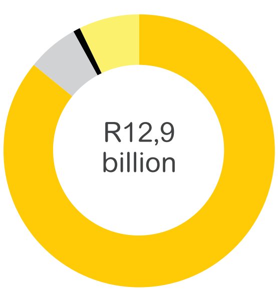
Revenue#

South Africa	80%
Uganda	11%
Rwanda	3%
Zambia	5%
South Sudan	1%
Business Group	0%



EBITDA#

South Africa	84%
Uganda	10%
Rwanda	3%
Zambia	5%
South Sudan	(2%)
Business Group	0%



Capex#

South Africa	86%
Uganda	6%
Rwanda	1%
Zambia	7%
South Sudan	0%
Business Group	0%

excluding joint ventures

Improving network quality and aggressively selling smartphones

After a sub-optimal performance in the first six months of 2016, **MTN South Africa** showed a positive turnaround in the second half of the year, benefiting from sharply improved 3G and LTE network quality and aggressive sales of smartphones.

South Africa's economy remained weak, overshadowed by the risk of a ratings downgrade, and consumer spending was under pressure as inflation ticked higher.

The operation's subscriber base increased by 0,6% to 30,8 million, driven by the prepaid segment, which increased its base by 0,9% to 25,6 million. The number of postpaid subscribers declined by 1,1% to 5,2 million, largely impacted by network quality challenges experienced, as well as systems and customer service issues in the first half of 2016.

Total revenue increased by 4,7% to R41 922 million mainly as a result of device revenue. Service revenue, which excludes device revenue, increased by 1,9% for the period, driven by good growth in data revenue. Data revenue increased by 11,4%, contributing 34% to total revenue. The number of smartphones on the network increased by 15,3% (December 2015: 9,1 million restated to align to Group definition) to 10,5 million as the number of megabytes per user increased 46,7%.

Digital revenue gained momentum and contributed 16% to data revenue, thanks to both local and international content.

MTN South Africa's EBITDA margin declined by 0,5 percentage points to 32,9%. This was impacted by foreign exchange losses on the cost of devices, as well as an increase in the number of smartphones and the change in the device mix from 2G to 3G and LTE. This was further affected by costs related to the expansion of our 3G and LTE network and increased marketing costs. However, the operation reported a 5,4 percentage point improvement in EBITDA margin in the second half, compared to the first.

Capex increased by 1,3% to R11 085 million for the year, and retained a strong focus on 3G and LTE network investment. The operation rolled out 1 134 co-located 3G sites and 1 538 LTE sites. Benefiting from the network investments, MTN South Africa's net promoter score (NPS) gained significantly in the fourth quarter of the year compared to the first half, increasing by 8 percentage points to 81% LA, mainly driven by value and service. Quality of service indicators including call set-up success rate, dropped call rate and network availability on 2G and 3G networks improved from 2015 (see 90).

South and East Africa continued

MTN South Africa was named the Most Valuable Brand in the country by Brand Finance.

Fibre to the home connections remain a priority with approximately 13 000 homes passed for the period. In addition, the acquisition of Smart Village (which has a presence in gated estates, apartment blocks, business parks and shopping malls), was completed in December 2016, adding 22 000 homes passed to the network with approximately 7 000 homes connected.

In the year, there were further delays in the process to assign spectrum to interested parties through an auction process initiated by the regulator after it was successfully challenged by the Telecommunications Minister. Without additional spectrum, telcos are erecting more sites and re-farming existing spectrum to meet demand.

MTN South Africa improved its BBBEE contributor status in the year, lifting it to level 2 from level 3 in 2015.

In December 2016, the MTN South Africa Foundation celebrated 15 years of creating shared value in our communities. We continued to focus on the education sector, promoting the use of ICT in enhancing digital teaching and learning.

Gaining momentum after the subscriber registration process

MTN Uganda increased its subscriber base by 18,1% to 10,5 million. This was mainly attributable to the reconnection of previously disconnected subscribers during the subscriber registration process in the second half of 2015. The performance was supported by new acquisitions on the all-net call per second price plan, segmented value propositions and a decline in churn. Market share grew to 53,3% from 51,1%.

Presidential and parliamentary elections in the first quarter of 2016 resulted in policy continuity in a relatively stable political and security environment.

Total revenue declined by 1,9%*, led lower by a decrease in outgoing and incoming voice revenue. This was mainly impacted by the disconnection of subscribers in 2015 as well as the East African Community's One Network Area, which means that all calls between member countries are billed as though they were local.

Data revenue increased by 18,8%* and contributed 34% to total revenue. This was supported by attractive data bundles with increased data usage, below-the-line campaigns and a LTE SIM swap campaign to drive LTE adoption and penetration.

Digital revenue contributed 71% to data revenue, supported mainly by mobile financial service revenue. E-commerce products, such as mobile advertising, and MTN Class which is a value-added service product in education, also contributed positively to digital revenue. The number of MTN Mobile Money active customers increased 12,4% to 4,1 million, as a result mainly of the introduction of savings and loan products. The launch of MoKash recorded approximately one million customers in under six months.

MTN Uganda's EBITDA margin decreased by 4,9 percentage points to 29,6%, impacted by once-off subscriber registration costs and an inventory impairment charge as well as higher maintenance and tower leasing costs.

Capex decreased by 23,7%* to R758 million. During the period, 375 co-located 3G and 110 LTE sites were rolled out. These sites were rolled out as upgrades to existing sites, which will provide future cost efficiencies as well as improving the quality and capacity on the network.

Our NPS increased 3,5 percentage points in the fourth quarter from 11,7% in the same quarter of 2015.

The MTN Uganda Foundation remained committed to supporting education, providing 10 scholarships to young Ugandan women to study at university, providing ICT resource centres, and supporting the Skilling for the Future initiative.

Looking ahead in SEA

We anticipate a positive growth trend for MTN South Africa in 2017, with mid-single digit revenue growth*** and the EBITDA margin expanding by between 50 and 100 basis points (bp)***, supported by a strong focus on customer service and significantly improved network quality, capacity and speed. A stronger network will also facilitate greater customer retention. Through IGNITE, we expect an improvement in EBITDA of between 15%*** and 20%*** by the end of 2018.

We expect a total of 2,24 million net additions in SEA in 2017, after operations in the region added a net 1,885 million new subscribers in 2016. Uganda is expected to continue to lead net additions in the region, with a forecast 1,11 million new users (from 1,62 million in 2016). MTN South Africa expects net additions of 630 000 in 2017, after adding a net 175 000 in 2016.

We have authorised capital expenditure of R13 368 million in 2017 for the region, compared with capex of R12 896 million in 2016. The lion's share of capex is destined for South Africa.

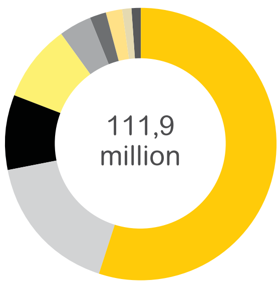
* *Constant currency (organic) information.*

** *Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.*

*** *The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

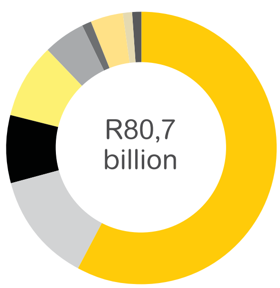
West and Central Africa

- **Subscribers increased by 5,0% to 111,9 million**
- **Revenue decreased by 0,3%***
- **Data revenue increased by 22,8%***



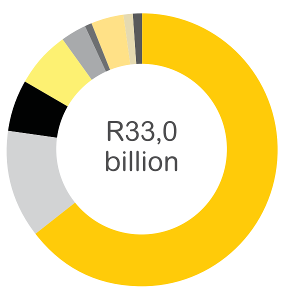
Subscribers

Nigeria	55%
Ghana	17%
Cameroon	9%
Ivory Coast	9%
Benin	4%
Guinea-Conakry	2%
Congo-Brazzaville	2%
Liberia	1%
Guinea-Bissau	1%



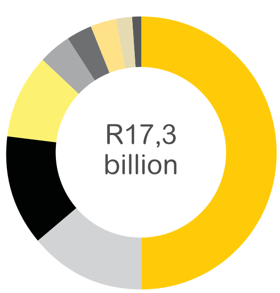
Revenue

Nigeria	58%
Ghana	13%
Cameroon	8%
Ivory Coast	9%
Benin	5%
Guinea-Conakry	1%
Congo-Brazzaville	4%
Liberia	1%
Guinea-Bissau	1%



EBITDA

Nigeria	66%
Ghana	13%
Cameroon	6%
Ivory Coast	7%
Benin	3%
Guinea-Conakry	(1%)
Congo-Brazzaville	4%
Liberia	1%
Guinea-Bissau	0,4%



Capex

Nigeria	50%
Ghana	14%
Cameroon	13%
Ivory Coast	10%
Benin	4%
Guinea-Conakry	2,3%
Congo-Brazzaville	3%
Liberia	2%
Guinea-Bissau	1%

Meaningful improvement in the second half

MTN Nigeria showed a meaningful improvement in the second half following regulatory challenges earlier in the year. The operating environment continued to be difficult with the contraction of the economy impacting consumer spending.

We increased our subscriber base by 1,2% to 62,0 million, and grew our market share to 48,0% from 44,8%. This was mainly due to the reconnection of previously disconnected subscribers as well as the aggressive drive to secure new connections with the MTN StartPack tariff plan. MTN Nigeria was voted the Most Valued Brand in Nigeria for 2016 in the Top 50 Brands Survey measured on key indicators such as customers' brand awareness, network quality, market category leadership, innovation, spread and corporate social responsibility.

Total revenue declined by 1,4%* as a result of lower outgoing voice revenue which was impacted by the delays in competitive offerings during the first half of the year. Data revenue increased by 10,8%* and contributed 21% to total revenue, supported by competitive customised data offerings, the quality of the LTE network and the introduction of new data bundle plans, which allow eligible customers to borrow data on credit and pay it back at their next recharge. The number of smartphones on the network increased by 36,1% to 20,4 million.

Digital revenue contributed 61% to data revenue mainly as a result of MTN Music+ (a converged music streaming and download platform), supported by the youth segment. MTN Nigeria's Mobile Money active subscribers increased by over 100% to 1,6 million.

The EBITDA margin declined by 6,6 percentage points to 46,4% excluding the impact of the Nigerian regulatory fine. This was mainly as a result of foreign currency challenges relating to US dollar-denominated expenses such as towers and site leasing.

West and Central Africa continued

The operation rolled out 1 799 3G sites and 1 833 LTE sites in the year. Capex increased by more than 100%* to R8 701 million, focused on LTE rollout. MTN Nigeria more than doubled its NPS in the fourth quarter from the same period a year earlier.

After investing over 10 billion naira in various community projects in its decade of existence, the MTN Nigeria Foundation continued to work to build shared value in 2016. Among its work in the year was providing online training in Java Fundamental and Oracle Database in partnership with Oracle.

A strong performance supported by attractive offers

MTN Ghana grew its subscriber base by 18,7% to 19,3 million, driven by attractive value propositions, which helped its market share expand to 56,4% from 52,2% a year earlier.

Total revenue increased by 19,8%*, largely attributable to solid growth in data and outgoing voice revenue and digital lifestyle-based services. Data revenue grew by 65,7%* and contributed 42% to total revenue, driven by expansion of network quality and coverage, increased distribution and marketing of low-cost smartphones, the introduction of higher spectrum technology and falling tariffs. There has been uptake in data usage supported by lifestyle bundles, specifically for social network access, as well as new data bundles introduced with the launch of 4G. The number of smartphones on the network increased by 64,4% to 5,3 million.

Digital revenue contributed 48% to data revenue and was supported by mobile financial services, lifestyle-based services, rich video and MTN Music. MTN Mobile Money active subscribers increased by 79,4% to 5,7 million, supported by strong regional innovation and marketing.

The EBITDA margin increased by 0,2 percentage points to 40,7% despite increased tower leasing costs and utilities, impacted by the depreciation of the cedi and high inflation. The operation continued to successfully implement cost-control initiatives.

Capex increased by 15,9%* to R2 435 million prioritising improved quality. The operation added 226 co-located 3G and 475 LTE sites during the period. The increase in the net promoter score was mainly driven by value as well as products.

Quality of service indicators such as network availability and dropped call rate improved in the year. The call set-up success rate indicator improved from 2015 with regards to the 3G network but a decline was noted in the 2G network (see 90).

The MTN Ghana Foundation marked nine years of making a difference in the lives of its communities in 2016, providing capacity building for teachers and scholarships to students and by constructing a library in a rural community as well as classrooms.

MTN Ghana was named the CSR Company of the Year at the CSR Excellence Awards.

Impacted by subscriber registration requirements

MTN Cameroon increased its subscriber base by 7,5% to 9,9 million mainly as a result of an aggressive subscriber registration campaign as well as a reduction in churn following customer campaigns.

Total revenue decreased by 6,7%* because of a decline in outgoing voice revenue, impacted in turn by a decrease in the effective tariff as well as free minutes used in relation to the subscriber registration process and below-the-line activities. This was offset by a 25,9%* increase in data revenue that contributed 19% to total revenue, supported by an increase in data usage due to higher sales of specific data bundles. The expansion of 3G and LTE networks supported data growth. The number of smartphones on the network for the period was 1,3 million.

Digital revenue contributed 21% to data revenue, supported by the lifestyle segment, MTN Play and the ringtone customisation tool MTN Zik. The number of MTN Mobile Money active subscribers increased by over 100% to 367 000.

MTN Cameroon's EBITDA margin decreased by 2,8 percentage points to 33,4% mainly as a result of costs related to subscriber registration campaigns. We implemented several cost-reduction initiatives during the year.

Capex increased 1,2%* to R2 166 million with a focus on 3G and LTE network coverage and quality. Enhanced data throughput speeds, together with transmission link capacity, improved customer experience. During the period the operation rolled out 463 co-located 3G sites and 267 LTE sites.

Since its inception in 2006, the MTN Cameroon Foundation has opened close to 40 multimedia centres, providing digital access to at least 60 000 students and 4 000 teachers. In 2016, the foundation opened 10 of these centres.

Initial recovery in the second half

MTN Ivory Coast increased its subscriber base by 13,6% to 9,5 million mainly as a result of strong churn management.

Total revenue decreased by 2,0%* because of lower outgoing voice revenue impacted by a drop in the effective tariff. This was partially offset by a 18,4%* increase in data revenue, which contributed 19% to total revenue. This was mainly as a result of increased data usage supported by WiMax swaps to LTE, residential offerings as well as LTE time division duplex (TDD) devices. The number of smartphones on the network increased by over 100% to 2,1 million. The increase in the net promoter score was largely as a result of our "Perfect 10" initiatives launched in the operation to boost customer experience.

The operation's EBITDA margin declined by 1,7 pp to 32,5% mainly driven by provision for doubtful debts.

Capex increased by over 100%* to R1 721 million with a strong focus on network coverage and densification. During the period the operation rolled out 512 co-located 3G sites and 343 LTE sites.

In recognition of the volunteering work that MTNers in Ivory Coast carried out in communities around the country in 2016, MTN Ivory Coast won the annual Group President and CEO's award for its 21 Days of Y'ello Care. The MTN Ivory Coast Foundation continued to install and refurbish multimedia rooms in schools across the country and also partnered with the government and UNESCO on a literacy programme.

Looking ahead in WECA

We expect net additions in WECA of 4,750 million after 5,325 million new subscribers signed up in 2016. Most of the new subscribers are expected to come from Cameroon (1,25 million) followed by 1 million from Nigeria and 750 000 from Ghana.

We have authorised capital expenditure of R16,314 billion in WECA in 2017 after spending R17,325 billion in 2016. The single largest destination for the 2017 capex in WECA is Nigeria, at R9,543 billion, followed by Ghana at R2,164 billion and Ivory Coast at R1,690 billion.

MTN Nigeria continues to make progress with its preparations to list its shares on the Nigerian Stock Exchange. In addition to setting up a management task team, we have appointed a lead issuing house, joint transaction advisors, global co-ordinators and legal advisors. While MTN remains committed to the listing, it is subject to suitable market circumstances and macro-economic conditions, and the appropriate approvals and certainty from relevant regulators and other stakeholders.

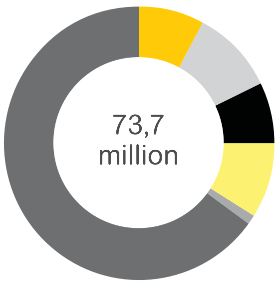
MTN Ghana is working with relevant regulators on its localisation transaction, which is expected to be completed during the course of 2017.

In Nigeria, we expect to further improve our competitive position despite a weaker economic environment. Network quality remains a priority. This improvement in competitive position and network quality and capacity, smartphone penetration and increased focus on new revenue streams are expected to support upper single-digit top line growth***. We will continue to work closely with vendors to alleviate the current challenges with regard to the availability of US dollars. However, we expect the depreciation of the naira against the US dollar to negatively impact the EBITDA margin in 2017*** and 2018***. However, IGNITE initiatives to be implemented over the next two years will partly offset the drag on reported EBITDA by 15 to 20%*** by 2018.

** Constant currency (organic) information.*
*** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.*
**** The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

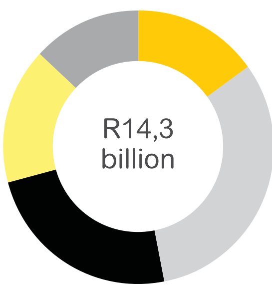
Middle East and North Africa and MTN Irancell

- **Subscribers increased by 0,9% to 73,7 million**
- **Revenue increased by 3,8%* (excluding Iran)**
- **Data revenue increased 33,9%* (excluding Iran)**



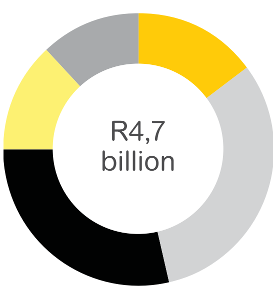
Subscribers

Syria	8%
Sudan	10%
Yemen	7%
Afghanistan	9%
Cyprus	1%
Iran (joint venture)	65%



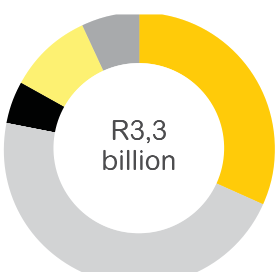
Revenue#

Syria	15%
Sudan	32%
Yemen	24%
Afghanistan	16%
Cyprus	13%



EBITDA#

Syria	15%
Sudan	32%
Yemen	29%
Afghanistan	13%
Cyprus	12%



Capex#

Syria	32%
Sudan	47%
Yemen	5%
Afghanistan	10%
Cyprus	7%

 # excluding joint ventures

A good result, supported by data growth

MTN Sudan's subscriber base contracted by 11,5% to 7,5 million as a result of the disconnection of subscribers in compliance with the subscriber registration process. Total revenue increased by 18,8%* mainly as a result of strong outgoing voice, supported by a tariff increase implemented in June. Data revenue grew by 56,6%* and contributed 29% to total revenue, driven by attractive below-the-line campaigns and improved network quality. The number of data users increased 4,7% to 4,0 million. Digital revenue contributed 19% to data revenue. MTN Mobile Money remains a key opportunity area and a launch in collaboration with the Central Bank platform is imminent. The EBITDA margin decreased by 2,9 percentage points to 32,1%. Capex for the period amounted to R1 549 million.

In line with our commitment to enhancing education in Sudan through the use of ICT in teaching and learning, in 2016 we installed interactive whiteboards in schools, provided ICT training for teachers and rehabilitated a number of schools.

A very challenging operating environment

MTN Syria reported a 1,6% increase in its subscriber base to 6,1 million despite a very challenging environment. Total revenue increased by 20,3%* mainly because of outgoing voice and data revenue, supported by below-the-line campaigns and regional offers. Data revenue increased by 26,9%* and contributed 29% to total revenue, supported by an increase in network availability. The EBITDA margin increased by 14,8 percentage points to 32,5%. Capex for the period amounted to R1 049 million.

Looking ahead in MENA

We forecast net additions of 450 000 in MENA in 2017. We have authorised capital expenditure of R2 134 million for MENA in 2017, from R3 310 million spent in 2016.

Solid performance supported by superior data network

MTN Irancell (joint venture-equity accounted, 49%) delivered a strong performance despite regulatory pressure on data tariffs. The number of subscribers increased by 3,2% to 47,6 million mainly as a result of competitive segmented voice and data offerings, including attractive data bundles, and a superior quality 3G and LTE network. Improved customer experience resulted in a higher net promoter score of 22%.

Total revenue increased by 12,8%*, driven by increased data revenue growth. Outgoing voice revenue declined marginally by 0,7%*, cannibalised by data services. Data revenue increased by 58,8%*, underpinned by optimisation of data bundles, modernisation of 2G and 3G sites and expansion of the LTE network.

Smartphone penetration in Iran remains the highest across our footprint with MTN Irancell recording 26,1 million smartphones on the network at the end of the year. Data revenue contributed 42% to total revenue while outgoing voice revenue contributed 37%. Digital revenue contributed 30% to data revenue, supported by an increase in local content-based usage.

The EBITDA margin decreased by 2,5 percentage points to 39,0% as a result of increased transmission costs attributable to additional capacity requirements. Capex for the period increased by 15,0%* to R5 138 million (49%) as the operation added 2 717 co-located 3G sites and 2 210 LTE sites.

Looking ahead in Iran

We forecast net additions of 850 000 in Iran in 2017. We expect to spend R5 396 million (49%) in capex.

Going forward, the repatriation of monies from MTN Irancell is expected to be normalised. We expect growth in the Iranian economy following the easing of sanctions to offer significant opportunities to expand our services, particularly in the digital space, and to benefit further from MTN's strong position and the youthful population in the country.

The Group's results are presented on a regional basis in line with the Group's new operational structure. This is comprised of SEA, WECA and MENA and their respective underlying operations.

The SEA region includes: South Africa, Uganda, Zambia, Rwanda, South Sudan, Botswana (joint venture-equity accounted), Swaziland (joint venture-equity accounted) and Business Group. The WECA region includes: Nigeria, Ghana, Cameroon, Ivory Coast, Benin, Congo Brazzaville, Liberia, Guinea Conakry and Guinea Bissau. The MENA region includes: Iran (joint venture-equity accounted), Syria, Sudan, Yemen, Afghanistan and Cyprus.

Although Iran, Botswana and Swaziland form part of their respective regions geographically and operationally, they are excluded from their respective regional results due to being equity accounted for by the Group.

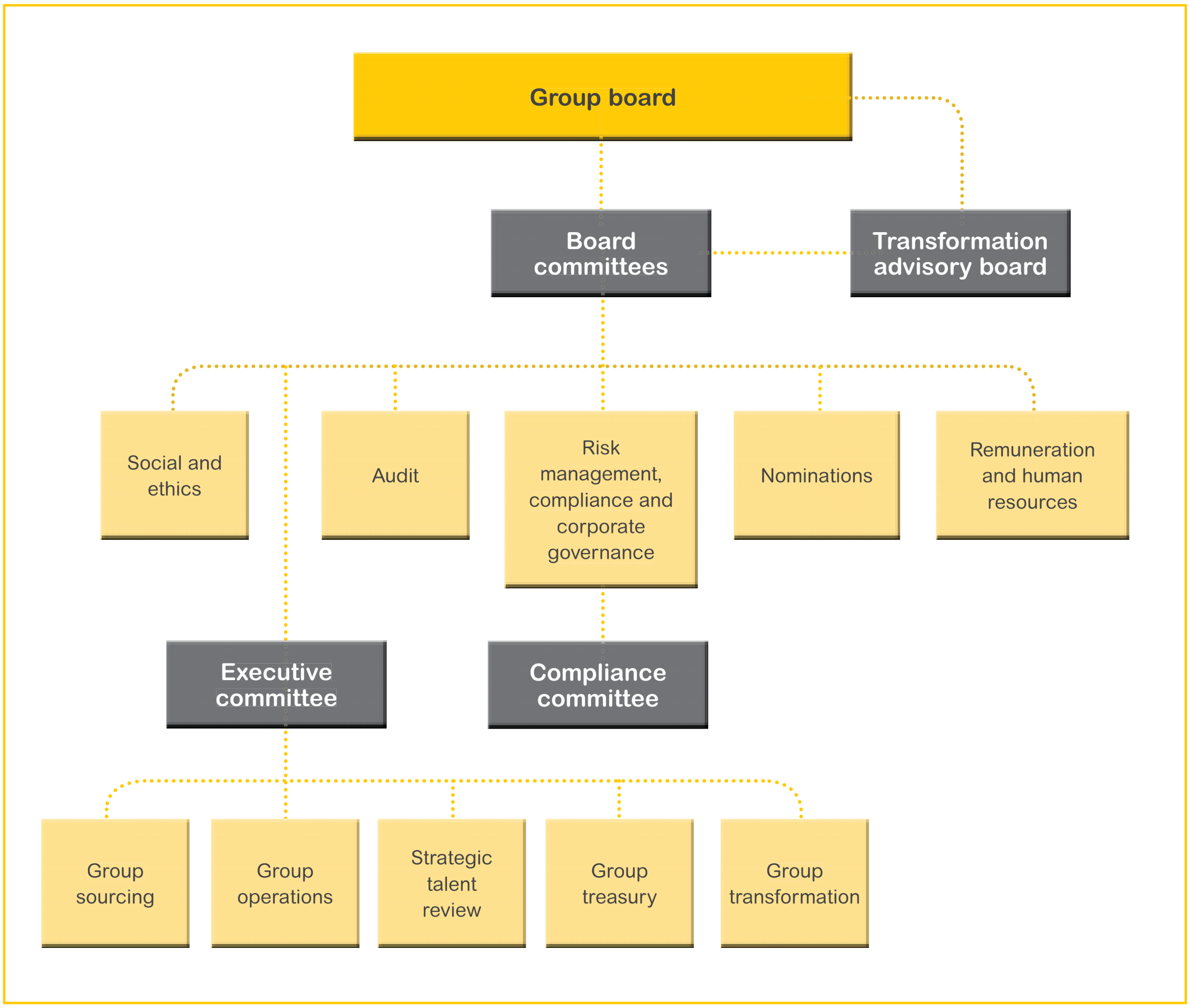
* *Constant currency (organic) information.*
** *Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.*
*** *The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*


MTN
BUSINESS

How we are governed to create value

We are committed to good corporate governance, which is the overarching framework of our operations. In 2016 we continued to work to ensure that our policies and practices promoted good governance and ethics in all areas of our business. This assists in ensuring that we deliver on our strategy and address our material issues.

Governance structure



Application of the King III principles and the introduction of King IV principles

In 2016, we continued to focus on the application of and adherence to the King III principles, and also commenced preparations for adopting the King IV Code. We are satisfied that we substantially applied the King III principles. For more information on the application of King III, see GR.

How we are governed to create value continued

Key board actions in 2016	
Agreed to settle the MTN Nigeria fine imposed by the Nigerian Communications Commission.	On 10 June 2016, we announced that the matter had been resolved with the Federal Government of Nigeria. The cautionary on trading in MTN securities and the prohibited period for trading in MTN securities imposed on directors and employees were lifted.
Established a compliance structure and constituted a compliance committee.	A new compliance structure came into effect. We recorded good progress in the implementation of the compliance framework and appointed a number of compliance officers. The compliance committee held its inaugural meeting in March 2016, and monitored compliance throughout the year.
Established a Group regulatory structure.	We established a regulatory office and appointed an executive for regulatory affairs and public policy. The office works closely with the legal function, the regional vice-presidents and the opco regulatory teams to shape regulatory outcomes.
Established the Group transformation board and implemented the transformation for accelerated results programme, also known as "IGNITE".	IGNITE is about shaping the future of MTN, by proactively introducing special measures to accelerate our business and financial performance. These measures are designed to make our organisation more agile, and our business more sustainable, efficient, innovative and profitable. The programme is driven and monitored under the guidance of the Group transformation board.
Established a formal Group ethics office.	Although the implementation of the ethics programme has been ongoing since 2013, in 2016 the Company formed a formal Group ethics office with a dedicated ethics resource. This structure is also replicated in MTN South Africa and MTN Nigeria.
Appointed new directors to the MTN Group board and MTN South Africa board.	We expanded the commercial and industry experience on both the MTN Group board and MTN South Africa board to improve the Group's risk and governance profile.
Appointed new executives: • **Group president and CEO** • **Group CFO** • **Group COO** • **Regional vice-president: SEA†** • **Vice-president: mergers and acquisitions.**	Following on from the change in the operating model, in 2016, we made a number of changes to the executive team. We expect that the appointment of new executives and the expansion of the roles of others, together with the appointment of additional non-executive directors on the board, will strengthen management, enhance governance and aid strategy.
Reviewed pertinent governance policies.	We continued to review our policies and processes with the view of ensuring that they are in line with changes in the regulatory, compliance and governance landscape.
Implemented the King IV readiness programme.	With the launch of the King IV Report on Corporate Governance, we took strides to ensure that we are able to "apply and explain" the 17 new principles of the report. This continues into 2017.
Introduced a new BEE scheme.	Transformation and empowerment are at the core of MTN's ethos. We launched MTN Zakhele Futhi Limited in South Africa, a R9,9 billion empowerment scheme holding approximately 4% equity in MTN Group.

† Excluding South Africa; subject to contractual restraints which have now ended.

Leadership

Role of the board

The board of directors' key purpose is to ensure the wellbeing of the Company, while endeavouring to create value for all our stakeholders. As set out in the King IV Code, the board's primary role is to carry out the following:

- Steer and set strategic direction.
- Approve policy and planning.
- Oversee and monitor.
- Ensure accountability.

Board appointments and resignations

The Company acknowledges that an effective board must have the expertise and competence to promptly and appropriately address current and emerging issues to ensure the delivery of our strategy. Accordingly, in 2016 after certain directors retired, the board appointed new members with relevant academic qualifications, technical expertise and industry knowledge and who enhance the board's diversity.

Following the resignation of Johnson Njeke and Jan Strydom on 25 May 2016, the board appointed Paul Hanratty, Stan Miller and Nkululeko Sowazi as directors with effect from 1 August 2016. These appointments were conducted through a formal and transparent process.

The Company also identified Rob Shuter for appointment as Group president and CEO with effect from 13 March 2017 and Ralph Mupita as Group chief financial officer with effect from 3 April 2017. Once the Group president and CEO commences his term in office, the executive chairman will step down from his executive role and revert to his role as the non-executive chairman of the Group.

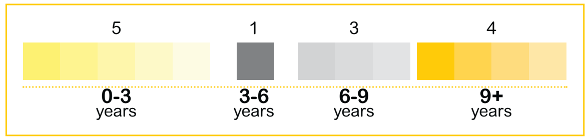
Retirement of directors

In line with the Companies Act, the Company's memorandum of incorporation requires new directors to be subject to an election at the first annual general meeting following their appointment. Directors are also subject to retirement every three years, subject to an evaluation conducted by the board, assisted by the nominations committee.

Directors who have served on the board for a period in excess of nine years retire at every annual general meeting and are re-elected following a review of their independence and objectivity in carrying out their duties.

Accordingly, nine directors will be eligible for election and re-election at the forthcoming AGM. This ensures that shareholders have the opportunity to exercise their vote with regard to whether the Company has appointed the most appropriate directors to meet the best interests of the Company.

Length of tenure of directors



Succession planning

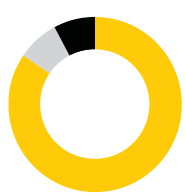
Following the outcomes of the board evaluation, the board, through the nominations committee, performs a comprehensive assessment of the skills set of the current board of directors. This facilitates board succession planning and ensures that the board has the requisite skills for transitioning into the years ahead. In 2016, the Company undertook the process of evolving the composition of the board and the Company believes that the board has the necessary skills to fulfil its role.

Diversity and composition of the board

The Company acknowledges that diversity gives the board the benefit of different perspectives and ideas. The Group has a unitary board, consisting of executive and non-executive directors who represent a broad spectrum of demographic attributes and characteristics. To promote objectivity and reduce the possibility of conflict of interests, the majority of directors are independent non-executive directors. The competence and views of individual directors, as well as their interaction during board meetings, allows strategic oversight. Since gender is one of attributes that contribute to a balanced composition of the board, the board is focused on improving the representation of women on the board and introducing new skill sets to achieve the board's objectives.

Board diversity

Board independence

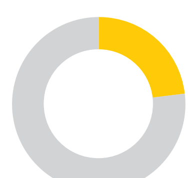


- Independent directors 11
- Executives 1
- Non-executives 1

Nationalities

- South Africans 8
- Non-South African 5

Gender representation



- Women 3
- Men 10

(As at 2 March 2017)

Board committees

The board has delegated its authority to various board committees with the mandate to deal with governance issues and report to the board on their activities on a quarterly basis.

Each committee operates under terms of reference which set out roles and responsibilities, composition and scope of authority. These are reviewed on an annual basis. For a full appreciation of the terms of reference, see the governance report on the MTN website.

During the year under review, each committee had a number of key duties and responsibilities and the board is satisfied that the committees effectively discharged their responsibilities in accordance with their respective terms of reference.

Board committees' activities

Committees	Activities in 2016	Priorities for 2017
Audit committee KC Ramon (chairman) NP Mageza MJN Njeke (resigned 25 May 2016) A Mikati (appointed 25 May 2016, resigned 4 August 2016) P Hanratty (appointed 4 August 2016) J van Rooyen	• Safeguarded the assets of the Group. • Performed monitoring and oversight over financial systems and controls. • Ensured the preparation of financial statements. • Reviewed and was satisfied with the competence and performance of the Group CFO and acting Group CFO and the finance function. • Reviewed the independence and objectivity of the joint external auditors. • Reviewed the competence and performance of the Group business risk officer.	Continue to: • Provide oversight of the provision of non-audit services by joint external auditors. • Ensure compliance with King IV principles. • Perform monitoring and oversight of financial systems and controls. • Review independence and objectivity of joint external auditors. • Review competence and performance of Group CFO and finance function. • Enhance disclosure of monitoring and compliance with environmental laws, findings on non-compliance and sanctions thereof. • Disclose arrangements for governing and monitoring stakeholder relationships. More information on the audit committee is set out in the audit committee report in the AFS.
Nominations committee PF Nhleko (chairman)# A Harper AT Mikati NL Sowazi (appointed 4 August 2016) AF van Biljon (lead independent director) JHN Strydom (resigned 25 May 2016)	• Ensured a formal and transparent board nomination and election process (guided by our director appointment policy) in the appointment of new directors. • Conducted an independence review on the directors serving the board for a period in excess of nine years. • Conducted an in-depth independence review on the chairman. • Evaluated and recommended the retiring directors and audit committee members for re-election. • Evaluated the performance of the Group secretary and the secretarial function. • Ensured that the appointment of a suitable Group president and CEO and the Group CFO was finalised through a formal and transparent process. • Ensured that the effectiveness of the board was enhanced.	• Review diversity of the board, by implementing an approved policy on the diversity of the board. • Ensure that gender diversity is a priority as required by the JSE.
Remuneration and human resources committee A Harper (chairman) AT Mikati PF Nhleko JHN Strydom (resigned 25 May 2016) NL Sowazi (appointed 4 August 2016) J van Rooyen	• Ensured that MTN's remuneration strategies and policies are designed to attract, motivate and retain quality employees, directors and senior management committed to achieving the overall goals of the Company. • Benchmarked MTN's remuneration against competitor companies. • Recommended the advisory note on the remuneration philosophy which was ultimately reviewed by shareholders. • Recommended the submission to the board and the annual general meeting the remuneration of the chairman and members of the board and a no-fee increase for non-executives.	• Retain key employees. • Continue to enhance succession planning. • Ensure that MTN obtains suitable talent for the changing business environment.

Although Mr Nhleko remained as chairman, Mr van Biljon led the nomination committee's discussions throughout the year because Mr Nhleko was a non-independent director.

Committees	Activities in 2016	Priorities for 2017
Risk management, compliance and corporate governance committee NP Mageza (chairman) KP Kalyan S Kheradpir MLD Marole SP Miller (appointed 4 August 2016) MJN Njeke (resigned 25 May 2016) JHN Strydom (resigned 25 May 2016)	• Identified, considered and monitored risks impacting the Company. • Ensured due process for compliance with prevailing legislation and other statutory requirements, including voluntary corporate governance frameworks is followed. • Continued to monitor the management of new and emerging risks. The committee was also involved in monitoring the corporate governance framework, including regulatory and listings requirements and business practices, with the objective of maintaining and strengthening risk management in the organisation. • Reviewed the Group's business continuity strategy and processes. • Reviewed the Group's insurance programme. • Participated in the risk mitigation process by reviewing the Company's risk appetite and risk tolerance thresholds. • Ensured greater focus on IT governance and cyber security.	• Continue to monitor MTN's regulatory compliance. • Continue to focus on IT security. • Enhance business continuity at MTN. • Monitor the risk management and internal control systems. • Review the combined assurance model.
Social and ethics committee KP Kalyan (chairman) NP Mageza MLD Marole J van Rooyen	• Performed an oversight and monitoring role in partnership with other committees to ensure that MTN is a good corporate citizen and that MTN business is conducted in an ethical and properly governed manner. • Performed an oversight role over the implementation of the ethics management programme. • Took responsibility for the sustainability framework and sustainability reporting for the MTN Group. • Placed greater focus on monitoring the MTN Foundations and other CSI initiatives. • Performed an oversight and monitoring role over the rollout of the stakeholder management plan.	• Implement ethics risk mitigating interventions and measure impact. • Continue to emphasise empowerment of employees towards ethical conduct, using differentiated means to reach and engage all staff. • Further certification of ethics officers to ensure a sound knowledge and practice base for ethics management, as our ethics challenges become more pronounced. • Facilitate easy and immediate access to policy-based guidance in ethically challenging situations for all employees. • Implement ethics risk mitigation impact measurements across the Group. • Participate in the Coalition for Ethical Operations to promote ethical business.

Meetings attendance register 2016

Names	Scheduled board (7)	Special board (14)	Audit (4)	Nomina-tions (5)	Remco (5)	Risk (4)	Social and ethics (4)
PF Nhleko&	7	12	4	5	5		
PB Hanratty^	3	6	1				
A Harper	7	13		5	5		
KP Kalyan	7	14				4	4
S Kheradpir	6	5				1	
NP Mageza	7	12	4			4	4
SP Miller^	3	5				1	
MLD Marole	7	14				4	4
AT Mikati	7	14	1	5	5		
MJN Njeke†	3	4	2			2	
NL Sowazi^	2	5		1	2		
KC Ramon	7	13	4				
JHN Strydom†	3	5		3	2	2	
AF van Biljon	7	14		5			
J van Rooyen	7	12	4		5		3
BD Goshen~@	5	6	1		2	0	

^ *Appointed 1 August 2016.*
† *Resigned 25 May 2016.*
~ *Resigned 30 September 2016.*
@ *By invitation to committee meetings.*
& *By invitation to audit committee.*
New directors joined the board on 1 August 2016, and were appointed to committees on 4 August 2016.

The role of the chairman and lead independent director

During the year, the executive chairman provided leadership and sound judgement and was instrumental in ensuring that the deliberation of issues and the strategic decisions of the board were aligned with the Company's vision, values and objectives.

As the chairman took on an executive role, the board also relied strongly on the lead independent director (LID) for objectivity and guidance, should a situation have arisen where the impartiality of the chairman was impaired or there was a perceived conflict of interest. The LID played a leading role in the nominations committee as the chairman of the nominations committee was not independent.

Delegation of authority

While the board plays an oversight role over the Company, the executive chairman and his executive management are empowered to manage and lead the business on a day-to-day basis, guided by an approved delegation of authority. MTN's delegated structures, which include the board committees, encourage and promote open discussion which enhances the board's monitoring function over all areas of the Company.

Director development

In order to ensure that all directors on both the board and committees of the Company are adequately equipped with the latest information and knowledge relating to MTN's business and to continuously support them in their role as directors, the Company provides ongoing training relating to general management, corporate governance, any updates in laws and regulations and best practices affecting the business. In 2016, we provided the board with a more robust and interactive training programme which tackled various governance matters directly linked to managing the business's key priorities. In 2017 the Company plans to continue with the training and further entrench the culture of director development.

Group secretary

Directors engage with the Group secretary regularly for governance and regulatory advice. She also ensures the proper administration of the board and adherence to sound ethical practices.

The performance of the Group secretary, as well as her relationship with the board, is assessed on an annual basis by the nominations committee and the board. The assessment considers the competency, qualifications and experience of the Group secretary and whether she maintains an arm's length relationship with the board. For the reporting period the board is satisfied that she is suitably qualified and her relationship with the board is adequate to ensure her independence from director influence or conflict of interest.

Directors' dealings

The Company continued to enforce closed periods prohibiting trading in shares by directors, senior executives and employees in terms of the Company's share dealing and insider-trading policies. The closed periods are effective from the end of the interim and annual reporting periods until the financial results are disclosed on SENS. All directors trading in shares require the prior approval of the chairperson of the board.

Conflicts of interest

A director or prescribed officer is prohibited from using his or her position with respect to MTN or confidential company information obtained by him or her relating to the Company, in order to achieve a financial benefit for himself or herself or any related third party.

Furthermore, a director or prescribed officer is obliged to make certain disclosures regarding any conflict of interest he or she may have when such conflict arises. Directors and prescribed officers who have declared a conflict of interest in certain transactions, have voluntarily recused themselves from participating in any manner with regard to those transactions.

Business practices and ethics

In 2016, the board continued to strive to ensure that ethics is the foundation of how the Company operates and that corporate governance best practices were entrenched. Accordingly, the directors recognise their responsibility to set the tone from the top, by avoiding instances of conflict of interest and having the interests of the Company at the forefront of all decision making.

Despite a few setbacks, each operating company continues to strive to further entrench ethics through a systemic methodology. Each company is supported by ethics champions who provide effective guidance, encourage employees to report all instances of fraud through the whistle-blowing hotline and ensure that the Company's ethics are efficiently implemented and reported to the Group's social and ethics committee on a quarterly basis.

The Company also continues to safeguard the interests of stakeholders, such as the community, employees, customers and suppliers, by monitoring the Company's activities with regard to social and economic development, corporate citizenship, consumer relationships, the environment, health and public safety and labour and employment matters.

Monitoring, oversight and risk

The Company's corporate governance structure ensures effective internal controls and monitors the management of significant matters. The audit committee, as well as the risk management, compliance and corporate governance committee provide an environment in which challenging issues can be considered and monitored.

The strategic and operational risk management framework of the Company focuses on various risks that could affect MTN's customer experience, operational agility, cost competitiveness and stakeholder confidence. This is done through a robust risk methodology that analyses not only what the Company does, but also how it is done, to achieve sustainable economic viability, make the most of market opportunities and serve a rapidly changing market.

Subsequent to the challenges faced by the Company in the past two years, the board has enhanced the proficiency of the risk management process and will continue to guide MTN towards better risk mitigation, through ascertaining and appreciating significant risks, investing resources in alleviating existing risks that are critical to the Company and driving the risk accountability and ownership through management.

Performance management

The board stresses the importance of promoting a healthy workplace environment which includes ethics and compliance through established policies based on the values of integrity, leadership, innovation, relationships and "can do" as well as the vital behaviours. It promotes targeted results in a transparent and systematic manner that strives to ensure that the Company's employees are productive, provide efficient services and demonstrate the required knowledge, skills, behaviour, competencies and engagement to perform their duties to the best of their ability.

Like any organisation, there are instances of unsatisfactory employee performance, however, we endeavour to address such issues expeditiously through internal company procedures in line with the disciplinary process and our performance management system.

Disclosure, reporting and transparency

Disclosure, reporting and transparency are fundamental components of our corporate governance framework to provide accountability to stakeholders and support them in making informed decisions.

MTN endeavours to be transparent, especially regarding material issues. We continue to review our policies and procedures that govern the provision of timeous, correct and complete information to stakeholders, in a manner which gives all stakeholders equal access to information and ensures that there is no stakeholder that is treated favourably over others. The Company has also re-emphasised that all matters must be provided to stakeholders in compliance with the law and applicable regulations.

MTN Group strives to accurately, consistently and fairly disclose material, or price-sensitive information about the Company and its performance, in a readily understandable language, to stakeholders, the public and regulators.

Stakeholder engagement

The board values MTN's stakeholders and endeavours to take their concerns and interests into account when making business decisions. This not only enables the Group to anticipate and manage risk effectively, but also assists in the identification of new business opportunities and in establishing solid MTN relationships with stakeholders. It also makes it easier for MTN to deliver on its objectives and benefit from ideas for products or services that address stakeholder needs, and at the same time allows the Company to reduce costs and maximise value. In order to ensure greater accountability, the Company has a stakeholder-conscious governance model which places emphasis on dialogue and responding to stakeholder concerns and interests.

Our anonymous tip-off line is anonymous@tip-offs.net and +27 83 123 7867

Who is responsible

Our board of directors

The board is responsible 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 full extent of the board's responsibilities is available in the board charter. At 2 March 2017, the board comprised:

1. PF Nhleko (56)
Executive chairman
BSc (Civil Eng), MBA
Appointed: 28 May 2013, became executive chairman November 2015
Board committee membership:

Other directorships: Chairman of various companies in MTN Group, chairman of Phembani Group (Pty) Limited, Afrisam (South Africa) (Pty) Limited, Blue Falcon 179 Trading (Pty) Limited.
Skills, expertise and experience: Strategic leadership and finance.

2. P Hanratty (55) (Irish)
Independent non-executive director
BBusSc (Hons), Fellow of Institute of Actuaries, Advanced Management Programme (Harvard)
Appointed: 1 August 2016
Board committee membership:

Other directorships: Director of various companies in MTN Group.
Skills, expertise and experience: Financial services.

3. A Harper (60) (British)
Independent non-executive director
BA (Hons)
Appointed: 1 January 2010
Board committee membership:

Other directorships: Director of various companies in MTN Group, Azuri Technologies Limited and Gigabit Fibre Limited.
Skills, expertise and experience: Telecommunications.

4. KP Kalyan (61)
Independent non-executive director
BCom (Law) (Hons) Economics, Senior Executive Management Programme (London Business School)
Appointed: 13 June 2006
Board committee membership:

Other directorships: Director of various companies in MTN Group, non-executive chairman of Edgo Merap. Non-executive director of AOS Orwell Energy, Aker Solutions, Anglo American South Africa and Petmin Mining. Non-executive senior adviser of Boston Consulting Group. Member of the Thabo Mbeki Foundation Advisory Council.
Skills, expertise and experience: Economics, energy, infrastructure and corporate governance.

5. S Kheradpir (56) (American)
Independent non-executive director
Doctorate in Electrical Engineering
Appointed: 8 July 2015
Board committee membership:

Other directorships: Director of various companies in MTN Group. CEO and chairman of Coriant International Group, a global leader in packet-optical networking.
Skills, expertise and experience: Business leadership and transformational change, operations, technology and engineering.

