



MTN Nigeria Communications PLC
Consolidated and separate financial statements
for the year ended 31 December 2019
Together with Directors' and Auditor's Reports

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Corporate Information

Registered Company Number	395010		
Directors	Names	Nationality	Position
	Dr. Pascal Dozie, CON *	Nigerian	Chairman
	Mr. Gbenga Oyebode, MFR *	Nigerian	Non-Executive Director
	Col. M. Sani Bello *	Nigerian	Non-Executive Director
	Mr. Babatunde Folawiyo *	Nigerian	Non-Executive Director
	Chief Victor Odili, OON *	Nigerian	Non-Executive Director
	Mallam Ahmed Dasuki *	Nigerian	Non-Executive Director
	Mr. Paul Norman	South African	Non-Executive Director
	Mr. Rhidwaan Gasant	South African	Independent Non-Executive Director
	Mr. Ferdinand Moolman	South African	Executive Director (CEO)
	Mr. Karl Toriola	Nigerian	Non-Executive Director
	Mr. Rob Shuter	South African	Non-Executive Director
	Mr. Ralph Mupita	South African	Non-Executive Director
	Mr. Jens Schulte-Bockum	German	Non-Executive Director
	Dr. Ernest Ndukwe, OFR ***	Nigerian	Chairman
	Mr. Michael Ajukwu **	Nigerian	Independent Non-Executive Director
	Mr. Muhammad K. Ahmad, OON **	Nigerian	Independent Non-Executive Director
	Mr. Abubakar B. Mahmoud SAN, OON **	Nigerian	Non-Executive Director
	Dr. Omobola Johnson **	Nigerian	Non-Executive Director
	Mr. Andrew Alli, MFR **	Nigerian	Non-Executive Director
	Mrs. Ifueko M Omoigui Okauru, MFR **	Nigerian	Non-Executive Director

* Retired effective 2 September 2019 | ** Appointed effective 2 September 2019 |
***Appointed 1 June 2018 and as Chairman of the Board of Directors effective 2 September 2019

Registered office	4 Aromire Road, off Alfred Rewane Ikoyi, Lagos
Holding company	MTN International (Mauritius) Limited incorporated in the Republic of Mauritius
Auditors	Grant Thornton Nigeria (Chartered Accountants) 2A Ogalade Close, off Ologun Agbaje Street, off Adeola Odeku Street Victoria Island, Lagos
Company Secretary	Uto Ukpanah
Registrars	United Securities Limited 9 Amodu Ojikutu St, Victoria Island, Lagos
Tax Identification Number (TIN)	00969009-0001

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Financial highlights

	Notes	As at 31 December 2019 N'000	As at 31 December 2018 N'000	% Change
Revenue	9	1,169,734,682	1,039,117,810	12.57
Operating profit*		395,297,228	266,113,777	48.54
Profit before tax		290,104,033	221,342,648	31.07
Profit for the year		202,110,974	145,685,901	38.73
Share capital	27	407,090	646,510	(37.03)
Total equity		144,685,559	219,352,315	(34.04)
Basic/diluted earnings per share (N)**	41	9.93	7.16	38.69
Net assets per share (N)**		7.11	10.78	(34.04)
Stock Exchange Information				
Market price per share as at year end		105.00	-	
Market capitalisation as at year end		2,137,223,865	-	
Number of shares issued and fully paid as at year end**	41	20,354,513	20,354,513	

*Operating profit for 2018 was based on the old lease standard IAS 17. Based on IAS 17, operating profit for 2019 would have been N346.6 billion.

**The comparative figures have been restated to reflect the changes in number of shares.

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Directors' report

The Directors present their report on the affairs of MTN Nigeria Communications PLC and its subsidiaries (the Group), together with the financial statements and independent auditors' report for the year ended 31 December 2019.

Principal activities of the group

MTN Nigeria Communications PLC, formerly MTN Nigeria Communications Limited (the Company) was incorporated on 8 November 2000 as a private limited liability company under the Companies and Allied Matters Act 1990 as amended. It was granted a licence by the Nigerian Communications Commission on 9 February 2001 to undertake the business of building and operating GSM Cellular Network Systems and other related services nation-wide in Nigeria. The Company commenced operations on 8 August 2001 (commercial launch date). Currently, the Company holds a Unified Access Service License (UASL).