6. NP Mageza (62)
Independent non-executive director
FCCA
Appointed: 1 January 2010
Board committee membership:

Other directorships: Director of various companies in MTN Group, Remgro Limited, Sappi Limited, RCL Group and Ethos Private Equity Limited.
Skills, expertise and experience: Accounting, banking and finance.

7. MLD Marole (56)
Independent non-executive director
BCom (Acc), Dip Tertiary Education, MBA, Executive Leadership Development Programme
Appointed: 1 January 2010
Board committee membership:

Other directorships: Director of various companies in MTN Group, South African Post Office (SoC) Limited, Richards Bay Mining (Pty) Limited, Santam Limited, Resilient Properties Income Fund and the Development Bank of Southern Africa.
Skills, expertise and experience: Financial services, risk and corporate governance.

KEY
Symbol for *"chairman of . . ."*
- Nominations committee
- Remuneration and human resources committee
- Social and ethics committee
- Risk management, compliance and corporate governance committee
- Audit committee

Symbol for *"member of . . ."*
- Nominations committee
- Remuneration and human resources committee
- Social and ethics committee
- Risk management, compliance and corporate governance committee
- Audit committee

8. **AT Mikati** (44) (Lebanese)
Non-executive director
BSc
Appointed: 21 July 2006

Board committee membership:

Other directorships: Director of various companies in MTN Group, CEO of M1 Group Limited (an international investment group focusing on telecoms), director of various companies in M1 Group and director of Orascom Construction Limited. He also serves on the boards of the Children Cancer Centre, the International College and Columbia University board of visitors.

Skills, expertise and experience: Telecommunications.

9. **SP Miller** (58) (Belgian)
Independent non-executive director
Intermediate diploma from the Institute of Certified Bookkeepers (SA), Diploma in law and administration. Various executive programme courses (UCT Business School)
Appointed: 1 August 2016

Board committee membership:

Other directorships: Director of various companies in MTN Group, executive chairman of AINMT AB Sweden, CEO of Leaderman NV (Belgium), Leaderman SA (Lux), non-executive director of MTS OJSC Russia.

Skills, expertise and experience: Telecommunications and media.

10. **KC Ramon** (49)
Independent non- executive director
BCompt, BCompt (Hons), CA(SA), Senior Executive Programme (Harvard)
Appointed: 1 June 2014

Board committee membership:

Other directorships: Director of various companies in MTN Group, AngloGold Ashanti Limited, chairman of the CFO forum and deputy chair of the Financial Reporting Standards Council of South Africa.

Skills, expertise and experience: Accounting, finance and general management.

11. **NL Sowazi** (53)
Independent non-executive director
MA
Appointed: 1 August 2016

Board committee membership:

Other directorships: Director of various companies in the MTN Group. Chairman of Kagiso Tiso Holdings and Synchem Group. Director of Grindrod Limited, IQ Business Holdings and Tiso Blackstar SE (UK). Co-founder trustee of the Tiso Foundation and Washington-based Housing for HIV Foundation.

Skills, expertise and experience: Investment management, business leadership.

12. **AF van Biljon** (69)
Lead independent non-executive director
BCom, CA(SA), MBA
Appointed: 1 November 2002

Board committee membership:

Other directorships: Director of various companies in MTN Group, chairman and trustee of Standard Bank Group Retirement Fund.

Skills, expertise and experience: General business, accounting and finance.

13. **J van Rooyen** (66)
Independent non-executive director
BCom, BCompt (Hons), CA(SA)
Appointed: 18 July 2006

Board committee membership:

Other directorships: Director of various companies in MTN Group, various companies in Uranus Group, Pick n Pay Stores Limited and Exxaro Resources Limited.

Skills, expertise and experience: Accounting and finance.

For full CVs see .

Who is responsible

Our executive committee

The executive committee facilitates the effective control of the Group's operational activities in terms of its delegated authority, approved by the board. It is responsible for recommendations to the board on the Group's policies and strategies and for monitoring their implementation in line with the board's mandate. It meets at least monthly, and more often as required. At 2 March 2017, it was made up of:

1. **Phuthuma Nhleko**∞ (56)
   Executive chairman
   BSc (Civil Eng), MBA
   Executive since November 2015 until new CEO joins in March 2017

2. **Gunter Engling**¥ (43)
   Acting Group chief financial officer
   CA(SA), BAcc, BA (Hons)
   Executive since October 2016

3. **Michael Fleischer** (56)
   Group chief legal counsel
   BProc, Advanced Tax Certificate, admitted as attorney of the High Court of South Africa
   Executive since 2014

4. **Ismail Jaroudi** (45)
   Group vice-president for Middle East and North Africa
   BA, Executive Education Certificate, Harvard Business School
   Executive since 2015

5. **Godfrey Motsa** (43)
   Group vice-president for South and East Africa
   BCom, MBA
   Executive since January 2017

6. **Ferdi Moolman** (53)
   Chief executive officer: MTN Nigeria
   CA(SA), BCom, BCompt (Hons), Theory of Accounting Diploma
   Executive since 2015

7. **Paul Norman** (51)
   Group chief human resources and corporate affairs officer
   MA (Psych), MBA
   Executive since 1997

8. **Mteto Nyati** (52)
   Chief executive officer: MTN South Africa
   BSc (Mech Eng), Yale World Fellow
   Executive since 2014

9. **Jens Schulte-Bockum** (50)
   Group chief operating officer
   MA(SocSci)
   Executive since January 2017

10. Karl Toriola (44)

Group vice-president for West and Central Africa

BSc (Elec Eng), MSc (Comm Systems), General Management Programme, Harvard Business School

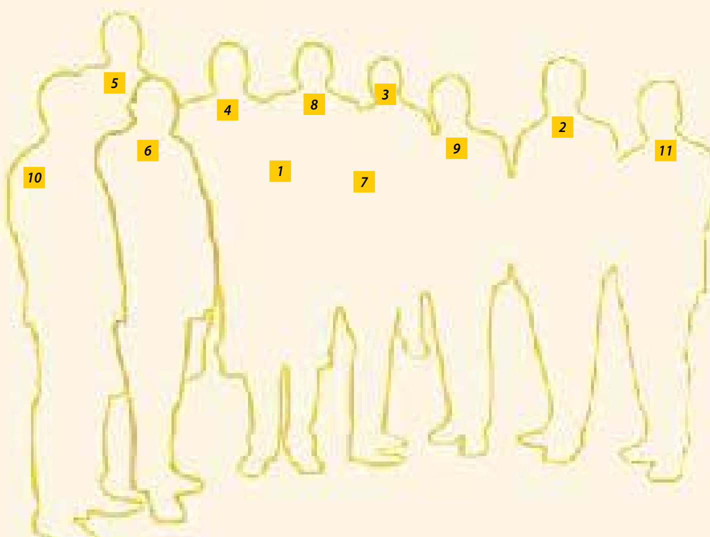
Executive since 2015

11. Stephen van Coller (50)

Group vice-president for strategy and M&A

CA(SA), ACMA (UK), BCom (Hons), Higher Diploma in Accounting

Executive since October 2016



∞ To step down on 13 March 2017, when Rob Shuter assumes role of Group president and CEO.
¥ To step down on 3 April 2017, to be succeeded by Ralph Mupita.

For full CVs see .

Who is responsible

Management on the ground

To illustrate the depth of our management team, here we profile the leadership of our nine major operations at 2 March 2017, as well as give details by region on their average experience and age.

WECA

Average number of years in telecoms	12
Average number of years in ICT and adjacent industries	12
Average number of years at MTN	11
Average age	47

MTN Nigeria

Ferdi Moolman *CEO* Adekunle Awobodu *CFO*

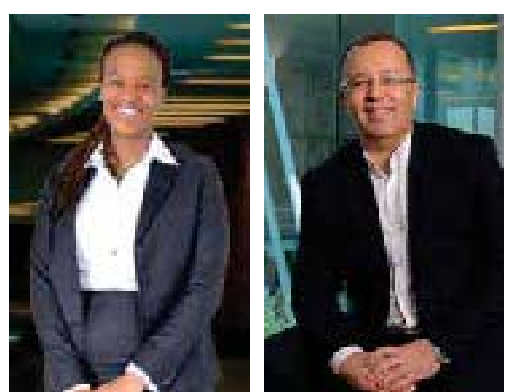
MTN Ivory Coast

Freddy Tchala *CEO* Ebenezer Bodylawson *CFO*

MTN Ghana

Ebenezer Asante *CEO* Modupe Kadri *CFO*

MTN Cameroon



Philisiwe Sibiya *CEO* Adel Alaya *CFO*

MENA

Average number of years in telecoms	17
Average number of years in ICT and adjacent industries	20
Average number of years at MTN	8
Average age	48

Iran (joint venture, 49%)

Alireza Ghalambor Dezfouli ***CEO***

Mazen Mroue ***COO***

SEA

Average number of years in telecoms	16
Average number of years in ICT and adjacent industries	19
Average number of years at MTN	12
Average age	48

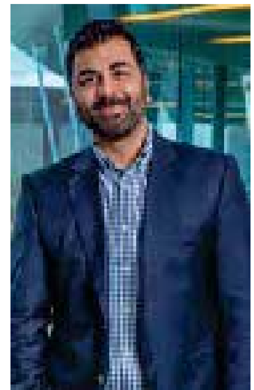
MTN South Africa

Mteto Nyati ***CEO***

Sandile Ntsele ***CFO***

Sudan

Malik Melamu ***CEO***



Ali Bin Amir ***CFO***

Syria

Ziad Sabah ***CEO***

Kamal Santina ***CFO***

MTN Uganda

Wim Vanhelleputte ***CEO***

Mike Blackburn ***CFO***

For full CVs see .

Our people and their remuneration

Our people

At MTN we believe that investing in our people is essential to achieve our strategy and improve our competitive edge across the markets in which we operate. Engaging and developing our employees is a priority; it helps us deliver the best customer experience and increases our overall business performance.

Senior management changes

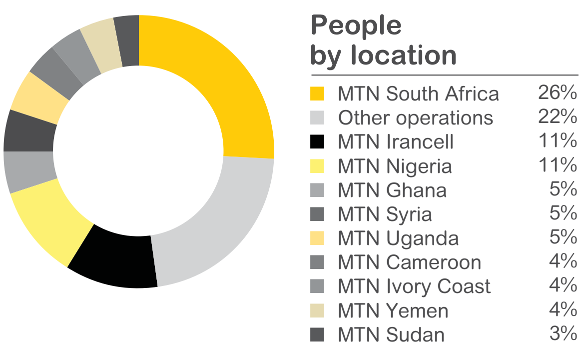
In 2016, we appointed a number of new senior managers with the requisite skills to take MTN into a new growth phase. We also implemented a new organisational structure to enhance operational and governance oversight. These position the Group to capitalise on its many prospects and reach its full potential in a rapidly transforming and exciting sector.

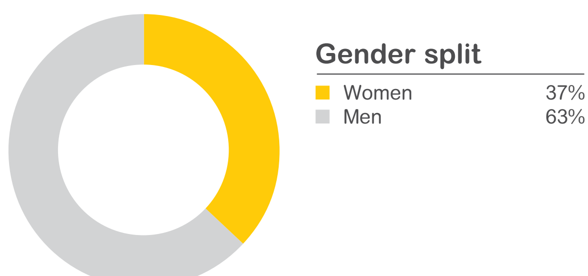
The MTN executive committee is made up of:
- **Rob Shuter,** joining on 13 March 2017 as Group president and CEO.
- **Ralph Mupita** will join on 3 April 2017 as Group chief financial officer (CFO).
- **Gunter Engling**, acting CFO, will become deputy CFO on 3 April 2017 when he steps down from exco.
- **Jens Schulte-Bockum** joined on 16 January 2017 as Group chief operating officer.
- **Godfrey Motsa**, vice-president for the South and East Africa region since January 2017.
- **Mteto Nyati**, CEO of MTN South Africa since 2014.
- **Ismail Jaroudi**, vice-president for the Middle East and North Africa region since 2015.
- **Karl Toriola**, vice-president for the West and Central Africa region since 2016.
- **Ferdi Moolman**, CEO of MTN Nigeria since 2016.
- **Stephen van Coller**, vice-president for strategy and mergers and acquisitions (M&A) since October 2016.
- **Paul Norman**, chief human resources and corporate affairs officer since 1997.
- **Michael Fleischer**, chief legal counsel since 2014.

Other senior executives who were recently appointed include:
- **Babak Fouladi** as chief technology and information officer.
- **Bernice Samuels** as executive: marketing.
- **Felleng Sekha** as executive: regulatory affairs and public policy.
- **Oliver Fortuin** as executive: business enterprise.
- **Riaan Wessels** as executive: business risk.
- **Saim Yaksan** as executive: Group transformation

Overview of our people

At the end of 2016, MTN had 15 980 permanent employees and 4 009 contractors. This represents a 5,2% decline in the total number of people in the business, a result mainly of ongoing optimisation initiatives:



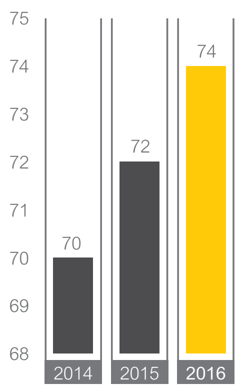


Engagement and culture

Achieving high levels of employee engagement and fostering the right culture is fundamental to achieving our strategic imperatives. Every year we invite staff to participate in our global culture audit survey, measuring employee engagement and culture across 16 people dimensions.

In the year, our sustainable engagement score improved by two points from 2015 to a score of 74. This is a result of the combined efforts of staff and management to prioritise the people agenda in a challenging operating environment. The SEA region showed the greatest year-on-year improvement in employee engagement, and the WECA region had the highest score.

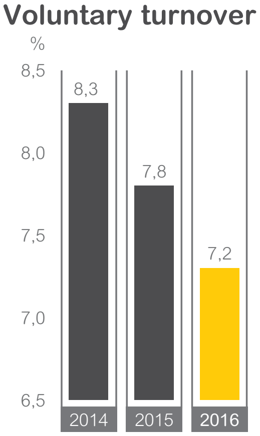
Employee engagement



Our ongoing culture operating system programme to instil MTN's vital behaviours also increased in the year. Our vital behaviours (2) are the foundation of our social engine in order to ensure that our people work in a way that is in keeping with our values of leadership, innovation, relationships, integrity and "can do".

Our employee voluntary turnover rate, which measures the rate at which employees' voluntarily leave MTN, decreased to 7,2% in 2016 from 7,8% in 2015. We focused on retaining our top talent with positive results; the voluntary turnover rate of high performers dropped to 4,7% from 5,5%.

Voluntary turnover



A diverse company

Key to our customer centricity approach is a diverse employee base that understands the varied needs of our many different subscribers. By the end of 2016, we had employees of over 60 different nationalities, of which 40 were from countries in Africa and the Middle East. Gender diversity is also a key metric. By the end of December 2016, 37% of staff were women and 63% were men. This remained unchanged from the previous year.

Developing our talent

We place significant emphasis on continuously evolving the skill sets of our talent base to ensure that our staff are equipped to meet the needs of the rapidly evolving ICT industry. Our digital e-learning platform continued to be extremely popular, with over 424 000 courses completed by 13 519 staff in 2016, an average of 30 online learning programmes per individual. We evaluated the quality of the course material throughout the year and achieved a 98% positive response from staff in 2016.

The key learning and development focus areas in the year were:

- Managing customer expectations
- Telco transformations
- Enterprise ICT
- Ethics at work

Through our strategic partnership with Swiss-based business school IMD, in 2016 we launched a variety of cloud-based programmes to deepen functional leadership skills across our senior management in the areas of innovation, commercial excellence and execution.

To ensure that we have robust succession planning, the MTN Global Talent standard serves as a robust psychometric and career development assessment methodology to evaluate and improve our future pipeline.

Performance management

We successfully completed our 2016 integrated performance management cycle ensuring that our pay-for-performance framework was carried out throughout the organisation. We further improved our performance management framework to ensure greater alignment to strategic imperatives to increase our focus on customer experience and financial performance.

Best practices

The Global Investor in People (IiP) standard is a people management best practice accreditation that defines what it takes to lead, support and manage people well for sustainable results. As at December 2016, a total of 16 MTN operating companies had achieved varying levels of accreditation, compared with 14 in 2015. It is important to note that our head office and our operations in Cameroon, Ghana, Nigeria and Swaziland all have "gold" accreditation – the highest level of accreditation available.

Remuneration report

Our remuneration philosophy

MTN's remuneration philosophy is part of an interlinked, holistic and people-oriented talent approach, aiming to support current and evolving business priorities. The philosophy aims to attract, motivate, retain and engage the desired talent to execute business strategy in a sustainable manner over the longer term. The competitive talent landscape demands a differentiated reward system, capable of competitively matching pay for results, delivered fairly without bias, and flexible yet compliant across all markets.

In our efforts to achieve our talent objectives, we apply various approaches, including the following:

For competitiveness and affordability
- Regular market benchmarking of reward components.
- Linking short and long-term incentives to various performance indicators.

For differentiation and flexibility
- Establishing performance as the basis for employee reward.
- The ability to customise reward, taking into account the varied needs and lifestyles of employees.

For compliance and sustainability
- Continuously striving to apply full regulatory and legislative compliance in our markets.
- Regularly auditing and assessing risks, benefits and compliance of reward.

Our various remuneration policies endorsed by management and governed by our remuneration committee guide the decision-making processes and operationalisation of all reward matters. It is our intent to deliver a legislatively compliant system aligned with the future strategic objectives of the Company.

Our reward principles

In delivering on our remuneration policy, we apply the following principles:
- Fair pay based on the value of the job relative to other jobs of similar worth i.e. internal equity.
- Performance-based culture for both short and long-term incentives.
- Transparent and simplified communication across all levels including external stakeholders.
- Consistency across all our operating units, however, acknowledging differentiation and customisation.
- Empowerment of line managers to deliver effective pay decisions.
- Flexibility, taking into account the diversity of our employees across all our operating companies.
- Company affordability so as to support the performance expectations of our shareholders.
- Optimal pay structure between fixed and variable remuneration so as to drive the right focus both in the long and short term.
- Values-based and output-driven recognition of actions aligned to our vital behaviours.
- Recognising entrepreneurship and innovativeness.

We continuously benchmark our reward offerings to remain externally competitive. Likewise, we structure our rewards under our comprehensive value proposition ensuring that we meet the existing governance structures such as the King Code principles summarised alongside.

Our remuneration practices meet the minimum related compliance requirements.

King III principle	Comply
Remuneration policies and practices are aligned to Company strategy and linked to individual performance	Yes
Policies address a fair mix of fixed to variable remuneration	Yes
Incentives are based on stretched and verifiable targets related to both financial and non-financial indicators	Yes
Both long and short-term incentives comprise more than one measure and measures are fairly balanced	Yes
There is no automatic entitlement of incentive for both long and short-term incentive plans	Yes
There is no automatic entitlement to bonus or share-based payments on early termination of employment	Yes
The value of incentives is significant relative to base pay. Participation in share schemes is limited to management staff only	Yes

All strategic reward decisions are prepared and guided by our executive management team for approval by the remuneration and human resources committee. This committee is delegated approval authority at various levels with its roles and responsibilities listed below.

The remuneration and human resources committee

MTN's remuneration and human resources (R&HR) committee is delegated responsibility by the board of directors to make sound remuneration decisions that are aligned with the Company's strategy and acceptable governance principles.

In executing its duties, the committee consults external experts as and when necessary, although the committee makes the final decision with regard to the interests of stakeholders. The committee ensures the following:

- Effective governance structures are implemented within the remuneration framework, supported by a strong and fully compliant reward system.
- Adequate and sound risk controls are implemented across the Group to mitigate any potentially negative remuneration exposure.
- The pay structures for executive members and that of all other employees are aligned with the market and internal pay policies, taking into account the availability of skills in the market as well as executive competency levels.
- The Company's pay-for-performance objective is effective and justified in accordance with set performance criteria.

The committee constantly reviews the remuneration strategy to ensure that its policies and principles remain applicable to the dynamics of the business and in accordance with legislative stipulations.

Full details of the committee's terms of reference and key focus for the year under review are outlined in the corporate governance report on GR.

Remuneration report continued

Key components of our remuneration structure

Although MTN Group Management Services applies a fixed remuneration package approach, the Company accepts variations to the "base plus benefits" approach due to local market conditions. The fixed remuneration approach includes cash and benefits in kind which, when combined with incentive payments and other non-quantifiable elements, make up what we term "Total Reward".

Our fixed pay component reflects general worth of skills compared against job worth, while incentive payments are based on short- and long-term performance. Here we summarise the various pay components which collectively make up Total Reward.

Annual fixed package (AFP)^ (fixed + benefit plans)	Short-term incentive schemes (STIs)	Long-term incentive schemes (LTIs)	Recognition and other benefits
Fixed pay • Fixed salary delivered monthly. • Based on scope and nature of the role. • Generally determined around the market median, but can vary based on market dynamics and business goals. • Generally reviewed annually. Benefit plans • Provide economic security for employees. • Commonly include retirement, health, death, disability and insurance.	Performance incentive • Variable Company-provided incentives aligned with the short-term goals of the Company, delivered on an annual basis. • Performances up to one year are assessed and rewarded for achieving minimum, stretch-target and above-target performances. • Aligns with financial and strategic key performance. • Individual, team and Company performance are taken into consideration, with executive performance weighted towards Company performance. • At an operational level, certain sales positions participate in a commission-based incentive scheme.	• Variable incentives in the form of share allocations. • Drives long-term sustainability and performance of the Group. • Potential payments attributed to the financial performance of the Company. • Make up a larger portion of total executive remuneration relative to short-term and fixed pay.	Recognition • Formal and informal platform designed to drive recognition between employees and departments, both within and across MTN's operations. Other benefits • Other benefits are typically excluded from the fixed package. • Include lifestyle benefits, leave of absence, and additional insurance products. • Although some of these benefits are not prevalent in all operations, there are country-specific programmes approved and aligned with equivalent South African benefits.

^ *Please note the term "fixed package" as used should not promote a sense of entitlement or non-adjustability of the package, should MTN deem this appropriate. The term, however, must be defined within the context and used synonymously with "annual fixed package", meaning that certain benefits such as contribution arrangements to medical aid, although fixed annually, may be adjusted as and when the Company needs to.*

Package approaches

Local employees

Generally, employees based in their home countries are remunerated on an annual fixed package approach, which includes a combination of base remuneration and benefit provisions, commonly referred to as fixed remuneration. The Group has implemented this approach subject to labour regulations and remuneration practices. Non-South Africa-based operations have adopted and customised this approach in accordance with local practices and regulations.

Expatriate employees

MTN deploys international talent (expatriates) among our operations where this is of value and as part of our talent mobility efforts. Although expatriate employees are employed on a full-time basis and with access to other benefits provided to local employees, their contracts are limited to a fixed duration, typically two years.

In line with the frequency of talent mobility across operations, during 2015 we reviewed the expatriate pay model to introduce a greater degree of relative internal pay equity across the various operations.

The choice of the United Arab Emirates as the global employment company for the purpose of expatriate compensation management allows us to standardise expatriate base-pay levels in all countries within one pay structure in a global reserve/hard currency. This base-pay foundation is consistent for all assignees with only country-specific dynamics being added on, resulting in an MTN framework which represents a balance between relative equity across the Group, and local relevance.

MTN continues to prefer the employment of local talent in operating companies. Notwithstanding the above base-pay structure, the standardisation and optimisation process for expatriate benefits remains a priority. Where possible, within regulatory requirements, MTN continues to standardise expatriate employment contract conditions with the goal of adopting one framework across operations. This initiative is a gradual process due to legislation.

Other special arrangements

As a method to employ people in certain identified senior roles, under certain circumstances, employment and termination of employment negotiations result in cash-payment arrangements in the form of lump sums. Where lump sums are mutually considered as sign-on, retention or termination payments, these are subject to the approval of the Group president and CEO. Refer to the executive emoluments for full disclosure of the amounts paid in the year.

Performance-based incentives

We provide different incentives to employees to reward performance on a short and long-term basis:

Incentive category	Purpose	Incentive plan
• Short-term incentives (STI schemes)	• To reward the achievement of set goals up to one year	• December incentive plan (4% incentive plan) • Performance bonus plan (bonus plan) • Sales commission plan (commission scheme)
• Long-term incentives (LTI schemes)	• To reward the achievement of set goals in the long run	• Share Appreciation Rights Scheme (SARS)[1] • Share Rights Plan (SRP)[1] • Performance Share Plan (PSP) • Notional Share Option Scheme (NSO) • Employee Share Ownership Plan (ESOP)[2]

[1] Both SARS and SRP are active but no longer issuing new awards. They were substituted with the PSP.
[2] Once-off award of 400 shares made in 2010 to lower level employees under the Broad-Based Employee Equity Scheme (BBBEE).

Remuneration report continued

Short-term incentives

Annual performance bonus

With the exception of sales-commission employees, all other employees participate in an annual performance-based bonus plan. The principles of the bonus plan are aligned primarily with the performance achievements of the Company, and secondarily teams and individual priorities. This implies a bonus becomes payable once the board is satisfied that the minimum Company performance levels have been achieved.

The process of determining the incentive award pools from which performance bonuses are paid is illustrated below.

Description of performance criteria

1 Company performance (CP)
- MTN Group: attributable earnings
- Opco: revenue, cash flow, EBITDA

- The financial performance targets of the Company are determined in accordance with the strategic themes at the beginning of the year.
- A factual findings engagement is performed on these results by an independent body.
- The percentage performance achievement against target is translated into a nominal performance-linked scale, adjusted to allow for maximum earning potential.
- Group attributable earnings are used at Group level and EBITDA, revenue and cash flow are used at operational level to measure Company performance.

2 Team performance (TP)
- Strategic themes are translated into priorities
- Team priorities are further cascaded down

- The strategic themes are translated into priorities to be executed at executive member levels.
- Depending on the size of the function, and where applicable, team performance scorecards are further cascaded to below executive levels.
- Achievement of each KPI is proportionate and weighted; however, cumulatively they add up to 100%.

3 Employee performance (EP)
- Alignment of individual performance contracts with the departmental targets
- Each KPI set within the integrated performance framework (IPF) principles

- At the beginning of each financial period, every employee enters into a contractual performance agreement.
- The performance agreement stipulates the performance expectations to be measured at year-end.
- Performance agreements ensure alignment between Company, team and individual levels.
- This is not applicable to executives.

Where bonuses are paid, the following example illustrates the calculation methodology:

How a bonus is calculated

1. Three elements are used as inputs to a bonus calculation, namely Company performance (CP), team performance (TP) and employee performance (EP). Each element has a weighting (a), with all elements adding up to 100%.
2. Targets for each element are set at the beginning of the performance cycle and measured at the end of the performance cycle where a corresponding "nominal % (b)" is determined from a standard translation table.
3. Company performance as a "qualifier" for bonus declaration is first assessed for each operation.
4. For each weighted element, there is a job level related on-target (c) and maximum (d) earning potential.

Upon assessment of Company performance by the board, a bonus is either declared or not. If declared:

Step 1: The weighting of each element (a) is multiplied by the achieved nominal (b) and the results of the three added together.

Step 2: Then the sum of the three is multiplied by the on-target % (c) to derive the bonus percentage.

Step 3: As a validation, a check is done against the maximum % for each job. If the calculated amount does not exceed the maximum, the final bonus percentage is multiplied by the annual incentive salary to arrive at the final bonus payment.

(CP + TP + EP) x on-target percentage = bonus percentage

The bonus percentage (validated against the minimum and maximum) x annual salary = total bonus payable

Remuneration report continued

Case studies for three levels at Group

At the beginning of the year, the Group's attributable earnings (GAE) target for calculating bonuses at the end of the year was R10 billion. For bonus purposes, a 90% minimum achievement of R9 billion was required and a maximum of R12 billion applicable. Using the following assumptions, the bonuses for the three employee levels: executive director, senior manager and employee level 2 will be as follows:

Assumptions	Executive director	Senior manager employee	General staff level 2 (bonus declared)	General staff level 2 (bonus not declared)
Annual salary	R2 000 000	R1 000 000	R400 000	R400 000
Bonus elements				
Company[1]	100% (50% weighting)	100% (20% weighting)	Not applicable	Not applicable
Team[2]	75%[(2a)] (50% weighting)	100%[(2b)] (50% weighting)	100%[(2b)] (50% weighting)	100%[(2b)] (50% weighting)
Employee[3]	Not applicable	150%[(3a)] (30% weighting)	133%[(3b)] (50% weighting)	133%[(3b)] (50% weighting)
On-target bonus (%)	80%	20%	9%	4,5%
Maximum bonus (%)	160%	30%	12%	6%
Calculation formula	(100% x 50%) plus (75% x 50%) plus zero equals 87,5%	(100% x 20%) plus (100% x 50%) plus (150% x 30%) equals 115%	Zero plus (100% x 50%) plus (133% x 50%) equals 66,5%	Zero plus (100% x 50%) plus (133% x 50%) equals 66,5%
Final bonus (%)[4]	87,5% x 80% equals 70%	115% x 20% equals 23%	66,5% x 9% equals 6%	66,5% x 4,5% equals 3%
Final bonus payable	**R1 400 000**	**R230 000**	**R24 000**	**R12 000**

[1] *It is assumed that the Company performance was achieved 100%.*
[2] *It is assumed that the team performance was achieved as follows:*
[2a] *75% for executive director.*
[2b] *100% for senior management and general staff level 2.*
[3] *It is assumed that employee performance was as follows:*
[3a] *150% for senior management.*
[3b] *133% for general staff level 2.*
[4] *On target bonus is respectively:*
– 80% for executive director;
– 20% for senior management;
– 9% for general staff where a bonus is declared; and
– 4,5% for general staff where a bonus is not declared.

Refer to the next section for parameters applicable to executive committee members.

Executive bonus parameters for 2017

Given the significant recent changes to our executive team, here we provide the executive bonus parameters governing the bonus plan for 2017:

Designation	Company performance	Team performance	Minimum bonus	On target	Maximum bonus
Group president and CEO	70%	30%	0%	100%	200%
Group CFO	70%	30%	0%	100%	175%
Group chief operating officer	50%	50%	0%	100%	175%
Group vice-president for strategy and M&A	50%	50%	0%	100%	160%
Group chief human resources and corporate affairs officer	50%	50%	0%	70%	140%
Group chief legal counsel	50%	50%	0%	70%	140%
Group vice-president for SEA	30%/30% Group/region	40%	0%	70%	140%
Group vice-president for WECA	30%/30% Group/region	40%	0%	70%	140%
Group vice-president for MENA	30%/30% Group/region	40%	0%	70%	140%
CEO: MTN South Africa	30%/30% Group/opco	40%	0%	70%	140%
CEO: MTN Nigeria	30%/30% Group/opco	40%	0%	70%	140%

Remuneration report continued

Furthermore, in line with the approval received in 2015, for each financial period, two computations would apply:

- Computation if the board declares bonuses based of achievement on minimum company performance levels being met.
- Computations if the board does not declare bonuses, i.e. minimum Company performance levels are not met.

These three scenarios are summarised as follows:

Description	Minimum 4% payment *in lieu* of shares[1]	Requirements if a bonus is declared by the board	Requirements if a bonus is not declared by the board
Individual performance applies	Yes, an individual minimum performance score is required	Yes, an individual minimum performance score is required	Yes, an individual minimum performance score is required
Earning range as a % of applicable annual salary	Exactly 4%	From 0% to 12%	From 0% to 6%
Percentage payable at target achievement	Not applicable	9%	4,5%

[1] *The 4% minimum was payable with effect from December 2015, subject to approval of each opco board. The changes as applicable to the performance bonus were effective for the 2015 financial year.*

December incentive scheme

A 4% of annual remuneration payment in December remained a key vehicle of incentivising our general staff at employee levels 1 and 2. In accordance with the approved rules:

- This payment was conditional on minimum individual performance set by the Company and on the basis that the employee was still in the employment of the Company at payment date.
- All computations are based on the individual's previous year's (i.e. 2015) earnings and IPF scores.

Executive directors' bonus calculations

For 2016, the executive directors' bonuses were calculated in line with the approved bonus principles. Full actual amounts of the bonuses paid can be found on 87.

MTN operations' bonus declarations

In line with the performance bonus rules, bonuses become payable within an operation once the committee is satisfied that the minimum performance thresholds have been achieved. For 2016 MTN Group employees did not receive a bonus. A summary of the bonuses declared to the MTN Group operations is as follows:

	Bonus declared			Bonus declared	
	2015	**2016**		2015	**2016**
Botswana	Yes	**No**	Afghanistan	Yes	**No**
South Africa	Yes	**No**	Congo-Brazzaville	Yes	**No**
Nigeria	No	**No**	Rwanda	Yes	**No**
Ghana	Yes	**Yes**	Zambia	Yes	**No**
Cameroon	No	**No**	Liberia	No	**No**
Ivory Coast	No	**No**	Guinea-Conakry	No	**No**
Uganda	No	**No**	Cyprus	Yes	**Yes**
Syria	Yes	**Yes**	South Sudan	Yes	**No**
Sudan	Yes	**Yes**	Iran	Yes	**Yes**
Benin	Yes	**No**	Swaziland	Yes	**Yes**
Yemen	No	**Yes**	Guinea-Bissau	No	**No**

Long-term incentive schemes (LTIs)

Long-term incentives to managerial and senior employees are aimed at aligning their contributions to shareholders' expectations by sharing in the long-term growth of the Company. Due to the fact that our operations are spread across 22 African and Middle Eastern countries, it is not always feasible to issue MTN stock to all employees as we are only listed on the Johannesburg Stock Exchange. For this reason, the Company operates a combination of equity and cash-settled schemes.

The general rule is that participants are allocated shares, options, or rights equivalent to a fraction of their annual salary. Depending on the performance of the Company measured using various indicators, participants proportionately either receive cash, equity or a combination of both. Although the eligibility of participants is defined in the rules of the schemes, MTN reserves the right to exclude participation by certain employees by virtue of their employment status, e.g. disciplinary, suspension, and dismissal.

Remuneration report continued

The Group has implemented the following schemes:

Share Appreciation Rights Scheme (SARS) and Share Rights Plan (SRP)

Objective: To promote the achievement of MTN Group's strategic objectives measured using the Company's growth in share price. Participating employees share in the appreciation of the Company's share price between grant and vest.

Eligible participants	Date implemented	Performance conditions	Last vesting date	Expiry period
All employees at junior management level and above	2006 – SARS 2008 – SRP	Share price based	2013 2015	2018 2020

Both the SARS and SRP were fully vested as at 2016 and are exercisable. Refer to AFS for the full reconciliation of 2016 trading.

Performance Share Plan (PSP)

The PSP scheme is the current active and allocating plan, and is summarised as follows:

Objective: To promote the achievement of MTN Group's strategic objectives measured using the Company's growth in share price and cash flow. Participating employees share in the Company's achievement of the set financial indicators over three years.

Eligible participants	Date implemented	Performance conditions	Last vesting date	Expiry period
All employees at junior management level and above	2010	Total shareholder return (TSR) Adjusted free cash flow (AFCF)	2017	Not applicable

Details about the PSP

- Share awards are at the discretion of the MTN Group board and the operating entities.
- Participation is limited to managerial employees and those in more senior positions only.
- Performance is measured using TSR and AFCF. An additional service element is applicable for non-executive participating employees.
- Weightings are attached to each condition based on the seniority of the participant.
- The scheme has a three-year vesting period. Once the shares are vested and the board is satisfied with the achievement of the performance conditions, participating employees receive either shares or the cash equivalent if the respective employee instructs the Company to dispose of their shares on the employee's behalf.

Performance conditions

The accrual of each award is subject to the fulfilment of the conditions as illustrated below:

Performance of the scheme

A summary of the allocation is as follows:

		Condition achieved	
Grant date	**Vesting date**	**Adjusted free cash flow**	**Total shareholder return**
29/06/11	31/12/13	0%	32,5%
29/12/11	29/06/14	39,4%	0%
28/12/12	28/12/15	0%	0%
20/12/13	19/12/16	0%	0%
19/12/14	18/12/17	–	–
29/06/16^	29/12/18	–	–
28/12/16	28/12/19	–	–

^ This allocation was in respect of December 2015 and had been deferred as the Company was trading under cautionary.

Please refer to AFS for additional information.

Employee Share Ownership (ESOP)

During 2010, MTN approved the allocation of shares to its lower-level employees under the Company's Broad-Based Employee Share Scheme – Employee Share Ownership Plan (ESOP).

The scheme was intended to incentivise the designated employees and to identify them more closely with the activities of the Company with the aim of promoting their continued growth by giving them shares. Participating employees under the ESOP scheme had to retain ownership of their shares for a period of five years until December 2015, when the scheme matured. As the Company was trading under a cautionary at this time, only inactive participants had the right to trade in these shares. Active employees were restricted until such a time when the restriction was lifted.

A summary of the allocation is as follows:

Number of participants as at issue date	Number of shares allocated	Plan vesting date	Number of shares traded (as at 31 December 2016)	Number of shares outstanding (as at 31 December 2016)
3 461	1 384 400	1 December 2015	691 772	556 133

As at 31 December 2016, from a total of 3 461 participants:

- 1 588 allocated employees had left the employment of the Company for various reasons, voluntary and involuntary; and
- 1 873 were still in the employ of the Company.

Thus the number of retained employees represents a retention rate of 54%.

- Investec continued as the Company's preferred trading partner for employees who opted to trade their shares.
- All share records will be held and administered internally by the Group company secretary department.
- Unexercised shares will remain in the Company's records until such time that participants exercise them.

Remuneration report continued

A summary of all previous allocations and the vesting dates made under the long-term incentive scheme is presented below:

Equity share schemes vesting schedule

Plan type	Issue period date	Vesting timelines per anniversary (cumulative)						
		Year 0	> Year 1	> Year 2	> Year 3	> Year 4	> Year 5	> Year 10
SARS	2 Apr 2007	✓	●●●●	◆●●●	◆◆●●	◆◆✱●	◆◆✱✱	✗
	22 Jun 2007	✓	●●●●	◆●●●	◆◆●●	◆◆✱●	◆◆✱✱	✗
	19 Mar 2008	✓	●●●●	◆●●●	◆◆●●	◆◆✱●	◆◆✱✱	✗
	1 Sept 2008	✓	●●●●	◆●●●	◆◆●●	◆◆✱●	◆◆✱✱	✗
	28 Jun 2010^	✓	●●●●	◆●●●	◆◆●●	◆◆✱●	◆◆✱✱	✗
PSPs	29 Jun 2011^^	✓	●●●●	●●●●	●●➢	◆◆✱✱		✗
	29 Jun 2011	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		✗
	29 Dec 2011	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		✗
	28 Dec 2012	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		✗
	20 Dec 2013	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		✗
	19 Dec 2014	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		✗
	19 Dec 2014	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		✗
	19 Dec 2014	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		✗
	29 Jun 2016^^	✓	●●●●	●●●●	●●➢	◆◆✱✱		✗
	28 Dec 2016	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		✗

^ *This offer includes an allocation with one-year accelerated vesting.*
^^ *This offer was accelerated from 36 months to 30 months.*

Key
✓ *Allocation date* ◆ *20% tranche vested (cumulative)* ✱ *30% tranche vested (cumulative)*
➢ *Performance conditions evaluation* ● *Non-vested portion of award* ✗ *Expiry*

Following the Company's cautionary statement on trading after Nigerian regulators imposed a fine on MTN Nigeria, the annual PSP allocation (normally planned for December of each year) was suspended until further notice. The award was only considered on 29 June 2016.

Further details on the performance measurement, assessment periods, and settlement criteria are available in AFS.

Executive pay composition

Executives are remunerated in line with short and long-term business objectives using an optimal mix of fixed pay, and short and long-term incentives. This supports the alignment of strategy and desired individual behaviour. The mix is aimed at ensuring that executives proportionately achieve an optimal balance of remuneration when executing their duties. The following graphs illustrate the mix of minimum, on-target and potential maximum compensation for the two director positions: Group president and CEO, and the Group chief financial officer (CFO).

As illustrated above, the proportion of fixed to performance-based incentives varies between the Group president and CEO and the Group CFO. Both roles comprise a higher weighting on performance incentives "risk pay" and less on fixed package. While the fixed package does not vary based on individual performance, the variable portion does. The Group's integrated performance framework (IPF) guides the execution of business strategy by providing a framework through which the day-to-day and annual performance levels are set, cascaded and measured according to the business's strategic themes. The IPF outcomes are translated into incentive payments under the performance bonus plan.

MTN non-equity schemes for employees in non-listed operations outside South Africa

MTN offers non-South Africa-based employees participation in the Group's notional share option (NSO) scheme. This scheme enhances MTN's commitment to the "One Group, One MTN" philosophy.

Qualifying employees own options and also participate in the growth of the Group and its operations, as applicable. The main objective of the NSO scheme is to encourage an alignment between the individual interests of senior employees and the long-term success of the Group. Thus, the scheme's design rewards employees for the value gain derived from the NSO price per share appreciation between the allocation and vesting dates.

Non-executive director remuneration

The R&HR committee is responsible for advising on the remuneration of non-executive directors (NEDs), including reviewing remuneration recommendations as put forward by executive management in consultation with external remuneration consultants. The committee also recommends remuneration for approval by the board and shareholders. The remuneration for NEDs is considered annually and is determined in light of market practice and with reference to the time, commitment and responsibilities associated with the roles.

The MTN Group's non-executive directors receive an annual retainer and a meeting attendance fee. They do not participate in any type of incentive scheme nor do they receive any employee-related benefits.

Remuneration report continued

For 2016, the board did not consider an increase to the NED fees thus their fees remained as follows:

	Annual retainer fee 2016	Meeting attendance fee 2016
MTN GROUP BOARD		
Chairman	R2 518 081	R139 893
Member	R212 492	R53 123
International member	€76 928	€7 693
Special assignments or projects (per day)		
Local non-executive director		R22 639
International non-executive director		€3 373
***Ad hoc* work performed by non-executive directors for special projects (per hour)**		R3 985
Audit committee		
Chairman	R112 901	R34 828
Member	R61 681	R23 997
Remuneration and human resources committee		
Local chairman	R84 303	R31 757
International chairman	€5 625	€3 590
Local member	R49 401	R23 289
International member	€3 297	€3 297
Risk management, compliance committee and corporate governance committee		
Chairman	R84 303	R31 757
Member	R49 401	R23 289
International member	€3 297	€3 297
Social and ethics committee		
Chairman	R84 303	R31 757
Member	R49 401	R23 289
MTN Group Share Trust (trustees)		
Chairman	R74 929	R28 226
Member	R32 943	R15 530
Tender committee		
Chairman	R74 929	R28 226
Member	R43 783	R20 641

Service agreement contract

Executive chairman

Following the sudden and unforeseen resignation of the Group president and CEO, Sifiso Dabengwa, in December 2015 the board appointed Phuthuma Nhleko to fulfil the role of executive chairman under a special contract arrangement whereby he had to negotiate and settle the Nigerian regulatory fine matter in addition to other key operational matters that had to be resolved on an urgent basis. This was the very best option to put in place uniquely experienced leadership for MTN until such time as a new CEO could start. The initial agreement was for six months, but this was subsequently extended to run until Rob Shuter was able to join as CEO. Mr Nhleko was asked to work to stabilise the company in light of the departure of the previous CEO and the Nigerian fine. He personally undertook the leadership of many critical areas of work including:

- Negotiating the R34 billion reduction of the Nigeria fine, payable over three years, and re-establishing a constructive working relationship with the Nigerian authorities;
- Restructuring the balance sheet, including securing long-term facilities and raising a US$1 billion bond; (see AFS)
- Undertaking a fundamental review of the operating and governance structure, including refreshing senior management and securing new appointees in critical positions, and securing three new independent board directors with complimentary experience;
- Implementing a new R9,9 billion empowerment scheme, MTN Zakhele Futhi;
- Repatriating funds from Iran (see 24); and
- Instituting the IGNITE programme, the roadmap for accelerated performance.

In order to take on this full-time executive role at short notice, Mr Nhleko was required to commit 100% to the MTN task and step away for 16 months from all his considerable other various commercial interests. In recognition of the unprecedented circumstances surrounding his appointment to the position of executive chairman, of the level of commitment involved and in consideration of the uniqueness of his experience for the role, the board negotiated an appropriate monthly fee and performance-related cash bonus contract with him on the deliverables.

To enlist the services of Mr Nhleko, the board entered into a contract of employment with a service provider, Captrust Investments Proprietary Limited.

In consideration for Mr Nhleko's services, the Company paid an agreed-upon service fee to the service provider (see 87). His contract further stipulates that the board, at its discretion at the end of the contract, may award him with an ex gratia fee depending on what was achieved.

In addition to this fixed-term contract as an executive, Mr Nhleko continued to serve as chairman of the MTN Group Limited board of directors, and as such received all related director remuneration in this regard. Full details of remuneration paid to him in his capacity as director are provided on 86.

Employment contracts

Group president and CEO (executive director)

The appointment of the new Group president and CEO, Rob Shuter, was effective from 1 July 2017, however, he started working on 13 March 2017. His appointment is for a four-year fixed duration to 12 March 2021. He has a notice period of six months and a restraint of trade of 12 months.

Chief financial officer (executive director)

The chief financial officer, Brett Goschen, was employed on a five-year fixed-term contract until August 2018. However, Mr Goschen resigned, effective 30 September 2016. Full details of remuneration paid to him in his capacity as director are provided on

The appointment of the new CFO, Ralph Mupita, is effective 3 April 2017 and is of no fixed duration. He has a notice period of six months and a restraint of trade of 12 months.

Prescribed officers

Other prescribed officers of the Company are employed on a full-time and permanent basis with no fixed termination date applicable, with the exception of the Group COO, Jens Schulte-Bockum, who is employed for a limited duration period terminating on 15 January 2021. His employment commenced on 16 January 2017.

Remuneration report continued

Restraint of trade and notice period

To safeguard the shareholders of the Company and the proprietary, strategic, and confidential information to which executive directors and prescribed officers are privy as a result of their employment, in 2014, management recommended a contractual restriction on the freedom of any executive director or prescribed officer to conduct business with a competitor. Under this agreement, new appointments were required to sign a "restraint of trade agreement" prohibiting them from taking employment with a competitor company within six months from termination of employment with MTN. For existing executive directors and prescribed officers however, given their current contracts excluded restraint clauses, management continued to engage with them in a bid to similarly agree to the restraint terms. Where engagements are successful, the executive director or prescribed officer is issued with an annexure to their contract. This process is ongoing and shall extend to 2017.

All appointments post-2014, both executive directors and prescribed officers, have a six-month notice period. In total, including the six-month restraint period, this means that executives and prescribed officers have a total of 12 months, a period management believes is an adequate measure to protect the Company's information.

Directors' emoluments

Directors' and prescribed officers' emoluments and payments in the tables presented here have been audited. Comparative figures for 2015 are available in the AFS. Full details on directors' and prescribed officers' emoluments and equity compensation benefits for executive directors and directors of major subsidiaries in respect of the share appreciation rights and share rights schemes are in the AFS. This also includes shareholdings and dealings in MTN Group ordinary shares, MTN Zakhele and MTN Zakhele Futhi shares by MTN Group directors, prescribed officers, the Group secretary and directors and company secretaries of major subsidiaries.

Emoluments

Non-executive directors

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Strategy session R000	*Ad hoc* work R000	Total R000
PF Nhleko^	28/05/2013	2 568	638	351	420	–	3 977
KC Ramon@	01/06/2014	325	429	174	159	–	1 087
KP Kalyan	13/06/2006	346	451	178	159	–	1 134
AT Mikati∞†	18/07/2006	1 302	764	295	368	480	3 209
MJN Njeke~	13/06/2006	130	219	20	54	–	423
JHN Strydom~	11/03/2004	125	241	28	54	–	448
AF van Biljon	01/11/2002	213	267	178	159	120	937
J van Rooyen	18/07/2006	373	486	166	159	120	1 304
MLD Marole	01/01/2010	349	644	178	159	–	1 330
NP Mageza	01/01/2010	408	547	166	159	–	1 280
A Harper∞	01/01/2010	1 304	696	291	368	763	3 422
NL Sowazi&	01/08/2016	107	122	73	–	–	302
SP Miller∞&	01/08/2016	485	256	247	–	–	988
PB Hanratty∞&	01/08/2016	488	264	251	–	–	1 003
S Kheradpir∞	08/07/2015	1 275	565	138	239	1 166	3 383
Total		9 798	6 589	2 734	2 457	2 649	24 227

∞ *Fees have been paid in euro.*
† *Fees are paid to M1 Limited.*
# *Retainer and attendance fees include fees for board and committee representation and meetings.*
@ *Fees paid to Anglogold Ashanti Limited.*
^ *Fees paid to Captrust Investments Proprietary Limited.*
~ *Retired on 25 May 2016.*
& *Appointed to the board on 1 August 2016.*

Executive directors

	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits[@] R000	Bonuses R000	Sub-total R000	Share gains[∞] R000	Total R000
RS Dabengwa^	01/10/2001	–	–	19 564[±]	–	19 564	–	19 564
BD Goschen^^	22/07/2013	5 975	716	3 458	–	10 149	–	10 149
PF Nhleko^^^†	09/11/2015	30 000	–	–	38 191	68 191	–	68 191[#]
Total		35 975	716	23 022	38 191	97 904	–	97 904

† *Contractual service fees and bonus in accordance with agreement between MTN and Captrust.*
∞ *Pre tax gains on share-based payments.*
^ *Resigned 9/11/2015.*
^^ *Resigned 30/09/2016.*
^^^ *Fees paid to Captrust Investments Proprietary Limited.*
± *Compensation for loss of office comprising notice pay and a restraint of trade payment.*
@ *Includes medical aid and unemployment insurance fund.*
\# *See 85.*

Comparative figures for 2015 can be found in AFS.

Prescribed officers

	Salaries R000	Post-employment benefits R000	Other benefits[#] R000	Compen-sation for loss of office R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
JA Desai	10 783	1 078	2 225	–	–	14 086	–	14 086
PD Norman	4 731	564	286	–	–	5 581	–	5 581
MD Fleischer[1]	6 089	710	10 454	–	–	17 253	–	17 253
M Nyati	3 855	444	3 584	–	–	7 883	–	7 883
I Jaroudi	11 083	–	1 418	–	6 353	18 854	–	18 854
K Toriola	6 017	695	4 838	–	1 969	13 519	–	13 519
F Moolman	6 700	548	2 882	–	–	10 130	–	10 130
S van Coller[2, 3]	1 846	208	13 071	–	–	15 125	–	15 125
G Engling[4]	687	64	26	–	–	777	–	777
M Ikpoki[5]	–	–	4 064	–	–	4 064	–	4 064
Total	51 791	4 311	38 784	–	8 322	107 272	–	107 272

[1] *Other benefits include a long term retention amount of R10 million, of which a portion is forfeitable.*
[2] *Appointed on 1/10/2016.*
[3] *Other benefits include an amount of R13 million paid in lieu of forfeited benefits from previous employer.*
[4] *Appointed on 1/10/2016.*
[5] *Mutual separation on 31/12/2015.*
\# *Includes medical aid and unemployment insurance fund.*

Equity compensation and dealings in ordinary shares

Details of equity compensation, shares exercised and shareholding in MTN Zakhele and MTN Zakhele Futhi can be found in AFS.


MTN

Glossary of terms

Here we provide definitions and descriptions of some terms and acronyms used in this report.

2G	Second generation digital mobile communications standard that allows for voice calls and limited data transmission
3G	Third generation mobile communications standard allowing mobile phones, computers and other portable mobile devices to access the internet wirelessly
4G/LTE	Fourth generation or long-term evolution mobile communications standard allowing wireless internet access at a much higher speed than 3G
AFS	Annual financial statements
ARPU	Average revenue per user
BBBEE	Broad-based black economic empowerment
BCM	Business continuity management
CAGR	Compound annual growth rate
CEO	Chief executive officer
CFO	Chief financial officer
Churn	Average number of disconnections in a period divided by average monthly customers during the period
CRM	Crisis risk management
CSI	Corporate social investment
COO	Chief operating officer
CP	Company performance
DDOS	Distributed denial of service – attempt to make online service unavailable
DRP	Disaster recovery plan
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EBU	Enterprise business unit
EP	Employee performance
EPS	Earnings per share
ESOP	Employee share ownership plan
Exco	Executive committee
GHG	Greenhouse gas
GTB	Group transformation board
HEPS	Headline earnings per share
ICT	Information and communication technology
IFRS	International Financial Reporting Standards
IGNITE	Our transformation programme
IIRC	International Integrated Reporting Council
JSE	Johannesburg Stock Exchange
KPI	Key performance indicator
KYC	Know your customer: a process to identify and verify customer identity
LTI	Long-term incentives
M&A	Mergers and acquisitions
Manco	MTN's Group management company
MENA	Middle East and North Africa
MFS	Mobile financial services
MOU	Minutes of use
NCC	Nigerian Communications Commission
NPS	Net promoter score
Opcos	Our operating companies
QoS	Quality of service
RAN	Radio access network
ROI	Return on investment
SAICA	South African Institute of Chartered Accountants
SARS	Share appreciation rights scheme
SEA	South and East Africa
SIM	Subscriber identity module
SLA	Service-level agreement
SMS	Short message service
SRP	Share rights plan
TAR	Transformation for accelerated results programme, otherwise known as IGNITE
TMD	Telecommunications, media and digital
TP	Team performance
VP	Vice-president
WECA	West and Central Africa
WTTx	Wireless to the x, a 4G and 4.5G-based broadband access solution, using wireless to provide fibre-like broadband access to the home
ZBB	Zero-based budgeting

Non-financial data for which limited assurance LA was obtained

In 2016 we obtained external assurance on certain non-financial aspects of the business. This included indicators of quality of service, people, governance, customer satisfaction and total tax contributions. The external assurance statement is available online (), as are the definitions applicable to the indicators.

Quality of service[1]		**Call set-up success rate (%)**		**Dropped call rate (%)**		**Network availability (%)**	
		2016	2015	**2016**	2015	**2016**	2015
South Africa	2G	**99,46**	99,01	**0,74**	0,86	**99,10**	98,56
	3G	**99,41**	98,74	**0,36**	0,43	**98,77**	97,31
Ghana	2G	**98,99**	99,44	**0,87**	1,06	**99,35**	98,54
	3G	**99,82**	99,45	**0,40**	0,53	**98,97**	98,70

	2016	2015
People		
Employee culture survey (%)	**67**	66
MTN CSI spend (Rm)	**295,4**	335,4
Governance		
Number of calls to whistle-blower lines	**120**	128
Customer satisfaction		
Net promoter score (%)		
– South Africa	**81**	78
– Nigeria	**30**	14
– Other key markets	**25**	16
Total tax contributions[2] (R billion)	**33,7**	n/a

[1] For 2016, we chose not to report on Nigerian quality of service data because of a change in our reporting systems in Nigeria in the year.
[2] This data was only assured from 2016.

Stock exchange performance

MTN market-related metrics for the year ended 31 December	2016	2015
Closing price (c)	**12 617**	13 289
Highest price (c)	**15 370**	24 602
Lowest price (c)	**10 700**	12 550
Total number of shares traded	**2 083 107 730**	1 611 100 564
Total value of shares traded (Rm)	**266 921**	306 175
Number of shares in issue	**1 884 269 758^**	1 845 493 245
Number of shares traded as a percentage of shares in issue (%)	**111**	87
Number of transactions (as per JSE)	**2 171 512**	2 209 726
Average weighted trading price (cents per share) (one-year VWAP)	**12 814**	19 004
Average telecommunication index (close)	**7 131**	9 823
Average industrial index (close)	**44 541**	44 934
Average mobile index (close)	**234**	327
Dividend yield (%)	**6,04**	9,6
Earnings yield (%) (basic headline earnings)	**4,2**	5,4
Price-earnings multiple (basic headline earnings)	**23,9**	18,6
Market capitalisation (Rm)	**237 738**	245 248

Source: Bloomberg, Factset

^ (includes 10 206 255 treasury shares held by MTN Holdings (2015: 10 400 061) and 76 835 378 held by MTN Zakhele Futhi)

Shareholders' diary

Annual general meeting		25 May 2017
Final dividend declaration		2 March 2017
Summarised annual financial results	published	2 March 2017
Annual financial statements	posted	March 2017
Half-year end		30 June 2017
Interim dividend declaration		August 2017
Interim financial statements	published	August 2017
Financial year end		31 December 2017

Please note that these dates are subject to alteration.

Forward looking information

Opinions and forward looking statements expressed in this report represent those of the Company at the time. Undue reliance should not be placed on such statements and opinions because by nature, they are subjective to known and unknown risk and uncertainties and can be affected by other factors that could cause actual results and Company plans and objectives to differ materially from those expressed or implied in the forward looking statements.

Neither the Company nor any of its respective affiliates, advisers or representatives shall have any liability whatsoever (based on negligence or otherwise) for any loss howsoever arising from any use of this report or its contents or otherwise arising in connection with this presentation and do not undertake to publicly update or revise any of its opinions or forward looking statements whether to reflect new information or future events or circumstances otherwise.

Administration

Registration number: 1994/009584/06
ISIN: ZAE000042164
Share code: MTN

Board of directors
PF Nhleko[1]
PB Hanratty[@3]
A Harper[#3]
KP Kalyan[3]
S Kheradpir[††3]
NP Mageza[3]
MLD Marole[3]
AT Mikati[†2]
SP Miller[^3]
KC Ramon[3]
NL Sowazi[3]
AF van Biljon[3]
J van Rooyen[3]
†† American
† Lebanese
 # British
@ Irish
^ Belgian
1 Executive
2 Non-executive
3 Independent non-executive director

Group secretary
SB Mtshali
Private Bag X9955, Cresta, 2118

Registered office
216 – 14th Avenue, Fairland, 2195

American Depository Receipt (ADR) programme
Cusip No. 62474M108 ADR to ordinary share 1:1

Depository
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MTN Group sharecare line
Toll free: 0800 202 360 or +27 11 870 8206
if phoning from outside South Africa

Transfer secretaries
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Registration number 2004/003647/07
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Joint auditors
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Private Bag X36, Sunninghill, 2157

SizweNtsalubaGobodo Inc.
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MTN Group Limited

Financial statements for the year ended 31 December 2016

Contents

The Group and Company financial statements were audited in terms of the Companies Act, No 71 of 2008.

The preparation of the Group and Company annual financial statements was supervised by the Acting Group chief financial officer, G Engling, BCom, BCompt (Hons), CA(SA).

These annual financial statements were authorised on 1 March 2017 by the board of directors.

Statement of directors' responsibility

for the year ended 31 December 2016

The directors are responsible for the integrity, preparation and fair presentation of the annual separate and consolidated financial statements of MTN Group Limited (the Company), its subsidiaries, joint ventures, associates and structured entities (together, the Group) in accordance with International Financial Reporting Standards (IFRS) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act), and the JSE Listings Requirements, which form an integral part of the annual financial statements.

The preparation of financial statements in conformity with IFRS requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The directors are of the opinion that the information contained in the annual financial statements fairly presents the financial position at year end and the financial performance and cash flows of the Group and the Company for the year then ended.

The directors have responsibility for ensuring that accurate and complete accounting records are kept to enable the Group and the Company to satisfy their obligation with respect to the preparation of financial statements.

The directors are also responsible for the oversight of the Group's system of internal controls. 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.

The Group operates in an established control 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 that the risks facing the business are controlled.

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 Group risk committee plays an integral role in risk management, as well as in overseeing the Group's internal audit function.

The Group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the Group's audit committee, assesses and, when necessary, recommends improvements in the system of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

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

The Group's external auditors, Pricewaterhouse-Coopers Incorporated and SizweNtsalubaGobodo Incorporated, jointly audited the Group and the Company financial statements and their unqualified audit report is presented on pages 9 to 13.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The Group and the Company annual financial statements which appear on pages 1 to 152 were approved for issue by the board of directors on 1 March 2017 and are signed on its behalf by:

PF Nhleko
Executive chairman

G Engling
Acting Group chief financial officer

Fairland

Certificate by the company secretary
for the year ended 31 December 2016

I certify that MTN Group Limited has filed all its returns and notices for the year ended 31 December 2016, as required of a public company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008, and that such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

SB Mtshali
Group secretary

Fairland
1 March 2017

Report of the audit committee
for the year ended 31 December 2016

The MTN Group audit committee (the committee) presents its report in terms of section 94(7)(f) of the Companies Act and as recommended by King III for the financial year ended 31 December 2016. The committee has taken note that King IV will replace King III in its entirety with effect from 1 April 2017.

TERMS OF REFERENCE
The committee has adopted comprehensive and formal terms of reference which have been approved by the board and are reviewed on an annual basis.

MEMBERSHIP, MEETING ATTENDANCE AND EVALUATION
Members of the committee are formally nominated by the board for re-election by shareholders. The individual members satisfy the requirements to serve as members of an audit committee as provided in section 94 of the Companies Act and have adequate knowledge and experience. The composition of the committee and the attendance at the meetings by its members are set out below for the period January to December 2016:

Members	Attendance
KC Ramon (Chairman)	**4/4**
NP Mageza	**4/4**
MJN Njeke*	**2/2**
J van Rooyen	**4/4**
A Mikati**	**1/1**
P Hanratty***	**1/1**

* *MJN Njeke retired from the board on 26 May 2016.*
** *A Mikati was appointed as an audit committee member at the annual general meeting held on 25 May 2016. Subsequent to his appointment, he resigned from the committee on 4 August 2016.*
*** *P Hanratty was appointed on 4 August 2016.*

The committee meets at least four times a year and members' fees are included in the table of directors' emoluments and related payments in note 10.2.

The executive chairman and chief executive officer, the acting Group chief financial officer, the Group chief business risk officer, joint external auditors and other assurance providers attend committee meetings by invitation. The committee also meets separately with the joint external auditors, internal auditors and senior management before or after every meeting.

The effectiveness of the audit committee as a whole and its individual members is assessed on an annual basis.

EXECUTION OF FUNCTIONS OF THE AUDIT COMMITTEE
The committee is satisfied that, in respect of the period under review, it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference, the Companies Act and King III.

The committee discharged the following responsibilities during the year under review:

EXTERNAL AUDITORS
- Considered and satisfied itself with the independence and objectivity of the joint external auditors and designated registered auditors and ensured that the scope of non-audit services rendered did not impair their independence.
- Approved the non-audit-related services performed by the joint external auditors during the year in accordance with the policy established and approved by the board.
- Determined the joint external auditors' terms of engagement and fees for 2016.
- Pre-approved all agreements for the provision of non-audit services, through the chairman of the committee to whom this authority has been delegated.
- Satisfied itself that the joint external auditors and designated registered auditors are accredited on the JSE's list of auditors and advisers. The committee recommends the reappointment of the joint external auditors and the reappointment of the designated auditors at the next annual general meeting.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES
- Reviewed the accounting policies and the annual financial statements of the Group and the Company for the year ended 31 December 2016, and based on the information provided to it, the committee considers that, in all material respects, they are appropriate and comply with the provisions of the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the JSE Listings Requirements.
- Reviewed the processes in place for the reporting of concerns and complaints relating to reporting

and accounting practices, internal audit, contents of the Group and the Company's financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.

INTERNAL FINANCIAL CONTROLS

- Reviewed the process in terms of which internal audit performed a written assessment of the effectiveness of the Group's system of internal control (including internal financial controls). This written assessment by internal audit formed the basis of the committee's recommendation in this regard to the board in order for the board to report thereon. The board's report on the effectiveness of the system of internal controls, which the committee fully supports, is included in the directors' report on page 8.
- Reviewed the reports of both internal and external auditors detailing their concerns arising from their audits and considered the appropriateness of the responses from management.

GOING CONCERN STATUS

- Considered the going concern status of the Group and the Company on the basis of review of the annual financial statements and the information available to the committee and recommended such going concern status for adoption by the board. The board's statement on the going concern status of the Group and Company is contained on page 5 of the directors' report.

INTERNAL AUDIT

- Considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan.
- Reviewed the performance of the Group chief business risk officer, Mr S Sooklal, and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review. Mr S Sooklal will be retiring on 3 May 2017. Mr R Wessels has been appointed as his replacement.

FINANCE DIRECTOR AND FINANCE FUNCTION

- Reviewed the performance of the Group chief financial officer, Mr BD Goschen, and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review. The committee noted that Mr BD Goschen resigned from the Group with effect from 30 September 2016. The committee was satisfied with the experience and expertise of Mr G Engling who was appointed as the acting Group chief financial officer with effect from 1 October 2016.
- Considered, and has satisfied itself of the appropriateness of the expertise and experience of the finance function and adequacy of resources employed in this function.
- Mr R Mupita's position of Group chief financial officer will be effective on 3 April 2017.

SOLVENCY AND LIQUIDITY REVIEW

The committee is satisfied that the board has performed a solvency and liquidity test on the Company in terms of section 46 of the Companies Act and has concluded that the Company will satisfy the test after payment of the final dividend.

The committee also considered guarantees issued on behalf of subsidiaries.

The Group's joint external auditors are PricewaterhouseCoopers Incorporated and SizweNtsalubaGobodo Incorporated. Fees paid to auditors for the year under review are disclosed in note 2.4 of the annual financial statements.

KC Ramon
Audit committee chairman

1 March 2017

Directors' report
for the year ended 31 December 2016

NATURE OF BUSINESS
MTN Group Limited (the Company) incorporated in the Republic of South Africa on 23 November 1994 carries on the business of investing in the telecommunications industry through its subsidiary companies, joint ventures and associated companies. The Group is listed on the JSE Limited.

The Company's registered address is 216 14th Avenue, Fairland, Roodepoort, Gauteng, 2195.

ACCOUNTING PRACTICES
The Group and the Company annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC) and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the requirements of the Companies Act.

FINANCIAL RESULTS
The Group recorded a loss after tax for the year ended 31 December 2016 of R3 103 million (2015: profit after tax of R23 570 million).

Full details of the financial results of the Group and the Company are set out in these annual financial statements and accompanying notes for the year ended 31 December 2016.

CAPITAL EXPENDITURE
Capital expenditure for the year ended 31 December 2016 totalled R35 268 million (2015: R29 611 million) which comprise the following:

	2016 Rm	2015 Rm
Property, plant and equipment	**32 095**	25 751
Land and buildings	**186**	465
Leasehold improvements	**62**	177
Network infrastructure	**13 540**	8 802
Information systems, furniture and office equipment	**1 630**	1 484
Capital work in progress/ other[1]	**16 594**	14 700
Vehicles	**83**	123
Intangible assets	**3 173**	3 860
Software	**1 868**	2 860
Capital work in progress	**1 305**	1 000
	35 268	29 611

[1] *The majority of work in progress relates to long-term network infrastructure projects.*

Licences and spectrum acquired during the year:

	2016 Rm	2015 Rm
Cameroon	**–**	1 515
Syria	**54***	1 591*
Ivory Coast	**–**	2 760
Nigeria 4G and NBC spectrum	**1 396**	3 353
Nigeria Visafone	**–**	3 752
Scancom (MTN Ghana)	**973**	–
Congo SA	**266**	–
Yemen	**468**	–
Other	**141**	–
	3 298	12 971

** Excluding the effects of hyperinflation.*

RELATED PARTY TRANSACTIONS
Details of related party transactions are set out in note 10 of these annual financial statements.

YEAR UNDER REVIEW
The results of the Group and Company have been set out in the attached financial statements.

BORROWING POWERS
In terms of the memorandum of incorporation (MOI), the borrowing powers of the Company are unlimited. However, all borrowings by the Company are subject to limitations set out in the treasury policy of the Group. The details of borrowings are disclosed in note 6.1.

GOING CONCERN
The directors have reviewed the Group's and Company's budget and cash flow forecast for the year to 31 December 2017. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the Company and the Group have access to adequate resources to continue in operational existence for the foreseeable future, are going concerns, and have continued to adopt the going concern basis in preparing the annual financial statements.

SUBSIDIARY COMPANIES AND JOINT VENTURES
Details of subsidiaries and joint ventures in which the Group has a direct or indirect interest are set out in note 9.1 of the annual financial statements.

All Group entities have a year end consistent to that of the Company with the exception of Irancell Telecommunication Company Services (PJSC) (MTN Irancell), a joint venture of the Group, that has a year end of 21 December.

DISTRIBUTION TO SHAREHOLDERS

Before declaring dividends, the board:

- applied the solvency and liquidity test; and
- reasonably concluded that the Company would satisfy the solvency and liquidity test immediately after payment of the interim and final dividend.

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

Final dividend

Notice is hereby given that a gross final dividend of 450 cents per share for the period to 31 December 2016 has been declared payable to shareholders. The number of ordinary shares in issue at the date of this declaration is 1 884 269 758 (including 10 206 255 treasury shares held by MTN Holdings and 76 835 378 shares held by MTN Zakhele Futhi).

The dividend will be subject to a maximum local dividend tax rate of 20% which will result in a net dividend of 360 cents per share to those shareholders who bear the maximum rate of dividend withholding tax of 90 cents per share.

The Company's tax reference number is 9692/942/71/8. In compliance with the requirements of STRATE, the electronic settlement and custody system used by the JSE, the salient dates relating to the payment of the dividend are as follows:

Last day to trade *cum* dividend on the JSE	Monday, 20 March 2017
First trading day *ex* dividend on the JSE	Wednesday, 22 March 2017
Record date	Friday, 24 March 2017
Payment date	Monday, 27 March 2017

No share certificates may be dematerialised or rematerialised between Wednesday, 22 March 2017 and Friday, 24 March 2017, both days inclusive. On Monday, 27 March 2017, the dividend will be transferred electronically to the bank accounts of certificated shareholders who make use of this facility.

In respect of those who do not use this facility, cheques dated Monday, 27 March 2017 will be posted on or about that date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository Participant or broker credited on Monday, 27 March 2017.

The board confirms that the Company will satisfy the solvency and liquidity test after the completion of the dividend distribution.

Interim dividend

A gross dividend of 250 cents per share (2015: 480 cents per share) amounting to R4 585 million (2015: R8 808 million) in respect of the half-year period ended 30 June 2016 was declared on 4 August 2016 and paid to shareholders on 29 August 2016.

Shareholders on the South African register who dematerialised their ordinary shares receive payment for their dividend 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 the Company's share registrar, Computershare Investor Services Proprietary Limited, whose contact details are:

Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196.
PO Box 61051, Marshalltown, 2107

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 the Company is 2,5 billion shares of 0,01 cent each.

Issued share capital

The issued share capital of the Company is R188 427 (2015: R184 549) comprising 1 884 269 758 (2015: 1 845 493 245) ordinary shares of 0,01 cents each.

MTN Zakhele Futhi Scheme and unwind of MTN Zakhele

The Group unwound its broad-based black economic empowerment (BBBEE) scheme MTN Zakhele during November 2016. On unwind, MTN cancelled and delisted the following shares repurchased from MTN Zakhele:

- 5 882 100 shares repurchased by the Company from MTN Zakhele, in settlement of the outstanding NVF funding of R662 million;
- 23 479 083 shares repurchased by the Company from MTN Zakhele for cash to facilitate the orderly unwind of MTN Zakhele; and
- 7 253 510 shares repurchased by the Company from MTN Zakhele to facilitate the reinvestment by existing MTN Zakhele shareholders who elected to reinvest into MTN's new BBBEE vehicle, MTN Zakhele Futhi.

Simultaneously with the unwind of MTN Zakhele, MTN implemented a new R9,9 billion BBBEE transaction, structured through a separate legal entity, MTN Zakhele Futhi.

Details of the MTN Zakhele Futhi Scheme are set out in note 8.1.

Details of participation in the MTN Zakhele Futhi Scheme by directors of the Company, the Group secretary, directors and the company secretaries of major subsidiaries are set out in note 10.2 of the annual financial statements.

CONTROL OF UNISSUED SHARE CAPITAL

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act. As this general authority remains valid only until the next annual general meeting (AGM), shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares, to a maximum of 10% of the Company's issued share capital, under the control of the directors until the next AGM.

ACQUISITION OF THE COMPANY'S OWN SHARES

At the last AGM held on 25 May 2016, shareholders gave the Company or any of its subsidiaries a general approval in terms of section 48 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 AGM, to be held on 25 May 2017, shareholders will be asked at that meeting to consider a special resolution to renew this general authority until the next AGM, subject to a maximum extension of 15 months.

During the year, 5 882 100 (2015: 3 361 466) shares were repurchased by the Company from MTN Zakhele. A total of 38 058 865 (2015: 2 862 644) of these shares were cancelled by the Company during the year.

In addition, MTN Zakhele Futhi acquired 76 835 378 of the Company's shares at a price of R128,50 per share.

Further details of the authorised and issued shares are set out in note 8.1.

SHAREHOLDERS' INTEREST

Details of shareholders' interest and a shareholder spread analysis are disclosed in Annexure 1 of the annual financial statements.

Details of the directors' remuneration and shareholding are set out in note 10.2 of the annual financial statements.

RETIREMENT BY ROTATION OF DIRECTORS

In accordance with the Company's MOI, PB Hanratty, SP Miller, R Mupita, R Shuter and NL Sowazi retire at the forthcoming AGM. The retiring directors, being eligible, offer themselves for election.

In accordance with the policy adopted by the board and the MOI of the Company, directors who have been in office for an aggregate period in excess of nine years are required to retire at the next AGM and at each AGM thereafter. Accordingly, AT Mikati, KP Kalyan, AF van Biljon and J van Rooyen who have served on the board for an aggregate period in excess of nine years, retire at the forthcoming AGM and are eligible and offer themselves for re-election following an evaluation of their independence.

The profiles of the directors retiring by rotation and seeking re-election will be set out in the notice of the AGM.

APPOINTMENTS AND RESIGNATIONS

During the year under review, PB Hanratty, SP Miller and NL Sowazi were appointed to the board as independent non-executive directors with effect from 1 August 2016. BD Goschen resigned as an executive director on 30 September 2016. MJN Njeke and JHN Strydom retired as non-executive directors on 25 May 2016.

The Company also announced that it had identified R Shuter for appointment as Group president and CEO with effect from 13 March 2017 and R Mupita as Group chief financial officer with effect from 3 April 2017. Once the Group president and CEO commences his term in office, the executive chairman will step down from his executive role and revert to his role as the non-executive chairman of the Group.

The appointments are subject to shareholder approval at the next AGM to be held on Thursday, 25 May 2017.

There were no other director appointments or resignations other than those mentioned above during the year under review.

INTERESTS OF DIRECTORS AND PRESCRIBED OFFICERS

Details of the interests of directors and prescribed officers are provided in note 10.2.

DIRECTORS AND PRESCRIBED OFFICERS' SHAREHOLDINGS AND DEALINGS

Details of the interests of directors and prescribed officers' shareholdings and dealings are provided in note 10.2.

EMPLOYEE SHARE SCHEMES

Details of the Group's share schemes are provided in note 8.4.

MERGERS AND ACQUISITIONS

Details of the Group's changes in shareholding and acquisitions are disclosed in notes 9.3 and 9.4.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in relevant notes within the financial statements.

AMERICAN DEPOSITORY RECEIPT (ADR)

A sponsored ADR facility is in place. This facility is sponsored by the Bank of New York and details of the administrators are: Cusip No. 62474M108 ADR

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 25 May 2017. Refer to the notice of the twenty-second AGM, when issued, for further details of the ordinary and special business for consideration at the meeting.

INTERNAL FINANCIAL CONTROLS

During the year under review, the board, through the audit committee, assessed the results of the formal documented review of the Group's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by internal audit and considered information and explanations given by management and discussions with the external auditors on the results of the audit. Although certain weaknesses in financial controls, whether in design, implementation or execution were identified, the board does not consider these control weaknesses (individually or in combination with other weaknesses) to have resulted in actual material financial loss, fraud or material errors. Based on the above results, nothing has come to the attention of the board that caused it to believe that the Group'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 annual financial statements. The board's opinion is supported by the audit committee.

AUDIT COMMITTEE

The report of the audit committee appears on pages 3 and 4 of the annual financial statements.

AUDITORS

PricewaterhouseCoopers Incorporated and Sizwe-NtsalubaGobodo Incorporated will continue in office as joint auditors in accordance with section 90 of the Companies Act. Suleman Lockhat will retire and Dumisani Manana will be the registered audit partner undertaking the audit for SizweNtsalubaGobodo Incorporated. Johan van Huyssteen will continue as the registered audit partner undertaking the audit for PricewaterhouseCoopers Incorporated.

The audit committee reviewed the independence of the auditors during the period under review and satisfied itself that the auditors were independent of the Group.

Independent auditors' report to the shareholders of MTN Group Limited

for the year ended 31 December 2016

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of MTN Group Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2016, 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 the requirements of the Companies Act of South Africa.

What we have audited

MTN Group Limited's Group and Company financial statements set out on pages 14 to 151 comprise:

- the Group and Company statements of financial position as at 31 December 2016;
- the Group income statement for the year then ended;
- the Group and Company statements of comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report to the shareholders of MTN Group Limited continued

for the year ended 31 December 2016

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from business combinations	
Due to the number of business combinations that the Group enters into, the Group's net assets include a significant amount of goodwill. Some of the businesses that these balances relate to are still at an early stage in their lifecycle or are operating in countries subject to political turmoil and sanctioned environments. There is a risk that these businesses may not trade in line with expectations and forecasts, resulting in the risk that the carrying amount of goodwill needs to be impaired. Goodwill is tested annually for impairment or whenever there is an impairment indicator by management. This impairment assessment is considered to be a matter of most significance to the current year audit due to the significant judgements made by management regarding the discount rates, the terminal growth rates and other forecasts included in the analyses used to perform the impairment assessments. We further considered the impairment assessment of the goodwill related to the following entities to be most sensitive in the current year due to limited or no headroom available when comparing the carrying value to the value in use or due to significant impairments recognised: • MTN Guinea-Conakry, where an impairment charge of ZAR402 million was recognised resulting in the goodwill balance at year end being fully impaired; • MTN Sudan and MTN Yemen where no goodwill impairment charge was required for the current financial year; • MTN Syria where an impairment charge of ZAR269 million was recognised; and • MTN South Sudan, where the goodwill balance was fully impaired in prior periods. Refer to note 5.2.1: Goodwill, where detail on these items is included. Further disclosure is also included in note 1.5: Critical accounting judgements, estimates and assumptions of the Group financial statements. This matter relates to the consolidated financial statements level.	We have tested the mathematical accuracy of the valuation models and are satisfied that the approach adopted by management in the valuation models is in line with market practice and the applicable requirements of IAS 36: *Impairment of Assets*, which was also confirmed with our internal valuation experts. We have assessed management's cash flow forecasts and assumptions as well as in-country discount, inflation and growth rates. Management's forecasts were agreed to approved in-country budgets. We further assessed the Group's budgeting procedures (which form the basis of the forecasts) by comparing budgets to actual results and held discussions with management on the reasonability of the forecasts used in the valuations where past results were not reflective of previously approved forecasts or where subsequent adjustments were made to the in-country budgets. The terminal growth rates were compared to long-term inflation rates obtained from independent sources. Our valuation experts independently recalculated a weighted average cost of capital discount rate (which includes a country risk premium) for each territory in the Group taking into account independently obtained data such as the cost of debt, risk-free rates in the market; market risk premiums, debt/equity ratios as well as the beta of comparable companies; and this was compared to the discount rate used by management. The discount rates of management were considered to be within an acceptable range of our independent calculations. We reperformed the value-in-use calculation as calculated by management. We performed sensitivity analysis on the value-in-use calculations and focused on the discount rates, the annual growth rates, the terminal growth rates and the forecast cash flows for each entity. We further performed sensitivity procedures to determine the maximum decline that would result in limited or no headroom and compared our results with that of management in terms of identifying those operations considered sensitive or for which the recording of impairment charges were required.

Key audit matter	How our audit addressed the key audit matter
Accounting treatment of current, deferred and other taxes in developing markets	
The Group operates across many tax jurisdictions and due to the inherent nature of exposures in developing markets, specifically within Africa, the Group carries a significant amount of tax provisions and contingencies at year end. Management applies their judgement to estimate the potential exposure where the interpretation of the applicable tax laws and regulations could be subjective. We consider this to be a matter of most significance to the current year's audit due to the materiality, complexity and nature of these exposures together with the significant level of management judgement involved in interpreting specific Acts or practices in determining the amounts of these liabilities. Further details of the matter have been included in note 1.5: Critical accounting judgements, estimates and assumptions and note 6.8: Contingent liabilities of the Group financial statements. This matter relates to the consolidated financial statements.	We utilised our tax specialists to evaluate management's assessment of tax exposures relating to income tax (including transfer pricing and controlled foreign company legislation), withholding tax, VAT and other taxes. Meetings were held between our tax specialists and the Group's local territories' internal tax experts and management to discuss the significant exposures and evaluate the reasonableness of management's conclusions. In-country management's tax assessment reports as communicated to those charged with governance were also considered in-country and at a Group level by our internal tax specialists to independently assess the conclusions reached by management. To corroborate management's assessment, we inspected correspondence received by management from the tax authorities and the Group's tax advisers to evaluate the adequacy of provisions and disclosures made. We also performed an independent recalculation of the tax exposures.
Accounting for the introduction of the "new" BBBEE vehicle of the Group (MTN Zakhele Futhi (RF) Limited) and the unwind of the "old" BBBEE vehicle (MTN Zakhele (RF) Limited) during the year	
The Group unwound its broad-based black economic empowerment (BBBEE) transaction "MTN Zakhele", which was established in 2010, during November 2016. As a consequence of the unwind of MTN Zakhele, a new BBBEE transaction was structured through a separate legal entity, MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi). MTN Zakhele Futhi is consolidated by the Group in terms of IFRS. We consider this as a matter of most significance to the current year's audit due to the level of judgement and sensitivity involved in determining the charge to the income statement in terms of IFRS 2 *Share-based Payment*. A change in certain of the inputs included in the option valuation model used to calculate the IFRS 2 charge (ie share price volatility) or an error in applying the appropriate valuation methodology or applying it incorrectly, could have a significant impact on the Group and Company's 2016 financial results. Further details of the matter have been included in note 8.1: Ordinary share capital and share premium and note 1.5: Critical accounting judgements, estimates and assumptions of the Group financial statements and in note 5: Investment in subsidiaries and note 8: Ordinary share capital and share premium of the Company financial statements. This matter relates to the consolidated and separate financial statement levels.	We have considered the appropriateness of the Monte Carlo valuation methodology applied by management and deemed this to be appropriate. We considered the volatility of the MTN share price to be the most sensitive to change. Our internal actuarial valuation experts independently calculated the share price volatility using historical data, current market views and by applying their judgement. We compared the results of management's calculation to the calculation independently performed by us. The result of our calculation was within a tolerable range. We also independently recalculated the IFRS 2 *Share-based Payment* charge based on an independently developed model and no material differences were noted.

Other information

The directors are responsible for the other information. The other information comprises the statement of directors' responsibility, the directors' report, the report of the audit committee and the certificate by the Company secretary as required by the Companies Act of South Africa, as well as Annexure 1 – Shareholders' information, which we obtained prior to the date of this auditors' report, and the integrated report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. have been the auditors of MTN Group Limited for 23 years and 14 years, respectively.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JR van Huyssteen
Registered Auditor
Sunninghill
1 March 2017

SizweNtsalubaGobodo Inc

SizweNtsalubaGobodo Inc.
Director: SY Lockhat
Registered Auditor
Woodmead
1 March 2017

Group income statement
for the year ended 31 December 2016

	Note	2016 Rm	2015 Rm
Revenue	2.2	**147 920**	147 063
Other income	2.3	**335**	8 409
Direct network and technology operating costs		**(23 520)**	(18 809)
Costs of handsets and other accessories		**(12 304)**	(10 829)
Interconnect and roaming		**(13 393)**	(13 102)
Staff costs	2.4	**(9 152)**	(8 587)
Selling, distribution and marketing expenses		**(19 172)**	(18 412)
Government and regulatory costs		**(5 191)**	(5 888)
Other operating expenses		**(14 273)**	(11 433)
EBITDA before Nigeria regulatory fine		**51 250**	68 412
Nigeria regulatory fine	6.3	**(10 499)**	(9 287)
EBITDA		**40 751**	59 125
Depreciation of property, plant and equipment	5.1	**(20 988)**	(19 557)
Amortisation of intangible assets	5.2	**(4 748)**	(3 736)
Impairment of goodwill	5.2	**(873)**	(504)
Operating profit	2.4	**14 142**	35 328
Finance income	2.5	**4 424**	5 442
Finance costs	2.5	**(14 919)**	(8 452)
Net monetary gain		**1 723**	1 348
Share of results of associates and joint ventures after tax	9.2	**(127)**	1 226
Profit before tax		**5 243**	34 892
Income tax expense	3.1	**(8 346)**	(11 322)
(Loss)/profit after tax		**(3 103)**	23 570
Attributable to:			
Equity holders of the Company		**(2 614)**	20 204
Non-controlling interests		**(489)**	3 366
		(3 103)	23 570
Basic (loss)/earnings per share (cents)	2.7	**(144)**	1 109
Diluted (loss)/earnings per share (cents)	2.7	**(144)**	1 106

Group statement of comprehensive income

for the year ended 31 December 2016

	2016 Rm	2015 Rm
(Loss)/profit after tax	**(3 103)**	23 570
Other comprehensive income after tax:		
Items that are or may be subsequently reclassified to profit or loss:		
Net investment hedges	**(1 887)**	–
Foreign exchange movement on hedging instruments	**(2 684)**	–
Deferred tax	**797**	–
Available-for-sale financial assets[1,2]	**2 672**	–
Gains arising during the year	**2 672**	–
Exchange differences on translating foreign operations including the effect of hyperinflation[1]	**(22 907)**	22 203
(Losses)/gains arising during the year	**(22 907)**	22 203
Other comprehensive income for the year	**(22 122)**	22 203
Attributable to equity holders of the Company	**(21 077)**	21 033
Attributable to non-controlling interests	**(1 045)**	1 170
Total comprehensive income for the year	**(25 225)**	45 773
Attributable to:		
Equity holders of the Company	**(23 691)**	41 237
Non-controlling interests	**(1 534)**	4 536
	(25 225)	45 773

[1] *This component of other comprehensive income does not attract any tax.*
[2] *The available-for-sale investment relates to the Group's investment in IHS Holding Limited (IHS) (note 7.2).*

Group statement of financial position

at 31 December 2016

	Note	2016 Rm	2015 Rm
ASSETS			
Non-current assets		**189 089**	218 435
Property, plant and equipment	5.1	**95 633**	106 702
Intangible assets and goodwill	5.2	**46 473**	55 887
Investments	7.2	**11 841**	9 969
Investment in associates and joint ventures	9.2	**26 669**	35 552
Loans and other non-current receivables	7.3	**7 366**	9 783
Deferred tax assets	3.2	**1 107**	542
Current assets		**79 611**	95 432
Non-current assets held for sale		*****	10
		79 611	95 422
Inventories	4.1	**3 972**	5 635
Trade and other receivables	4.2	**37 363**	43 570
Taxation prepaid	3.3	**2 019**	1 331
Current investments	7.4	**7 858**	8 811
Derivative assets	7.5	**4**	163
Restricted cash	4.3	**1 020**	1 735
Cash and cash equivalents	4.4	**27 375**	34 177
Total assets		**268 700**	313 867
EQUITY			
Ordinary share capital and share premium	8.1	**36 786**	40 248
Retained earnings		**64 831**	87 526
Other reserves	8.2	**763**	18 595
Attributable to equity holders of the Company		**102 380**	146 369
Non-controlling interests		**2 851**	5 469
Total equity		**105 231**	151 838
LIABILITIES			
Non-current liabilities		**85 743**	72 510
Borrowings	6.1	**67 319**	52 661
Deferred tax liabilities	3.2	**9 059**	13 041
Other non-current liabilities	6.2	**8 985**	2 184
Provisions	6.3	**380**	4 624
Current liabilities		**77 726**	89 519
Trade and other payables	4.5	**45 142**	40 484
Unearned income		**6 449**	8 519
Provisions	6.3	**2 229**	7 993
Taxation liabilities	3.3	**4 213**	10 013
Borrowings	6.1	**19 635**	22 472
Derivative liabilities	7.5	**58**	–
Bank overdrafts	4.4	**–**	38
Total liabilities		**163 469**	162 029
Total equity and liabilities		**268 700**	313 867

** Amounts less than R1 million.*

Group statement of changes in equity

for the year ended 31 December 2016

		Attributable to equity holders of the Company						
	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Other reserves Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 January 2015		*	40 179	91 305	(2 967)	128 517	4 925	133 442
Total comprehensive income		–	–	20 204	21 033	41 237	4 536	45 773
Profit after tax		–	–	20 204	–	20 204	3 366	23 570
Other comprehensive income		–	–	–	21 033	21 033	1 170	22 203
Transactions with shareholders								
Shares cancelled		(*)	–	–	–	(*)	–	(*)
Treasury shares		*	69	–	–	69	–	69
Settlement of vested equity rights		–	–	(288)	–	(288)	–	(288)
Share-based payment transactions		–	–	–	532	532	–	532
Dividends declared	8.3	–	–	(23 506)	–	(23 506)	(4 172)	(27 678)
Transfer of profit		–	–	(127)	127	–	–	–
Share buy-back		(*)	–	–	–	(*)	–	(*)
Other movements		–	–	(62)	(130)	(192)	180	(12)
Balance at 31 December 2015		*	40 248	87 526	18 595	146 369	5 469	151 838
Balance at 1 January 2016		*****	**40 248**	**87 526**	**18 595**	**146 369**	**5 469**	**151 838**
Opening reserve adjustment for impact of hyperinflation	1.5.6	**–**	**–**	**(123)**	**–**	**(123)**	**–**	**(123)**
Adjusted balance at 1 January 2016		*****	**40 248**	**87 403**	**18 595**	**146 246**	**5 469**	**151 715**
Total comprehensive income		**–**	**–**	**(2 614)**	**(21 077)**	**(23 691)**	**(1 534)**	**(25 225)**
Loss after tax		**–**	**–**	**(2 614)**	**–**	**(2 614)**	**(489)**	**(3 103)**
Other comprehensive income		**–**	**–**	**–**	**(21 077)**	**(21 077)**	**(1 045)**	**(22 122)**
Transactions with shareholders								
Shares cancelled		**(*)**	**–**	**–**	**–**	**(*)**	**–**	**(*)**
Treasury shares		*****	**–**	**–**	**–**	*****	**–**	*****
Share buy-back from MTN Zakhele		**(*)**	**(3 462)**	**–**	**–**	**(3 462)**	**–**	**(3 462)**
Share-based payment transactions – Zakhele Futhi		**–**	**–**	**–**	**2 919**	**2 919**	**–**	**2 919**
Share-based payment transactions – other		**–**	**–**	**–**	**1**	**1**	**–**	**1**
Dividends declared	8.3	**–**	**–**	**(19 816)**	**–**	**(19 816)**	**(1 053)**	**(20 869)**
Other movements		**–**	**–**	**(142)**	**325**	**183**	**(31)**	**152**
Balance at 31 December 2016		*****	**36 786**	**64 831**	**763**	**102 380**	**2 851**	**105 231**
Note		8.1	8.1		8.2			

** Amounts less than R1 million.*

Group statement of cash flows

for the year ended 31 December 2016

	Note	2016 Rm	2015 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	2.6	**55 681**	57 598
Finance income received		**1 985**	2 591
Finance costs paid		**(4 968)**	(4 855)
Income tax paid	3.3	**(11 704)**	(13 506)
Dividends paid to equity holders of the Company		**(19 792)**	(23 506)
Dividends paid to non-controlling interests		**(1 178)**	(5 777)
Dividends received from associates	9.2	**205**	230
Dividends received from joint ventures	9.2	**487**	347
Net cash generated from operating activities		**20 716**	13 122
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(29 899)**	(21 612)
Acquisition of intangible assets		**(5 348)**	(10 412)
Proceeds from sale of property, plant and equipment and intangible assets		**388**	772
Proceeds on sale of towers	2.3	**–**	6 515
Increase in non-current investments		**(2 199)**	(3 319)
Acquisition of businesses, net of cash acquired	9.4	**(882)**	(3 040)
Loans granted		**(52)**	(1 007)
Increase in investment in insurance cell captives		**(90)**	(952)
Purchase of bonds, treasury bills and foreign deposits		**(2 704)**	(542)
Decrease/(increase) in restricted cash		**309**	(693)
Other investing activities		**69**	–
Net cash used in investing activities		**(40 408)**	(34 290)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**59 647**	23 384
Repayment of borrowings		**(37 211)**	(14 802)
Share buy-back		**–**	(173)
Settlement of vested equity rights		**–**	(288)
Buy-back of shares from MTN Zakhele		**(2 645)**	–
Premium received on option issued to MTN Zakhele Futhi		**1 185**	–
Other financing activities		**(25)**	(20)
Net cash from financing activities		**20 951**	8 101
Net increase/(decrease) in cash and cash equivalents		**1 259**	(13 067)
Net cash and cash equivalents at beginning of the year		**34 139**	43 072
Exchange (losses)/gains on cash and cash equivalents		**(8 192)**	3 860
Net monetary gain on cash and cash equivalents		**169**	274
Net cash and cash equivalents at end of the year	4.4	**27 375**	34 139

Index to the notes to the Group financial statements

** Events after reporting period disclosed herein.*

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS

1.1 Basis of preparation

The Group financial statements of MTN Group Limited (the Company) comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures (together referred to as the Group and individually as Group entities).

The Group financial statements and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008. The Group and the Company have adopted all new accounting pronouncements that became effective in the current reporting period, none of which had a material impact on the Group or the Company.

The financial statements have been prepared on the historical cost basis adjusted for the effects of inflation where entities operate in hyperinflationary economies and for certain financial instruments and non-current assets held for sale that have been measured at fair value, where applicable.

The South Sudanese and Syrian economies have been considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiaries, MTN South Sudan Limited and MTN Syria (JSC) have been expressed in terms of the measuring unit current at the reporting date.

Sudan ceased being regarded as a hyperinflationary economy during 2016, resulting in hyperinflation accounting relating to MTN Sudan Company Limited not being applied from 1 July 2016 onward.

The methods used to measure fair value and the adjustments made to account for the Group's entities that operate in hyperinflationary economies are discussed further in the accounting policies and in the respective notes.

Amounts are rounded to the nearest million with the exception of earnings per share and the related number of shares (note 2.7), number of ordinary shares (note 8.1), share-based payments (note 8.4) and directors' emoluments and interests (note 10.2).

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. 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 financial statements are included in note 1.5.

1.2 Going concern

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

After making enquiries, the directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. The financial statements therefore have been prepared on a going concern basis.

1.3 Principal accounting policies[1]

The principal accounting policies applied in the preparation of these financial statements are set out on the following page and in the related notes to the Group financial statements, and should be read in conjunction with the financial definitions disclosed on pages 150 and 151 of the financial statements. The principal accounting policies applied are consistent with those adopted in the prior year, unless otherwise stated.

[1] *Where applicable, the principal accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements.*

1 **ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS** (continued)

1.3 **Principal accounting policies**[1] (continued)

1.3.1 Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is obtained by the Group. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return directly to investors or other owners, members or participants. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 interests.

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 fair values of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition date fair values 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), such excess is recognised immediately in profit or loss as a bargain purchase gain.

An obligation to pay contingent consideration is classified as either a financial liability or equity based on the respective definitions set out in IAS 32 *Financial Instruments: Presentation*. The Group classifies any rights to the return of consideration previously transferred as a financial asset. 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*, with the corresponding gain or loss recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured after the acquisition date.

Any changes resulting from additional and new information about events and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amount recognised at that date, are considered to be measurement period adjustments. The Group retrospectively adjusts the amounts recognised for measurement period adjustments. The measurement period ends when the acquirer receives all the information they were seeking about the facts and circumstances that existed at the acquisition date or learns that information cannot be obtained. The measurement period shall, however, not exceed one year from the acquisition date. To the extent that changes in the fair value relate to post-acquisition events, these changes are recognised in accordance with the IFRS applicable to the specific asset or liability.

When the Group ceases to have control, 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.

[1] *Where applicable, the principal accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements.*

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies[1] (continued)

1.3.1 Consolidation (continued)

Consolidation of subsidiaries

The Group financial statements incorporate the financial statements of MTN Group Limited and all its subsidiaries, joint ventures, associates and structured entities (SEs) for the reporting date 31 December 2016 on the basis outlined below.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases (disposal date). When assessing whether control exists, the Group considers all existing substantive rights that result in the current ability to direct relevant activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the Group.

The Group does not consolidate entities where it owns more than half of the issued ordinary share capital where the contractual agreements are such that other shareholders have substantive rights that provide authority over the relevant activities of the entities.

The Company accounts for investments in subsidiaries at cost, less accumulated impairment losses.

Non-controlling interest

On an acquisition-by-acquisition basis, non-controlling interests in the acquiree may initially be measured either at fair value, or at the non-controlling shareholders' proportion the net identifiable assets acquired and liabilities and contingent liabilities assumed.

Non-controlling shareholders are treated as equity participants; therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiaries, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased, is recorded in equity. All profits or losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders (where control is subsequently maintained) are also recorded in equity.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

[1] *Where applicable, the principal accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements.*

1 **ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS** (continued)

1.3 **Principal accounting policies**[1] (continued)

1.3.2 Foreign currency

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the entity's functional currency. The Group financial statements are presented in South African rand, which is the functional and presentation currency of the Company.

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 or 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.

Translation of foreign operations

The results, cash flows and financial position of Group entities which are not accounted for as entities operating in hyperinflationary economies and that have a functional currency different from the presentation currency of the Group 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 are translated at rates of exchange ruling at the transaction dates;
- income and expenditure and cash flow items are translated at weighted average exchange rates for the period or translated at exchange rates at the date of the transaction, where applicable; and
- foreign exchange translation differences are recognised as other comprehensive income.

The results, cash flows and financial position of the Group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the Group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the Group or that of the immediate parent is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year.

An entity may have a monetary item that is receivable from 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 as part of the foreign currency translation reserve.

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. Exchange differences arising are recognised in other comprehensive income.

The exchange rates relevant to the Group are disclosed in note 7.6.

Disposal of foreign operations

On disposal of a foreign operation, all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Group are reclassified to profit or loss.

Exchange differences accumulated in equity in respect of a monetary item that is part of the Group's net investment in a foreign operation, are not reclassified to profit or loss on settlement of the monetary item.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

[1] Where applicable, the principal accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements.

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies[1] (continued)

1.3.3 Hyperinflation

The financial statements (including comparative amounts) of the Group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. Differences between these comparative amounts and current year hyperinflation adjusted equity balances are recognised in other comprehensive income.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

Gains or losses on the net monetary position are recognised in profit or loss.

All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The South Sudanese and Syrian economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiaries, MTN South Sudan Limited and MTN Syria (JSC), have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to note 1.5.6.

The results, cash flows and financial position of another subsidiary, MTN Sudan Company Limited, have been classified as hyperinflationary since 2013. During the current year, MTN Sudan ceased to be hyperinflationary, effective 1 July 2016 and consequently, hyperinflationary accounting has not been applied from this date onward. Accordingly, the amounts expressed in terms of the measuring unit current at 30 June 2016 are treated as the basis for the carrying amounts with no further hyperinflation adjustments being passed from 1 July 2016 onwards.

[1] Where applicable, the principal accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements.

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies[1] (continued)

1.3.4 Measurement principles

Key assets and liabilities shown in the statement of financial position are subsequently measured as follows:

Items included in the statement of financial position	Measurement principle	Items included in the statement of financial position	Measurement principle
ASSETS **Non-current assets** Property, plant and equipment	Historical cost, less accumulated depreciation and impairment losses	**LIABILITIES** **Non-current liabilities** Borrowings	Amortised cost
Intangible assets	Historical cost, less accumulated amortisation and impairment losses	Deferred tax liabilities	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the liability is settled
Investments	Amortised cost/fair value	Provisions	Present value of the best estimate of settlement amount
Goodwill	Historical cost, less impairment losses		
Investment in associates and joint ventures	Cost adjusted for share of movements in net assets, less impairment losses		
Loans receivable	Amortised cost		
Deferred tax assets	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the asset is realised		
Current assets Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell	**Current liabilities** Trade and other payables	Amortised cost
Inventories	Lower of cost and net realisable value	Derivative liabilities	Fair value
Trade receivables	Amortised cost	Unearned income	Nominal value
Taxation prepaid	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date	Provisions	Present value of the best estimate of settlement amount
Current investments	Amortised cost/fair value	Taxation liabilities	Amount expected to be paid to tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date
Derivative assets	Fair value	Borrowings	Amortised cost
Restricted cash	Amortised cost	Bank overdrafts	Amortised cost
Cash and cash equivalents	Amortised cost		

[1] *Where applicable, the principal accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements.*

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.4 New accounting pronouncements

The pronouncements listed below will be effective in future reporting periods and are considered significant to the Group. The Group has elected not to early adopt the new pronouncements. It is expected that the Group will adopt the new pronouncements on their effective dates in accordance with the requirements of the pronouncements.

Topic	Key requirements	Effective date
IFRS 16 *Leases*	IFRS 16 will result in almost all leases of lessees being recognised in the statement of financial position, as the distinction between finance and operating leases has been removed. Under the new standard, a lessee will recognise an asset representing the right to use the leased item, and a financial liability to pay rentals. The only exceptions are for short-term (less than 12 months) and low-value leases. The accounting for lessors will not change significantly. The new standard contains enhanced disclosure requirements for both lessees and lessors. The Group expects that the new standard will primarily affect its accounting for operating leases, in particular those relating to its property and network sites. As at reporting date, the Group has non-cancellable operating lease commitments of R124 billion (refer to note 6.5). A major portion of operating lease commitments relate to tower leases. It is anticipated that these leases will result in the recognition of a lease liability and a corresponding right of use asset. It is anticipated that while the EBITDA and the related EBITDA margin will improve, depreciation and finance charges will increase. Leases denominated in currencies that are not the functional currency of the operation will increase foreign exchange exposure. Recognising a liability will also impact net debt and net debt:EBITDA ratios.	1 January 2019
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 replaces the two main revenue recognition standards, IAS 18 *Revenue* and IAS 11 *Construction Contracts* and their related interpretations. IFRS 15 provides a single control-based revenue recognition model and clarifies the principles for recognising revenue from contracts with customers. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. IFRS 15 also includes comprehensive disclosure requirements that will provide users with information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2018

1 **ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS** (continued)

1.4 **New accounting pronouncements** (continued)

Topic	Key requirements	Effective date
IFRS 15 *Revenue from Contracts with Customers (continued)*	The standard permits either a full retrospective or modified retrospective approach for adoption and the Group is currently assessing the most appropriate approach to follow on transition. The impact on the financial statements has not yet been fully determined but it is expected to result in a change in the timing of the recognition of subscriber acquisition costs such as agent's commission which will be recognised when the related performance obligations are satisfied. The Group's current accounting policy is to expense such costs when incurred.	1 January 2018
IFRS 9 *Financial Instruments*	IFRS 9 replaces IAS 39. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The adoption of IFRS 9 is not expected to change the measurement of the Group's financial assets and liabilities significantly, but will require a review of the current classification of financial assets and liabilities. The hedge accounting requirements will be applied prospectively and are not expected to have a significant impact on the financial results of the Group. The Group expects to choose an accounting policy to always measure the impairment at the present value of expected cash shortfalls over the remaining life of the receivable and contract assets using a provision matrix. The impact of an expected credit loss model on the financial statements has not yet been fully determined, however, it may result in an earlier recognition of credit losses. This requirement is expected to have an impact on impairments relating to long-term postpaid contracts, mainly within MTN South Africa, receivables in the Group's enterprise business unit and interconnect receivables. The Group will adopt the standard on 1 January 2018. The Group is currently assessing the most appropriate approach to follow on transition.	1 January 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions

The Group makes judgements, estimates and assumptions concerning the future when preparing its financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, 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.

The “Critical accounting judgements, estimates and assumptions” note should be read in conjunction with the “Principal accounting policies” disclosed in note 1.3.

1.5.1 Accounting for the Nigeria fine and related professional fees

During October 2015, the Nigerian Communications Commission (NCC) imposed a fine of N1,04 trillion (R80,7 billion[1]) on MTN Nigeria Communications Limited (MTN Nigeria). This fine related to the timing of the disconnection of 5,1 million MTN Nigeria subscribers who were disconnected in August and September 2015 and was based on a fine of N200 000 for each unregistered subscriber. During December 2015 the NCC revised the amount to N780 billion (R60,6 billion[1]).

At 31 December 2015, management exercised judgement in determining the expected timing, the amount of the possible range of cash outflows that may occur as well as the discount rate to be applied. Consequently, the Group provided R9,3 billion[1] at 31 December 2015 based on the estimated amount and timing of cash outflows and applied a discount rate of 12,87% per annum, which was a pre-tax discount rate in Nigeria based on a Nigerian bond with similar cash flows.

On 10 June 2016, MTN Nigeria resolved the matter with the Federal Government of Nigeria (FGN) after the completion of an extensive negotiation process. In terms of the agreement reached, MTN Nigeria agreed to pay a total cash amount of N330 billion over three years (R25,1 billion[3]) to the FGN as full and final settlement of the matter in accordance with the payment terms as set out below.

The N50 billion (R4 billion[2]) paid in good faith and without prejudice by MTN Nigeria on 24 February 2016 formed part of the monetary component of the settlement which resulted in a cash balance of N280 billion (R21,3 billion[3]) outstanding on 10 June 2016, to be discharged as follows:
- N30 billion on 8 July 2016
- N30 billion on 31 March 2017
- N55 billion on 31 March 2018
- N55 billion on 31 December 2018
- N55 billion on 31 March 2019
- N55 billion on 31 May 2019

The Group reclassified the provision on 10 June 2016 to a financial liability of N212,5 billion, the equivalent of R16,2 billion[3], for the outstanding cash payments using a discount rate of 14,71%. Management exercised judgement in determining an appropriate discount rate that represents the incremental borrowing rate for MTN Nigeria for a liability with similar cash flows. The additional charge to the income statement amounted to R10,5 billion and interest of R1,0 billion was recognised on the discounted provision and liability during 2016. The balance of the liability at 31 December 2016 amounts to R8,7 billion, after taking into account the payment of N30 billion (R1,9 billion[4]) on 24 June 2016.

The Group incurred professional fees of R1 324 million (included in other operating expenses in the income statement) on a range of professional services relating to the negotiations that led to a reduction of R34 billion in the Nigeria regulatory fine. The board has exercised its judgement and approved the quantum of the professional fees incurred taking into account global benchmarks and the value delivered, culminating in the final settlement of the Nigerian fine.

[1] *Amounts translated at the 2015 closing exchange rate of R1 = N12,88*
[2] *Amount translated at an exchange rate on 24 February 2016 of R1 = N12,55*
[3] *Amounts translated at an exchange rate on 10 June 2016 of R1 = N13,15*
[4] *Amount translated at the June 2016 average rate of R1 = N15,90*

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.2 Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy disclosed in note 5.2. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations are performed internally by the Group and require the use of estimates and assumptions.

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates and discount rates. Further detail on these assumptions has been disclosed in note 5.2. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to appropriate CGU being impaired. Goodwill impairment in the current year amounted to R873 million (2015: R504 million), refer to note 5.2.

1.5.3 Income taxes

The Group is subject to income taxes in numerous jurisdictions. As a result, significant judgement is required in determining the Group's provision for income taxes. There are numerous calculations and transactions for which the ultimate tax position is uncertain during the ordinary course of business. The Group recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the Group, the Group seeks, where relevant, expert advice to determine whether an unfavourable outcome is probable or possible. Where payment is determined to be possible but not probable the tax exposure is disclosed as a contingent liability, refer to note 6.8. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The Group applies judgement in assessing whether future taxable profits will be available. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the probable reversal of taxable temporary differences in future. Deferred 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. Such reductions are reversed when the probability of future taxable profits improves. The Group's deferred tax assets for the current year amounted to R1 107 million (2015: R542 million), refer to note 3.2.

1.5.4 Determining whether an arrangement contains a lease

The Group applies the principles of IFRIC 4 *Determining whether an Arrangement contains a Lease* in order to assess whether its arrangements constitute or contain leases. The requirements to be met in order to conclude that an arrangement constitutes or contains a lease are as follows:

- the provision of a service in terms of the arrangement should be dependent on the use of one or more specific assets; and
- the arrangement must convey a right to use these assets.

All other arrangements that do not constitute or contain leases are treated as service level agreements; the costs are expensed as incurred.

For the purpose of applying IFRIC 4 on tower space lease arrangements, the Group considers the tower asset as a whole in assessing whether the arrangement contains a lease. This is consistent with the guidance on determining a component of an asset in IAS 16 *Property, Plant and Equipment*. The Group has resolved that an arrangement contains a lease as defined in IAS 17 *Leases* where the arrangement provides an exclusive right to use specific tower space which is more than an insignificant part of the tower asset.

1.5.5 Determining whether an arrangement qualifies as an operating lease or a finance lease

The Group applies its principal accounting policies for leases to account for arrangements which constitute or contain leases and follows the guidance of IAS 17 to determine the classification of leases as either operating or finance leases.

During previous years the Group entered into sale and leaseback transactions with IHS that resulted in the sale of its mobile network towers in Nigeria, refer to note 2.3.

1 **ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS** (continued)

1.5 **Critical accounting judgements, estimates and assumptions** (continued)

1.5.5 Determining whether an arrangement qualifies as an operating lease or a finance lease (continued)

The critical elements that the Group considered with respect to the classification of the lease transaction were:

- whether the lease terms are for the major part of the economic life of the tower assets; and
- whether, at inception of the leases, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the tower assets.

The Group estimated that the lease term of the tower assets is not for a major part of the economic life of the tower assets, taking into account the non-cancellable period for which the Group has contracted, and any options to renew such period where it is reasonably certain that the Group will exercise the option.

The minimum lease payments were determined by separating the payments required by the lease arrangements into those pertaining to the lease and those pertaining to other elements such as services and cost of inputs on the basis of their relative fair values. Management exercised judgement in estimating the fair value of the other elements by reference to comparable cost structures of the Group and other independent tower operators. The discount rate used in calculating the present value of the minimum lease payments reflects the rate of interest MTN Nigeria Communications Limited would incur in borrowing the funds necessary to purchase similar assets.

The fair value of the tower assets was determined by reference to the amounts at which the tower assets were sold which represents the prices at which the assets could be sold in an orderly transaction between market participants under current market conditions. The Group determined that the present value of the minimum lease payments did not equal substantially all of the fair value of the underlying tower assets.

Following the Group's assessment, the leaseback transactions were classified as operating leases.

1.5.6 Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary. Following management's assessment, the Group's subsidiaries, MTN South Sudan Company Limited and MTN Syria (JSC), have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of MTN South Sudan Company Limited and MTN Syria (JSC) have been expressed in terms of the measuring units current at the reporting date.

Sudanese economy

The three-year cumulative inflation in Sudan for 2016 is below 100%, indicating that the economy has ceased to be hyperinflationary with effect from 1 July 2016. Accordingly, the amounts expressed in terms of the measuring unit current at 30 June 2016 are treated as the basis for the carrying amounts with no further hyperinflation adjustments being passed from 1 July 2016 onwards.

The general price indices used in adjusting the results, cash flows and financial position of the Group's subsidiaries are set out on the following page.

MTN South Sudan Company Limited

The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016 and hyperinflation accounting was applied for the year ended 31 December 2016. Upon first application of hyperinflation, prior period losses of R123 million arising from the net monetary position have been recognised directly in equity. As at 31 December 2016, the property, plant and equipment of South Sudan was fully impaired, resulting in no hyperinflation adjustment being recorded on capital expenditure (capex) incurred.

1 **ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS** (continued)

1.5 **Critical accounting judgements, estimates and assumptions** (continued)

1.5.6 Hyperinflation (continued)

The general price index used as published by the International Monetary Fund is as follows:

Date	Base year	General price index	Inflation rate (%)
31 December 2016	2016	6,8	584

The cumulative inflation rate over three years as at 31 December 2016 is 1 477%. The average adjustment factor used for 2016 was 416.

MTN Syria (JSC)

Reliable inflation data could not be obtained on the inflation rate in Syria. The general price index set out below was calculated by reference to the change in the United States dollar:Syrian pound exchange rate.

Date	Base year	General price index	Inflation rate (%)
31 December 2016	2014	3,4	260

The cumulative inflation rate over three years as at 31 December 2016 is 45,1%. The average adjustment factor used for 2016 was 135,3.

The impact of adjusting the Group's results for the effects of hyperinflation is set out below:

	2016 Rm	2015 Rm
Income statement		
Increase in revenue	**1 026**	710
Increase in EBITDA	**246**	231
Net monetary gain	**1 723**	1 348
Decrease in share of results of associates and joint ventures after tax[1]	**(1 853)**	(1 768)
Decrease in profit after tax	**(480)**	(758)

[1] *Including share of net monetary gain amounting to Rnil (2015: R390 million), as well as additional depreciation and amortisation on assets previously adjusted for hyperinflation in MTN Irancell Telecommunication Company Services (PJSC).*

1.5.7 Consolidation of MTN Zakhele Futhi

MTN implemented its new BBBEE transaction through a separate legal entity, MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi). MTN Zakhele Futhi is a structured entity with the sole business of holding shares of MTN Group Limited and administering the associated funding of these shares. The Group was involved in structuring MTN Zakhele Futhi, determining the level of its debt and negotiating the related debt covenants. In addition, the Group holds a call option which, if exercised on the occurrence of a trigger event, entitles it to settle MTN Zakhele Futhi's debt with the third-party funders. This gives the Group the ability to manage the credit risk of MTN Zakhele Futhi and consequently, the related BBBEE credentials which are dependent on the continued success of MTN Zakhele Futhi. These activities are considered to be the relevant activities of MTN Zakhele Futhi and because they are directed by the Group, the Group has control over and consolidates MTN Zakhele Futhi.

1.5.8 Share-based payment expense arising from the MTN Zakhele Futhi transaction

The share-based payment transaction with the ordinary shareholders of MTN Zakhele Futhi is valued using a Monte Carlo valuation model. The inputs to this valuation are disclosed in note 8.1. The key inputs are the MTN Group Limited share price, the historic volatility of an MTN share and assumptions about the risk-free and prime interest rates. The input that the share-based payment expense is most sensitive to is the historic volatility.

The impact of a potential change in the historic volatility on the share-based payment expense recognised during the year is:

	2016	
	3% increase in volatility Rm	**3% decrease in volatility Rm**
Increase/(decrease) in share-based payment expense	**108**	**(135)**

2 RESULTS OF OPERATIONS

2.1 Operating segments

The Group has identified reportable segments that are used by the Group executive committee (chief operating decision maker (CODM)) to make key operating decisions, allocate resources and assess performance. The reportable segments are grouped according to their geographic locations.

The Group has changed the composition and presentation of its segment analysis following the announcement of a change in its operational structure subsequent to the 2015 year end with a view to strengthen operational oversight, leadership, governance and regulatory compliance across the 22 operations in Africa and the Middle East.

The MTN Group is now clustered into the following three regions and their respective underlying operations based on the decision taken:

- South and East Africa (SEA)
- West and Central Africa (WECA)
- Middle East and North Africa (MENA)

Comparative numbers for the segments have been restated accordingly.

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

EBITDA (earnings before interest, tax, depreciation, amortisation, impairment of goodwill, net monetary gains and share of results of joint ventures and associates after tax) excluding the following items is used as the measure of reporting profit or loss for each segment and represents the basis on which the CODM reviews segment results:

- Hyperinflation (note 1.5.6)
- Tower sale profits
- Nigeria regulatory fine (note 6.3)
- MTN Zakhele Futhi share-based payment expense (note 8.1)

This measure has remained unchanged apart from the MTN Zakhele Futhi share-based payment expense which was also excluded in the current year.

Irancell Telecommunication Company Services (PJSC) (Iran) proportionate results are included in the segment analysis as reviewed by the CODM and excluded from IFRS reported results for revenue, EBITDA and capex due to equity accounting for joint ventures. The results of Iran in the segment analysis exclude the impact of hyperinflation accounting.

	2016 Rm	2015 Rm
Revenue		
SEA	**52 142**	51 419
South Africa	**41 922**	40 038
Uganda	**5 465**	5 148
Other SEA	**4 755**	6 233
WECA	**80 655**	81 443
Nigeria	**47 122**	51 942
Ghana	**10 291**	7 903
Cameroon	**6 189**	5 806
Ivory Coast	**7 176**	6 424
Other WECA	**9 877**	9 368
MENA	**14 288**	13 766
Syria	**2 123**	2 605
Sudan	**4 585**	3 472
Other MENA	**7 580**	7 689
Major joint venture – Iran	**16 536**	13 660
Head office companies and eliminations	**(191)**	(275)
Hyperinflation impact	**1 026**	710
Iran revenue exclusion	**(16 536)**	(13 660)
Consolidated revenue	**147 920**	147 063

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

	2016 Rm	2015 Rm
EBITDA		
SEA	**16 368**	16 903
South Africa	**13 811**	13 370
Uganda	**1 620**	1 775
Other SEA	**937**	1 758
WECA	**33 045**	38 116
Nigeria	**21 854**	27 504
Ghana	**4 184**	3 197
Cameroon	**2 065**	2 101
Ivory Coast	**2 333**	2 195
Other WECA	**2 609**	3 119
MENA	**4 657**	4 324
Syria	**689**	460
Sudan	**1 471**	1 216
Other MENA	**2 497**	2 648
Major joint venture – Iran	**6 455**	5 665
Head office companies and eliminations[1]	**(2 089)**	575
Hyperinflation impact	**246**	231
Nigeria regulatory fine	**(10 499)**	(9 287)
Tower sale profits	**31**	8 263
MTN Zakhele Futhi share-based payment expense	**(1 008)**	–
Iran EBITDA exclusion	**(6 455)**	(5 665)
EBITDA	**40 751**	59 125
Depreciation, amortisation and impairment of goodwill	**(26 609)**	(23 797)
Net finance cost	**(10 495)**	(3 010)
Net monetary gain	**1 723**	1 348
Share of results of joint ventures and associates after tax	**(127)**	1 226
Profit before tax	**5 243**	34 892

[1] *Head office companies and eliminations consist mainly of the Group's central financing activities, management fees, professional and consulting fees and dividends received from segments as well as inter-segment eliminations.*

2 RESULTS OF OPERATIONS (continued)
2.1 Operating segments (continued)

	2016 Rm	2015 Rm
Capital expenditure incurred		
SEA	12 896	13 452
South Africa	11 085	10 948
Uganda	758	951
Other SEA	1 053	1 553
WECA	17 325	11 593
Nigeria	8 701	4 993
Ghana	2 435	1 831
Cameroon	2 166	1 911
Ivory Coast	1 721	833
Other WECA	2 302	2 025
MENA	3 310	2 583
Syria	1 049	974
Sudan	1 549	819
Other MENA	712	790
Major joint venture – Iran	5 138	4 180
Head office companies and eliminations	1 389	1 571
Hyperinflation impact	348	412
Iran capex exclusion	(5 138)	(4 180)
	35 268	29 611

The impact of hyperinflation on the segment analysis is as follows:

	2016 Rm		
	Revenue	EBITDA	Capex
Syria	484	164	310
Sudan	122	41	38
South Sudan (included in other SEA)	420	41	–
	1 026	246	348
Iran – major joint venture	–	(294)	326

	2015 Rm		
	Revenue	EBITDA	Capex
Syria	391	106	344
Sudan	319	125	68
	710	231	412
Iran – major joint venture	287	(215)	1 719

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is presented net of indirect taxes, estimated returns and trade discounts.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with the 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 products typically include the sale of a handset, activation fee and a service contract; and prepaid products include a subscriber identification module (SIM) card and airtime.

Multiple element (or bundled) arrangements are divided into separate units of accounting, and revenue is recognised through the application of the relative fair value method, resulting in the proportionate allocation of any discount to all elements in the bundle.

The Group operates loyalty programmes in certain entities where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the consideration received or receivable between the reward points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage (forfeiture of points) is recognised when redemption becomes remote.

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

Airtime and subscription, data, digital and SMS
- airtime, data and SMS: revenue is recognised on the usage basis commencing on the date of activation;
- subscription: revenue is recognised over the period that enables a customer to access network services;
- connection fees: revenue is recognised on the date of activation of a new SIM card;
- digital: revenue is recognised on the usage basis, and includes services such as value-added services, content, mobile money, etc; and
- SIM kits: revenue is recognised on the date of sale.

The terms and conditions of postpaid bundled airtime products may allow for the carryover of unused value or minutes. The revenue related to the unused value or minutes is deferred and recognised when utilised by the customer or on termination of the contract. Breakage (forfeiture of unused value or minutes) is recognised when the unused value or minutes expire or when usage thereof becomes remote.

Revenue received on prepaid contracts is deferred and recognised when services are utilised by the customer or on termination of the customer relationship. Breakage is recognised when the prepaid credit expires or when utilisation thereof becomes remote.

Interconnect/roaming

Interconnect/roaming revenue is recognised on a usage basis, unless it is not probable on the transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties in settling outstanding amounts.

Mobile telephones and accessories

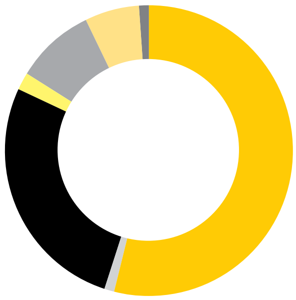
Revenue on the sale of mobile telephones and accessories to third parties is recognised only when risks and rewards of ownership are transferred to the buyer.

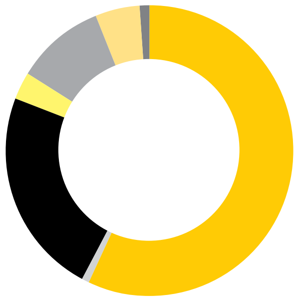
Notes to the Group financial statements continued

for the year ended 31 December 2016

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue (continued)





	2016 Rm	2015 Rm
Airtime and subscription	**79 300**	83 922
Roaming	**1 492**	1 524
Data	**39 795**	34 057
SMS	**3 264**	4 121
Interconnect	**13 984**	14 763
Mobile telephones and accessories	**8 139**	6 985
Other	**1 946**	1 691
	147 920	147 063

The Group's unearned income at the end of the year amounts to R6 449 million (2015: R8 519 million).

2.3 Other income

Other income is recognised when the risks and rewards of ownership of the assets are transferred to the buyer.

	2016 Rm	2015 Rm
Profit on tower sales – Nigeria	**–**	8 233
Sale proceeds	**–**	6 515
Contingent consideration	**–**	(19)
Fair value of retained interest in Nigeria Tower InterCo B.V. and equity derivative	**–**	4 888
Carrying amount of assets and related liabilities disposed	**–**	(3 151)
Realisation of deferred gain on Ghana tower sale[1]	**31**	30
Gain on dilution of investment in joint venture (note 9.2)	**277**	–
Other	**27**	146
	335	8 409

[1] *In 2011, Scancom Limited (MTN Ghana) concluded a transaction with American Tower Company (ATC), which involved the sale of MTN Ghana's base transceiver station (BTS) sites to Ghana Tower InterCo B.V. which is an associate of the Group. Profit was eliminated to the extent of the Group's interest in the associate. Such unrealised profit is realised by the Group as the underlying assets are depreciated by the associate.*

MTN Nigeria Communications Limited sold its 8 850 towers in two tranches to INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V., as part of the Group's strategy to monetise its tower infrastructure during 2014 and 2015. The second tranche of the tower sales closed on 1 July 2015 and involved cash consideration of US$533 million and the Group recognising an additional equity interest in Nigeria Tower InterCo B.V. amounting to US$405 million.

2 RESULTS OF OPERATIONS (continued)

2.4 Operating profit

Employee benefits

Short-term employee benefits

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

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

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

Post-employment benefits

Defined contribution plans

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

Share-based payment transactions

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

Termination benefits

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

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

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

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

2 RESULTS OF OPERATIONS (continued)

2.4 Operating profit (continued)

	2016 Rm	2015 Rm
Staff costs	**(9 152)**	(8 587)
Salaries and wages	**(7 297)**	(6 698)
Post-employment benefits	**(388)**	(363)
Share options granted to directors and employees (note 8.4)	**40**	(179)
Training	**(238)**	(223)
Other	**(1 269)**	(1 124)
The following disclosable items have been included in arriving at operating profit:		
Auditors' remuneration	**(138)**	(130)
Audit fees	**(118)**	(107)
Fees for other services	**(15)**	(15)
Expenses	**(5)**	(8)
Emoluments to directors and prescribed officers (note 10.2)	**(229)**	(187)
Operating lease rentals	**(12 165)**	(8 692)
Network sites and property	**(12 082)**	(8 601)
Equipment and vehicles	**(83)**	(91)
Research and development costs	**(34)**	(7)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**43**	(8)
Impairment loss on property, plant and equipment (note 5.1)	**(175)**	(77)
Impairment loss on software (note 5.2)	**(30)**	–
Write-down of inventories to net realisable value (note 4.1)	**(39)**	(669)
Impairment of trade receivables (note 4.2)	**(459)**	(1 151)
Professional and consulting fees[1]	**(5 426)**	(3 367)
Loss on dilution of investment in joint venture (note 9.2)	**626**	–
Share-based payment transaction with MTN Zakhele Futhi (note 8.1)	**1 008**	–

[1] *Included in professional and consulting fees are professional fees incurred relating to the settlement of the Nigeria regulatory fine amounting to R1 324 million (note 1.5.1).*

In addition, the Group incurred legal and other professional consulting fees of R735 million in relation to the listing of MTN Nigeria and the MTN Zakhele Futhi transaction (note 8.1).

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

2 RESULTS OF OPERATIONS (continued)

2.5 Finance income and finance costs

Finance income

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, net foreign exchange gains and any 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 costs

Finance costs 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, net 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.

	2016 Rm	2015 Rm
Interest income on loans and receivables	**2 462**	2 173
Interest income on bank deposits	**1 962**	3 269
Finance income	**4 424**	5 442
Interest expense on financial liabilities measured at amortised cost[1]	**(9 020)**	(6 981)
Net foreign exchange losses	**(5 899)**	(1 471)
Finance costs	**(14 919)**	(8 452)
Net finance costs recognised in profit or loss	**(10 495)**	(3 010)

[1] *R1 billion relates to the discount unwind on the MTN Nigeria regulatory fine liability.*

2 RESULTS OF OPERATIONS (continued)

2.6 Cash generated from operations

	2016 Rm	2015 Rm
Profit before tax	**5 243**	34 892
Adjusted for:		
Finance costs (note 2.5)	**14 919**	8 452
Finance income (note 2.5)	**(4 424)**	(5 442)
Depreciation of property, plant and equipment (note 5.1)	**20 988**	19 557
Amortisation of intangible assets (note 5.2)	**4 748**	3 736
(Gain)/loss on disposal of property, plant and equipment and intangible assets (note 2.4)	**(43)**	8
Loss on disposal of joint venture (note 9.2)	**626**	–
Gain on disposal of subsidiary	**(130)**	–
Gain on dilution of investment in joint venture (note 2.3)	**(277)**	–
Share of results of associates and joint ventures after tax (note 9.2)	**127**	(1 226)
(Decrease)/increase in provisions	**(5 674)**	9 681
Write down of inventories (note 4.1)	**39**	669
Impairment of goodwill (note 5.2)	**873**	504
Impairment loss on property, plant and equipment (note 5.1)	**175**	77
Impairment loss on software (note 5.2)	**30**	–
Impairment of trade receivables (note 4.2)	**459**	1 151
Profit on sale of towers (note 2.3)	**–**	(8 233)
Realisation of previously deferred gain on Ghana tower sale (note 2.3)	**(31)**	(30)
Equity-settled share-based payment transactions (note 8.4)	**(40)**	179
Net monetary gain	**(1 723)**	(1 348)
Share-based payment transaction with MTN Zakhele Futhi (note 8.1)	**1 008**	–
Other	**(44)**	192
	36 849	62 819
Changes in working capital	**18 832**	(5 221)
Decrease/(increase) in inventories	**1 119**	(2 333)
Decrease in unearned income	**(423)**	(75)
Decrease/(increase) in receivables and prepayments	**4 032**	(4 591)
Increase in trade and other payables	**14 104**	1 778
Cash generated from operations	**55 681**	57 598

2 RESULTS OF OPERATIONS (continued)

2.7 Earnings per ordinary share

Basic earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect. The Company has dilutive potential ordinary shares which comprise share options and share rights issued in terms of the Group's share schemes, performance share plan, the MTN Zakhele Futhi transaction (note 8.1) and, in respect of 2015, the MTN Zakhele transaction.

Headline earnings per share

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

	2016 '000	2015 '000
Weighted average number of shares (excluding treasury shares) for calculation of basic earnings per share	**1 819 974**	1 822 454
Adjusted for:		
– Share options – MTN Zakhele	**–**	3 792
– Share options – MTN Zakhele Futhi	**42 509**	–
– Share appreciation rights	**75**	413
– Performance share plan	**967**	552
Weighted average number of shares for calculation of diluted earnings per share	**1 863 525**	1 827 211

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

The MTN Zakhele broad-based black economic empowerment (BBBEE) transaction unwound during the current year and all options outstanding were exercised. The Group implemented a new BBBEE transaction, structured through MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi) (refer to note 8.1). The shares held by MTN Zakhele Futhi, although legally issued, are not deemed to be issued in terms of IFRS as the MTN Zakhele Futhi transaction has the substance of an option. As at 31 December 2016, 42 508 806 potential ordinary shares held by MTN Zakhele Futhi were not included in the calculation of diluted loss per share as they are antidilutive. In addition, as at 31 December 2016, 1 042 243 potential ordinary shares in the form of share options and share rights issued in terms of the Group's share schemes and performance share plan were excluded from the calculation of diluted loss per share due to being antidilutive. These potential ordinary shares could dilute basic and headline earnings per share in the future.

2 RESULTS OF OPERATIONS (continued)

2.7 Earnings per ordinary share (continued)

Reconciliation between net profit attributable to the equity holders of the Company and headline earnings:

	2016 Gross Rm	2016 Net[1] Rm	2015 Gross Rm	2015 Net[1] Rm
(Loss)/profit after tax		**(2 614)**		20 204
Adjusted for:				
Loss/(profit) on disposal of property, plant and equipment	**(1)**	**4**	(89)	(60)
– subsidiaries (IAS 16)	**4**	**8**	(67)	(43)
– joint ventures (IAS 28)	**(5)**	**(4)**	(22)	(17)
(Profit)/loss on disposal of intangible assets	**(47)**	**(59)**	87	65
– subsidiaries (IAS 38)	**(47)**	**(59)**	97	72
– joint ventures (IAS 28)	**–**	**–**	(10)	(7)
Impairment of goodwill (IAS 36)	**873**	**873**	504	504
Net impairment loss on property, plant and equipment and intangible assets (IAS 36)	**205**	**199**	38	29
Net loss on dilution of investment in joint venture (IAS 28)	**349**	**349**	–	–
Profit on disposal of non-current assets held for sale (IFRS 5)	**–**	**–**	(8 264)[2]	(7 112)
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	**(31)**	**(31)**	(30)	(30)
Profit on disposal of subsidiary (IFRS 10)	**(130)**	**(130)**		
Headline (loss)/earnings		**(1 409)**		13 600

	2016 Cents	2015 Cents
(Loss)/earnings per ordinary share		
– Basic	**(144)**	1 109
– Basic headline	**(77)**	746
– Diluted	**(144)**	1 106
– Diluted headline	**(77)**	744

[1] *Amounts are measured after taking into account non-controlling interests and tax.*
[2] *Non-controlling interest share of this item amounts to R1 858 million.*

Headline (loss)/earnings is calculated in accordance with Circular 2/2015 Headline Earnings as issued by the South African Institute of Chartered Accountants, as required by the JSE Limited.

3 TAXATION

3.1 Income tax expense

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

Current 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 Company and its subsidiaries 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 tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements for financial reporting purposes. Deferred tax is not recognised if the temporary difference arises from goodwill or from 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. Deferred tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

Deferred tax is not provided on temporary differences arising on investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred 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 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.

As the functional currencies of MTN South Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, deferred tax relating to these subsidiaries is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

Withholding tax

Withholding tax is payable at different rates varying between 0% and 25% on amounts paid to the Group companies by certain of their subsidiaries as dividends, interest and management fees.

	2016 Rm	2015 Rm
Analysis of income tax expense for the year		
Normal tax	**(8 427)**	(10 241)
Current year	**(8 648)**	(11 021)
Adjustments in respect of the prior year	**221**	780
Deferred tax (note 3.2)	**1 115**	530
Current year	**806**	1 329
Adjustments in respect of the prior year	**309**	(799)
Foreign income and withholding taxes	**(1 034)**	(1 611)
	(8 346)	(11 322)

3 **TAXATION** (continued)

3.1 **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 Group's effective tax rate is reconciled to the South African statutory rate as follows:

	2016 %	2015 %
Tax rate reconciliation		
Tax at statutory tax rate	**28**	28
Expenses not allowed[1]	**129,81**	11,89
Nigeria regulatory fine	**63,47**	7,45
Sudan disallowed expenses	**22,21**	2,64
MTN Zakhele Futhi share-based payment expense	**5,38**	–
Assessed loss on which deferred tax was not recognised	**12,07**	1,18
Disallowed interest expenses	**5,87**	0,13
Goodwill impairment	**4,66**	0,40
S9D imputation	**4,88**	0,47
Other	**11,27**	(0,38)
Effect of different tax rates in other countries	**(9,39)**	(0,16)
Income not subject to tax[1]	**(5,14)**	(11,16)
Exempt income	**(5,40)**	(4,01)
Tower sales income – non-taxable	**0,34**	(6,72)
Profit on sale of shares/towers/assets	**(0,08)**	(0,43)
Share of results of associates and joint ventures	**0,68**	(0,99)
Foreign income and withholding taxes	**19,73**	4,62
Other	**(4,50)**	0,25
Effective tax rate	**159,19**	32,45

[1] *The expenses not allowed and income not subject to tax lines were expanded during the current year in order to enhance the presentation of the financial statements.*

3 **TAXATION** (continued)

3.1 **Income tax expense** (continued)

The following are the corporate tax rates applicable to the various jurisdictions in which the Group operates:

Country	Corporate tax rate 2016 %	2015 %
Afghanistan	**20**	20
Benin[1]	**30**	30
Cameroon	**33**	33
Congo[2]	**30**	30
Côte d'Ivoire	**30**	30
Cyprus	**12,5**	12,5
Ethiopia	**30**	30
Ghana	**25**	25
Guinea-Bissau	**25**	25
Guinea	**35**	35
Kenya	**30**	30
Liberia	**25**	25
Monaco	**0 – 33**	0 – 33
Namibia	**32**	33
Netherlands	**25**	25
Nigeria	**30**	30
Rwanda	**30**	30
South Africa	**28**	28
South Sudan	**20**	20
Sudan	**5**	2,5
Syria	**14**	14
Uganda	**30**	30
Yemen	**50**	50
Zambia	**40**	35

[1] The entity was granted a tax holiday until 31 December 2016.
[2] The entity was granted a tax holiday until April 2016. From May 2016 corporate tax of 30% became applicable.

3 TAXATION (continued)

3.2 Deferred taxes

Deferred tax is accounted for in accordance with the accounting policy disclosed in note 3.1.

	1 January 2015 Rm	Recognised in profit or loss Rm	Exchange and other movements[1] Rm	31 December 2015 Rm	**Recognised in profit or loss Rm**	**Recognised in other comprehensive income Rm**	**Exchange and other movements[1] Rm**	**31 December 2016 Rm**
Provisions	960	(368)	178	770	**822**	**–**	**(84)**	**1 508**
Tax loss carried forward	309	83	(40)	352	**(138)**	**–**	**5**	**219**
Arising due to fair value adjustments on business combinations/revaluations	22	5	(1 191)	(1 164)	**(178)**	**–**	**28**	**(1 314)**
Working capital allowances	571	(374)	(35)	162	**260**	**–**	**455**	**877**
Tax allowances in excess of depreciation	(11 783)	1 359	(1 944)	(12 368)	**(280)**	**–**	**3 650**	**(8 998)**
Foreign exchange movement on hedging instruments	–	–	–	–	**–**	**797**	**–**	**797**
Other temporary differences	18	(175)	(94)	(251)	**629**	**–**	**(1 419)**	**(1 041)**
Net deferred tax liability	(9 903)	530	(3 126)	(12 499)	**1 115**	**797**	**2 635**	**(7 952)**
Comprising:								
Deferred tax assets	1 109			542				**1 107**
Deferred tax liabilities	(11 012)			(13 041)				**(9 059)**
	(9 903)			(12 499)				**(7 952)**

[1] *Including the effect of hyperinflation.*

There were no deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised in the statement of financial position in the current or prior year.

3.3 Income tax paid

	2016 Rm	2015 Rm
At beginning of the year	**(8 682)**	(8 998)
Amount recognised in profit or loss (note 3.1)	**(8 346)**	(11 322)
Deferred tax charge (note 3.1)	**(1 115)**	(530)
Effect of movements in exchange rates	**3 177**	(1 626)
Other[1]	**1 068**	288
At end of the year	**2 194**	8 682
Taxation prepaid	**(2 019)**	(1 331)
Taxation liabilities	**4 213**	10 013
Total tax paid	**(11 704)**	(13 506)

[1] *Mainly comprises tax credits relating to withholding tax.*

4 WORKING CAPITAL

4.1 Inventories

Inventories mainly comprise handsets, SIM cards, accessories held for sale 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.

As the functional currencies of MTN South Sudan Limited and MTN Syria (JSC) are the currencies of hyperinflationary economies, inventories relating to these subsidiaries are measured at the lower of the restated cost and net realisable value.

	2016 Rm	2015 Rm
Finished goods – at cost	**5 053**	6 766[1]
Handsets	**3 110**	4 496
SIM cards and accessories	**1 943**	2 270
Consumables	**71**	59
Less: Write-down to net realisable value	**(1 152)**	(1 190)
	3 972	5 635

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its inventories amounting to R227 million (2015: R47 million) (note 6.1).

Reconciliation of write-down of finished goods

	At beginning of the year Rm	**Additions[2] Rm**	**Reversals[2] Rm**	**Utilised Rm**	**Exchange and other movements Rm**	**At end of the year Rm**
2016						
Movement in write-down	**(1 190)**	**(303)**	**264**	**58**	**19**	**(1 152)**
2015						
Movement in write-down	(463)	(688)	19	33	(91)	(1 190)

[1] *The finished goods were allocated into their respective categories during the current year in order to enhance the presentation of the inventories balance.*

[2] *A net write-down on inventories of R39 million (2015: R669 million) was recognised in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).*

4 WORKING CAPITAL (continued)

4.2 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business and are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 7.1.

Prepayments and other receivables are stated at their nominal values.

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

	2016 Rm	2015 Rm
Trade receivables (note 7.1.4)	**19 828**	22 764
Less: Allowance for impairment of trade receivables (note 7.1.4)	**(2 538)**	(3 459)
Net trade receivables	**17 290**	19 305
Loan to Irancell Telecommunication Company Services (PJSC)[1]	**1 954**	7 042
Receivable from Irancell Telecommunication Company Services (PJSC)[2]	**9 930**	8 158
Prepayments and other receivables[3]	**4 188**	4 484
Sundry debtors and advances[4]	**4 001**	4 581
	37 363	43 570

[1] The loan to Irancell Telecommunication Company Services (PJSC) attracted interest at LIBOR +4% per annum which was capitalised against the loan. The loan and capitalised interest were payable in 2015. In January 2016 financial sanctions were lifted and the loan was settled in 2016. The balance for the current year relates to the loan receivable in 2017 (note 7.3). This loan to Irancell attracts interest at 12% per annum. The loan is repayable in a bullet payment on 30 September 2017.
[2] With effect from 25 August 2015, MTN Mauritius and Irancell agreed for the unpaid dividends to bear interest at 8% per annum.
[3] Prepayments and other receivables include prepayments for base transceiver station (BTS) sites and other property leases.
[4] Sundry debtors and advances include advances to suppliers.

An impairment loss of R459 million (2015: R1 151 million) was incurred in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its trade and other receivables amounting to R1 047 million (2015: R1 672 million) (note 6.1).

The Group does not hold any collateral for trade and other receivables.

The Group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 7.1.

4.3 Restricted cash

Restricted cash comprises short-term deposits that are not highly liquid and are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 7.1.

	2016 Rm	2015 Rm
Restricted cash deposits	**1 020**	1 735

Restricted cash deposits include amounts of R55 million (2015: R271 million) and R757 million (2015: R1 259 million) relating to the Syrian and Nigerian operations respectively, which are not available for use by the Group.

In respect of Syria, this was due to exchange control regulations and deposits required to secure letters of credit. The restricted cash balance is considered to represent excess cash not required for payment of Syrian pound denominated liabilities.

Other restricted cash deposits (mainly relating to MTN Nigeria) consist of funds placed on deposit to secure letters of credit, which were undrawn and not freely available at the reporting date. Restricted cash balances in MTN Nigeria also consist of R392 million retained in an escrow account, relating to the acquisition of Visafone Communications Limited (note 9.4) .

4 WORKING CAPITAL (continued)

4.4 Cash and cash equivalents

Cash and cash equivalents are accounted for as loans and receivables and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Cash and cash equivalents comprise cash on hand and deposits held on call, 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 Group has a current 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, in which case it is netted off against cash and cash equivalents on the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2016 Rm	2015 Rm
Cash at bank and on hand	**27 375**	34 177
Bank overdrafts	**–**	(38)
Net cash and cash equivalents	**27 375**	34 139

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its cash and cash equivalents amounting to R487 million (2015: R1 155 million) (refer to note 6.1).

4.5 Trade and other payables

Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Other payables are stated at their nominal values.

	2016 Rm	2015 Rm
Trade payables	**16 186**	12 430
Sundry creditors	**3 447**	1 940
Accrued expenses[1]	**19 866**	21 837
Nigeria regulatory fine[2]	**1 311**	–
Other payables[3]	**4 332**	4 277
	45 142	40 484

[1] *Includes accruals for operating expenses, inventories and capital expenditure for which supplier invoices are outstanding at year end.*
[2] *The accrual for the Nigeria regulatory fine comprises N30 billion discounted at 14,71% per annum and translated at the 31 December 2016 closing rate of R1 = N22,81. The amount is payable on 31 March 2017. For additional information on the Nigeria regulatory fine refer to note 6.3.*
[3] *Includes dealer commissions, withholding taxes and VAT payable.*

5 INFRASTRUCTURE INVESTMENTS

5.1 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

5 **INFRASTRUCTURE INVESTMENTS** (continued)

5.1 **Property, plant and equipment** (continued)

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

	2016 Years	2015 Years
Buildings – owned	**5 – 50**	5 – 50
Buildings – leased	**1 – 20**	1 – 20
Network infrastructure	**2 – 20**	2 – 20
Information systems equipment	**1 – 10**	1 – 10
Furniture and fittings	**3 – 15**	3 – 15
Leasehold improvements	**2 – 15**	2 – 15
Office equipment	**2 – 12**	2 – 12
Motor vehicles	**3 – 10**	3 – 10

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

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

Impairment

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

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

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

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

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

	Land and buildings[1] Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work in progress/ other Rm	Vehicles[2] Rm	Total Rm
Carrying amount at 1 January 2015	6 423	1 133	65 247	3 868	10 314	561	87 546
Additions	465	177	8 802	1 484	14 700	123	25 751
Disposals	–	(2)	(328)	(20)	(68)	(16)	(434)
Reallocations[3]	124	311	14 099	519	(14 193)	(4)	856
Depreciation for the year	(412)	(328)	(16 489)	(1 849)	(285)	(194)	(19 557)
Impairment loss	–	–	(77)	–	–	–	(77)
Other movements	(5)	26	425	(300)	(49)	(2)	95
Effect of movements in exchange rates[4]	443	116	9 108	520	2 264	71	12 522
Carrying amount at 31 December 2015	7 038	1 433	80 787	4 222	12 683	539	106 702
Comprising:							
Cost	9 966	3 612	173 833	13 746	13 952	1 361	216 470
Accumulated depreciation and impairment losses	(2 928)	(2 179)	(93 046)	(9 524)	(1 269)	(822)	(109 768)
	7 038	1 433	80 787	4 222	12 683	539	106 702
Carrying amount at 1 January 2016	**7 038**	**1 433**	**80 787**	**4 222**	**12 683**	**539**	**106 702**
Acquisitions through business combinations (note 9.4)	**–**	**–**	**157**	**–**	**1**	**–**	**158**
Additions	**186**	**62**	**13 383**	**1 630**	**16 593**	**83**	**31 937**
Disposals	**–**	**(1)**	**(205)**	**(6)**	**(63)**	**(34)**	**(309)**
Reallocations[3]	**226**	**137**	**13 567**	**1 033**	**(15 358)**	**40**	**(355)**
Depreciation for the year	**(449)**	**(298)**	**(17 871)**	**(1 840)**	**(334)**	**(196)**	**(20 988)**
Impairment loss	**–**	**(9)**	**(147)**	**(6)**	**(12)**	**(1)**	**(175)**
Other movements	**(10)**	**(4)**	**234**	**(64)**	**19**	**(2)**	**173**
Effect of movements in exchange rates[4]	**(765)**	**(244)**	**(17 025)**	**(897)**	**(2 466)**	**(113)**	**(21 510)**
Carrying amount at 31 December 2016	**6 226**	**1 076**	**72 880**	**4 072**	**11 063**	**316**	**95 633**
Comprising:							
Cost	**9 021**	**3 194**	**159 615**	**13 244**	**12 444**	**971**	**198 489**
Accumulated depreciation and impairment losses	**(2 795)**	**(2 118)**	**(86 735)**	**(9 172)**	**(1 381)**	**(655)**	**(102 856)**
	6 226	**1 076**	**72 880**	**4 072**	**11 063**	**316**	**95 633**

[1] *Included in land and buildings are leased assets with a carrying amount of R144 million (2015: R162 million).*
[2] *Included in vehicles are leased assets with a carrying amount of R60 million (2015: R80 million).*
[3] *Reallocations in 2015 include an amount of R208 million relating to network infrastructure reallocated to non-current assets held for sale which was disposed off in 2015. Also included in reallocations is an amount of R69 million relating to property, plant and equipment reallocated to non-current assets held for sale at 30 June 2016, as a result of an agreement concluded by the Group to sell its investment in Afrihost Proprietary Limited. The investment was sold in November 2016.*
[4] *Includes the effect of hyperinflation.*

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.1 Impairment loss

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

	2016 Rm	2015 Rm
Scancom Limited (Ghana)	–	(13)
MTN Nigeria Communications Limited	4	46
Mobile Telephone Network Proprietary Limited (South Africa)	–	39
Areeba Guinea S.A.	–	5
MTN South Sudan Limited	139	–
MTN Yemen	32	–
	175	77

5.1.2 Leased property, plant and equipment

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

Finance lease commitments are disclosed in note 6.6.

5.1.3 Capital work in progress

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

	2016 Rm	2015 Rm
Mobile Telephone Networks Proprietary Limited (South Africa)	800	1 266
Scancom Limited (Ghana)	833	185
MTN Sudan Company Limited	767	1 402
MTN Nigeria Communications Limited	620	1 184
MTN Afghanistan Limited	8	165
Areeba Guinea S.A.	122	308
MTN Côte d'Ivoire S.A.	132	81
Spacetel Benin S.A.[1]	259	147
MTN (Dubai) Limited	205	234
MTN Yemen	312	285
MTN South Sudan Limited	–	69
MTN Syria (JSC)	1 266	1 451
MTN Congo S.A.	263	356
MTN Cameroon Limited	456	412
Lonestar Communications Corporation LLC	107	222
Other	316	215
	6 466	7 982

[1] *Previously included in other.*

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.4 Changes in estimates

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

In 2015, Scancom Limited (Ghana) revised the useful lives of its network infrastructure and information systems from five to 14 years to three to 20 years and from four to five years to three to five years, respectively. This resulted in an increase in the depreciation charge of R246 million and R35 million respectively, for the 2015 year and future years.

5.1.5 Encumbrances

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

	2016 Rm	2015 Rm
Scancom Limited (Ghana)	**5 973**	6 510
MTN Sudan Company Limited	**4 786**	5 140
MTN Congo S.A.	**4**	18
	10 763	11 668

5.2 Intangible assets and goodwill

Goodwill

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

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

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

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

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

Intangible assets with finite useful lives

The Group's intangible assets with finite useful lives are as follows:
- Licences;
- Customer relationships;
- Computer software; and
- Other intangible assets.

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

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

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

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

Intangible assets with finite useful lives (continued)

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

The bases for determining the useful lives for the various categories of intangible assets is as follows:

Licences

The useful lives are determined primarily with reference to the unexpired licence period.

Customer relationships

The useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to factors such as customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life.

Software

The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the Group, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful life.

Other intangible assets

Useful lives are based on management's estimates and take into account historical experience as well as future events which may impact the useful lives.

The estimated useful lives of intangible assets with finite useful lives are as follows:

	2016 Years	2015 Years
Licences	**3 – 20**	3 – 20
Customer relationships	**5 – 10**	5 – 10
Software	**3 – 6**	3 – 6
Other intangible assets	**3 – 10**	3 – 10

The gain or loss arising on the disposal or retirement of an intangible asset is included in profit or loss.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Research and development expenditure that does not meet the criteria above is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Expenditure that enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and capitalised to the original cost of the assets. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

Determination of fair values

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 values of all other intangible assets acquired in a business combination applicable to the Group are based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Impairment

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

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

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

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

	Goodwill Rm	Licences Rm	Customer relation-ships Rm	Software[1] Rm	Other intangible assets Rm	Capital work in progress Rm	Total Rm
Carrying amount at 1 January 2015	22 225	5 002	791	8 064	491	45	36 618
Additions[2]	–	8 948	3	2 860	4	1 000	12 815
Acquisitions through business combinations (note 9.4)	742	3 752	–	–	–	–	4 494
Disposals	–	(163)	–	(87)	–	–	(250)
Reallocations	–	217	–	(498)	–	(783)	(1 064)
Amortisation for the year	–	(1 136)	(150)	(2 439)	(11)	–	(3 736)
Impairment loss	(504)	–	–	–	–	–	(504)
Other movements	456	2	–	(299)	–	4	163
Effect of movements in exchange rates[3]	4 312	2 478	20	568	–	(27)	7 351
Carrying amount at 31 December 2015	27 231	19 100	664	8 169	484	239	55 887
Comprising:							
Cost	29 768	29 512	5 360	17 992	1 137	239	84 008
Accumulated amortisation and impairment losses	(2 537)	(10 412)	(4 696)	(9 823)	(653)	–	(28 121)
	27 231	19 100	664	8 169	484	239	55 887
Carrying amount at 1 January 2016	**27 231**	**19 100**	**664**	**8 169**	**484**	**239**	**55 887**
Additions[2,5]	**–**	**3 298**	**12**	**1 867**	**7**	**1 305**	**6 489**
Acquisitions through business combinations (note 9.4)	**229**	**–**	**455**	**1**	**–**	**–**	**685**
Disposals	**(117)**	**(15)**	**–**	**–**	**–**	**–**	**(132)**
Reallocations[4]	**–**	**(37)**	**(49)**	**957**	**(205)**	**(634)**	**32**
Amortisation for the year	**–**	**(1 798)**	**(206)**	**(2 733)**	**(11)**	**–**	**(4 748)**
Impairment loss	**(873)**	**–**	**–**	**(30)**	**–**	**–**	**(903)**
Other movements	**49**	**(169)**	**9**	**262**	**(9)**	**(7)**	**135**
Effect of movements in exchange rates[3]	**(4 451)**	**(5 564)**	**(2)**	**(892)**	**(16)**	**(47)**	**(10 972)**
Carrying amount at 31 December 2016	**22 068**	**14 815**	**883**	**7 601**	**250**	**856**	**46 473**
Comprising:							
Cost	**25 478**	**23 746**	**1 341**	**17 949**	**5 413**	**856**	**74 783**
Accumulated amortisation and impairment losses	**(3 410)**	**(8 931)**	**(458)**	**(10 348)**	**(5 163)**	**–**	**(28 310)**
	22 068	**14 815**	**883**	**7 601**	**250**	**856**	**46 473**

[1] Included in software are leased assets with a carrying amount of R739 million (2015: R742 million).
[2] Included in additions are capitalised borrowing costs of R25 million (2015: R43 million). The capitalisation rate for the year was 8,6% (2015: 8,6%).
[3] Includes the effect of hyperinflation.
[4] Included in reallocations is an amount of R254 million relating to intangible assets reallocated to non-current assets held for sale at 30 June 2016, as a result of an agreement concluded by the Group to sell its investment in Afrihost Proprietary Limited. The investment was sold in November 2016.
[5] Included in additions is internally generated software amounting to R1 134 million.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill

A summary of the goodwill allocation and related assumptions applied for impairment testing purposes is presented below:

	2016			2015		
	Growth rate %	Discount rate %	Carrying amount Rm	Growth rate %	Discount rate %	Carrying amount Rm
MTN Côte d'Ivoire S.A.	2,0	11,4	2 678	3,0	18,2	3 064
Scancom Limited (MTN Ghana)	6,0	20,0	5 293	7,4	21,9	6 905
MTN Sudan Company Limited	13,7	32,9	1 214	5,2	23,7	1 190
MTN Yemen	9,0	23,9	2 950	8,0	34,2	4 018
MTN Afghanistan Limited	7,0	20,2	1 482	5,0	19,2	1 656
MTN Uganda Limited	5,0	17,3	618	5,0	18,5	743
MTN Congo S.A.	3,6	17,0	891	2,5	14,2	1 035
MTN Syria (JSC)	15,0	35,5	–	6,0	29,0	249
MTN Cyprus Limited	1,9	9,5	759	1,9	11,6	902
Spacetel Benin S.A.	2,3	11,3	1 190	2,8	15,2	1 388
Areeba Guinea S.A.	5,0	22,7	–	5,0	27,2	490
Mobile Telephone Network Proprietary Limited (South Africa)	5,5	13,3	2 583	5,5	16,3	2 287
Afrihost Proprietary Limited	–	–	–	5,5	16,3	319
Lonestar Communications Corporation LLC (Liberia)	7,5	23,4	350	6,4	16,4	400
MTN Rwandacell	5,0	17,3	361	5,0	16,0	449
MTN Nigeria Communications Limited (Visafone)	9,1	20,6	439	7,0	20,6	742
MTN Zambia	5,0	18,2	228	5,0	12,9	231
Spacetel Guinea-Bissau S.A.	3,0	13,7	321	3,0	11,2	375
Other			711			788
Total			**22 068**			27 231

Goodwill is tested annually for impairment. The recoverable amounts of CGUs were determined based on value-in-use calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a three to 10-year period. Management is confident that projections covering periods longer than three years (MTN Syria (JSC) and MTN Sudan Company Limited) are appropriate in order for terminal values to be determined using steady state cash flows. Cash flows beyond the above period were extrapolated using the estimated growth rates as mentioned above. These growth rates are in line with industry norms.

The following key assumptions were used for the value-in-use calculations:

- Growth rates: the Group used steady growth rates to extrapolate revenues beyond the budget period cash flows. The growth rates were 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 1,9% to 15,0% (2015: 1,9% to 8,0%); and
- Discount rates: discount rates ranged from 9,5% to 35,5% (2015: 11,2% to 34,2%). Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU.

5 **INFRASTRUCTURE INVESTMENTS** (continued)

5.2 **Intangible assets and goodwill** (continued)

5.2.1 Goodwill (continued)

Goodwill impairment

Impairment losses were recognised relating to the following entities:

	2016 Rm	2015 Rm
Areeba Guinea SA (Conakry)	**402**	504
MTN Syria (JSC)	**269**	–
Afrihost Proprietary Limited	**202**	–
	873	504

Areeba Guinea SA (Conakry)

Areeba Guinea SA (Conakry) experienced a decline in EBITDA and Guinea-Conakry has experienced poor economic performance countrywide. Consequently, a review of the recoverable amount of Conakry was undertaken during 2016 subsequent to which an impairment loss was recognised. As at 31 December 2016, the goodwill balance relating to Conakry is fully impaired.

MTN Syria (JSC)

Syria has been experiencing poor economic conditions countrywide due to political instability and ongoing conflict in the country. An assessment of the recoverable amount of goodwill held in MTN Syria (JSC) (MTN Syria) was performed for the year ended 31 December 2016, subsequent to which an impairment loss was recognised. As at 31 December 2016, the goodwill balance relating to MTN Syria is fully impaired.

Afrihost Proprietary Limited

Based on an agreement concluded by the Group to sell its 50,02% investment in Afrihost Proprietary Limited (Afrihost) for R325 million, a goodwill impairment loss was recognised at 30 June 2016 on the remeasurement of assets to fair value less costs to sell in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. The investment has been disposed of during the second half of 2016.

Recoverable amounts are its value in use. A specific change in the discount and growth rates (see below) would result in the recoverable amount being equal to the carrying amount of the goodwill for the following entities:

	Change to discount rate (%)	Change to growth rate (%)
MTN Sudan Company Limited	**33,10**	**(13,10)**
MTN Yemen	**26,52**	**(6,03)**
MTN Syria (JSC)*		

** In respect of MTN Syria (JSC), due to the limited information available, there is a wide range of discount rates which could be used in the determination of the recoverable amount. The Group has applied a discount rate of 35,5%. Had a discount rate of 36,5% been used, the Group would have recognised an additional impairment loss of R126 million. This impairment loss would be recognised on the other assets of MTN Syria, pro rata to each asset based on the asset's carrying amount, as the goodwill balance relating to MTN Syria has been fully impaired as at 31 December 2016.*

5.2.2 Encumbrances

Borrowings are secured by intangible assets of Scancom Limited (MTN Ghana) with a carrying amount of R1 083 million (2015: R391 million) (note 6.1).

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences

Licence agreements	Type	Granted/ renewed	Term
Mobile Telephone Networks Proprietary Limited (South Africa)	ECS licence	15/01/2009	15 years
	ECNS licence	15/01/2009	20 years
	900MHz	29/01/2003	Renewable annually
	1 800MHz	29/10/2004	Renewable annually
	2 100MHz	02/02/2005	Renewable annually
	7GHz	14/06/2010	Renewable annually
	8Ghz	14/06/2010	Renewable annually
	10,5GHz	07/02/2006	Renewable annually
	11GHz	23/03/2009	Renewable annually
	13GHz	06/04/2009	Renewable annually
	15GHz	21/10/2005	Renewable annually
	18GHz	14/06/2010	Renewable annually
	23GHz	14/06/2010	Renewable annually
	26GHz Sub 17	21/10/2005	Renewable annually
	26GHz Sub 18	07/02/2006	Renewable annually
	28GHz	12/04/2012	Renewable annually
	38GHz	07/10/2005	Renewable annually
MTN Uganda Limited	900MHz		
	1 800MHz	15/04/1998	20 years
MTN Rwandacell Limited	GSM	01/07/2008	13 years
	SNO	30/06/2006	15 years
MTN Zambia Limited	900MHz		
	1 800MHz		
	2 100MHz	23/09/2010	15 years
MTN Nigeria Communications Limited	1 800MHz		
	900MHz	03/11/2015	5 years
	3G spectrum licence	01/05/2007	15 years
	Unified access licence (including international gateway)	01/09/2006	15 years
	WACS	01/01/2010	20 years
	WiMax 3,5GHz spectrum	2007	Renewable annually
	Microwave spectrum 8GHz – 26GHz	2001	Renewable annually
	Digital terrestrial TV broadcasting licence	12/08/2015	10 years
	800MHz spectrum (Visafone)	01/01/2015	10 years
	2,6GHz spectrum	01/08/2016	10 years
	Unified access service licence (Visafone)	01/07/2007	10 years

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences (continued)

Licence agreements	Type	Granted/ renewed	Term
Scancom Limited (MTN Ghana)	900MHz		
	1 800MHz	02/12/2004	15 years
	3G	23/01/2009	15 years
	Fixed access service of unified access	06/07/2015	4 years
	International gateway	08/11/2014	5 years
	4G (LTE) spectrum	01/06/2016	15 years
Mobile Telephone Networks Cameroon Limited	2G		
	3G		
	4G	15/02/2015	15 years
MTN Côte d'Ivoire S.A.[1]	900MHz		
	1 800MHz	02/04/1996	20 years
	3G/UMTS 1,9/2,1GHz	31/05/2012	10 years
	Universal networks	04/01/2016	17 years
Spacetel Benin S.A.	900MHz		
	1 800MHz	19/10/2007	25 years
	Universal licence	19/03/2012	20 years
Areeba Guinea S.A.	900MHz		
	1800MHz	31/08/2005	18 years
	3G	14/08/2013	10 years
	WiMax	04/08/2014	5 years
MTN Congo S.A.	900MHz		
	1 800MHz	25/11/2011	15 years
	International gateway	05/02/2002	15 years
	Optical fibre licence	02/04/2010	15 years
	3G	25/11/2011	17 years
	2G	25/11/2011	15 years
	International gateway by optical fibre	03/06/2013	10 years
	LTE spectrum	09/12/2016	15 years
Lonestar Communications Corporation LLC (Liberia)	Universal telecommunication licence (Novafone)	04/08/2015	15 years
Spacetel Guinea-Bissau S.A.	900MHz		
	1 800MHz	23/05/2014	10 years
	3G		
	4G	17/07/2015	10 years

[1] *The WiMax 2,5GHz – 3,5GHz licence became obsolete (no longer in use) and was derecognised in 2016.*

5 **INFRASTRUCTURE INVESTMENTS** (continued)

5.2 **Intangible assets and goodwill** (continued)

5.2.3 Licences (continued)

Licence agreements	Type	Granted/ renewed	Term
MTN Syria (JSC)[1]	Freehold licence	01/01/2015	20 years
	900MHz		
	1 800MHz		
	2 000MHz	01/01/2016	19 years
MTN Sudan Company Limited	2G and 3G		
	Transmission		
	VSAT gateway		
	VSAT hub		
	VSAT terminal	25/10/2003	20 years
MTN Afghanistan Limited	3G unified licence	01/07/2012	15 years
MTN Yemen[2]	900MHz	01/08/2015	
	1 800MHz	01/08/2015	2 years and 5 months
MTN Cyprus Limited	900MHz		
	1 800MHz	01/12/2003	
	4G (LTE)		
	2 100MHz		20 years
	800MHz	05/09/2016	
	2 600MHz		12 years

[1] The 900MHz, 1 800MHz and 3G licences from 2015 were replaced during the current year upon termination of the BOT arrangement and entering into a freehold licence agreement.

[2] The licence expired on 31 July 2015 and licence fees were accrued for on a monthly basis thereafter. During 2016, the licence was renewed for a period of two years and five months, retrospectively, with effect from 1 August 2015.

6 FINANCING STRUCTURE AND COMMITMENTS

6.1 Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facility will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. To the extent that 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.

Details of the Group's significant unsecured borrowings are provided below:

	2016 Rm	2015 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
Unsecured						
MTN Holdings Proprietary Limited	**27 657**	15 829				
	–	4 517	ZAR[1, 2]	7,9	Quarterly	Loan repaid during the year
	3 117	3 105	ZAR[2, 3]	9,1	Semi-annual	December 2017
	5 532	–	ZAR[1, 2]	9,4	Quarterly	February 2021
	2 808	–	ZAR[1, 2]	9,6	Quarterly	August 2021
	4 034	–	US$[1, 2, 3]	3,1	Quarterly	August 2021
	–	2 268	ZAR[2, 3]	8,0	Quarterly	Loan repaid during the year
	1 372	1 309	ZAR[4, 5]	10,1	Semi-annual	July 2017
	481	–	ZAR[4, 5]	9,2	Annual	March 2017
	204	–	ZAR[4, 5]	10,1	Semi-annual	April 2019
	2 000	1 996	ZAR[2, 6]	8,5	Quarterly	May 2017
	1 508	–	ZAR[2, 6]	9,9	Quarterly	August 2021
	2 559	–	ZAR[2, 3]	10,0	Quarterly	February 2021
	991	–	ZAR[2, 3]	9,0	Quarterly	February 2021
	778	–	ZAR[2, 7]	8,7	Quarterly	January 2017
	1 008	2 634	ZAR[2, 7]	8,5	Quarterly	January 2017
	298	–	ZAR[2, 4]	8,6	Annual	March 2017
	967	–	ZAR[2, 4]	9,2	Annual	April 2019
MTN Nigeria Communications Limited	**12 709**	26 153				
	8 254	19 474	NGN[1, 2]	20,3	Quarterly	November 2019
	1 914	3 026	US$[1, 2]	4,6	Semi-annual	April 2019
	1 036	1 710	US$[2, 8]	2,3	Semi-annual	August 2019
	691	830	US$[5, 8]	1,7	Semi-annual	August 2019
	814	1 113	US$[2, 9]	4,0	Semi-annual	December 2019

[1] Syndicated term loan facility [2] Variable interest rate [3] Revolving credit facility [4] Domestic medium-term notes
[5] Fixed interest rate [6] Bilateral term loan facility [7] General bank facility [8] Export credit facility
[9] Vendor finance facility [10] Senior unsecured notes [11] Bank borrowings [12] Bridge finance
[13] Preference shares

** Contractual interest rates on loans as at 31 December 2016.*

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

	2016 Rm	2015 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN International Mauritius Limited	**7 547**	10 364				
	1 372	10 364	US$[2, 3]	3,1	Quarterly	November 2019
	6 175	–	US$[1, 2]	1,8	Monthly	August 2021
MTN (Mauritius) Investments Limited	**24 059**	11 633				
	10 354	11 633	US$[5, 10]	4,8	Annual	November 2024
	6 849	–	US$[5, 10]	5,4	Annual	February 2022
	6 856	–	US$[5, 10]	6,5	Annual	October 2026
MTN Zambia Limited	**1 241**	1 251				
	458	723	US$[2, 11]	4,4	Annual	June 2019
	537	–	ZAR[2, 6]	11,0	Quarterly	September 2017
	246	528	ZMK[1, 2]	30,0	Quarterly	December 2017
MTN Uganda Limited	**1 538**	–				
	564	–	UGX[1, 2]	18,3	Quarterly	February 2021
	601	–	US$[1, 2]	4,4	Quarterly	February 2021
	373	–	UGX[2, 3]	18,9	Quarterly	February 2021
Spacetel Benin S.A.	**794**	1 075				
	659	753	CFA[1, 5]	7,3	Semi-annual	May 2020
	135	322	CFA[5, 6]	7,5	Semi-annual	September 2019
MTN Côte d'Ivoire S.A.	**2 525**	2 838				
	2 525	–	CFA[1, 5]	6,0	Quarterly	June 2023
	–	502	CFA[5, 6]	4,0	Quarterly	Loan repaid during the year
	–	377	CFA[5, 11]	4,0	Semi-annual	Loan repaid during the year
	–	75	CFA[5, 11]	6,0	Quarterly	Loan repaid during the year
	–	1 884	CFA[5, 12]	5,0	Bi-monthly	Loan repaid during the year
MTN Cyprus Limited	**804**	1 092				
	618	830	EUR[2, 6]	5,5	Quarterly	September 2020
	186	262	EUR[2, 6]	4,9	Semi-annual	October 2020
Mobile Telephone Networks Cameroon Limited	**2 234**	769				
	1 241	769	XAF[1, 5]	4,3	Semi-annual	July 2020
	993	–	XAF[1, 5]	5,0	Semi-annual	July 2020
MTN Congo S.A.	**1 323**	–	CFA CB[1, 5]	4,8	Quarterly	March 2021
MTN Zakhele Futhi (RF) Limited	**2 179**	–	ZAR[13]	7,7	Semi-annual	November 2020
Other unsecured borrowings	**206**	501				
Total unsecured borrowings	**84 816**	71 505				

[1] Syndicated term loan facility *[2] Variable interest rate* *[3] Revolving credit facility* *[4] Domestic medium-term notes*
[5] Fixed interest rate *[6] Bilateral term loan facility* *[7] General bank facility* *[8] Export credit facility*
[9] Vendor finance facility *[10] Senior unsecured notes* *[11] Bank borrowings* *[12] Bridge finance*
[13] Preference shares

** Contractual interest rates on loans as at 31 December 2016.*

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

Details of the Group's significant secured borrowings are provided below:

	2016 Rm	2015 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity	Security/ collateral
Secured							
MTN Sudan Company Limited	**1 618**	2 435					
	458	1 216	EUR[2, 9]	6,0	Quarterly	June 2020	Pledge of network and capital work in progress assets
	373	714	US$[5, 9]	10,0	Quarterly	September 2017	Pledge of network and capital work in progress assets
	787	505	EUR[2, 9]	4,0 – 6,0	Quarterly	June 2020	Pledge of network and capital work in progress assets
Scancom Limited (MTN Ghana)	**516**	1 175					
	218	826	GHS[1, 2]	23,3	Semi-annual	May 2017	Floating charge on Company assets
	195	–	GHS[1, 2]	20,9	Quarterly	May 2017	Floating charge on Company assets
	103	349	US$[1, 2]	0,9	Semi-annual	May 2017	Floating charge on Company assets
Other secured borrowings	**4**	18					
Total secured borrowings	**2 138**	3 628					
Total unsecured borrowings	**84 816**	71 505					
Total borrowings	**86 954**	75 133					

[1] Syndicated term loan facility
[2] Variable interest rate
[3] Revolving credit facility
[4] Domestic medium-term notes
[5] Fixed interest rate
[6] Bilateral term loan facility
[7] General bank facility
[8] Export credit facility
[9] Vendor finance facility
[10] Senior unsecured notes
[11] Bank borrowings
[12] Bridge finance
[13] Preference shares

* *Contractual interest rates on loans as at 31 December 2016.*

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

	2016 Rm	2015 Rm
The classification of the Group's borrowings is as follows:		
Current	**19 635**	22 472
Non-current	**67 319**	52 661
	86 954	75 133
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
Nigerian naira	**8 254**	19 474
United States dollar	**41 630**	30 462
South African rand	**26 321**	15 829
Euro	**2 049**	2 813
Benin Communauté Financière Africaine franc	**794**	1 075
Côte d'Ivoire Communauté Financière Africaine franc	**2 525**	2 838
Zambian kwacha	**246**	528
Congo-Brazzaville Communauté Financière Africaine franc	**1 323**	175
Ugandan shilling	**937**	–
Cameroon Communauté Financière Africaine franc	**2 234**	769
Other currencies	**641**	1 170
	86 954	75 133
The Group has the following undrawn committed facilities:		
Floating rate	**43 945**	19 043
Fixed rate	**18 452**	9 560
	62 397	28 603

6.2 Other non-current liabilities

Finance leases are accounted for in accordance with the accounting policy disclosed in note 6.6, deferred income is accounted for in accordance with the policy disclosed in note 2.2 and other liabilities are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2016 Rm	2015 Rm
Finance lease obligations (note 6.6)	**673**	711
Deferred income[1]	**382**	527
Licence renewal liability	**172**	495
Other	**389**	451
Nigeria regulatory fine[2]	**7 369**	–
	8 985	2 184

[1] *Relates to the deferred gain for tower sales and IRU swap transactions which occurred in previous years. The amounts are amortised to the income statement on a monthly basis.*

[2] *The accrual for the Nigeria regulatory fine comprises N220 billion discounted at 14,71% per annum and translated at the 31 December 2016 closing rate of R1 = N22,81.*

For additional information on the Nigeria regulatory fine, refer to note 6.3.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 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. A provision to pay a levy is not recognised until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid 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 expected outflow of resources 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.

	At beginning of the year Rm	Additions Rm	Reversals Rm	Reclassification to financial instruments Rm	Utilised Rm	Net monetary loss Rm	Exchange and other movements[1] Rm	At end of the year Rm
2016								
Non-current								
Decommissioning provision	293	81	(112)	–	–	–	(17)	245
Licence obligations	77	–	–	–	–	–	(77)	–
Nigeria provision for regulatory fine	4 104	–	–	(4 237)	–	–	133	–
Other provisions	150	32	(27)	–	(20)	–	–	135
	4 624	113	(139)	(4 237)	(20)	–	39	380
Current								
Bonus provision	790	646	(263)	–	(403)	1	(149)	622
Decommissioning provision	6	–	–	–	–	–	(4)	2
Licence obligations	94	–	–	–	(87)	–	123	130
Nigeria provision for regulatory fine	5 183	–	–	(1 421)	(3 983)	–	221	–
Other provisions	1 920	553	(909)	–	(205)	–	116	1 475
	7 993	1 199	(1 172)	(1 421)	(4 678)	1	307	2 229

[1] *Includes the effect of hyperinflation.*

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Net monetary loss Rm	Exchange and other move-ments[1] Rm	At end of the year Rm
2015							
Non-current							
Decommissioning provision	229	45	–	(12)	–	31	293
Licence obligations	137	–	–	–	–	(60)	77
Nigeria provision for regulatory fine	–	4 104	–	–	–	–	4 104
Other provisions	180	143	(29)	(33)	27	(138)	150
	546	4 292	(29)	(45)	27	(167)	4 624
Current							
Bonus provision	754	735	(91)	(722)	–	114	790
Decommissioning provision	21	–	(19)	–	–	4	6
Nigeria provision for regulatory fine	–	5 183	–	–	–	–	5 183
Licence obligations	74	–	–	(40)	–	60	94
Other provisions	2 565	620	(997)	(327)	–	59	1 920
	3 414	6 538	(1 107)	(1 089)	–	237	7 993

[1] *Includes the effect of hyperinflation.*

Bonus provision

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall Group entity's performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the Group annual results have been approved.

Decommissioning provision

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in property, plant and equipment that are erected on leased land.

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.

Licence obligations

The licence obligations provision represents the estimated costs to be incurred in fulfilling the Universal Services Obligation (USO) in South Africa. USOs are governed by the Electronic Communications Act.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

Nigeria provision for regulatory fine

On 10 June 2016, MTN Nigeria Communications Limited (MTN Nigeria) resolved the matter relating to the previously imposed regulatory fine with the Federal Government of Nigeria (FGN) after the completion of an extensive negotiation process.

In terms of the settlement agreement reached on 10 June 2016, MTN Nigeria agreed to pay a total cash amount of N330 billion over three years (the equivalent of R25,1 billion[1]) to the FGN as full and final settlement of the matter.

In addition to the monetary settlement set out above:

- MTN Nigeria subscribes to the voluntary observance of the Code of Corporate Governance for the Telecommunications Industry in Nigeria and will ensure compulsory compliance when the said code is made mandatory for the Telecommunications Industry;
- MTN Nigeria undertakes to take immediate steps to ensure the listing of its shares on the Nigerian Stock Exchange as soon as commercially and legally possible after the date of execution of the settlement agreement; and
- MTN Nigeria shall always ensure full compliance with its licence terms and conditions as issued by the Nigeria Communications Commission (NCC).

The N50 billion (the equivalent of R4 billion[2]) in good faith payment which was paid without prejudice by MTN Nigeria on 24 February 2016 forms part of the monetary component of the settlement.

On 10 June 2016, the nature of the fine changed from a provision under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to that of a financial liability under IAS 39 *Financial Instruments: Recognition and Measurement*. As from this date onwards MTN Nigeria was contractually obliged to settle the fine in cash. Consequently, the outstanding balance ceased to be discounted at a pre-tax risk-free rate (in terms of IAS 37) and is instead discounted at MTN Nigeria's incremental borrowing rate for a liability with similar cash flows (in terms of IAS 39), which approximated 14,71% at the re-measurement date. The additional expense recognised in the income statement amounted to R10,5 billion and a discount unwind of R1,0 billion was recognised in finance costs during 2016. The balance of the liability at 31 December 2016 amounts to R8,7 billion[3], after taking into account the payment of N30 billion (R1,9 billion[4]) on 24 June 2016. Of the balance outstanding at year end, R7,4 billion is recorded in other non-current liabilities (note 6.2) and R1,3 billion in trade and other payables (note 4.5).

Other provisions

The Group is involved in various regulatory and direct and indirect 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 an outflow of economic benefits and should not be construed as an admission of legal liability.

[1] *Amount translated at 10 June 2016 rate of R1 = N13,15*
[2] *Amount translated at 24 February 2016 rate of R1 = N12,55*
[3] *Amount translated at 31 December 2016 closing rate of R1 = N22,81*
[4] *Amount translated at June 2016 average rate of R1 = N15,90*

6 **FINANCING STRUCTURE AND COMMITMENTS** (continued)

6.4 Capital commitments

Commitments for the acquisition of property, plant and equipment and software:

	2016 Rm	2015 Rm
Capital expenditure authorised not yet incurred at the reporting date is as follows:		
Contracted	**11 458**	12 501
– Property, plant and equipment	**10 883**	11 465
– Software	**575**	1 036
Not contracted	**23 295**	18 313
– Property, plant and equipment	**18 992**	13 639
– Software	**4 303**	4 674
Total commitments for property, plant and equipment and software	**34 753**	30 814

Capital expenditure will be funded from operating cash flows, existing borrowing facilities and, where necessary, by raising additional facilities.

6.5 Operating lease commitments

Leases, where substantially all 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 lease.

Sub-lease income is recognised in profit or loss on a straight-line basis over the term of the lease.

In all significant operating lease arrangements in place during the year, the Group acted as the lessee.

The Group leases various premises and 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 they be cancelled before the end of the agreement.

	2016 Rm	2015 Rm
The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:		
Not later than one year	**10 712**	7 373
Later than one year but no later than five years	**59 919**	30 363
Later than five years	**53 462**	30 696
	124 093	68 432

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.6 Finance lease commitments

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 charges, 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 lease so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

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

At the reporting date, the Group had outstanding commitments under non-cancellable finance leases which fall due as follows:

	Minimum lease payments Rm	**Future finance charges Rm**	**Present value Rm**
2016			
Current			
Not later than one year	**86**	**(33)**	**53**
Non-current (note 6.2)	**871**	**(198)**	**673**
Later than one year and no later than five years	**407**	**(118)**	**289**
Later than five years	**464**	**(80)**	**384**
	957	**(231)**	**726**

	Minimum lease payments Rm	Future finance charges Rm	Present value Rm
2015			
Current			
Not later than one year	100	(35)	65
Non-current (note 6.2)	945	(234)	711
Later than one year and no later than five years	419	(135)	284
Later than five years	526	(99)	427
	1 045	(269)	776

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.7 Commercial commitments

Incentives for handset upgrades

The Group's present policy is to pay incentives to service providers (SPs) 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 subscribers have exercised their rights to receive upgrades for new postpaid contracts 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 2016 was 572 235 (2015: 1 233 652) and the estimated commitment in respect of these incentives amounts to R677 million (2015: R972 million).

6.8 Contingent liabilities

The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recognised.

	2016 Rm	2015 Rm
Contingent liabilities	**8 127**	875
Licence fee and regulatory matters	**516**	–
Uncertain tax exposures	**7 611**	865
Other	**–**	10

Uncertain tax exposures

The Group operates in numerous tax jurisdictions and the Group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the Group and the relevant tax authority. The outcome of such disputes may not be favourable to the Group. At year end there were a number of tax disputes ongoing in various of the Group's operating entities, the most significant of which relates to a transfer pricing dispute which the Group is contesting. The Group has applied its judgement and has recognised liabilities for anticipated issues based on whether additional amounts will be payable, and has included contingent liabilities where considered possible but not probable.

Licence fee and regulatory matters

The Group has a potential exposure relating to a regulatory directive issued. The outcome of this matter may result in a penalty being levied should it be subsequently determined that the directive has not been satisfied. The Group has applied its judgement in analysing the circumstances pertaining to the matter and concluded that a contingent liability be disclosed at reporting date.

7 FINANCIAL RISK

7.1 Financial risk management and financial instruments

Accounting for financial instruments

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

All financial assets and liabilities are initially measured at fair value, including transaction costs, except for those classified as at fair value through profit or loss which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Financial assets are recognised/(derecognised) on the date the Group commits to purchase/(sell) the instruments (trade date accounting).

Financial assets and liabilities are classified as current if expected to be realised or settled within 12 months; if not, they are classified as non-current.

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied 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.

Financial instrument classification

The Group classifies its financial instruments into the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale;
- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition.

Financial instruments comprise investments in equity and debt securities, loans receivable, trade and other receivables (excluding prepayments), investments in self-insurance cell captives, cash and cash equivalents, restricted cash, borrowings, other non-current liabilities (excluding provisions), bank overdrafts, derivatives and trade and other payables.

Subsequent measurement

Subsequent to initial recognition, financial instruments are measured as described below.

Financial assets at fair value through profit or loss

Financial instruments at fair value through profit or loss are subsequently measured at fair value and changes therein are recognised in profit or loss. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Loans and receivables

The Group's loans and receivables comprise loans and other receivables, certain of its investments, trade and other receivables (excluding prepayments), restricted cash and cash and cash equivalents. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Held-to-maturity investments

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Subsequent measurement (continued)

Available-for-sale

Available-for-sale financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are subsequently measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income.

Financial liabilities

Financial liabilities comprise trade and other payables, bank overdrafts, borrowings, derivative liabilities and other non-current liabilities (excluding provisions).

All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value and changes therein are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire.

Substantial modification

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument.

Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. A financial asset or group of financial assets is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and its recoverable amount, being the present value of the estimated future cash flows discounted at the original effective interest rate.

When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the effective interest rate. 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.

Significant financial assets are tested for impairment on an individual basis. The financial assets that are not impaired or are not individually significant are collectively assessed for impairment in groups that share similar credit risk characteristics.

All impairment losses are recognised in 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.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Gains or losses arising on modification of debt instruments

Gains or losses arising from the modification of the terms of a debt instrument are recognised immediately in profit or loss where the modification does not result in the derecognition of the existing instrument.

Risk management

Introduction

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange, interest rate and price 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 considers natural hedges that may exist and, in addition, where possible, uses derivative financial instruments such as forward exchange contracts to hedge exposures. As a matter of principle, the Group does not enter into derivative contracts for speculative purposes. The Group applies hedge accounting to manage its risk of currency exchange rate volatility associated with certain of its investments in foreign operations.

Risk management is carried out under policies approved by the board of directors of the Group and of relevant subsidiaries. The MTN Group treasury committee identifies, evaluates and hedges financial risks in cooperation 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 cash. Group treasury is responsible for managing the Group's exposure to financial risk within the policies set by the board of directors, under the guidance of the Group CFO and Group board audit and risk committees.

7 **FINANCIAL RISK** (continued)

7.1 **Financial risk management and financial instruments** (continued)

7.1.1 Categories of financial instruments

	Assets				Liabilities		
	Loans and receiv-ables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Available-for-sale Rm	Amor-tised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount Rm
2016							
Non-current financial assets							
Loans and other non-current receivables	6 249	–	–	–	–	–	6 249
Investments	–	–	221	11 620	–	–	11 841
Current financial assets		–	–	–			
Trade and other receivables	32 297	–	–	–	–	–	32 297
Current investments	619	1 870	5 087	282	–	–	7 858
Derivative assets	–	4	–	–	–	–	4
Restricted cash	1 020	–	–	–	–	–	1 020
Cash and cash equivalents	27 375	–	–	–	–	–	27 375
	67 560	1 874	5 308	11 902	–	–	86 644
Non-current financial liabilities							
Borrowings	–	–	–	–	67 319	–	67 319
Nigeria regulatory fine					7 369		7 369
Other non-current liabilities	–	–	–	–	1 122	–	1 122
Current financial liabilities							
Trade and other payables	–	–	–	–	42 243	–	42 243
Nigeria regulatory fine					1 311		1 311
Borrowings	–	–	–	–	19 635	–	19 635
Derivative liabilities	–	–	–	–	–	58	58
	–	–	–	–	138 999	58	139 057

[1] *All financial instruments at fair value through profit or loss are held for trading.*

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments (continued)

	Assets				Liabilities		
	Loans and receiv-ables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Available-for-sale Rm	Amor-tised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount Rm
2015							
Non-current financial assets							
Loans and other non-current receivables	8 269	–	–	–	–	–	8 269
Investments	–	–	262	9 707	–	–	9 969
Current financial assets		–	–	–			
Trade and other receivables	38 587	–	–	–	–	–	38 587
Current investments	802	1 187	6 822	–	–	–	8 811
Derivative assets	–	163	–	–	–	–	163
Restricted cash	1 735	–	–	–	–	–	1 735
Cash and cash equivalents	34 177	–	–	–	–	–	34 177
	83 570	1 350	7 084	9 707	–	–	101 711
Non-current financial liabilities							
Borrowings	–	–	–	–	52 661	–	52 661
Other non-current liabilities	–	–	–	–	1 514	–	1 514
Current financial liabilities							
Trade and other payables	–	–	–	–	37 957	–	37 957
Borrowings	–	–	–	–	22 472	–	22 472
Bank overdrafts	–	–	–	–	38	–	38
	–	–	–		114 642	–	114 642

[1] *All financial instruments at fair value through profit or loss are held for trading.*

7 **FINANCIAL RISK** (continued)

7.1 **Financial risk management and financial instruments** (continued)

7.1.2 Financial assets and liabilities subject to offsetting

The following table presents the Group's financial assets and liabilities that are subject to offsetting:

	Gross amount Rm	Amount offset Rm	Net amount Rm
2016			
Current financial assets			
Trade and other receivables	**4 004**	**(1 395)**	**2 609**
Current financial liabilities			
Trade and other payables	**1 446**	**(1 395)**	**51**

	Gross amount Rm	Amount offset Rm	Net amount Rm
2015			
Current financial assets			
Trade and other receivables	4 320	(826)	3 494
Current financial liabilities			
Trade and other payables	858	(826)	32

The amounts subject to offsetting include interconnect receivables and payables as well as sundry receivables and payables. The Group has entered into agreements with the respective counterparties which permit it to offset any payables owing to the counterparty against receivables owing to the Group. This right to offset exists in all circumstances and the Group intends to settle on a net basis.

7.1.3 Fair value estimation

A number of the Group's accounting policies and disclosures require the measurement of fair values. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The table on the next page presents the Group's assets and liabilities that are measured at fair value. The classification into different levels is based on the extent that quoted prices are used in the calculation of fair value and the levels have been defined as follows:

- level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: fair value based on 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); or
- level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

The following table presents the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2016				
Financial assets				
Investment in IHS	–	11 240	–	11 240
Unlisted equity investments	–	–	380	380
Investment in treasury bills classified as fair value through profit and loss	669	–	–	669
Investment in treasury bills classified as available-for-sale	282	–	–	282
Investment in cell captives	–	–	1 201	1 201
Forward exchange options	–	4	–	4
Total assets	951	11 244	1 581	13 776
Financial liabilities				
Derivative liabilities	–	58	–	58
Total liabilities	–	58	–	58

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2015				
Financial assets				
Investment in IHS			9 250	9 250
Unlisted equity investments			457	457
Investment in cell captives	–	–	1 187	1 187
Forward exchange contracts	–	163	–	163
Total assets	–	163	10 894	11 057

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Valuation methods and assumptions

The following methods and assumptions were used to estimate the respective fair values:

IHS unlisted equity investment – The fair value of the investment at 31 December 2016 was determined with reference to recent transactions between market participants and has consequently been transferred from level 3 to level 2 in the fair value hierarchy.

At 31 December 2015, the absence of transactions between market participants resulted in the fair value being determined using models considered to be appropriate by management. The fair value was calculated using an earnings multiple technique and was based on unobservable market inputs including average tower industry earnings multiples of between 10 and 14. Consequently, the investment was previously categorised within level 3 of the fair value hierarchy. An increase of one in the multiple would have resulted in an increase in the fair value of R792 million and a decrease of one in the multiple would have resulted in a decrease in the fair value by R792 million as at 31 December 2015.

Other unlisted equity investments – Fair values have been estimated using a discounted cash flow model. The discounted cash flow model requires management to make assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

Derivatives – The Group enters into derivative financial instruments with various counterparties. Interest rate swaps, foreign exchange contracts and equity derivatives are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

Investment in insurance cell captives – The fair value of the investment in cell captives is determined based on the net asset value of the cell captive at the reporting date. The net asset value is determined from statements received from the insurer in respect of the net assets of the cell.

Investment in treasury bills – The fair value of these investments is determined by reference to published price quotations in an active market.

Fair value measurements for financial instruments not measured at fair value

Loans and receivables and financial liabilities at amortised cost – The carrying value of current receivables and liabilities measured at amortised cost approximates their fair value.

The fair values of the majority of the non-current receivables and liabilities measured at amortised cost, other than for the instruments listed below, are also not significantly different to their carrying values.

The Group has listed long-term fixed interest rate senior unsecured notes in issue which were obtained in prior years, with a carrying amount of R10 354 million (2015: R11 633 million) and a fair value of R9 494 million (2015: R10 268 million) at 31 December 2016. The fair value of these instruments is determined by reference to quoted prices in the Irish bond market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Fair value measurements for financial instruments not measured at fair value (continued)

During the year, the Group issued a further US$1 billion listed long-term fixed interest rate unsecured notes. Notes with a face value of US$500 million are redeemable in 2022 (the 2022 notes), with the remaining US$500 million redeemable in 2026 (the 2026 notes). At 31 December 2016, the carrying amount of the 2022 notes is R6 849 million and the fair value is R6 958 million; and the carrying amount of the 2026 notes is R6 856 million and the fair value is R6 727 million. The fair value of these instruments is determined by reference to quoted prices in the Irish bond market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

Loan to Nigeria Tower InterCo B.V. – The Group has a loan to Nigeria Tower InterCo B.V. with a carrying amount of R2 863 million (2015: R2 704 million) and a fair value of R2 969 million as at 31 December 2016. The fair value of this instrument is determined by using discounted cash flow analysis using a market-related interest rate. The fair value measurement is categorised within level 3 of the fair value hierarchy.

Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Cell captives Rm
Balance at 1 January 2015	906
Contributions paid to insurance cell captives	965
Claims received from cell captives	(13)
Loss recognised in profit or loss	(671)
Balance at 31 December 2015	1 187
Balance at 1 January 2016	**1 187**
Contributions paid to insurance cell captives	**527**
Claims received from cell captives	**(617)**
Gain recognised in profit or loss	**104**
Balance at 31 December 2016	**1 201**

	Investments Rm
Balance at 1 January 2015	–
Transfers from level 2[1]	5 912
Acquisitions	1 410
Foreign exchange differences	2 385
Balance at 31 December 2015	9 707
Balance at 1 January 2016	**9 707**
Transfers from level 2 (IHS)[1]	**(9 250)**
Acquisitions	**61**
Foreign exchange differences	**(138)**
Balance at 31 December 2016	**380**

[1] *The Group considers transfers between fair value hierarchy levels to have occurred at the beginning of the year.*

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 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.

The Group considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2016 Rm	2015 Rm
Loans and other non-current receivables	**6 249**	8 269
Investments	**221**	262
Trade and other receivables	**32 297**	38 587
Current investments	**7 858**	8 811
Derivative assets	**4**	163
Restricted cash	**1 020**	1 735
Cash and cash equivalents	**27 375**	34 177
	75 024	92 004

Cash and cash equivalents and current investments

The Group determines appropriate internal credit limits for each counterparty. In determining these limits, the Group considers the counterparty's credit rating established by an accredited ratings agency and performs internal risk assessments. The Group manages its exposure to a single counterparty by spreading transactions among approved financial institutions. The Group treasury committee regularly reviews and monitors the Group's credit exposure.

The operations in Nigeria, Dubai and South Africa (including head office entities) hold their cash balances in financial institutions with a rating range from B- to AA+ (2015: B- to AAA).

Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Investment in cell captives

The Group has exposure to the credit risk of the insurance company through its investment in preference shares in its cell captive arrangements. However, the Group has access to the assets of the cell which reduces this risk.

Trade receivables

A large portion of the Group's postpaid market revenues are generated in South Africa. There are no other significant concentrations of credit risk, since the other operations within the Group operate largely within the prepaid market. The Group has policies in place to ensure that retail sales of products and services are made to customers with an appropriate credit history. Before credit is granted to a customer, the Group performs credit risk assessments through credit bureaus. The Group insures some of its trade receivables in its South African operation, in which instance the credit risk assessments are performed by the credit insurer prior to the granting of credit by the Group. In terms of this arrangement, R5,3 billion has been insured for which the Group's risk is limited to R5 million. In addition, some entities within the Group require potential customers to obtain guarantees from banks before credit is granted.

The recoverability of interconnect receivables in certain international operations is uncertain; however, this is actively managed within acceptable limits and has been incorporated in the assessment of an appropriate revenue recognition policy (note 2.2) and the impairment of trade receivables where applicable. In addition, in certain countries there exists a right of set-off with interconnect parties to enable collection of outstanding amounts.

7 **FINANCIAL RISK** (continued)

7.1 **Financial risk management and financial instruments** (continued)

7.1.4 Credit risk (continued)

Trade receivables (continued)

Ageing and impairment analysis

	2016			2015		
	Gross Rm	**Impaired Rm**	**Net Rm**	Gross Rm	Impaired Rm	Net Rm
Fully performing trade receivables	**10 390**	**–**	**10 390**	13 478	–	13 478
Interconnect receivables	**1 034**	**–**	**1 034**	1 922	–	1 922
Contract receivables	**1 979**	**–**	**1 979**	1 863	–	1 863
Other receivables	**7 377**	**–**	**7 377**	9 693	–	9 693
Past due trade receivables	**9 438**	**(2 538)**	**6 900**	9 286	(3 459)	5 827
Interconnect receivables	**2 827**	**(736)**	**2 091**	4 180	(1 437)	2 743
0 to 3 months	**673**	**(1)**	**672**	1 047	–	1 047
3 to 6 months	**394**	**(39)**	**355**	841	(3)	838
6 to 9 months	**416**	**(96)**	**320**	454	(187)	267
9 to 12 months	**1 344**	**(600)**	**744**	1 838	(1 247)	591
Contract receivables	**2 984**	**(1 361)**	**1 623**	3 330	(1 524)	1 806
0 to 3 months	**977**	**(46)**	**931**	1 373	(219)	1 154
3 to 6 months	**989**	**(583)**	**406**	653	(471)	182
6 to 9 months	**183**	**(132)**	**51**	149	(17)	132
9 to 12 months	**835**	**(600)**	**235**	1 155	(817)	338
Other receivables	**3 627**	**(441)**	**3 186**	1 776	(498)	1 278
0 to 3 months	**1 875**	**(16)**	**1 859**	644	(126)	518
3 to 6 months	**979**	**(353)**	**626**	236	(65)	171
6 to 9 months	**109**	**(27)**	**82**	149	–	149
9 to 12 months	**664**	**(45)**	**619**	747	(307)	440
Total	**19 828**	**(2 538)**	**17 290**	22 764	(3 459)	19 305

7 **FINANCIAL RISK** (continued)

7.1 **Financial risk management and financial instruments** (continued)

7.1.4 Credit risk (continued)

Trade receivables (continued)

Total past due per significant operation

	Interconnect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
2016				
MTN South Africa	**158**	**1 300**	**2 002**	**3 460**
MTN Nigeria	**718**	**473**	**–**	**1 191**
MTN Côte d'Ivoire	**356**	**252**	**237**	**845**
MTN Yemen	**504**	**118**	**37**	**659**
MTN Cameroon	**100**	**196**	**–**	**296**
MTN Benin	**193**	**37**	**146**	**376**
Other operations	**798**	**608**	**1 205**	**2 611**
	2 827	**2 984**	**3 627**	**9 438**
2015				
MTN South Africa	157	1 129	196	1 482
MTN Nigeria	1 729	587	171	2 487
MTN Côte d'Ivoire	277	379	516	1 172
MTN Yemen	464	165	48	677
MTN Cameroon	185	264	–	449
MTN Benin	193	16	152	361
Other operations	1 175	790	693	2 658
	4 180	3 330	1 776	9 286

Allowance for impairment of trade receivables

	At beginning of the year Rm	Additions[1] Rm	Reversals[1] Rm	Utilised Rm	Net monetary gain Rm	Exchange differences and other movements[2] Rm	At end of the year Rm
2016							
Allowance for impairment of trade receivables	**(3 459)**	**(1 001)**	**542**	**625**	**18**	**737**	**(2 538)**
2015							
Allowance for impairment of trade receivables	(2 514)	(1 200)	49	485	45	(324)	(3 459)

[1] *A net impairment loss of R459 million (2015: R1 151 million) was recognised during the year. This amount is included in other operating expenses in profit or loss (note 2.4).*

[2] *Including the effect of hyperinflation.*

The Group does not hold any collateral for trade receivables.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.5 Liquidity risk

Liquidity risk is the risk that an entity in the Group will be unable to meet 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.

Group treasury develops strategies to ensure that the Group has sufficient cash on demand or access to facilities to meet expected operational expenses, and to service financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Group treasury performs regular cash flow forecasts, monitors cash holdings of the Group, negotiates lines of credit and sets policies for maturity profiles of loans.

The following liquid resources are available:

	2016 Rm	2015 Rm
Trade and other receivables	**32 297**	38 587
Current investments	**2 771**	1 989
Cash and cash equivalents, net of overdrafts	**27 375**	34 139
	62 443	74 715

The Group's undrawn borrowing facilities are disclosed in note 6.1.

Although cash held by MTN Nigeria, MTN Sudan, MTN South Sudan and Areeba Guinea S.A is available to settle liabilities denominated in the local currency in the respective country of operation, access to foreign currency in the country is constrained.

The following are the undiscounted contractual cash flows of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within one month or on demand Rm	More than one month but not exceeding three months Rm	More than three months but not exceeding one year Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm
2016								
Borrowings	**86 954**	**97 982**	**4 142**	**1 785**	**17 291**	**9 000**	**41 284**	**24 480**
Other non-current liabilities	**1 122**	**1 185**	**–**	**–**	**–**	**361**	**211**	**613**
Nigeria regulatory fine	**8 680**	**10 961**	**–**	**1 315**	**–**	**4 823**	**4 823**	**–**
Trade and other payables	**42 243**	**42 245**	**26 288**	**10 892**	**5 065**	**–**	**–**	**–**
Derivative liabilities	**58**	**58**	**36**	**22**	**–**	**–**	**–**	**–**
	139 057	**152 431**	**30 466**	**14 014**	**22 356**	**14 184**	**46 318**	**25 093**
2015								
Borrowings	75 133	83 298	4 079	8 010	14 012	17 567	28 064	11 566
Other non-current liabilities	1 514	1 524	–	–	–	373	462	689
Trade and other payables	37 957	37 957	23 160	10 352	4 445	–	–	–
Bank overdrafts	38	38	38	–	–	–	–	–
	114 642	122 817	27 277	18 362	18 457	17 940	28 526	12 255

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk

Market risk is the risk that changes in market prices (such as interest rates, foreign currencies and equity prices) will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Derivatives are entered into solely for risk management purposes and not as speculative investments. The Group treasury policy specifies approved instruments which may be used to economically hedge the Group's exposure to variability in interest rates and foreign currency and to manage and maintain market risk exposures within the parameters set by the Group's board of directors.

7.1.6.1 Interest rate risk

Interest rate risk is the risk that arises on an interest-bearing asset or liability, due to variability of interest rates.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, restricted cash, trade and other receivables/payables, loans receivable/payable, borrowings, bank overdrafts and other non-current liabilities. The interest rates applicable to these financial instruments are a combination of floating and fixed rates in line with those currently available in the market.

The Group's interest rate risk arises from the repricing of the Group's floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the cash balances which exist. The Group aims to maintain its mix of fixed and floating rate debt within internally determined parameters, however, this depends on the market conditions in the geographies where the Group operates.

Holdings companies' (as disclosed in note 9.1) debt is managed on an optimal fixed versus floating interest rate basis, in line with the approved Group treasury policy.

Debt in the majority of the Group's non-South African operations is mainly at floating interest rates. This is due to the environment and availability of funding in the market in which the entity operates. The Group continues to monitor developments which may create opportunities as these markets evolve in order to align each underlying operation with the Group treasury policy. Group treasury reports on the interest rate profile, in particular that of the holding companies, to the Group treasury, board, audit and risk committees on a regular basis.

Where appropriate, the Group uses interest rate derivatives and other suitable hedging tools as a way to manage interest rate risk. The Group does not apply hedge accounting to these derivatives.

7 **FINANCIAL RISK** (continued)

7.1 **Financial risk management and financial instruments** (continued)

7.1.6 Market risk (continued)

7.1.6.1 Interest rate risk (continued)

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2016		2015	
	Fixed rate instruments Rm	**Variable rate instruments Rm**	Fixed rate instruments Rm	Variable rate instruments Rm
Non-current financial assets				
Loans and other non-current receivables	**3 914**	**1 099**	6 040	1 253
Investments	**221**	**–**	262	–
Current financial assets				
Trade and other receivables	**10 084**	**2 028**	136	16 235
Current investments	**6 657**	**–**	7 624	–
Restricted cash	**44**	**142**	498	276
Cash and cash equivalents	**11 570**	**9 174**	18 731	5 874
	32 490	**12 443**	33 291	23 638
Non-current financial liabilities				
Borrowings	**31 704**	**35 808**	15 785	36 938
Other non-current liabilities	**909**	**185**	1 202	279
Current financial liabilities				
Trade and other payables	**3 234**	**1 008**	1 536	945
Borrowings	**4 523**	**14 623**	3 852	18 295
Bank overdrafts	**–**	**–**	–	38
	40 370	**51 624**	22 375	56 495

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.2 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, prime, EURIBOR and money market rates. 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 subsequently measured 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, remain constant. The analysis is performed on the same basis as was used for 2015.

	2016 (Decrease)/increase in profit before tax			2015 (Decrease)/increase 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**	**(199,6)**	**199,6**	1	(118,3)	118,3
LIBOR	**1**	**(122,2)**	**122,2**	1	28,9	(28,9)
Three-month LIBOR	**1**	**(0,6)**	**0,6**	1	(0,0)	0,0
NIBOR	**1**	**(82,5)**	**82,5**	1	(194,7)	194,7
EURIBOR	**1**	**(18,7)**	**18,7**	1	(25,8)	25,8
Money market	**1**	**6,9**	**(6,9)**	1	14,5	(14,5)
Prime	**1**	**73,1**	**(73,1)**	1	25,5	(25,5)
Other	**1**	**(28,7)**	**28,7**	1	(20,4)	20,4

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.3 Currency risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

Currency risk arises on recognised financial assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group aims to maintain its foreign currency exposure within internally determined parameters, however, this depends on the market conditions in the geographies where the Group operates. Group treasury reports on the status of foreign currency positions or derivatives to the Group treasury committee on a regular basis.

Where possible, entities in the Group use forward contracts to hedge their actual exposure to foreign currency. Refer to note 7.5 for the Group's outstanding foreign exchange contracts.

Foreign currency 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:

	2016 Rm	2015 Rm
Assets		
Non-current assets		
– United States dollar	**250**	419
– CFA franc	**220**	261
– Ghanaian cedi	**1 051**	–
– Iranian rial	**–**	2 128
	1 521	2 808
Current assets		
– United States dollar	**4 704**	6 421
– Euro	**1 604**	1 435
– Iranian rial	**1 954**	9 592
– South African rand	**21**	16
– British pound sterling	**–**	3
	8 283	17 467
Total assets	**9 804**	20 275
Liabilities		
Non-current liabilities		
– United States dollar	**39 201**	27 677
– Euro	**398**	1 059
	39 599	28 736
Current liabilities		
– United States dollar	**9 737**	8 853
– Euro	**1 800**	2 304
– South African rand	**640**	7
– Ugandan shilling	**–**	75
– British pound sterling	**7**	9
– Botswana pula	**–**	–
	12 184	11 248
Total liabilities	**51 783**	39 984

7 **FINANCIAL RISK** (continued)

7.1 **Financial risk management and financial instruments** (continued)

7.1.6 Market risk (continued)

7.1.6.3 Currency risk (continued)

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss 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 the US dollar, euro, Iranian rial and Nigerian naira. 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, which are 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, remain constant. The analysis is performed on the same basis as applied in 2015.

	Increase/(decrease) in profit before tax, or (increase)/decrease in loss before tax		
Denominated:functional currency	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm
2016			
US$:ZAR	**10**	**166,9**[1]	**(166,9)**[1]
US$:SYP	**10**	**(45,2)**	**45,2**
US$:SDG	**10**	**(138,6)**	**138,6**
US$:SSP	**10**	**(490,9)**	**490,9**
US$:NGN	**10**	**(403,6)**[1]	**403,6**[1]
EUR:SDG	**10**	**(185,0)**	**185,0**
EUR:US$	**10**	**159,2**	**(159,2)**
US$:GNF	**10**	**(267,4)**	**267,4**
US$:ZMK	**10**	**(79,2)**	**79,2**
IRR:ZAR	**10**	**1 175,2**	**(1 175,2)**
EUR:ZAR	**10**	**(184,5)**	**184,5**
2015			
US$:ZAR	10	(1 256,4)	1 256,4
US$:SYP	10	(105,8)	105,8
US$:SDG	10	(136,9)	136,9
US$:SSP	10	(73,9)	73,9
US$:NGN	10	(861,7)	861,7
EUR:SDG	10	(222,1)	222,1
EUR:US$	10	9,8	(9,8)
US$:GNF	10	(63,2)	63,2
US$:ZMK	10	(37,1)	37,1
IRR:ZAR	10	1 028,6	(1 028,6)

[1] Reduced by the impact of the net investment hedge as disclosed in note 7.5.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.4 Price risk

The Group is exposed to equity price risk, which arises from available-for-sale investments (see note 7.2).

Refer to note 7.1.3 for disclosure of the sensitivity of the fair values of the investments to a change in the inputs used to determine their fair values. Other comprehensive income (before tax) will be affected by the amounts disclosed in respect of these investments in note 7.1.3.

7.1.7 Capital management

The Group's policy is to borrow using a mixture of long-term and short-term borrowing facilities to meet anticipated funding requirements. Borrowings are managed within the Group's established debt:equity ratios. The Group seeks 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.

Management regularly monitors and reviews net debt:EBITDA, and net interest:EBITDA ratios.

Under the terms of the major borrowing facilities, the Group is required to comply with financial covenants relating to net debt:EBITDA and net interest:EBITDA. The Group has complied with all externally imposed covenants during the year.

The Group's net debt:EBITDA, net debt:equity and net interest:EBITDA at the end of the year are set out below. Net debt is defined as borrowings and bank overdrafts less cash and cash equivalents, restricted cash and current investments (excluding investments in cell captives). Equity approximates share capital and reserves. Net interest comprises finance costs less finance income and EBITDA is defined as earnings before interest, tax, depreciation, amortisation and goodwill impairment/losses.

	2016	2015
Net debt:EBITDA		
Borrowings and bank overdrafts (Rm)	**86 954**	75 171
Less: Cash and cash equivalents, restricted cash and current investments (Rm)	**(35 052)**	(43 536)
Net debt (Rm)	**51 902**	31 635
EBITDA (Rm)	**40 751**	59 125
Net debt:EBITDA ratio	**1,3**	0,54
Net debt:total equity		
Net debt (Rm)	**51 902**	31 635
Total equity (Rm)	**105 231**	151 838
Net debt:total equity (%)	**49,3**	20,8
Net interest:EBITDA		
Net finance costs (Rm)	**(10 495)**	(3 010)
EBITDA (Rm)	**40 751**	59 125
Net interest:EBITDA (%)	**(25,8)**	(5,1)

7 FINANCIAL RISK (continued)

7.2 Investments

Investments consist of held-to-maturity and available-for-sale financial assets that are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2016 Rm	2015 Rm
Held-to-maturity financial assets		
Treasury bills and bonds with fixed rates of 4,5% to 6,3% (2015: 5,8% to 6,3%) and maturity dates between 2018 and 2019 (2015: 2018 and 2019)[1]	**221**	262
Available-for-sale financial assets		
Investment in IHS	**11 240**	9 250
Unlisted equity investment	**380**	457
	11 841	9 969

[1] *Denominated in Côte d'Ivoire Communauté Financière Africaine franc.*

The recoverability of the investments was assessed at the reporting date and was found not to be impaired.

7.3 Loans and other non-current receivables

Loans and other non-current receivables are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 7.1.

Prepayments include costs paid relating to subsequent financial years and are stated at nominal value.

	2016 Rm	2015 Rm
Irancell Telecommunications Services Company (PJSC)[1]	**–**	2 128
Loan to Uganda Tower InterCo B.V.[2]	**1 099**	1 159
Loan to Ghana Tower InterCo B.V.[3]	**1 051**	1 109
Loan to Nigeria Tower InterCo B.V.[4]	**2 863**	2 704
Non-current interconnect receivables	**224**	405
Other non-current receivables	**1 253**	1 216
Non-current prepayments[5]	**876**	1 062
	7 366	9 783

[1] *The loan to Irancell attracts interest at 12% per annum. The loan is repayable in a bullet payment on 30 September 2017. The loan has been reclassified to current assets at 31 December 2016 (note 4.2).*
[2] *The loan to Uganda Tower InterCo B.V. attracts interest at LIBOR +5,3% per annum. The loan is repayable in 2019.*
[3] *The loan to Ghana Tower InterCo B.V. attracts interest at a fixed interest rate of 21,87% per annum. The loan is repayable in 2019.*
[4] *The loan to Nigeria Tower InterCo B.V. attracts interest at a fixed interest rate of 10% per annum subject to review, and is repayable in 2024.*
[5] *Includes prepaid rent and Global Carrier Services cables.*

The recoverability of the loans was assessed at the reporting date and was found not to be impaired.

No impairment was recognised in the current or prior year.

Events after the reporting period

Loan to Uganda InterCo

Subsequent to year end, the Group converted its variable interest loan to its associate, Uganda Tower InterCo B.V. (Uganda Towerco), a provider of telecommunications towers in Uganda, with a balance of US$80,1 million, into additional equity of US$48,3 million and a replacement note in Ugandan shilling for the remaining balance which will attract fixed interest.

7 FINANCIAL RISK (continued)

7.4 Current investments

Current investments consist of loans and receivables, available-for-sale financial assets held at fair value through profit or loss and held-to-maturity financial assets that are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2016 Rm	2015 Rm
Loans and receivables		
Foreign currency fixed deposits with fixed interest rates of 4,7% to 10% (2015: 3,5% to 4,3%)[1]	**340**	428
Commercial paper with fixed interest rates of 4,7% to 10% (2015: 13,5% to 13,6%)[2]	**262**	374
Foreign currency fixed deposits with a fixed interest rate of 9%[3]	**17**	–
	619	802
Financial assets held at fair value through profit or loss		
Investment in insurance cell captives – Guardrisk (note 7.1.3)	**1 201**	1 187
Treasury bills with fixed interest rates of 17,8% to 18,5% and maturity dates between June and December 2017[2]	**669**	–
	1 870	1 187
Held-to-maturity financial assets		
Treasury bills with fixed interest rates of 12,7% to 22,7% (2015: 12,9% to 15,8%) and maturity dates between February and November 2017 (2015: January and July 2016)[2]	**5 087**	6 822
Available-for-sale		
Treasury bills with fixed interest rates of 18,5% and maturity dates between August and December 2017[2]	**282**	–
Total current investments	**7 858**	8 811

[1] *Denominated in United States dollar.*
[2] *Denominated in Nigerian naira.*
[3] *Denominated in Rwandan franc.*

No allowance for impairment has been recognised as at the reporting date as all investments are considered to be fully performing.

There were no significant disposals of held-to-maturity financial assets during 2016 and 2015.

7 **FINANCIAL RISK** (continued)

7.5 **Derivatives and hedges**

The Group uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge its foreign currency risks, and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

All gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

Hedge of a net investment

The Group applies hedge accounting to certain foreign currency differences arising between the functional currency of the foreign operation (US$) and the Company's functional currency (ZAR). To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Any remaining differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

All remaining derivatives are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2016 Rm	2015 Rm
Derivatives held for trading		
Current assets		
Forward exchange contracts	**–**	163
Forward exchange options	**4**	–
	4	163
Current liabilities		
Forward exchange contracts	**(58)**	–
	(54)	163
(Losses)/gains accounted for directly in profit or loss	**(39)**	141
Notional principal amount (US$ forward exchange contracts)	**335**	2 789

7 **FINANCIAL RISK** (continued)

7.5 **Derivatives and hedges** (continued)

Net investment hedges

During 2016, MTN International (Mauritius) Limited (MTN Mauritius) hedged its dollar net assets in MTN (Dubai) Limited (MTN Dubai) for forex exposure arising between the US$ and ZAR as part of the Group's risk management objectives. MTN Mauritius designated external borrowings (eurobonds) denominated in US$ held by MTN (Mauritius) Investment Limited with a fair value of R23,2 billion and external borrowings denominated in US$ held by MTN Nigeria Communications Limited with a fair value of R4,5 billion as hedging instruments to hedge a designated portion of its net investment in MTN Dubai. For the period of the hedge relationship, foreign exchange movements on the US$ hedging instruments (being the US$ external borrowings) is recognised in other comprehensive income as part of the foreign currency translation reserve (FCTR), offsetting the exchange differences, recognised in other comprehensive income arising on translation of the designated dollar net assets of MTN Dubai to ZAR. The cumulative forex movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control over MTN Dubai. There was no hedge ineffectiveness recognised in profit or loss during the year.

The fair value of the financial liabilities designated as net investment hedges are:

	2016 Rm
US$ denominated bonds held by MTN (Mauritius) Investments Limited	**23 179**
US$ denominated loans held by MTN Nigeria Communications Limited	**4 455**

There was no hedge ineffectiveness recognised in profit or loss during the year.

The determination of fair value of these liabilities is disclosed in note 7.1.3.

7.6 **Exchange rates to South African rand**

		Closing rates		**Average rates**	
		2016	2015	**2016**	2015
United States dollar	USD	**0,07**	0,06	**0,07**	0,08
Uganda shilling	UGX	**261,73**	217,67	**232,52**	253,16
Rwanda franc	RWF	**59,15**	47,84	**53,10**	55,33
Cameroon Communauté Financière Africaine franc	XAF	**45,34**	39,02	**40,23**	46,67
Nigerian naira	NGN	**22,81**	12,88	**18,28**	15,63
Iranian rial[1]	IRR	**2 355,36**	1 947,05	**2 119,83**	2 265,98
Botswana pula	BWP	**0,78**	0,73	**0,75**	0,80
Côte d'Ivoire Communauté Financière Africaine franc	CFA	**45,56**	39,81	**40,55**	47,00
Congo-Brazzaville Communauté Financière Africaine franc	XAF	**45,56**	39,81	**40,30**	46,56
Zambian kwacha	ZMK	**0,72**	0,71	**0,70**	0,65
Swaziland lilangeni	E	**1,00**	1,00	**1,00**	1,00
Afghanistan afghani	AFN	**4,87**	4,42	**4,66**	4,81
Euro	EUR	**0,07**	0,06	**0,06**	0,07
Ghanaian cedi	GHS	**0,31**	0,25	**0,27**	0,30
Benin Communauté Financière Africaine franc	XOF	**45,56**	39,81	**40,17**	47,10
Guinean franc	GNF	**667,63**	502,98	**626,24**	579,71
Sudanese pound[1]	SDG	**0,48**	0,39	**0,43**	0,47
Syrian pound[1]	SYP	**37,71**	21,76	**32,41**	21,64
Guinea-Bissau Communauté Financière Africaine franc	XOF	**45,56**	39,81	**40,96**	47,34
Yemen rial	YER	**18,25**	13,89	**16,17**	17,80
Ethiopian birr	ETB	**1,60**	1,36	**1,47**	1,64

[1] *The financial results, positions and cash flows of foreign operations trading in hyperinflationary economies are translated as set out in note 1.3.2.*

8 EQUITY STRUCTURE

8.1 Ordinary share capital and share premium

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs (net of tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Ordinary share capital (par value of 0,01 cents)	**2016 Number of shares**	2015 Number of shares
Authorised	**2 500 000 000**	2 500 000 000
Issued *(fully paid up)*	**1 884 269 758**	1 845 493 245
In issue at the beginning of the year	**1 845 493 245**	1 848 355 889
MTN Zakhele shares cancelled and delisted[5]	**(38 058 865)**	(2 862 644)
Shares issued to MTN Zakhele Futhi[4]	**76 835 378**	–
In issue at the end of year	**1 884 269 758**	1 845 493 245
Shares cancelled but not delisted at year end	**–**	(1 444 172)
Options held by MTN Zakhele[1]	**–**	(11 131 098)
Treasury shares[2]	**(10 206 255)**	(10 400 061)
Options held by MTN Zakhele Futhi[4]	**(76 835 378)**	–
In issue at the end of the year – excluding MTN Zakhele/MTN Zakhele Futhi transactions and treasury shares[3]	**1 797 228 125**	1 822 517 914

[1] *Due to the call option over the notional vendor finance 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. During the year, the MTN Zakhele transaction was unwound.*
[2] *Treasury shares held by MTN Holdings Proprietary Limited.*
[3] *There are no restrictions, rights or preferences including restrictions on dividend distributions attached to these shares.*
[4] *These shares, although legally issued to MTN Zakhele Futhi, are not deemed to be issued in terms of IFRS as the MTN Zakhele Futhi transaction has the substance of an option and are shown as such in the share capital reconciliation.*
[5] *Included in shares cancelled and delisted are 1 444 172 shares acquired in 2015 and delisted in the current year.*

	2016 Rm	2015 Rm
Share capital		
Balance at the beginning of the year	*****	*
Treasury shares	*****	*
Options exercised	**–**	–
Shares cancelled	**(*)**	(*)
Share buy-back	**(*)**	(*)
Balance at the end of the year	*****	*
Share premium		
Balance at the beginning of the year	**40 248**	40 179
Shares repurchased from MTN Zakhele	**(3 462)**	–
Decrease in treasury shares	**–**	69
Balance at the end of the year	**36 786**	40 248

** Amounts less than R1 million.*

8 EQUITY STRUCTURE (continued)

8.1 Ordinary share capital and share premium (continued)

MTN Zakhele Futhi and unwind of MTN Zakhele

The Group unwound its BBBEE transaction "MTN Zakhele" during November 2016. On unwind, the Company cancelled and delisted the following shares received from MTN Zakhele:

- 5 882 100 shares delivered to the Company in settlement of the outstanding NVF funding of R662 million;
- 23 479 083 shares repurchased by the Company for cash; and
- 7 253 510 shares to facilitate the reinvestment by existing MTN Zakhele shareholders into the new BBBEE vehicle of the Group, as described below.

As a consequence of the unwind of MTN Zakhele, a new BBBEE transaction was structured through a separate legal entity, MTN Zakhele Futhi (RF) Limited (hereafter referred to as MTN Zakhele Futhi). MTN Zakhele Futhi is consolidated by MTN. The transaction is designed to provide long-term, sustainable benefits to all BBBEE participants and will run for a period of eight years.

MTN Zakhele Futhi acquired 76 835 378 of the Company's shares at a price of R128,50 per share. The acquisition of 35 747 139 shares (and transaction costs of R36 million incurred by MTN Zakhele Futhi) was funded using equity raised from the allotment of MTN Zakhele Futhi shares totalling R1 651 million (including R557 million obtained from the Group for the purchase of MTN Zakhele Futhi shares in terms of its underwrite option); reinvestment of R817 million from the existing MTN Zakhele shareholders and third-party preference share funding of R2 161 million. The acquisition of 15 367 075 shares was funded through a donation of shares to the amount of R1 975 million received from the Group. The Company also issued 25 721 164 notional vendor finance shares (NVF shares) at par value to MTN Zakhele Futhi amounting to approximately R3 305 million.

Although the day-to-day activities of MTN Zakhele Futhi are managed by its directors, the Group has decision making rights over the relevant activities of MTN Zakhele Futhi, including management of MTN Zakhele Futhi's credit risk and the associated BBBEE credentials. MTN Zakhele Futhi's sole business is holding shares in the Group and administering the associated funding of these shares. Its success is therefore dependent on the success of the Group as well as the ongoing receipt of dividends from the Group to service and repay debt. The Group therefore consolidates MTN Zakhele Futhi, a structured entity, in terms of IFRS 10.

MTN Zakhele Futhi must repay the preference shares and NVF before the Company's shares held by it become unencumbered, while the Company's shares are the only security offered by MTN Zakhele Futhi for the debt funding obtained. Until the Company's shares held by MTN Zakhele Futhi become unencumbered, the ordinary shareholders of MTN Zakhele Futhi are exposed to the gains on the Company's shares, while their exposure to downside risk or risk of loss is limited to their equity contributions (ie the purchase price paid by them for the MTN Zakhele Futhi shares). Consequently, the Company does not recognise its shares issued to MTN Zakhele Futhi and does not recognise the NVF as outstanding but treats it as an option for accounting purposes.

Further, no non-controlling interest is recognised in respect of the shares held by the ordinary shareholders of MTN Zakhele Futhi. From a consolidated perspective, their equity contributions (comprising cash received from new investors and the reinvestment by existing MTN Zakhele shareholders in MTN Zakhele Futhi) are in substance treated as a premium paid for the option to acquire the Company's shares in future.

During the year, and as a result of the option granted as described above, the Group recognised a share-based payment expense of R1 008 million. A further share-based payment expense is expected when the shares of MTN Zakhele Futhi held by the Group resulting from the exercise of the underwrite are issued to the public. Transaction costs amounted to R173 million and have been recognised as an expense during the year.

8 EQUITY STRUCTURE (continued)

8.1 Ordinary share capital and share premium (continued)

Share-based payment expense in respect of MTN Zakhele Futhi

The grant date of the option is 23 November 2016. The fair value of the share-based payment at this date was determined using a Monte Carlo valuation model.

The significant inputs into the Monte Carlo valuation model were as follows:

	2016
Price per share (R)	**114,10**
NVF balance (Rm)	**3 305**
Preference share liability balance (Rm)	**2 161**
Shares issued to MTN Zakhele Futhi (number)	**76 835 378**
Volatility (%)	**33,05**
Dividend yield[1] (%)	**6,04**
Expected option life (years)	**8**
Annual risk free rate (%)	**8,42**
Contribution from equity participants and MTN underwrite (Rm)	**2 468**

[1] *Calculated based on a risk adjusted MTN share price of R114,10 at the date of valuation and a dividend of 700 cents per share.*

Third-party preference share funding obtained by MTN Zakhele

A reconciliation of the third-party preference share funding obtained by MTN Zakhele to purchase shares of the Company is provided below:

	2016 Rm	2015 Rm
Class A cumulative redeemable non-participating preference shares		
Balance at the beginning of the year	**3 189**	3 182
Accrued interest paid	**(247)**	(211)
Interest accrued at effective interest rate	**198**	218
Redemption of preference shares during the year	**(3 140)**	
Balance at the end of the year	**–**	3 189

The Class A preference shares were redeemed on 24 November 2016.

Dividends paid to MTN Zakhele

Dividends paid by the Company to MTN Zakhele amounted to R814 million (2015: R965 million) for the year.

The dividend income earned on the MTN shares held by MTN Zakhele was required to firstly pay permitted operational fees, costs, expenses and tax liabilities and thereafter to meet the dividend obligations to the third-party funders.

Third-party preference share funding obtained by MTN Zakhele Futhi

A reconciliation of the third-party preference share funding obtained by MTN Zakhele Futhi to purchase shares of the Company is provided below:

	2016 Rm
Class A cumulative redeemable non-participating preference shares	
Balance at the beginning of the year	**–**
Preference shares issued	**2 161**
Interest accrued at the effective interest rate	**18**
Balance at the end of the year	**2 179**

The Class A preference shares are held by Jabisan 04 Proprietary Limited. The preference shares are mandatorily redeemable five years following the date of issue. Dividends are paid semi-annually on 30 April and 30 September. The preference share dividend rate is 75% of prime.

8 EQUITY STRUCTURE (continued)

8.2 Other reserves

	2016 Rm	2015 Rm
Balance at beginning of the year	**18 595**	(2 967)
Share-based payment transactions	**2 920**	532
Exchange differences on translating foreign operations	**(21 862)**	21 033
Transfer from retained earnings	**–**	127
Foreign exchange movements on hedging instruments	**(1 887)**	–
Net change in fair value of available-for-sale investments	**2 672**	–
Other	**325**	(130)
Balance at end of the year	**763**	18 595
Consisting of:		
Contingency reserve (as required by insurance regulations)[1]	**4**	4
Statutory reserve (as required by Rwanda and Congo-Brazzaville legislation)[2]	**211**	211
Transactions with non-controlling interests[3]	**(11 396)**	(11 396)
Share-based payment transactions[4]	**5 966**	3 046
Foreign currency translation reserve[5]	**3 074**	26 823
Available-for-sale reserve[6]	**2 672**	–
Other	**232**	(93)
	763	18 595

[1] 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 structured entities to which the reserve relates, they will become available for distribution.

[2] 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.

[3] Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased is recorded in equity. All profits or 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.

[4] Refer to the accounting policy in note 8.4 with regards to equity-settled share-based payments.

[5] Refer to the translation and disposal of foreign operations sections in accounting policy 1.3.2 Foreign currency. The Group's functional and presentation currency is rand. The strengthening of the closing rate of the rand against the functional currencies of the Group's largest operations contributed significantly to the decrease in assets and liabilities and the resulting foreign currency translation reserve reduction of R21 862 million since 31 December 2015. The amount also comprises foreign currency differences arising on the translation of financial liabilities designated as net investment hedges in a foreign operation of R1 887 million.

[6] This comprises all fair-value adjustments on all financial assets that have been classified as available-for-sale. On the disposal or impairment of available-for-sale financial assets, the cumulative gains recognised on these instruments are recognised in profit or loss for the financial year.

8 EQUITY STRUCTURE (continued)

8.3 Dividends

Dividends declared to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

	2016 Cents per share	2016 Rm	2015 Cents per share	2015 Rm
Dividends paid				
Final dividend paid in respect of the prior year	**830**	**15 231**[2]	800	14 698[2]
Interim dividend paid in respect of the current year	**250**	**4 585**[2]	480	8 808[2]
		19 816		23 506
Dividends declared				
Approved after the reporting date and not recognised as a liability	**450**[1]	**8 088**[2]	830	15 219[2]

[1] *Declared at the board meeting on 1 March 2017.*
[2] *Excluding 10 206 255 (2015: 10 400 061) treasury shares held by MTN Holdings and 76 835 378 (2015: Rnil) shares held by MTN Zakhele Futhi.*

8.4 Share-based payments

Equity-settled share-based payments
The schemes described on the following page 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 service or non-market-based vesting conditions) at the grant date. The fair value is measured using a 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, where applicable. The fair value determined at the grant date of the equity-settled share-based options or rights is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity, based on the Group's estimate of the shares that will eventually vest. The expense is adjusted to reflect the actual number of options and share rights for which the related service and non-market-based vesting conditions are met.

Where employees exercise options or share rights in terms of the rules and regulations of the schemes, new shares are issued to participants as beneficial owners. The directors procure a listing of these shares on the JSE Limited, the securities exchange on which the Company's shares are listed. In terms of the Share Option Scheme, participants entitled to share options pay a consideration equal to the option price when the options are exercised. 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. Settlement of the Performance Share Plan (PSP) awards are done through the acquisition of shares in the open market and the subsequent delivery to participants.

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

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

The Group operates a number of equity-settled share-based payment schemes for the benefit of eligible employees, including executive directors, in accordance with the schemes' rules. The schemes are designed to retain and recognise the contributions of executive directors and eligible employees and to provide additional incentives to contribute to the Group's continued growth.

The performance share plan is the active scheme which superseded the Share Option Scheme, the share appreciation rights and the Share Rights Scheme. The superseded schemes will be wound up once all unvested and/or unexercised awards previously made have run their remaining course.

The vesting periods under the Share Rights Scheme, Share Option Scheme and Share Appreciation Rights Scheme 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 for these schemes is determined as the closing market price for the MTN Group Limited shares on the day prior to the date of allocation. Unexercised options and rights lapse 10 years from the date of grant and are forfeited if the employee leaves the Group before they vest.

The vesting period for the performance share plan is three years and the awards vest in full based on set performance targets. Employees are not entitled to receive dividends on the shares during the vesting period.

The total number of shares which may be allocated for the purposes of the schemes shall not exceed 5% of the total issued ordinary share capital of the Company, being 94 213 488 shares as approved by shareholders in 2001.

MTN Group Share Appreciation Rights Scheme and Share Rights Scheme (the rights schemes)

The Share Appreciation Rights Scheme was implemented on 31 May 2006.

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 subsidiary purchases the required MTN shares in the open market.

Details of the outstanding share appreciation rights are as follows:

	Strike price R	Number outstanding at 31 December 2015	**Forfeited during 2016**	**Exercised during 2016**	**Number outstanding at 31 December 2016**
Offer date					
31 May 2006	56,83	126 760	**(80 800)**	**(45 960)**	**–**
21 November 2006	71,00	45 800	**(43 400)**	**(2 400)**	**–**
22 June 2007	96,00	12 240	**–**	**–**	**12 240**
19 March 2008	126,99	190 900	**(72 200)**	**(66 300)**	**52 400**
Total		375 700	**(196 400)**	**(114 660)**	**64 640**

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

Details of the outstanding share rights are as follows:

	Strike price R	Number outstanding at 31 December 2015	Forfeited during 2016	Exercised during 2016	Number outstanding at 31 December 2016
Offer date					
1 September 2008	118,64	137 390	(9 400)	(25 900)	102 090
28 June 2010	107,49	402 640	(4 300)	(114 230)	284 110
Total		540 030	(13 700)	(140 130)	386 200

The share rights and share appreciation rights outstanding at the end of the year have a weighted average remaining contractual life of two years (2015: three years).

There were no new grants during the current and prior years.

MTN performance share plan (PSP)

During prior financial years the Group granted eligible employees share rights under the PSP, established in 2010. The rights were granted to employees on levels 3, 4, 5 and 6. The PSP was established in order to attract, retain and reward selected employees who are able to contribute to the business of the employer companies and to stimulate their personal involvement thereby encouraging their continued service and encouraging them to advance the interests of the relevant employer company and the Group in general.

The share rights vest after three years from date of grant. The following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

	Proportion of grant	
	Employee levels 3 – 4 %	Employee levels 5 – 6 %
Vesting conditions for shares granted		
Total shareholder return	37,5	50,0
Adjusted free cash flow growth	37,5	50,0
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0	–

For the total shareholder return vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at the median to 100% vesting at the 75th percentile of the performance of a comparable group of companies listed on the JSE. For the adjusted free cash flow vesting condition, vesting is based on a sliding scale between 11% and 19% compound annual growth in the adjusted free cash flow, for all grants prior to 2014. The sliding scale has been revised by the board of directors to between 6% and 10% compound annual growth in the adjusted free cash flow, for all grants made in 2014 and thereafter. The individual return retention condition is guaranteed subject to the employee remaining employed by the Group for the duration of the vesting period.

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

Details of the outstanding equity-settled performance share plan rights are as follows:

	Number outstanding at 31 December 2015	Offered	Forfeited	Exercised during 2016	Number outstanding at 31 December 2016
Offer date					
28 December 2012[1]	1 278 483	–	(1 084 677)	(193 806)	–
20 December 2013	1 632 373	–	(110 860)	–	1 521 513
19 December 2014	1 804 638	–	(146 242)	–	1 658 396
30 June 2016	–	3 793 700	(166 662)	–	3 627 038
28 December 2016	–	5 553 300	(4 197)	–	5 549 103
Total	4 715 494	9 347 000	(1 512 638)	(193 806)	12 356 050

[1] *The options granted in 2012 were forfeited due to the applicable market conditions not being met.*

A valuation has been prepared using a stochastic model to determine the fair value of the performance share plan and the expense to be recognised for share rights granted during the prior year.

The range of inputs into the stochastic model used for rights granted during the year was as follows:

	June 2016	December 2016
Share price (R)	144,09	126,17
Expected life (years)	3 years	3 years
Risk-free rate (%)	7,45% – 7,83%	7,88% – 8,01%
Expected volatility (%)	31,80% – 43,19%	32,10% – 37,65%
Dividend yield (%)	8,58%	9,43%

The risk-free rate was estimated using the implied yield on SA zero-coupon government bonds.

Volatility was estimated using the weekly closing share price and the dividend yield was estimated by using a one-year moving average of the dividend yield at valuation date.

	2016 Rm	2015 Rm
(Income)/expense arising from equity-settled share-based payment transactions (note 2.4)[1]	(40)	179

[1] *The (income)/expense has fluctuated due to non-market vesting conditions not being met and termination of employment before the vesting date.*

9 GROUP COMPOSITION

9.1 Interest in subsidiaries and joint ventures

MTN Group

HOLDING COMPANIES

Mobile Telephone Networks Holdings Limited South Africa	100%
MTN International Proprietary Limited South Africa	100%

TELECOMMUNICATIONS/ISP

MTN Business Solutions Botswana Proprietary Limited Botswana	80%
MTN Business Limited (Kenya) Kenya	70%
MTN Business Kenya Limited Kenya	70%
Satellite Data Networks Mauritius Proprietary Limited Mauritius	100%
MTN Business Solutions Namibia Proprietary Limited Namibia	100%
Cell Place Proprietary Limited South Africa	100%
iTalk Cellular Proprietary Limited South Africa	100%
Mobile Telephone Networks Proprietary Limited South Africa	100%
MTN Business Solutions Proprietary Limited South Africa	100%
MTN Network Solutions Proprietary Limited South Africa	100%
MTN Media Holdings Proprietary Limited South Africa[5]	100%
Smart Village Proprietary Limited[4]	100%

PROPERTY

Aconcagua 11 Proprietary Limited South Africa	100%
MTN Propco Proprietary Limited South Africa	100%

ELECTRONIC SERVICES

Africa Internet Holding GmbH[1] Berlin	31,28%

TELECOMMUNICATION/ISP

Swazi MTN Limited[1] Swaziland	30%

MANAGEMENT SERVICES

MTN Group Management Services Proprietary Limited South Africa	100%

HOLDING COMPANY

MTN International (Mauritius) Limited Mauritius	100%

HOLDING COMPANIES

Cotel Holdings Limited Zambia	100%
Econet Wireless Citizens Limited Mauritius	82,8%
Deci Investments Proprietary Limited[1] Botswana	33,3%
Mobile Botswana Limited Mauritius	100%

TELECOMMUNICATIONS/ISP

Mobile Telephone Networks Cameroon Limited Cameroon	70%
MTN Network Solutions Limited Cameroon	70%
Afnet Côte d'Ivoire[3]	58,83%
Arobase Côte d'Ivoire[3]	58,83%
MTN Côte d'Ivoire S.A. Côte d'Ivoire[3]	58,83%
MTN Nigeria Communications Limited Nigeria	78,83%
XS Broadband Limited Nigeria	78,83%
MTN Uganda Limited Uganda	96%
MTN (Zambia) Limited Zambia	86%
Mascom Wireless Botswana Proprietary Limited[1] Botswana	53,1%
Irancell Telecommunication Company Services (PJSC)[1] Iran	49%
MTN Publicom Limited Uganda	96%
MTN Rwandacell Limited Rwanda	80%
MTN Congo S.A. Republic of the Congo	100%
Visafone Communications Limited[2] Nigeria	78,83%

ELECTRONIC SERVICES

MTN Mobile Money Limited Zambia	86%
Electronic Funds Transfer Operations Nigeria Limited	50%

STRUCTURED ENTITY

Munyati Buffalo Zambia Limited Zambia	100%
MTN (Mauritius) Investment Limited Mauritius	100%

[1] Joint venture.
[2] Subsidiary acquired during 2015 (see note 9.4.2).
[3] Effective shareholding of 66,8% (see note 9.3).
[4] Acquired during the year (see note 9.2 and 9.4.1).

There were no changes in the effective holding in any of the Group's subsidiaries during the year unless otherwise indicated.

9 GROUP COMPOSITION continued
9.1 Interest in subsidiaries and joint ventures continued

MTN Group

HOLDING COMPANY

MTN (Dubai) Limited – 100%

HOLDING COMPANIES

Easy Dial International Limited	British Virgin Islands	99%
Investcom Telecommunications Guinea (Conakry) Limited	British Virgin Islands	99%
Investcom Consortium Holding S.A.	British Virgin Islands	99%
Investcom Mobile Benin Limited	British Virgin Islands	99%
Investcom Mobile Communications Limited	British Virgin Islands	100%
Investcom Telecommunications Afghanistan Limited	British Virgin Islands	100%
MTN NIC BV	Netherlands	100%
MTN (Netherlands) BV	Netherlands	100%
MTN (Netherlands) Co-Op UA	Netherlands	100%
Galactic Engineering Projects SA	Panama	78%
Vernis Associates SA	Panama	100%
Starcom Global Limited	British Virgin Islands	89%
Investcom Global Limited	British Virgin Islands	99%
Fourteenth Avenue Investment Holding Limited	UAE	100%
Servico SAL	Lebanon	99,97%
MTN Nigeria Towers SPV B.V.	Netherlands	100%
Investcom Telecommunications Yemen Limited	British Virgin Islands	100%

PROCUREMENT

Global Trading Company LLC	UAE	100%
Global Sourcing Company LLC	UAE	100%
Telecom Sourcing Services FZ-LLC	UAE	100%
MTN Investments Limited	UAE	100%
MTN SEA Shared Services Limited	Uganda	100%

MANAGEMENT SERVICES

Inteltec Offshore SAL	Lebanon	99,8%

INTERNATIONAL BUSINESS

Interserve Overseas Limited	British Virgin Islands	99%

ELECTRONIC SERVICES

International Digital Services Middle East Limited (IME)[1]	UAE	50%
Middle East Internet Holding S.A.R.L[1]	Luxemburg	50%
aYo Holdings[1, 4] Limited	Mauritius	50%
TravelLab[1, 4] AB (Travelstart)	Sweden	39,1%
Amadeus IV Digital 1		98%

TELECOMMUNICATIONS/ISP

Lonestar Communications Corporation LLC	Liberia	60%
MTN Cyprus Limited	Cyprus	100%
MTN Afghanistan Limited	Afghanistan	100%
MTN South Sudan Limited	South Sudan	100%
MTN Sudan Company Limited	Sudan	85%
Scancom Limited	Ghana	97,7%
Spacetel Guinea-Bissau S.A.	Guinea-Bissau	100%
MTN Syria (JSC)	Syria	75%
Areeba Guinea S.A.	Guinea	75%
Spacetel Benin SA	Benin	75%
MTN Yemen	Yemen	82,8%
Easynet Search Limited	Ghana	99,6%
MTN ICT Services PLC	Ethiopia	99,9%
Novafone Incorporated[4]	Liberia	100%

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures

Associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates and joint ventures 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 and joint ventures in the carrying amount of the investments, which are generally determined from their latest audited annual financial statements or management accounts and the annual profit attributable to the Group is recognised in profit or loss. The Group's share of any 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.

Where an associate or joint venture's functional currency is the currency of a hyperinflationary economy, the results and financial position of the associate or joint venture are restated in order to calculate the Group's share of net assets and profit or loss.

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

Dilution gains or losses arising on investments in associates and joint ventures are recognised in profit or loss. If the ownership interest in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss. Profits or losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments have been made where necessary to bring the accounting policies of the associates and joint ventures in line with those of the Group.

	2016 Rm	2015 Rm
Investment in associates	**6 369**	12 624
Investment in joint ventures	**20 300**	22 928
Total investment in associates and joint ventures	**26 669**	35 552
Share of results of associates after tax	**(1 988)**	(493)
Share of results of joint ventures after tax	**1 861**	1 719
Total share of results of associates and joint ventures after tax	**(127)**	1 226

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates

Significant judgement

The Group, together with another shareholder, hold the shares in Nigeria Tower InterCo B.V., Uganda Tower InterCo B.V. and Ghana Tower InterCo B.V. The Group does not have substantive rights that give it power over the relevant activities of these entities. However, the Group participates in the significant financial and operating decisions and consequently it has determined that it has significant influence over these entities, resulting in them being classified as associates of the Group.

Unless otherwise stated, the Group's associates' countries of incorporation are also their principal place of operation.

The Group has the following effective interests in associates:

			Effective % interest in issued ordinary share capital	
Associate	Principal activity	Country of incorporation	**2016**	2015
Belgacom International Carrier Services SA (BICS)	Telecommunications	Belgium	**20**	20
Nigeria Tower InterCo B.V.	Management of telecommunication infrastructure	Netherlands	**51**	51
Uganda Tower InterCo B.V.	Management of telecommunication infrastructure	Netherlands	**49**	49
Ghana Tower InterCo B.V.	Management of telecommunication infrastructure	Netherlands	**49**	49
Number Portability Proprietary Limited	Porting	South Africa	**20**	20
Content Connect Africa Proprietary Limited	Telecommunications	South Africa	**36**	36

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

Significant judgement (continued)

	Belgacom International Carrier Services SA (BICS) Rm	Uganda Tower InterCo B.V. Rm	Ghana Tower InterCo B.V.[1] Rm	Nigeria Tower InterCo B.V.[2] Rm	Other Rm	Total Rm
2015						
Balance at beginning of the year	1 661	163	–	4 148	3	5 975
Additions	–	217	1 342	4 962	–	6 521
Other income (note 2.3)	–	–	30	–	–	30
Share of results after tax	216	(301)	136	(545)	1	(493)
Dividend income	(230)	–	–	–	–	(230)
Other equity movements	–	–	(30)	–	–	(30)
Effect of movements in exchange rates	342	(31)	(1 478)	2 017	1	851
Balance at end of the year	1 989	48	–	10 582	5	12 624
2016						
Balance at beginning of the year	**1 989**	**48**	**–**	**10 582**	**5**	**12 624**
Other income (note 2.3)	**–**	**–**	**31**	**–**	**–**	**31**
Share of results after tax	**273**	**(8)**	**(29)**	**(2 227)**	**3**	**(1 988)**
Dividend income	**(205)**	**–**	**–**	**–**	**–**	**(205)**
Other equity movements	**–**	**–**	**(31)**	**–**	**–**	**(31)**
Effect of movements in exchange rates	**(287)**	**(40)**	**29**	**(3 765)**	**1**	**(4 062)**
Balance at end of the year	**1 770**	**–**	**–**	**4 590**	**9**	**6 369**

[1] *During 2015, the Group accounted for the conversion of a portion of its loan to Ghana Tower InterCo B.V. into equity for an amount of R1,3 billion.*

[2] *During 2015 and 2014, the Group sold its mobile network towers in MTN Nigeria Communications Limited to INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V. The tower sales resulted in IHS obtaining a 49% interest in Nigeria Tower InterCo B.V. and the Group obtaining an equity interest of US$775 million.*

Events after reporting period

Investment in IHS

In January 2017, the Group exchanged its 51% interest in Nigeria Tower InterCo B.V., the parent company of INT Towers Limited (INT), the Nigerian telecom tower operator, for an additional shareholding in IHS Holding Limited (IHS Group). As a result of the transaction, the Group's economic interest in the IHS Group increased from approximately 15% class B non-voting shares to an economic interest of approximately 29% comprising class A voting shares and class B non-voting shares. The original IHS Group shareholders' agreement remains in place and there will be no changes to IHS Group's independence as an operator. Neither the current nor the interest obtained subsequent to the transaction will allow the Group to appoint a board member. In addition, IHS Group has the right to decide what strategic, financial and operational information is shared with the Group. As a result of these restrictions, the Group's vote is limited to matters which relate to fundamental changes in the business or which apply in exceptional circumstances and are considered to be protective in nature. The Group's rights do not constitute significant influence to participate in the financial and operating policy decisions of IHS Group. Consequently, the Group will continue to account for its investment in IHS Group as an available-for-sale financial instrument.

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Events after reporting period (continued)

Investment in IHS (continued)

The exchange, which closed on 23 February 2017, will be accounted for as a disposal of the Group's equity accounted interest in INT and an acquisition of an additional investment in the IHS Group. The net impact on profit before tax is estimated to be R5,6 billion, which is determined as the difference between the fair value of the new interest obtained and the carrying value of the equity accounted interest in INT and after recycling any amount in FCTR to the income statement. The financial effects are estimated based on provisional 31 December 2016 carrying values translated at 31 January 2017 closing rates.

The decision to exchange the shares was made following a thorough review of the commercial benefits of the exchange and an agreement on the number of shares that the Group will qualify for in IHS Group. Consensus on these matters and board approval for the sale was obtained in January 2017. As a result, the investment in INT was not accounted for as held for sale in accordance with the requirements of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* at 31 December 2016.

The transaction had no tax impact.

Summarised financial information of associates

Set out below is the summarised financial information of each associate that is material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method, including fair value adjustments at acquisition and modifications for differences in accounting policy.

	Belgacom International Carrier Services SA (BICS)		Uganda Tower InterCo B.V.	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm
Summarised statement of financial position				
Total assets	**12 499**	14 609	**2 660**	3 083
Non-current assets	**2 140**	2 575	**2 015**	2 609
Current assets	**10 359**	12 034	**645**	474
Total liabilities	**9 110**	10 982	**2 799**	2 986
Non-current liabilities	**96**	170	**2 264**	2 395
Current liabilities	**9 014**	10 812	**535**	591
Net assets	**3 389**	3 627	**(139)**	97
% ownership interest held	**20**	20	**49**	49
Interest in associate	**678**	725	**(68)**	48
Goodwill	**1 092**	1 264	**–**	–
Accumulated unrecognised share of losses from associate	**–**	–	**29**	–
Forex losses on net investment loan recorded in equity	**–**	–	**39**	–
Balance at end of the year	**1 770**	1 989	**–**	48
Summarised income statement				
Revenue	**23 647**	22 547	**847**	716
EBITDA	**2 419**	2 241	**380**	196
Profit/(loss) before tax	**1 831**	1 827	**(156)**	(614)
Income tax expense	**(466)**	(747)	**–**	–
Profit/(loss) after tax	**1 365**	1 080	**(156)**	(614)
% ownership interest held	**20**	20	**49**	49
Share of results after tax	**273**	216	**(76)**	(301)
Unrecognised share of losses from associate	**–**	–	**29**	–
Forex losses on net investment loan recorded in equity	**–**	–	**39**	–
Share of results after tax	**273**	216	**(8)**	(301)

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Summarised financial information of associates (continued)

	Nigeria Tower InterCo B.V.		Ghana Tower InterCo B.V.	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm
Summarised statement of financial position				
Total assets	**12 965**	23 353	**2 308**	3 124
Non-current assets	**12 965**	23 353	**566**	1 237
Current assets	**–**	–	**1 742**	1 887
Total liabilities	**3 966**	2 604	**2 744**	3 310
Non-current liabilities	**3 956**	2 480	**2 058**	2 150
Current liabilities	**10**	124	**686**	1 160
Net assets	**8 999**	20 749	**(436)**	(186)
% ownership interest held	**51**	51	**49**	49
Interest in associate excluding goodwill	**4 590**	10 582	**(214)**	(91)
Accumulated unrecognised share of losses from associate[1]	**–**	–	**49**	–
Accumulated unrecognised share of other comprehensive income from associate[1]	**–**	–	**165**	91
Balance at end of the year	**4 590**	10 582	**–**	–
Summarised income statement				
Revenue	**4 624**	–	**1 695**	1 203
EBITDA	**(1 692)**	(1 069)	**526**	570
(Loss)/profit before tax	**(5 658)**	(1 069)	**(131)**	303
Income tax expense	**1 291**	–	**(29)**	(25)
(Loss)/profit after tax	**(4 367)**	(1 069)	**(160)**	278
% ownership interest held	**51**	51	**49**	49
Share of results after tax	**(2 227)**	(545)	**(78)**	136
Unrecognised share of losses from associate	**–**	–	**49**	–
Share of results after tax	**(2 227)**	(545)	**(29)**	136

[1] *Translated at rates of exchange ruling at the reporting date.*

There are no significant contingent liabilities relating to the Group's interests in these associates at the end of the current or prior year.

9 **GROUP COMPOSITION** (continued)

9.2 **Investment in associates and joint ventures** (continued)

Investment in joint ventures

Classification of significant joint arrangements

Joint arrangements are all arrangements where two or more parties contractually agree to share control of the arrangement, which only exists when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group exercises judgement in determining the classification of its joint arrangements. The Group's joint arrangements provide the Group and the other parties to the agreements with rights to the net assets of the entities. The Group has joint control over these arrangements as, under the contractual arrangements, unanimous consent is required for all decisions made with regards to the relevant activities. Judgement has been applied in determining that the following entities should be classified as joint ventures of the Group:

- Irancell Telecommunication Company Services (PJSC) (49%).
- Mascom Wireless Botswana Proprietary Limited (Mascom) (53,11%).
- Middle East Internet Holding S.A.R.L (MEIH) (50%).
- Africa Internet Holding GmbH (AIH) (31,28%).
- International Digital Services Middle East Limited (iME) (50%).

The Group has the following effective interests in joint ventures:

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2016	2015
Irancell Telecommunication Company Services (PJSC)	Network operator	Iran	**49**	49
Mascom Wireless Botswana Proprietary Limited	Network operator	Botswana	**53,1**	53,1
Swazi MTN Limited	Network operator	Swaziland	**30**	30
Deci Investments Proprietary Limited	Holding company	Botswana	**33,3**	33,3
Middle East Internet Holding S.A.R.L (MEIH)[1]	Telecommunications	Luxembourg	**50**	50
Africa Internet Holding GmbH (AIH)[2]	Telecommunications	Germany	**31,28**	33,3
International Digital Services Middle East Limited (iME)[3]	Telecommunications	United Arab Emirates	**50**	50
aYo Holdings Limited	Mobile insurance	Mauritius	**50**	–
TravelLab Global AB (Travelstart)	Online travel services	Sweden	**37,16**	–

[1] *The entity operates in various countries across the Middle East.*
[2] *The entity operates in various countries across Africa.*
[3] *The entity operates in Iran.*

The joint ventures listed above are unlisted and their countries of incorporation are also their principal place of operation unless otherwise indicated.

All joint ventures have a year end consistent with that of the Company with the exception of Irancell Telecommunication Company Services (PJSC) that has a year end of 21 December, in line with statutory requirements in Iran.

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

	Irancell Telecom-munication Company Services (PJSC) Rm	Mascom Wireless Botswana Proprietary Limited Rm	Africa Internet Holdings GmbH (AIH) Rm	Middle East Internet Holdings S.A.R.L (MEIH) Rm	Inter-national Digital Services Middle East Limited (iME) Rm	TravelLab Global AB (Travelstart)[2] Rm	Other Rm	Total Rm
2015								
Balance at beginning of the year	13 976	1 329	2 253	1 638	–	–	343	19 539
Additions	–	–	–	–	–	–	–	–
Share of results after tax	1 903	345	(418)	(129)	(78)	–	96	1 719
Dividend income	(2 513)	(231)	–	–	–	–	(116)	(2 860)
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[1]	3 908	(92)	432	(364)	656	–	(10)	4 530
Balance at end of the year	17 274	1 351	2 267	1 145	578	–	313	22 928
2016								
Balance at beginning of the year	**17 274**	**1 351**	**2 267**	**1 145**	**578**	**–**	**313**	**22 928**
Additions	**–**	**–**	**2 312**	**109**	**–**	**405**	**22**	**2 848**
Share of results after tax	**2 073**	**398**	**(478)**	**(121)**	**(110)**	**(6)**	**105**	**1 861**
Dividend income	**(2 797)**	**(400)**	**–**	**–**	**–**	**–**	**(87)**	**(3 284)**
Other equity movements	**–**	**15**	**(246)**	**–**	**–**	**–**	**–**	**(231)**
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[1]	**(2 968)**	**(92)**	**(526)**	**(157)**	**(65)**	**(13)**	**(1)**	**(3 822)**
Balance at end of the year	**13 582**	**1 272**	**3 329**	**976**	**403**	**386**	**352**	**20 300**

[1] *Refer to note 1.3.3 for the Group's accounting policy with regard to those entities whose functional currency is the currency of a hyperinflationary economy.*

[2] *On 22 January 2016, the Group made an investment in TravelLab Global AB (Travelstart) amounting to US$27 million. Travelstart is an online travel agency focused on emerging markets. MTN Group jointly controls Travelstart through funds managed by its venture capital manager, Amadeus Capital Partners.*

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures

Set out below is the summarised financial information of each joint venture that is material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method including fair value adjustments at acquisition and modifications for differences in accounting policy.

	Irancell Telecommunication Company Services (PJSC)		Africa Internet Holdings GmbH (AIH)[1]		Mascom Wireless Botswana Proprietary Limited	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
Summarised statement of financial position						
ASSETS						
Non-current assets	**45 693**	52 921	**5 396**	1 856	**1 355**	1 393
Property, plant and equipment	**38 858**	44 096	**63**	120	**1 123**	1 172
Intangible assets	**6 319**	8 706	**7**	5	**210**	219
Loans and other non-current receivables	**227**	12	**5 326**	1 731	**–**	1
Investment in associate	**89**	107	**–**	–	**1**	–
Deferred tax assets	**200**	–	**–**	–	**21**	1
Current assets	**23 489**	28 946	**749**	1 405	**323**	349
Inventories	**160**	106	**74**	142	**9**	8
Trade and other receivables	**9 058**	8 778	**286**	255	**111**	154
Restricted cash	**52**	206	**–**	–	**–**	–
Cash and cash equivalents	**14 219**	19 856	**318**	616	**203**	187
Other current assets	**–**	–	**71**	392	**–**	–
Total assets	**69 182**	81 867	**6 145**	3 261	**1 678**	1 742
LIABILITIES						
Non-current liabilities	**5 253**	9 757	**–**	16	**161**	189
Borrowings	**–**	2 117	**–**	14	**–**	–
Deferred tax liabilities	**4 956**	7 304	**–**	1	**111**	120
Provisions	**291**	333	**–**	–	**–**	–
Other non-current liabilities	**6**	3	**–**	1	**50**	69
Current liabilities	**36 299**	37 057	**813**	808	**717**	654
Trade and other payables	**21 492**	26 044	**526**	440	**618**	484
Unearned income	**1 764**	1 760	**29**	6	**–**	–
Provisions	**338**	291	**11**	29	**–**	–
Taxation liabilities	**1 351**	1 903	**228**	333	**14**	33
Borrowings	**1 971**	7 059	**19**	–	**85**	137
Dividends declared	**9 383**	–	**–**	–	**–**	–
Total liabilities	**41 552**	46 814	**813**	824	**878**	843
Net assets	**27 630**	35 053	**5 332**	2 437	**800**	899
Non-controlling interests	**–**	–	**962**	450	**–**	–
Total net assets	**27 630**	35 053	**6 294**	2 887	**800**	899
% ownership interest held	**49**	49	**31,28**	33,3	**53,1**	53,1
Interest in joint venture excluding goodwill	**13 539**	17 176	**1 969**	961	**425**	477
Adjustment up to 31 December[1]	**–**	–	**242**	(101)	**–**	–
Goodwill	**43**	98	**1 118**	1 407	**847**	874
Balance at end of the year	**13 582**	17 274	**3 329**	2 267	**1 272**	1 351

[1] *Summarised financial information presented with regard to the Group's interest in AIH is as per the latest available management accounts at 30 September. Preparation of financial statements at 31 December by AIH was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.*

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures (continued)

	Irancell Telecommunication Company Services (PJSC)		Africa Internet Holdings GmbH (AIH)[1]		Mascom Wireless Botswana Proprietary Limited	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
Summarised income statement						
Revenue	**33 746**	28 463	**1 381**	2 150	**1 891**	1 779
Other income	**–**	–	**–**	–	**–**	–
Operating expenses	**(21 174)**	(17 338)	**(2 909)**	(4 198)	**(772)**	(734)
EBITDA	**12 572**	11 125	**(1 528)**	(2 048)	**1 119**	1 045
Depreciation of property, plant and equipment	**(7 742)**	(4 707)	**–**	–	**(200)**	(138)
Amortisation of intangible assets	**(1 718)**	(1 174)	**–**	–	**(7)**	(97)
Operating profit/(loss)	**3 112**	5 244	**(1 528)**	(2 048)	**912**	810
Finance income	**3 320**	3 003	**–**	–	**22**	15
Finance costs	**(1 556)**	(1 601)	**–**	–	**(3)**	(11)
Net monetary gain	**–**	797	**–**	–	**–**	–
Profit/(loss) before tax	**4 876**	7 443	**(1 528)**	(2 048)	**931**	814
Income tax expense	**(646)**	(3 560)	**–**	–	**(182)**	(165)
Profit/(loss) after tax	**4 230**	3 883	**(1 528)**	(2 048)	**749**	649
Non-controlling interests	**–**	–	**(290)**	(794)	**–**	–
Profit/(loss) attributable to equity holders of the Company	**4 230**	3 883	**(1 238)**	(1 254)	**749**	649
% ownership interest held	**49**	49,0	**31,28**	33,3	**53, 1**	53,1
Share of results after tax	**2 073**	1 903	**(478)**	(418)	**398**	345

[1] *Summarised financial information presented with regard to the Group's interest in AIH is as per the latest available management accounts at 30 September. Preparation of financial statements at 31 December by AIH was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.*

A receivable of R9 930 million (2015: R8 158 million) from Irancell Telecommunication Company Services (PJSC) has not been received by the Group as at 31 December 2016, but is still considered recoverable, as the financial sanctions in Iran have been lifted.

During 2015, the Group formed iME by moving EUR40 million, being the Iranian business interests previously held in MEIH, to the newly formed entity. There was no resulting change in the total investment held prior to and subsequent to the restructure.

The Group's investment of R2 312 million in AIH, made in terms of the rights obtained in 2015, became effective during March 2016. This additional investment increased the Group's interest in this joint venture from 33,3% to 41,4%. Subsequently AIH received additional investments from new investors which became effective during April, May, June and July 2016. These additional investments diluted the Group's investment in AIH from 41,4% to 31,28%. Following a share swap transaction with non-controlling interest (NCI) of Africa eCommerce Holdings GmbH (AEH), a subsidiary of AIH, in terms of which AEH became a wholly owned subsidiary of AIH and the NCI received shares in AIH in exchange. The Group recognised a net loss dilution of R349 million (comprising a gain of R277 million and a loss of R626 million). The Group retains joint control over AIH.

9 **GROUP COMPOSITION** (continued)

9.2 **Investment in associates and joint ventures** (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures (continued)

	Middle East Internet Holdings S.A.R.L		International Digital Services Middle East Limited (iME)		TravelLab Global AB[2]
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**
Summarised statement of financial position					
ASSETS					
Non-current assets	**587**	679	**86**	457	**548**
Current assets	**574**	489	**111**	39	**251**
Total assets	**1 161**	1 168	**197**	496	**799**
LIABILITIES					
Non-current liabilities	**9**	–	**4**	–	**505**
Current liabilities	**118**	90	**30**	18	**41**
Total liabilities	**127**	90	**34**	18	**546**
Net assets	**1 034**	1 078	**163**	478	**253**
Non-controlling interest	**12**	16	**–**	–	**–**
Total assets	**1 046**	1 094	**163**	478	**253**
% ownership interest held	**50**	50	**50**	50	**37,16**
Interest in joint venture excluding goodwill	**523**	547	**82**	239	**94**
Adjustment up to 31 December[1]	**(97)**	(39)	**11**	(20)	**–**
Goodwill	**550**	637	**310**	359	**292**
Balance at end of the year	**976**	1 145	**403**	578	**386**
Summarised income statement					
Revenue	**487**	126	**112**	38	**300**
Other income	**–**		**–**		**–**
Operating expenses	**(729)**	(383)	**(332)**	(194)	**(319)**
EBITDA and loss after tax	**(242)**	(257)	**(220)**	(156)	**(19)**
Income tax expense	**–**		**–**		**3**
Loss after tax	**(242)**	(257)	**(220)**	(156)	**(16)**
% ownership interest held	**50**	50	**50**	50	**37,16**
Share of results after tax	**(121)**	(129)	**(110)**	(78)	**(6)**

[1] *Summarised financial information presented with regard to the Group's interest in MEIH and iME is as per the latest available management accounts at 30 September. Preparation of the financial statements at 31 December by MEIH and iME was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.*

[2] *No comparative information as Travelstart was acquired during the year.*

9 **GROUP COMPOSITION** (continued)

9.2 **Investment in associates and joint ventures** (continued)

Investment in joint ventures (continued)

Commitments relating to joint ventures

Commercial commitments

Irancell Telecommunication Company Services (PJSC)

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 of 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%. Local management together with the shareholders continue to engage the regulator on this matter.

	2016 Rm	2015 Rm
Capital commitments		
Share of capital commitments of joint ventures not yet incurred at the reporting date:		
Contracted	**2 819**	3 077
– Property, plant and equipment	**2 819**	3 028
– Software	**–**	49
Authorised but not contracted	**2 884**	1 046
– Property, plant and equipment	**1 542**	583
– Software	**1 342**	463
	5 703	4 123
Operating lease commitments		
The Group's share of future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:		
Not later than one year	**2**	24
Later than one year and no later than five years	**1**	–
	3	24

Contingent liabilities relating to joint ventures

There are no significant contingent liabilities relating to the Group's interests in its joint ventures during the current or prior year.

Licences

Licences awarded to the joint ventures are set out below:

Licence agreements	Type	Granted/ renewed	Term
Irancell Telecommunication Company Services (PJSC)	2G	07/09/2006	15 years
	WiMax[1]	28/02/2009	6 years
	3G	17/08/2014	7 years
	LTE	23/08/2015	6 years
Mascom Wireless Botswana	900MHz		
	1 800MHz		
	2 100MHz	13/06/2013	15 years
Swazi MTN Limited	900MHz		
	1 800MHz	28/11/2008	10 years
	2 100MHz	26/09/2011	7 years
	4G/LTE	3/11/2016	3 years

[1] *Renewal application lodged.*

9 GROUP COMPOSITION (continued)

9.3 Changes in shareholding

Changes in shareholding of subsidiaries are transactions that result in increases or reductions in the interest held in a subsidiary of the Group, but which do not result in a loss of control and are accounted for as transactions with non-controlling shareholders as disclosed in note 1.3.1.

9.3.1 Current year changes in shareholding

There were no material changes in shareholding during the current year.

9.3.2 Prior year changes in shareholding

New licence requirements in Ivory Coast require that 15% of the share capital of MTN Côte d'Ivoire SA be held by an Ivorian citizen. On 21 May 2015, MTN Mauritius disposed of 8% of its interest in MTN Côte d'Ivoire SA to Teyliom Global Capital Limited (TGCL), a fellow subsidiary of an entity which already holds a 7% interest in MTN Côte d'Ivoire SA. MTN Dubai advanced an interest-bearing loan to TGCL in order to effect the purchase. The loan is repayable in 20 years' time, and is secured by the 8% holding in MTN Côte d'Ivoire SA. The transaction was subject to certain conditions subsequent at agreement signature date, consequently although the shares were legally sold at that date, the transaction was only effective on 15 December 2015 for accounting purposes. At a Group level, it is viewed that an option was granted to TGCL, consequently neither the loan to TGCL nor the disposal of the 8% interest is recognised. As a result, the legal ownership percentage and the accounting ownership percentage differs by 8% at 31 December 2015. The option resulted in the recognition of an IFRS 2 charge at a Group level. This charge was capitalised as part of the licence cost as it is considered to be a cost which is directly attributed to the cost of acquiring this licence.

9 GROUP COMPOSITION (continued)

9.4 Business combinations

9.4.1 Current year business combinations

9.4.1.1 Altech Autopage subscriber base

On 11 February 2016, the Group acquired its Altech Autopage subscriber base from Altron TMT Proprietary Limited for R678 million. The acquisition of the subscriber base will allow the Group to consolidate the Mobile Telephone Networks Proprietary Limited postpaid subscriber base in one entity. The acquisition has been accounted for in accordance with IFRS 3 *Business Combinations*.

If the acquisition had occurred on 1 January 2016, management estimates that the Group's profit for the year would have increased by R63 million. In determining this amount, management has assumed that the fair value adjustments, determined provisionally, that arose on date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

The following table summarises the consideration transferred by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

	2016 Rm
Consideration transferred	
Cash outflow on acquisition	**678**

Recognised amounts of identifiable assets acquired and liabilities assumed

	2016 Rm
Assets acquired	**665**
Intangible assets	**455**
Loans and other non-current receivables	**210**
Liabilities assumed	
Deferred tax liabilities	**(186)**
Total identifiable net assets	**479**
Total consideration paid	**678**
Net identifiable assets acquired	**(479)**
Goodwill	**199**

The goodwill of R199 million comprises the fair value of expected synergies arising from the acquisition.

Measurement of fair values

The valuation techniques applied in measuring the fair value of material assets acquired are as follows:

Asset acquired	Valuation technique
Intangible assets	Multi-excess earnings method, taking into account a contributory asset charge based on assets
Loans and other non-current receivables	Discounted cash flows method

9 GROUP COMPOSITION (continued)

9.4 Business combinations (continued)

9.4.1 Current year business combinations (continued)

9.4.1.2 Smart Village Proprietary Limited

On 29 November 2016, the Group acquired 100% of the share capital of Smart Village Proprietary Limited (Smart Village) for a R220 million cash consideration and R12 million deferred consideration. As a result, the Group obtained control of Smart Village. Control over Smart Village will enable the Group to grow its fibre-to-the-home (FTTH) footprint and services and strengthen its presence in the market.

In the one month to 31 December 2016, Smart Village contributed revenue of R6 million and a loss of R2 million to the Group's results. If the acquisition had occurred on 1 January 2016, management estimates that the Group's revenue and loss for the year would have increased and decreased by R96 million and R12 million, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

The following table summarises the consideration transferred by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

	2016 Rm
Consideration transferred	
Cash	220
Deferred consideration	12
Total consideration transferred	232
Cash in subsidiary acquired	(16)
Cash outflow on acquisition	216

Recognised amounts of identifiable assets acquired and liabilities assumed

	2016 Rm
Assets acquired	
Property, plant and equipment	158
Intangible assets	1
Interest in joint ventures	15
Inventories	20
Trade and other receivables	41
Cash and cash equivalents	16
Liabilities assumed	
Deferred tax liabilities	(31)
Trade and other payables	(17)
Unearned income	(1)
Total identifiable net assets	202
Total consideration	232
Net identifiable assets acquired	(202)
Goodwill	30

The goodwill of R30 million comprises the fair value of expected synergies arising from the acquisition.

9 GROUP COMPOSITION (continued)

9.4 Business combinations (continued)

9.4.1 Current year business combinations (continued)

9.4.1.2 Smart Village Proprietary Limited (continued)

Measurement of fair values

The valuation techniques applied in measuring the provisional fair value of material assets acquired are as follows:

Asset acquired	Valuation technique
Property, plant and equipment	Replacement cost method
Intangible assets	Multi-excess earning method
Trade receivables	Present value of expected cash flows
Inventories	Net replacement value

The net assets recognised at 31 December 2016 have been based on a provisional assessment, to be finalised during 2017.

9.4.2 Prior year business combinations

9.4.2.1 Visafone Communications Limited

On 31 December 2015, MTN Nigeria acquired 100% of the share capital of Visafone Communications Limited (Visafone) for R3 432 million. As a result, the Group obtained control of Visafone. Control over Visafone will enable the Group to improve the quality of broadband services for its subscribers. The acquisition seeks to leverage resources for service enhancement and reflects the Group's concerted efforts to deepen the growth and roll-out of broadband services across Nigeria.

Visafone contributed no revenues and net profit to the Group for the period ended 31 December 2015 as the business was acquired on the last day of the year. The consolidated pro forma revenue and profit for the year ended 31 December 2015 as though the acquisition had occurred on 1 January 2015 cannot be disclosed as the audited financial statements of Visafone for the year ended 31 December 2015 are not yet available.

The following table summarises the consideration transferred by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date:

	2015 Rm
Consideration transferred	
Cash outflow on acquisition	3 040
Retention amount	392
Cash outflow	3 432

Retention amount

The retention amount represents an amount deposited into an escrow account by the Group as agreed by the parties to the acquisition, to be utilised for the satisfaction of outstanding liabilities, the shareholder debt, warranty claims and termination payments arising from the termination of supplier contracts in respect of the acquisition. The Group did not assume any liabilities, other than deferred tax, from the acquisition of Visafone. The retention amount was disclosed as restricted cash as at 31 December 2015.

9 **GROUP COMPOSITION** (continued)

9.4 **Business combinations** (continued)

9.4.2 Prior year business combinations (continued)

9.4.2.1 Visafone Communications Limited (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	2015 Rm
Assets acquired	
Intangible assets	3 752
Liabilities assumed	
Deferred tax liabilities	(1 062)
Total identifiable net assets	2 690
Total consideration paid	3 432
Net identifiable assets acquired	(2 690)
Goodwill	742

Measurement of fair values

The valuation techniques applied in measuring the fair value of material assets acquired are as follows:

Asset acquired	Valuation technique
Intangible assets	Market approach or comparable transaction method was used which estimates the fair value of a licence by referring to the purchase prices paid for similar licences across different markets.

The net assets recognised in the 31 December 2015 financial statements were based on a provisional assessment. The amounts were finalised during 2016, and no material changes to the previously reported results were required.

9 **GROUP COMPOSITION** (continued)

9.5 **Joint operations**

In respect of its interest in joint operations, the Group recognises in its financial statements its share of the assets jointly held, classified according to the nature of the assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other joint operators in relation to the joint operation, any income from the sale or use of its share of the output of the joint operation, together with its share of any expenses incurred by the joint operation and any expenses that it has incurred in respect of its interest in the joint operation.

When the Group acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised in profit or loss. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

When the Group increases its interest in a joint operation in which the activity of the joint operation constitutes a business, by acquiring an additional interest in the joint operation, the Group's previously held interests in the joint operation are not remeasured if the joint operator retains joint control.

The Group has entered into agreements with several other companies to construct high-capacity fibre-optic submarine cable systems.

The Group has the following interests in jointly controlled operations:

	Ownership interest held	
	2016 %	2015 %
Joint operation		
Europe India Gateway Submarine Cable System	**6,89**	7,12
West Africa Cable System	**11,06**	11,06
Eassy Cable System	**16,26**	16,26
Africa Coast to Europe Cable System	**8,67**	8,67

The following table presents, on a condensed basis, the Group's share of assets and liabilities, revenue and expenses of the jointly controlled operations which are included in the consolidated statement of financial position and income statement:

	2016 Rm	2015 Rm
Revenue	**39**	35
Expenses	**(304)**	(299)
Total assets	**2 791**	3 133
Total liabilities (excluding unearned income)	**(169)**	(129)
Unearned income	**(122)**	(161)

9.6 **Interest in subsidiaries**

The subsidiaries in which MTN Group Limited has direct and indirect interests are set out in note 9.1.

A summary of the Group's subsidiaries with material non-controlling interests is presented below.

		Non-controlling interests	
	Principal place of business	**2016 Rm**	2015 Rm
Subsidiary			
MTN Nigeria Communications Limited	Nigeria	**725**	2 365
MTN Côte d'Ivoire SA	Côte d'Ivoire	**983**	1 284
Spacetel Benin SA	Benin	**172**	392
Mobile Telephone Networks Cameroon Limited	Cameroon	**396**	469
Other		**575**	959
		2 851	5 469

9 GROUP COMPOSITION (continued)

9.6 Interest in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below and on the next page is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. Unless otherwise stated, the Group's subsidiaries' countries of incorporation are also their principal places of operation. The summarised financial information presented is before intercompany eliminations.

	MTN Nigeria Communications Limited		MTN Côte d'Ivoire SA	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm
% ownership interest held by non-controlling interests	**21,17**	21,17	**33,17[1]**	33,17[1]
Summarised statement of financial position				
Non-current assets	**28 704**	47 026	**8 070**	8 420
Current assets	**16 493**	30 011	**2 003**	2 126
Total assets	**45 197**	77 037	**10 073**	10 546
Non-current liabilities	**19 855**	31 871	**2 702**	871
Current liabilities	**21 916**	33 993	**4 408**	5 804
Total liabilities	**41 771**	65 864	**7 110**	6 675
Summarised income statement				
Revenue	**47 122**	51 942	**7 176**	6 424
EBITDA	**11 355**	18 180	**2 333**	2 195
(Loss)/profit before tax	**(6 592)**	7 221	**1 004**	1 283
Income tax	**(3 156)**	(4 264)	**(230)**	(313)
(Loss)/profit after tax	**(9 748)**	2 957	**774**	970
(Loss)/profit attributable to non-controlling interests	**(2 064)**	626	**257**	322
Dividends paid to non-controlling interests	**–**	1 328	**527**	373
Summarised statement of cash flows				
Net cash generated from operating activities	**13 692**	13 065	**755**	486
Net cash used in investing activities	**(11 165)**	(8 929)	**(748)**	(2 247)
Net cash (used in)/from financing activities	**(5 034)**	(4 188)	**41**	1 865
Net (decrease)/increase in cash and cash equivalents	**(2 507)**	(52)	**48**	104
Net cash and cash equivalents at beginning of the year	**15 577**	13 032	**430**	437
Exchange (loss)/gain on cash and cash equivalents	**(6 658)**	2 597	**(33)**	(111)
Net cash and cash equivalents at end of the year	**6 412**	15 577	**445**	430

[1] *The non-controlling interests hold 41,17% of the issued ordinary share capital of MTN Côte d'Ivoire SA. However, the effective ownership for accounting purposes is 33,17% due to outstanding funding provided by the Group to the non-controlling interests to acquire ordinary share capital in MTN Côte d'Ivoire.*

9 **GROUP COMPOSITION** (continued)

9.6 **Interest in subsidiaries** (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

	Spacetel Benin SA		Mobile Telephone Networks Cameroon Limited	
	2016	2015	**2016**	2015
% ownership interest held by non-controlling interests	**25**	25	**20**[1]	20[1]
	Rm	Rm	**Rm**	Rm
Summarised statement of financial position				
Non-current assets	**2 434**	2 470	**6 347**	6 228
Current assets	**1 721**	2 388	**2 362**	1 782
Total assets	**4 155**	4 858	**8 709**	8 010
Non-current liabilities	**563**	1 039	**1 253**	983
Current liabilities	**2 906**	2 250	**5 478**	4 682
Total liabilities	**3 469**	3 289	**6 731**	5 665
Summarised income statement				
Revenue	**4 012**	3 633	**6 189**	5 806
EBITDA	**1 038**	1 280	**2 065**	2 101
Profit before tax	**478**	791	**830**	1 212
Income tax	**1**	1	**(297)**	(635)
Profit after tax	**479**	792	**533**	577
Profit attributable to non-controlling interests	**120**	198	**107**	115
Dividends paid to non-controlling interests	**300**	263	**110**	175
Summarised statement of cash flows				
Net cash generated from operating activities	**612**	21	**900**	276
Net cash used in investing activities	**(573)**	(121)	**(2 222)**	(3 165)
Net cash (used in)/generated from financing activities	**(173)**	(30)	**1 701**	537
Net (decrease)/increase in cash and cash equivalents	**(134)**	(130)	**379**	(2 352)
Net cash and cash equivalents at beginning of the year	**970**	927	**644**	2 971
Exchange (loss)/gain on cash and cash equivalents	**(89)**	173	**(79)**	25
Net cash and cash equivalents at end of the year	**747**	970	**944**	644

[1] *The non-controlling interests hold 30% of the issued ordinary share capital of Mobile Telephone Networks Cameroon. However, the effective ownership for accounting purposes is 20% due to outstanding funding provided by the Group to the non-controlling interests to acquire ordinary share capital in Mobile Telephone Networks Cameroon during prior years.*

10 RELATED PARTIES

10.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

	2016 Rm	2015 Rm
Key management compensation		
Salaries and other short-term employee benefits	**112**	97
Post-employment benefits	**5**	8
Other benefits	**61**	26
Bonuses	**47**	2
Compensation for loss of office	**4**	54
Total	**229**	187

Details of directors' remuneration are disclosed in note 10.2 of the financial statements.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 9.1 of the financial statements.

Changes in shareholding

There were no transactions with non-controlling shareholders or changes in shareholding in any of the Group's subsidiaries during the current or prior years (note 9.3).

Joint ventures and associates

Details of the Group's investments in and share of results and dividend income from its joint ventures and associates are disclosed in note 9.2 of the financial statements.

Details of other transactions and balances with joint ventures and associates are set out below:

	Joint ventures		Associates	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm
Balances outstanding at 31 December				
Trade and other payables owing to joint ventures/associates	**216**	246	**145**	103
Loan receivable from joint ventures/associates	**11 884**	17 328	**5 013**	4 972
Trade and other receivables from joint ventures/associates	**696**	1 021	**242**	416
Capital call commitments payable to joint ventures/associates	**1 934**	1 106	**–**	–
Transactions for the year ended 31 December				
Dividends paid by joint ventures/associates	**3 284**	2 860	**205**	230
Interest income	**1 142**	712	**230**	180
Capital call notices paid	**1 098**	1 802	**–**	–
Repayment of loan receivable from joint venture	**6 478**	–	**–**	–

10 RELATED PARTIES (continued)

10.1 Related party transactions (continued)

Transactions between members of the Group

Scancom Limited (MTN Ghana) entered into operating lease agreements with Ghana Tower InterCo B.V. The operating lease commitments amount to R6 795 million at 31 December 2016 (2015: R8 353 million). The expense recorded amounted to R532 million for the 2016 financial year (2015: R697 million). The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

MTN Uganda Limited entered into operating lease agreements with Uganda Tower InterCo B.V. The operating lease commitments amount to R2 187 million (2015: R3 109 million) at 31 December 2016. The expense recorded amounted to R432 million for the 2016 financial year (2015: R660 million). The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

MTN Nigeria Communications Limited entered into operating lease agreements with INT Towers Limited, a wholly owned subsidiary of Nigeria Tower InterCo B.V. The operating lease commitments amount to R85 810 million at 31 December 2016 (2015: R42 616 million). The expense recorded amounted to R4 254 million for the 2016 financial year (2015: R3 333 million). The initial term is 10 years (extended to 15 years in 2016), followed by four times five-year renewal periods.

Shareholders

The principal shareholders of the Company are disclosed in Annexure 1, which is unaudited.

10.2 Emoluments, equity compensation and dealings in ordinary shares

Directors' emoluments and related payments

	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Sub-total R000	Share gains** R000	Total R000
2016								
Executive directors								
RS Dabengwa^	01/10/2001	–	–	19 564±	–	19 564	–	19 564
BD Goschen^^	22/07/2013	5 975	716	3 458	–	10 149	–	10 149
PF Nhleko^^^∞	09/11/2015	30 000	–	–	38 191	68 191	–	68 191
Total		35 975	716	23 022	38 191	97 904	–	97 904

* *Includes medical aid and unemployment insurance fund.*
** *Pre-tax gains on share-based payments.*
^ *Resigned 9/11/2015.*
^^ *Resigned 30/09/2016.*
^^^ *Fees paid to Captrust Investments Proprietary Limited.*
± *Represents compensation for loss of office comprising notice pay and a restraint of trade payment.*
∞ *Contractual service fees and bonus in accordance with the agreement between MTN and Captrust Investments Proprietary Limited.*

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors' emoluments and related payments (continued)

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
2016							
Non-executive directors							
PF Nhleko^	28/05/2013	**2 568**	**638**	**351**	**420**	**–**	**3 977**
KC Ramon@	01/06/2014	**325**	**429**	**174**	**159**	**–**	**1 087**
KP Kalyan	13/06/2006	**346**	**451**	**178**	**159**	**–**	**1 134**
AT Mikati*†	18/07/2006	**1 302**	**764**	**295**	**368**	**480**	**3 209**
MJN Njeke~	13/06/2006	**130**	**219**	**20**	**54**	**–**	**423**
JHN Strydom~	11/03/2004	**125**	**241**	**28**	**54**	**–**	**448**
AF van Biljon	01/11/2002	**213**	**267**	**178**	**159**	**120**	**937**
J van Rooyen	18/07/2006	**373**	**486**	**166**	**159**	**120**	**1 304**
MLD Marole	01/01/2010	**349**	**644**	**178**	**159**	**–**	**1 330**
NP Mageza	01/01/2010	**408**	**547**	**166**	**159**	**–**	**1 280**
A Harper*	01/01/2010	**1 304**	**696**	**291**	**368**	**763**	**3 422**
NL Sowazi&	01/08/2016	**107**	**122**	**73**	**–**	**–**	**302**
SP Miller*&	01/08/2016	**485**	**256**	**247**	**–**	**–**	**988**
PB Hanratty*&	01/08/2016	**488**	**264**	**251**	**–**	**–**	**1 003**
S Kheradpir*	08/07/2015	**1 275**	**565**	**138**	**239**	**1 166**	**3 383**
Total		**9 798**	**6 589**	**2 734**	**2 457**	**2 649**	**24 227**

^ Fees paid to Captrust Investments Proprietary Limited.
@ Fees paid to Anglogold Ashanti Limited.
** Fees have been paid in euro.*
† Fees are paid to M1 Limited.
~ Retired on 25/05/2016.
& Appointed on 1/08/2016.
 # Retainer and attendance fees for board and committee representation and meetings.

	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Compensation for loss of office± R000	Sub-total R000	Share gains** R000	Total R000
2015								
Executive directors								
RS Dabengwa^	01/10/2001	8 426	1 080	2 882	23 664	36 052	4 529	40 581
BD Goschen	22/07/2013	7 567	970	292	–	8 829	427	9 256
PF Nhleko^^	09/11/2015	5 000	–	–	–	5 000	–	5 000
Total		20 993	2 050	3 174	23 664	49 881	4 956	54 837

** Includes medical aid and unemployment insurance fund.*
*** Pre-tax gains on share-based payments.*
^ Resigned 9/11/2015.
^^ Fees paid to Captrust Investments Proprietary Limited.
± Compensation for loss of office comprises notice pay and a restraint of trade.

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors' emoluments and related payments (continued)

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
2015							
Non-executive directors							
PF Nhleko^	28/05/2013	1 976	1 021	60	371	57	3 485
KC Ramon@	01/06/2014	322	661	52	154	96	1 285
KP Kalyan	13/06/2006	343	602	40	154	8	1 147
AT Mikati*†	18/07/2006	1 181	1 126	181	241	384	3 113
MJN Njeke	13/06/2006	331	442	56	106	20	955
JHN Strydom	11/03/2004	309	585	60	154	41	1 149
AF van Biljon	01/11/2002	212	480	60	154	73	979
J van Rooyen	18/07/2006	369	827	60	106	108	1 470
MLD Marole	01/01/2010	332	681	60	154	8	1 235
NP Mageza	01/01/2010	403	743	40	106	20	1 312
A Harper*	01/01/2010	1 215	1 358	181	241	104	3 099
F Titi±	01/07/2012	260	397	52	154	–	863
S Kheradpir^^^^*	08/07/2015	425	675	26	239	–	1 365
Total		7 678	9 598	928	2 334	919	21 457

* *Fees have been paid in euro.*
† *Fees are paid to M1 Limited.*
^^^^ *Appointed 8/07/2015.*
± *Resigned 31/12/2015.*
\# *Retainer and attendance fees include fees for board and committee representation and meetings.*
@ *Fees paid to Anglogold Ashanti Limited.*
^ *Fourth quarter fees paid to Captrust Investments Proprietary Limited.*

Prescribed officers' emoluments and related payments

	Salaries R000	Post-employment benefits# R000	Other benefits R000	Compensation for loss of office R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
2016								
Prescribed officers								
JA Desai	**10 783**	**1 078**	**2 225**	**–**	**–**	**14 086**	**–**	**14 086**
PD Norman	**4 731**	**564**	**286**	**–**	**–**	**5 581**	**–**	**5 581**
MD Fleischer[1]	**6 089**	**710**	**10 454**	**–**	**–**	**17 253**	**–**	**17 253**
M Nyati	**3 855**	**444**	**3 584**	**–**	**–**	**7 883**	**–**	**7 883**
I Jaroudi	**11 083**	**–**	**1 418**	**–**	**6 353**	**18 854**	**–**	**18 854**
K Toriola	**6 017**	**695**	**4 838**	**–**	**1 969**	**13 519**	**–**	**13 519**
F Moolman	**6 700**	**548**	**2 882**	**–**	**–**	**10 130**	**–**	**10 130**
S van Coller[2, 3]	**1 846**	**208**	**13 071**	**–**	**–**	**15 125**	**–**	**15 125**
G Engling[4]	**687**	**64**	**26**	**–**	**–**	**777**	**–**	**777**
M Ikpoki[5]	**–**	**–**	**–**	**4 064**	**–**	**4 064**	**–**	**4 064**
Total	**51 791**	**4 311**	**38 784**	**4 064**	**8 322**	**107 272**	**–**	**107 272**

[1] *Other benefits include a long-term retention amount of R10 million, of which a portion is forfeitable.*
[2] *Appointed on 1/10/2016.*
[3] *Other benefits include an amount of R13 million paid in lieu of forfeited benefits from previous employer.*
[4] *Appointed on 1/10/2016.*
[5] *Mutual separation on 31/12/2015.*
\# *Includes medical aid and unemployment insurance fund.*

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Prescribed officers' emoluments and related payments (continued)

	Salaries R000	Post-employment benefits R000	Other benefits R000	Compensation for loss of office R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
2015								
Prescribed officers								
JA Desai	9 490	949	2 586	–	–	13 025	295	13 320
PD Norman	4 473	573	60	–	–	5 106	1 465	6 571
A Farroukh[1]	5 444	544	555	–	–	6 543	2 208	8 751
SA Fakie[2]	331	44	1 209	–	–	1 584	755	2 339
KW Pienaar[3]	4 831	619	10 965	–	–	16 415	982	17 397
P Verkade[4]	1 021	102	21	–	–	1 144	345	1 489
Z Bulbulia[5]	3 691	473	785	13 254[@]	1 475	19 678	621	20 299
M Ikpoki[5]	6 603	754	2 274	17 260[#]	–	26 891	–	26 891
MD Fleischer	5 044	647	123	–	–	5 814	–	5 814
M Nyathi	3 644	467	3 326	–	634	8 071	–	8 071
H Singh[6]	508	65	129	–	–	702	–	702
S Sooklal[7]	4 006	514	88	–	–	4 608	–	4 608
A Fenandez[8]	5 503	550	88	–	–	6 141	–	6 141
Total	54 589	6 301	22 209	30 514	2 109	115 722	6 671	122 393

[1] *Resigned on 31/07/2015.*
[2] *Retired on 16/02/2015.*
[3] *Retired on 31/12/2015.*
[4] *Contract ended on 31/03/2015.*
[5] *Mutual separation on 31/12/2015.*
[6] *Appointed on 01/11/2015.*
[7] *Appointed on 01/02/2015.*
[8] *Appointed on 01/04/2015.*
[@] *Compensation for loss of office comprises severance, restraint of trade and gratuity pay.*
[#] *Severance, leave and lifestyle benefits.*

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors, prescribed officers, company secretary of the MTN Group and directors and company secretaries of major subsidiaries' shareholding and dealings in ordinary shares

	December 2016	December 2015	Beneficial
RS Dabengwa^	**–**	1 473 552	Direct
NP Mageza	**400**	400	Indirect
PD Norman#*	**300 970**	300 970	Direct
MJN Njeke	**10**	10	Direct
BD Goschen#@	**44 393**	44 393	Direct
KW Pienaar# ^^	**–**	455 261	Direct
S Ntsele#	**6 000**	4 000	Direct
KC Ramon	**3 244**	3 244	Direct
KC Ramon	**9 901**	9 901	Indirect
KP Kalyan	**1 373**	1 373	Direct
SB Mtshali	**3 199**	–	Direct
Total	**369 490**	2 293 104	

^ *Resigned 9/11/2015.*
* *Prescribed officer.*
\# *Major subsidiary director.*
@ *Resigned 30/09/2016.*
^^ *Retired 31/12/2015.*

Subsequent to year end there were no changes in the directors' beneficial interest in MTN Group.

Directors, prescribed officers, company secretary of the MTN Group and directors and company secretaries of major subsidiaries' shareholding relating to MTN Zakhele Futhi

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

Beneficiary	Nature of interest	**Shares**
KP Kalyan	Direct beneficial	**83 967**
NP Mageza	Indirect beneficial	**155 870**
SB Mtshali	Indirect beneficial	**39 703**
J van Rooyen	Indirect beneficial	**500**
KC Ramon	Direct beneficial	**23 500**
LWC Phalatse	Direct beneficial	**5 000**
LWC Phalatse	Indirect beneficial	**5 000**
SA Fakie	Direct beneficial	**1 000**
SA Fakie	Indirect beneficial	**2 000**
Total		**316 540**

Subsequent to year end there were no changes in the directors' beneficial interest in MTN Zakhele Futhi.

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors and directors of major subsidiaries in respect of the share appreciation rights and share rights schemes

Offer date	Strike price R	Vesting date	Number outstanding as at 31 December 2015	**Exercised 2016**	Forfeited	Exercise date	Exercise price R	**Number outstanding as at 31 December 2016**
BD Goschen^								–
19/03/2008	126,99	19/03/2010	12 260	**(12 260)**	–	28/06/2016	140,53	**–**
19/03/2008	126,99	19/03/2011	12 260	**(12 260)**	–	28/06/2016	138,55	**–**
19/03/2008	126,99	19/03/2012	18 390	**(18 390)**	–	28/06/2016	140,53	**–**
19/03/2008	126,99	19/03/2013	18 390	**(18 390)**	–	28/06/2016	138,55	**–**
Total			61 300	**(61 300)**	–			**–**
F Moolman								
19/03/2008	126,99	19/03/2010	10 200	**–**	–	–	–	**10 200**
19/03/2008	126,99	19/03/2011	10 200	**–**	–	–	–	**10 200**
19/03/2008	126,99	19/03/2012	15 300	**–**	–	–	–	**15 300**
19/03/2008	126,99	19/03/2013	15 300	**–**	–	–	–	**15 300**
Total			51 000	**–**	–	–	–	**51 000**
RS Dabengwa*								
31/05/2006	56,83	30/11/2008	13 920	**–**	(13 920)	–	–	**–**
31/05/2006	56,83	30/11/2009	26 440	**–**	(26 440)	–	–	**–**
31/05/2006	56,83	30/11/2010	40 440	**–**	(40 440)	–	–	**–**
21/11/2006	71,00	21/11/2008	8 680	**–**	(8 680)	–	–	**–**
21/11/2006	71,00	21/11/2009	8 680	**–**	(8 680)	–	–	**–**
21/11/2006	71,00	21/11/2010	13 020	**–**	(13 020)	–	–	**–**
21/11/2006	71,00	21/11/2011	13 020	**–**	(13 020)	–	–	**–**
19/03/2008	126,99	19/03/2010	14 440	**–**	(14 440)	–	–	**–**
19/03/2008	126,99	19/03/2011	14 440	**–**	(14 440)	–	–	**–**
19/03/2008	126,99	19/03/2012	21 660	**–**	(21 660)	–	–	**–**
19/03/2008	126,99	19/03/2013	21 660	**–**	(21 660)	–	–	**–**
Total			196 400	**–**	(196 400)			**–**

^ Resigned 30/09/2016.

** These options were forfeited during the year and a payment of R10,6 million was made (outside of the scheme) in return; he resigned 9/11/2015.*

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company secretary of the MTN Group and directors of major subsidiaries in respect of the performance share plan

Offer date	Vesting date	Number outstanding at 31 December 2015	Offered	Exercised	Forfeited	Exercise date	Exercise price R	**Number outstanding as at 31 December 2016**
BD Goschen*								
28/12/2012	28/12/2015	26 500	–	–	(26 500)	–	–	**–**
20/12/2013	19/12/2016	43 700	–	–	(43 700)	–	–	**–**
19/12/2014	18/12/2017	54 700	–	–	(54 700)	–	–	**–**
29/06/2016	29/12/2018	–	93 400	–	(93 400)	–	–	**–**
Total		124 900	93 400	–	(218 300)			**–**
PD Norman								
28/12/2012	28/12/2015	30 600	–	–	(30 600)	–	–	**–**
20/12/2013	19/12/2016	28 400	–	–	–	–	–	**28 400**
19/12/2014	18/12/2017	27 000	–	–	–	–	–	**27 000**
29/06/2016	29/12/2018	–	46 100	–	–	–	–	**46 100**
28/12/2016	28/12/2019	–	56 300	–	–	–	–	**56 300**
Total		86 000	102 400	–	(30 600)			**157 800**
Z Bulbulia^								
28/12/2012	28/12/2015	15 500	–	–	(15 500)	–	–	**–**
20/12/2013	19/12/2016	16 586	–	–	–	–	–	**16 586**
19/12/2014	18/12/2017	7 656	–	–	–	–	–	**7 656**
Total		39 742	–	–	(15 500)			**24 242**
KW Pienaar#								
28/12/2012	28/12/2015	33 000	–	–	(33 000)	–	–	**–**
20/12/2013	19/12/2016	20 716	–	–	–	–	–	**20 716**
19/12/2014	18/12/2017	10 036	–	–	–	–	–	**10 036**
Total		63 752	–	–	(33 000)			**30 752**
M Nyati								
19/12/2014	18/12/2017	21 900	–	–	–	–	–	**21 900**
29/06/2016	29/12/2018	–	37 500	–	–	–	–	**37 500**
28/12/2016	28/12/2019	–	45 800	–	–	–	–	**45 800**
Total		21 900	83 300	–	–			**105 200**

* *Resigned 30/09/2016.*
^ *Mutual separation 31/12/2015.*
# *Retired 31/12/2015.*

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company secretary of the MTN Group and directors of major subsidiaries in respect of the performance share plan (continued)

Offer date	Vesting date	Number outstanding at 31 December 2015	Offered	Exercised	Forfeited	Exercise date	Exercise price R	**Number outstanding as at 31 December 2016**
JA Desai								
28/12/2012	28/12/2015	41 400	–	–	(41 400)	–	–	**–**
20/12/2013	19/12/2016	44 400	–	–	–	–	–	**44 400**
19/12/2014	18/12/2017	44 500	–	–	–	–	–	**44 500**
29/06/2016	29/12/2018	–	90 400	–	–	–	–	**90 400**
28/12/2016	28/12/2019	–	107 300	–	–	–	–	**107 300**
Total		130 300	197 700	–	(41 400)	–	–	**286 600**
M Fleischer								
19/12/2014	18/12/2017	30 400	–	–	–	–	–	**30 400**
29/06/2016	29/12/2018	–	51 900	–	–	–	–	**51 900**
28/12/2016	28/12/2019	–	75 200	–	–	–	–	**75 200**
Total		30 400	127 100	–	–			**157 500**
M Ikpoki#								
20/12/2013	19/12/2016	22 281	–	–	–	–	–	**22 281**
19/12/2014	18/12/2017	12 898	–	–	–	–	–	**12 898**
Total		35 179	–	–	–	–	–	**35 179**
F Moolman								
28/12/2012	28/12/2015	14 600	–	–	(14 600)	–	–	**–**
20/12/2013	19/12/2016	15 700	–	–	–	–	–	**15 700**
19/12/2014	18/12/2017	15 700	–	–	–	–	–	**15 700**
29/06/2016	29/12/2018	–	44 700	–	–	–	–	**44 700**
28/12/2016	28/12/2019	–	66 600	–	–	–	–	**66 600**
Total		46 000	111 300	–	(14 600)			**142 700**
SB Mtshali								
28/12/2012	28/12/2015	6 400	–	(1 600)	(4 800)	21/06/2016	147,27	**–**
20/12/2013	19/12/2016	6 000	–	–	–	–	–	**6 000**
19/12/2014	18/12/2017	5 800	–	–	–	–	–	**5 800**
29/06/2016	29/12/2018	–	10 100	–	–	–	–	**10 100**
28/12/2016	28/12/2019	–	12 800	–	–	–	–	**12 800**
Total		18 200	22 900	(1 600)	(4 800)			**34 700**
S Ntsele								
28/12/2012	28/12/2015	4 500	–	(1 125)	(3 375)	21/06/2016	147,27	**–**
20/12/2013	19/12/2016	5 300	–	–	–	–	–	**5 300**
19/12/2014	18/12/2017	5 000	–	–	–	–	–	**5 000**
29/06/2016	29/12/2018	–	25 500	–	–	–	–	**25 500**
28/12/2016	28/12/2019	–	31 400	–	–	–	–	**31 400**
Total		14 800	56 900	(1 125)	(3 375)	–	–	**67 200**

Mutual separation 31/12/2015.

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company secretary of the MTN Group and directors of major subsidiaries in respect of the performance share plan (continued)

Offer date	Vesting date	Number outstanding at 31 December 2015	Offered	Exercised	Forfeited	Exercise date	Exercise price R	Number outstanding as at 31 December 2016
K Toriola								
28/12/2012	28/12/2015	14 400	–	–	(14 400)	–	–	**–**
20/12/2013	19/12/2016	15 500	–	–	–	–	–	**15 500**
19/12/2014	18/12/2017	22 300	–	–	–	–	–	**22 300**
29/06/2016	29/12/2018	–	54 700	–	–	–	–	**54 700**
28/12/2016	28/12/2019	–	55 900	–	–	–	–	**55 900**
Total		52 200	110 600	–	(14 400)	–	–	**148 400**
S van Coller								
28/12/2016	28/12/2019	–	100 800	–	–	–	–	**100 800**
Total		–	100 800	–	–	–	–	**100 800**
G Engling								
28/12/2012	28/12/2015	10 500	–	–	(10 500)	–	–	**–**
20/12/2013	19/12/2016	10 700	–	–	–	–	–	**10 700**
19/12/2014	18/12/2017	2 000	–	–	–	–	–	**2 000**
19/12/2014	18/12/2017	8 000	–	–	–	–	–	**8 000**
29/06/2016	29/12/2018	–	28 800	–	–	–	–	**28 800**
28/12/2016	28/12/2019	–	21 400	–	–	–	–	**21 400**
Total		31 200	50 200	–	(10 500)	–	–	**70 900**
I Jaroudi								
28/12/2012	28/12/2015	15 600	–	–	(15 600)	–	–	**–**
20/12/2013	19/12/2016	19 600	–	–	–	–	–	**19 600**
19/12/2014	18/12/2017	24 600	–	–	–	–	–	**24 600**
29/06/2016	29/12/2018	–	60 000	–	–	–	–	**60 000**
28/12/2016	28/12/2019	–	89 000	–	–	–	–	**89 000**
Total		59 800	149 000	–	(15 600)	–	–	**193 200**

Company statement of comprehensive income

for the year ended 31 December 2016

	Note	2016 Rm	2015 Rm
Dividend income	1	**20 200**	23 700
Management fees received	1	**163**	96
Finance income	2	**531**	140
Finance costs	2	**–**	(285)
Other income		**–**	7
Operating expenses	3	**(394)**	(159)
Profit before tax		**20 500**	23 499
Income tax expense	4	**(1)**	(12)
Profit and total comprehensive income for the year		**20 499**	23 487

Company statement of financial position

at 31 December 2016

	Note	2016 Rm	2015 Rm
ASSETS			
Non-current assets		**23 325**	19 410
Investment in subsidiaries	5	**23 325**	19 410
Current assets		**1 609**	445
Trade and other receivables	6	**242**	304
Cash and cash equivalents	7	**1 367**	141
Total assets		**24 934**	19 855
SHAREHOLDERS' EQUITY			
Ordinary share capital and share premium	8	**37 040**	40 502
Accumulated loss		**(23 058)**	(23 633)
Other reserves		**6 698**	1 662
Total equity		**20 680**	18 531
LIABILITIES			
Current liabilities		**4 254**	1 324
Taxation liability	11	**5**	52
Trade and other payables	9	**750**	167
Financial guarantee contracts	13	**3 499**	1 105
Total liabilities		**4 254**	1 324
Total equity and liabilities		**24 934**	19 855

Company statement of changes in equity
for the year ended 31 December 2016

	Share capital Rm	Share premium Rm	Accumulated losses Rm	Other reserves[1] Rm	Total Rm
Balance at 1 January 2015	*	40 502	(23 482)	1 662	18 682
Profit and total comprehensive income	–	–	23 487	–	23 487
Transactions with shareholders					
Shares cancelled	(*)	–	–	–	(*)
Share buy-back	(*)	–	–	–	(*)
Dividends declared[#]	–	–	(23 638)	–	(23 638)
Balance at 31 December 2015	*	40 502	(23 633)	1 662	18 531
Balance at 1 January 2016	*****	**40 502**	**(23 633)**	**1 662**	**18 531**
Profit and total comprehensive income	**–**	**–**	**20 499**	**–**	**20 499**
Transactions with shareholders					
Shares cancelled	**(*)**	**–**	**–**	**–**	**(*)**
Share buy-back from MTN Zakhele (note 8)	**(*)**	**(3 462)**	**–**	**–**	**(3 462)**
Share based-payment transaction – MTN Zakhele Futhi transaction (note 8)	**–**	**–**	**–**	**5 034**	**5 034**
Dividends declared[#]	**–**	**–**	**(19 928)**	**–**	**(19 928)**
Other movements	**–**	**–**	**4**	**2**	**6**
Balance at 31 December 2016	*****	**37 040**	**(23 058)**	**6 698**	**20 680**
Note	8	8			

[1] *Share-based payment reserve.*
* *Amounts less than R1 million.*
[#] *Refer to note 8.3 of the Group financial statements for the dividends per share declared during the current and prior year.*

Company statement of cash flows
for the year ended 31 December 2016

	Note	2016 Rm	2015 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	10	**399**	(319)
Finance income received		**16**	28
Income tax paid	11	**(49)**	(8)
Dividends paid		**(19 904)**	(23 627)
Dividends received		**20 200**	23 700
Net cash generated from/(utilised in) operating activities		**662**	(226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Buy-back of shares from MTN Zakhele		**(2 645)**	–
Premium received on option issued to MTN Zakhele Futhi		**3 209**	–
Net cash generated from financing activities		**564**	–
Net increase/(decrease) in cash and cash equivalents		**1 226**	(226)
Cash and cash equivalents at beginning of the year		**141**	367
Cash and cash equivalents at end of the year	7	**1 367**	141

1 REVENUE

Revenue comprises dividend income and management fees received. Dividend income is recognised when the right to receive payment is established. Management fees received are recognised as and when the services are rendered.

	2016 Rm	2015 Rm
Dividend income	**20 200**	23 700
Management fees received	**163**	96
	20 363	23 796

2 FINANCE INCOME AND FINANCE COSTS

Finance income

Finance income mainly comprises amortisation of the financial guarantee contracts and the related net foreign exchange gains.

Finance costs

Finance costs comprise interest expense and net foreign exchange losses related to the financial guarantee contracts.

	2016 Rm	2015 Rm
Interest income	**319**	140
Net foreign exchange gains	**212**	–
Finance income	**531**	140
Net foreign exchange losses	**–**	(273)
Interest paid – other	**–**	(12)
Finance costs	**–**	(285)

3 OPERATING EXPENSES

The following disclosable items have been included in arriving at profit before tax:

	2016 Rm	2015 Rm
Directors' emoluments	**(24)**	(22)
Fees paid for services	**(323)**	(106)
– Professional fees	**(175)**	(19)
– Management fees paid (note 12)	**(148)**	(87)
Auditors' remuneration	**(9)**	(8)
– Audit fees	**(9)**	(8)

4 INCOME TAX EXPENSE

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

	2016 Rm	2015 Rm
Normal tax – current year	(1)	(10)
Deferred tax – current year	–	(2)
	(1)	(12)

South African normal taxation is calculated at 28% (2015: 28%) of the estimated taxable income for the year.

	2016 %	2015 %
Tax rate reconciliation		
The charge for the year can be reconciled to the effective rate of taxation in South Africa as follows:		
Tax at statutory tax rate	28	28
Income not subject to tax	(28,8)	(28,2)
Expenses not allowed	0,8	0,3
Effective tax rate	*	0,1

** Percentage less than 0,1%.*

5 INVESTMENT IN SUBSIDIARIES

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

Refer to note 1.3.1 of the Group financial statements for the applicable accounting policy regarding interests in subsidiaries.

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

	2016 Rm	2015 Rm
Total interest in Mobile Telephone Networks Holdings Limited[1]	22 260	19 353
Total interest in MTN Group Management Services Proprietary Limited	57	57
Total interest in Mobile Telephone Networks Proprietary Limited[2]	1 008	–
Total interest in subsidiary companies	23 325	19 410

[1] During the year, the Company provided guarantees to Mobile Telephone Networks Holdings Limited for no compensation and the fair values thereof have been recognised as part of the cost of the investment.
[2] The investment in Mobile Telephone Networks Proprietary Limited arose from the share-based payment transaction undertaken by the Group with MTN Zakhele Futhi.

6 TRADE AND OTHER RECEIVABLES

Refer to note 4.2 of the Group financial statements for the applicable accounting policy.

	2016 Rm	2015 Rm
Trade receivables due from related parties	**223**	292
Prepayments and other receivables	**4**	3
Sundry debtors and advances	**15**	9
	242	304

7 CASH AND CASH EQUIVALENTS

Refer to note 4.4 of the Group financial statements for the applicable accounting policy.

	2016 Rm	2015 Rm
Cash at bank	**1 367**	141

8 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

Refer to note 8.1 of the Group financial statements for the applicable accounting policy.

	2016 Number of shares	2015 Number of shares
Ordinary share capital (par value of 0,01 cents)		
Authorised	**2 500 000 000**	2 500 000 000
Issued *(fully paid up)*	**1 884 269 758**	1 845 493 245
In issue at beginning of the year	**1 845 493 245**	1 848 355 889
MTN Zakhele shares cancelled and delisted[5]	**(38 058 865)**	(2 862 644)
Shares issued to MTN Zakhele Futhi	**76 835 378**	–
In issue at end of the year	**1 884 269 758**	1 845 493 245
Options held by MTN Zakhele[1]	**–**	(11 131 098)
Treasury shares[2,3]	**–**	(1 444 172)
Options held by MTN Zakhele Futhi[4]	**(76 835 378)**	–
In issue at end of the year – excluding MTN Zakhele/ MTN Zakhele Futhi transaction[2]	**1 807 434 380**	1 832 917 975

[1] *Due to the call option over the notional vendor finance 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. During the year, the MTN Zakhele transaction was unwound.*
[2] *Treasury shares held by the Company which were delivered to the Company by MTN Zakhele and not delisted as at year end.*
[3] *Additional treasury shares held by MTN Holdings Limited, a subsidiary of the Group, are excluded from this reconciliation. Refer to note 8.1 of the Group financial statements.*
[4] *These shares, although legally issued to MTN Zakhele Futhi, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.*
[5] *Included in the shares cancelled are 1 444 172 shares acquired in 2015 and delisted in the current year.*

8 ORDINARY SHARE CAPITAL AND SHARE PREMIUM (continued)

	2016 Rm	2015 Rm
Share capital		
Balance at beginning of the year	*	*
Options exercised	–	–
Shares cancelled	(*)	(*)
Share buy-back	(*)	(*)
Balance at end of the year	*	*
Share premium		
Balance at beginning of the year	40 502	40 502
Options exercised	–	–
Share buy-back	(3 462)	–
Balance at end of the year	37 040	40 502

**Amounts less than R1 million.*

Share-based payment transaction

The Group unwound its broad-based black economic empowerment (BBBEE) transaction "MTN Zakhele" during November 2016. As a consequence of the unwind of MTN Zakhele, the Group concluded a new BBBEE transaction. The new BBBEE transaction was structured through a separate legal entity, MTN Zakhele Futhi (RF) Limited (hereafter referred to as MTN Zakhele Futhi). The transaction is designed to provide long-term, sustainable benefits to all BBBEE participants and will run for a period of eight years.

MTN Zakhele Futhi acquired 76 835 378 of the Company's shares at a price of R128,50 per share. The acquisition of 35 747 139 shares (and transaction costs of R36 million incurred by MTN Zakhele Futhi) was funded using equity raised from the allotment of MTN Zakhele Futhi shares totalling R1 651 million (including R557 million obtained from the Group for the purchase of MTN Zakhele Futhi shares in terms of its underwrite option), re-investment of R817 million from the existing MTN Zakhele shareholders and third-party preference share funding of R2 161 million. The acquisition of 15 367 075 shares was funded through a donation of R1 975 million received from the Group. The Company also issued 25 721 164 notional vendor finance shares (NVF shares) at par value to MTN Zakhele Futhi amounting to approximately R3 305 million.

The BBBEE transaction with MTN Zakhele Futhi has the substance of an option for accounting purposes. MTN Zakhele Futhi must repay the preference shares and NVF before the Company's shares held by it become unencumbered, while the Company's shares are the only security offered by MTN Zakhele Futhi for the debt funding obtained. Until the Company's shares held by MTN Zakhele Futhi become unencumbered, the ordinary shareholders of MTN Zakhele Futhi are exposed to the gains on the Company's shares, while their exposure to downside risk or risk of loss is limited to their equity contributions (ie the purchase price paid by them for the MTN Zakhele Futhi shares). Consequently, the Company does not recognise its shares issued to MTN Zakhele Futhi and does not recognise the NVF as outstanding. Equity contributions from external parties comprising cash received from new investors (including amounts funded from the preference shares) and the re-investment by existing MTN Zakhele shareholders, are in substance a premium paid for the option to acquire the Company's shares in future. The resultant premium recognised by the Company in the share-based payment reserve is R4 036 million. Securities transfer tax of R10 million was paid by MTN on the acquisition of shares from MTN Zakhele, which was recognised in the share-based payment reserve.

The transaction with MTN Zakhele Futhi's shareholders is an equity-settled share-based payment transaction among Group entities in terms of which the Company will issue shares in future to MTN Zakhele Futhi's shareholders in exchange for BBBEE benefits received by the MTN RSA Group (note 5).

9 TRADE AND OTHER PAYABLES

Refer to note 4.5 of the Group financial statements for the applicable accounting policy.

	2016 Rm	2015 Rm
Payables due to related parties	**560**	22
Accrued expenses and other payables	**190**	145
	750	167

10 CASH GENERATED FROM OPERATIONS

	2016 Rm	2015 Rm
Profit before tax	**20 500**	23 499
Adjusted for:		
Dividend income (note 1)	**(20 200)**	(23 700)
Finance income (note 2)	**(531)**	(140)
Finance costs (note 2)	**–**	285
Other	**–**	(1)
	(231)	(57)
Changes in working capital	**630**	(262)
Decrease/(increase) in trade and other receivables	**70**	(281)
Increase in trade and other payables	**560**	19
	399	(319)

11 INCOME TAX PAID

	2016 Rm	2015 Rm
Balance at beginning of the year	**(52)**	(50)
Amounts recognised in profit or loss (note 4)	**(1)**	(12)
Deferred tax	**–**	2
Other	**(1)**	–
Balance at end of the year	**5**	52
Total tax paid	**(49)**	(8)

12 RELATED PARTY TRANSACTIONS

Refer to note 10.1 of the Group financial statements for the applicable accounting policy.

Various transactions were entered into by the Company during the period with related parties.

The following is a summary of significant transactions with subsidiaries during the period and significant balances at the reporting date:

	2016 Rm	2015 Rm
Dividends paid		
– Mobile Telephone Networks Holdings Limited	**(112)**	(132)
Dividends received		
– Mobile Telephone Networks Holdings Limited	**20 200**	23 700
Management fees paid		
– MTN Group Management Services Proprietary Limited	**(148)**	(87)
Management fees received		
– MTN International Proprietary Limited	**163**	96
Professional fees paid		
– MTN Group Management Services Proprietary Limited	**(2)**	(3)
Receivables		
– Mobile Telephone Networks Holdings Limited	**111**	216
– MTN Group Management Services Proprietary Limited	**6**	12
– Mobile Telephone Networks Proprietary Limited	**3**	10
– MTN (Dubai) Limited[1]	**33**	33
– MTN International Proprietary Limited	**55**	21
– MTN Zakhele Futhi (RF) Limited[2]	**13**	–
– MTN (Mauritius) Investment Limited[3]	**2**	–
Payables		
– MTN Group Management Services Proprietary Limited	**(14)**	(17)
– MTN (Dubai) Limited[1]	**(8)**	(5)
– Mobile Telephone Networks Holdings Limited	**(538)**	–

[1] The balances result from transactions whereby MTN Dubai Limited and the Company extinguished liabilities on behalf of each other.
[2] The balance arose from the Zakhele Futhi transaction (note 8).
[3] The balance results from transactions whereby the Company extinguished liabilities on behalf of MTN (Mauritius) Investment Limited.

Financial guarantee contracts

Details of financial guarantee contracts are disclosed in note 13 of the Company financial statements.

Directors

Details of directors' remuneration are disclosed in note 3 of the Company financial statements and note 10.2 of the Group financial statements.

Shareholders

The principal shareholders of the Company are disclosed in Annexure 1 which is unaudited.

13 FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18.

Where guarantees in relation to loans to related parties are provided for no compensation, the fair values are accounted for as capital contributions and recognised as part of the cost of the investment.

The Company along with other subsidiaries has guaranteed the bonds, revolving credit facilities and general banking facilities of Mobile Telephone Networks Holdings Limited under the terms of the guarantee. The Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

	Face value		Drawn down balance[2]	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm
Bond guarantees				
Bonds[1] and commercial paper	**20 000**	10 000	**3 259**	1 309
Syndicated and other loan facilities				
ZAR long-term loan	**23 800**	12 500	**18 615**	11 875
US$ long-term loan	**27 445**	15 469	**11 676**	10 364
General banking facilities				
ZAR facilities	**3 000**	1 750	**778**	850
	74 245	39 719	**34 328**	24 398

[1] *These bonds are listed on the Bond Exchange of South Africa.*
[2] *Includes interest accrued.*

In addition, the Company has provided unrestricted suretyship with regard to the cash management facility of Mobile Telephone Networks Holdings Limited and suretyship to the amount of R5 850 million (2015: R5 850 million) with regard to the banking facilities of Mobile Telephone Networks Proprietary Limited, MTN International (Mauritius) Limited, MTN International Proprietary Limited, Mobile Telephone Networks Holdings Proprietary Limited and MTN Service Provider Proprietary Limited.

The Company together with other subsidiaries in the MTN Group guaranteed senior unsecured notes issued by MTN (Mauritius) Investment Limited on the Irish Stock Exchange amounting to US$1 750 million (2015: US$750 million). A financial liability was recognised at the fair value of the guarantees issued. A fee was not charged by the Company providing the guarantee and therefore the benefit provided by the Company to its subsidiaries was recognised as a capital contribution.

The Company, together with other subsidiaries in the Group, guaranteed US$ syndicated loan facilities with Citibank amounting to US$1 billion (2015: US$1 billion) during the year. An amount of US$450 million (2015: US$670 million in three tranches) was drawn down by MTN International (Mauritius) Limited during the year. A financial liability was initially recognised at the fair value of the guarantee issued. A fee was not charged by the Company providing the guarantee and therefore the benefit provided by the Company to its subsidiaries was recognised as a capital contribution.

The Company's financial liability relating to financial guarantee contracts amounts to R3 499 million (2015: R1 105 million) as at 31 December 2016 and R296 million (2015: R84 million) was amortised to profit or loss for the year.

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

14.1 Categories of financial instruments

	Loans and receivables Rm	Amortised cost Rm	Total carrying amount Rm	Fair value Rm
2016				
Trade and other receivables	**238**	**–**	**238**	#
Cash and cash equivalents	**1 367**	**–**	**1 367**	#
	1 605	**–**	**1 605**	#
Trade and other payables	**–**	**750**	**750**	#
Financial guarantee contracts	**–**	**3 499**	**3 499**	**3 194**
	–	**4 249**	**4 249**	**3 194**
2015				
Trade and other receivables	301	–	301	#
Cash and cash equivalents	141	–	141	#
	442	–	442	#
Trade and other payables	–	167	167	#
Financial guarantee contracts	–	1 105	1 105	1 660
	–	1 272	1 272	1 660

The carrying amount of the financial instrument approximates its fair value.

14.1.1 Fair value estimation

Refer to note 7.1.3 of the Group financial statements for the applicable accounting policy.

The following table presents the fair value measurement hierarchy of the Company's liabilities that are materially different from the carrying amount:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2016				
Current financial liabilities				
Financial guarantee contracts	**–**	**–**	**3 194**	**3 194**
2015				
Current financial liabilities				
Financial guarantee contracts	–	–	1 660	1 660

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.1 Categories of financial instruments (continued)

14.1.1 Fair value estimation (continued)

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Citibank 1

The fair value of the financial guarantee contracts are determined using the discounted cash flow method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default.

Citibank 2

The fair value of the financial guarantee contracts are determined using the fixed exposure method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default, the maximum recovery and interest rate curve.

Eurobonds

The fair value of the financial guarantee contracts are determined using the relative valuation method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default, the maximum recovery and interest rate curve.

14.2 Credit risk

Refer to note 7.1 of the Group financial statements for an explanation on credit risk and how it is managed.

The Company considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2016 Rm	2015 Rm
Cash and cash equivalents	**1 367**	141
Trade and other receivables	**238**	301
Financial guarantee contracts	**34 328**	24 398
	35 933	24 840

Credit risk is mitigated to the extent that the majority of trade receivables consist of related party receivables of R223 million (2015: R292 million).

The Company holds its cash balances in financial institutions with a rating of AA-. Given this rating, management does not expect the counterparty to fail to meet its obligations.

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.2 Credit risk (continued)

Trade and other receivables

Ageing and impairment analysis

	2016 Rm Gross	2016 Rm Impaired	2016 Rm Net	2015 Rm Gross	2015 Rm Impaired	2015 Rm Net
Fully performing other receivables	**65**	**–**	**65**	301	–	301
Sundry debtors	**–**	**–**	**–**	9	–	9
Other receivables	**65**	**–**	**65**	292	–	292
Past due other receivables	**173**	**–**	**173**	–	–	–
Sundry debtors	**15**	**–**	**15**	–	–	–
0 to 3 months	**8**	**–**	**8**	–	–	–
3 to 6 months	**–**	**–**	**–**	–	–	–
6 to 9 months	**–**	**–**	**–**	–	–	–
9 to 12 months	**7**	**–**	**7**	–	–	–
Other receivables	**158**	**–**	**158**			
0 to 3 months	**1**	**–**	**1**	–	–	–
3 to 6 months	**13**	**–**	**13**	–	–	–
6 to 9 months	**40**	**–**	**40**	–	–	–
9 to 12 months	**104**	**–**	**104**	–	–	–
	238	**–**	**238**	301	–	301

14.3 Liquidity risk

Refer to note 7.1 of the Group financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2016 Rm	2015 Rm
Cash and cash equivalents	**1 367**	141
Trade and other receivables	**238**	301
	1 605	442

The Company and other subsidiaries in the Group have undrawn borrowing facilities of R16 100 million (2015: R6 755 million) available for use.

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.3 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

	Carrying amount Rm	Total 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
2016					
Trade and other payables	**750**	**750**	**750**	**–**	**–**
Financial guarantee contracts	**34 328**	**34 328**	**34 328**	**–**	**–**
	35 078	**35 078**	**35 078**	**–**	**–**
2015					
Trade and other payables	167	167	167	–	–
Financial guarantee contracts	24 398	24 398	24 398	–	–
	24 565	24 565	24 565	–	–

Further details of financial guarantee contracts are provided in note 13.

14.4 Market risk

14.4.1 Interest rate risk

Refer to note 7.1 of the Group financial statements for an explanation on interest rate risk and how it is managed.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Variable rate instruments Rm
2016	
Financial assets	
Cash and cash equivalents	**1 367**
Trade and other receivables	**223**
	1 590
Financial liabilities	
Trade and other payables	**560**
2015	
Financial assets	
Cash and cash equivalents	141
Trade and other receivables	292
	433
Financial liabilities	
Trade and other payables	22

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk (continued)

14.4.1 Interest rate risk (continued)

Sensitivity analysis

The Company 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 Company is mainly exposed to fluctuations in the following market interest rates: JIBAR and prime rates. 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 subsequently measured 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 exchange rates, remain constant. The analysis is performed on the same basis as was used for 2015.

	2016 Increase/(decrease) in profit before tax			2015 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 – JIBOR	**1**	**(3,6)**	**3,6**	1	2,7	(2,7)
Prime	**1**	**13,6**	**(13,6)**	1	1,4	(1,4)

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk (continued)

14.4.2 Currency risk

Refer to note 7.1 of the Group financial statements for an explanation on currency risk and how it is managed.

Included in the Company statement of financial position are the following amounts denominated in currencies other than the functional currency of the Company.

	2016 Rm	2015 Rm
Current assets		
United States dollar	**33**	33
Current liabilities		
United States dollar	**3 507**	1 111

Sensitivity analysis

A change in the foreign exchange rates to which the Company is exposed at the reporting date would have (decreased)/increased profit before tax by the amounts shown below:

Denominated:functional currency	**Change in exchange rate %**	**Weakening in functional currency Rm**	**Strengthening in functional currency Rm**
2016			
US$:ZAR	**10**	**(347)**	**347**
2015			
US$:ZAR	10	(108)	108

Financial definitions

The following financial terms are used in the annual financial statements with the meanings specified:

Asset exchange transactions	Transactions where one or more items of property, plant and equipment are acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets.
Associates	All entities over which the Group has significant influence, but not control, over the financial and operational policies.
Available-for-sale	Non-derivative financial assets either designated as available-for-sale or not classified in any of the three categories of financial instruments.
Cash-generating unit	The smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets.
Carrying amount	Is the amount at which the asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.
Commercial substance	A transaction has commercial substance if the difference in either of the points below is significant relative to the fair value of the assets exchanged: • the configuration of the cash flows of the asset received differs from the configuration of the cash flows of the asset given up; or • the entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.
Contingent liabilities	Represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities also represent present obligations that arise from past events but are not recognised because an outflow of resources is not probable or a reliable estimate cannot be made.
Control	When the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when it has existing rights that gives it the current ability to direct the relevant activities that significantly affect the entity's returns.
Defined contribution plan	A post-employment benefit plan (such as a pension 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.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Financial assets at fair value through profit or loss	A financial asset that is held for trading (acquired principally for the purpose of selling the item in the short term) or designated upon initial recognition as at fair value through profit or loss.
Finance 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.
Functional currency	The currency that best reflects the primary economic environment in which the entity operates.
Gain or loss on disposal of an asset	The difference between the proceeds from the disposal and the carrying amount of the asset.
Goodwill	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 liabilities assumed.
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than those that the Group upon initial recognition designates as at fair value through profit or loss and those that are loans and receivables.

Interconnect revenue	Revenue derived from other operators for local and international incoming voice minutes, short messaging service (SMS) and multimedia service (MMS).
Joint arrangement	A contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control.
Joint operation	Joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.
Joint ventures	Joint arrangements whereby the parties that have joint control of the arrangement by unanimous consent have rights to the net asset of the arrangement.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Measurement period adjustments	Adjustments that arise from additional information obtained during the "measurement period" about facts and circumstances that existed at the acquisition date. The measurement period constitutes the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. This period shall not exceed one year from the acquisition date.
Multiple element arrangements	Postpaid and prepaid products with multiple deliverables.
Non-controlling interests	The amount of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since the acquisition date.
Postpaid product	The sale of a handset and a service contract.
Prepaid product	The sale of a subscriber identification module (SIM) card and airtime.
Presentation currency	The currency in which the financial statements are presented.
Qualifying asset	An asset which takes more than 12 months to acquire, construct or produce.
Recoverable amount	The greater of an asset's value in use and its fair value less costs to sell.
Relative fair value method	The allocation of the consideration received /receivable in a transaction to each element of a multiple element (or bundled) arrangement according to their standalone selling prices.
Revenue	The gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.
Roaming revenue	Revenue generated from subscribers making calls when using other networks, including MTN networks outside the country of operation.
Significant influence	The power to participate in the financial and operating policy decisions of an entity. It is presumed to exist when the Group holds between 20% and 50% of the voting power of an entity.
Structured entities (SEs)	Entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
Subsidiaries	Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.
Termination benefits	Benefits that 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.
Value in use	The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Annexure 1 – Shareholders' information

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	118 143	88,19	26 182 762	1,39
1 001 – 10 000 shares	13 491	10,07	35 327 048	1,87
10 001 – 100 000 shares	1 569	1,17	49 566 222	2,63
100 001 – 1 000 000 shares	593	0,44	181 646 999	9,64
1 000 001 shares and over	167	0,13	1 591 546 727	84,47
Total	133 963	100,00	1 884 269 758	100,00

NOMINEES HOLDING SHARES IN EXCESS OF 5% OF THE ISSUED ORDINARY CAPITAL OF THE COMPANY

	2016		2015	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Standard Bank Nominees (Tvl) Proprietary Limited	**772 384 542**	**40,99**	854 791 337	46,32
Nedcor Bank Nominees Limited	**136 004 278**	**7,22**	–	–
First National Nominees Proprietary Limited	**323 267 810**	**17,16**	290 119 326	15,72
Goudstad Nominees	**95 369 655**	**5,06**	94 499 797	5,12

SPREAD OF ORDINARY SHAREHOLDERS

	2016			2015	
	Number of shareholdings	**Number of shares**	**% of issued share capital**	Number of shares	% of issued share capital
Public	**133 934**	**1 330 035 300**	**70,59**	1 279 560 178	69,33
Non-public	**29**	**554 234 458**	**29,41**	565 933 067	30,67
Directors and associates of the Company holdings	**6**	**325 087**	**0,02**	1 917 800	0,10
MTN Zakhele Futhi (RF) Limited	**1**	**76 835 378**	**4,08**	76 807 310	4,16
Lombard Odier Darier Hentsch & Cie (M1 Limited)	**7**	**185 657 322**	**9,85**	183 152 564	9,92
Government Employees Pension Fund	**14**	**281 210 416**	**14,92**	293 655 332	15,91
Mobile Telephone Networks Holdings	**1**	**10 206 255**	**0,54**	10 400 061	0,58
Total	**133 963**	**1 884 269 758**	**100,00**	1 845 493 245	100,00

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE

	2016		2015	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Government Employees Pension Fund	**281 210 416**	**14,92**	293 655 332	15,91
Lombard Odier Darier Hentsch & Cie (M1 Limited)	**185 657 322**	**9,85**	183 152 564	9,92
Coronation Fund Managers	**–**	**–**	95 051 237	5,15

BASTION GRAPHICS

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