The Company re-registered as a public limited company, MTN Nigeria Communications PLC on 18 April 2019 and was listed by introduction on the Premium Board of the Nigerian Stock Exchange on 16 May 2019.

The registered office address of the Company is 4, Aromire Road, off Alfred Rewane, Ikoyi Lagos.

The Group's subsidiaries are XS Broadband Limited, Visafone Communications Limited and Yello Digital Financial Services Limited. The subsidiaries principal activities are the provision of broadband fixed wireless access service, high quality telecommunication services and mobile financial services in Nigeria.

In furtherance of its mobile financial services in Nigeria, the Company applied to the Central Bank of Nigeria (CBN) for a Payment Service Bank license. The approval is yet to be received from CBN.

During the year, the Nigerian Communication Commission (NCC) granted Visafone Communications Limited the approval to transfer its 800MHz license and spectrum to MTN Nigeria Communications PLC. On 24 July 2019, the Board of Visafone approved the voluntary winding up of Visafone Communication Limited. The liquidation process is currently on-going and is expected to be concluded in 2020.

Business review

The Group recorded revenue of N1.17 trillion (December 2018: N1.04 trillion) and a profit after tax of N202.11 billion (December 2018: N145.69 billion) for the year.

Operating results and dividends

The following is a summary of the Group's operating results:

	2019	2018
	N '000	N '000
Revenue	1,169,734,682	1,039,117,810
Operating profit	395,297,228	266,113,777
Profit before tax	290,104,033	221,342,648
Income tax expense	(87,993,059)	(75,656,747)
Profit after tax	202,110,974	145,685,901

On 24 July 2019, the Board of Directors approved interim dividends of N60 billion for the year ended 31 December 2019 (31 December 2018: N111.6 billion).

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Directors' report

The interim dividend represents N2.95 kobo per ordinary share on the issued share capital of 20.3 billion ordinary shares of 2 kobo each for the period ended 30 June 2019.

The Board of Directors recommend the payment of a final dividend of N4.97 per ordinary share of 2 kobo each subject to shareholders' approval at the forthcoming Annual General Meeting (AGM). If the proposed final dividend is approved, the total dividend for the financial year ended 31 December 2019 will be N7.92 per share of 2 kobo each. Withholding tax would be deducted at the point of payment.

Preference share redemption

On 24 April 2019, the Board approved the redemption of the preference shares of \$399.59 million (402.5 million preference shares of US\$0.005c each). The preference shares were fully redeemed on 30 December 2019 at N148.19 billion.

Regulatory matters

NCC fine

On 20 October 2015, the Nigerian Communications Commission (NCC) imposed a fine relating to the timing of the disconnection of 5.1 million MTN Nigeria subscribers. An agreement was reached between the NCC and MTN Nigeria on 10 June 2016 in the sum of N330 billion as full and final settlement of the fine to be paid in seven (7) installments.

A sum of N220 billion in five installments was paid between 2016 and 2018. During the year the final N110 billion was paid in two installments.

Attorney General of the Federation (AGF) matter

The Office of the Attorney General of the Federation (AGF) and Minister for Justice on 20 May 2018, initiated an asset recovery investigation exercise against MTN Nigeria with respect to outstanding revenue due to the Federal Government of Nigeria in the sum of N242 billion and US\$1.3 billion.

MTN Nigeria filed a suit at the Federal High Court, Lagos on 10 September 2018 challenging the alleged liability in response to the ultimatum issued by the AGF through his letter of 20 August 2018.

A letter dated 8 January 2020 was received from the Attorney General of the Federation and Minister of Justice (the AGF) formally withdrawing the demand for N242 billion and US\$1.3 billion alleged revenue indebtedness against MTN Nigeria. The AGF decided to refer the matter to the Federal Inland Revenue Service (FIRS) and Nigeria Customs Service (NCS) with a view to resolving contentious issues.

Subsequently, MTN Nigeria has withdrawn its legal action against the AGF and the court struck out the matter on 30 January 2020.

Directors and their interests

The Directors who have direct/ indirect interests in the Group's shares were as follows:

Names of Directors	2019		2018	
	Direct %	Indirect %	Direct %	Indirect %
Dr. Pascal Dozie, CON (Retired 2 September 2019)	Nil	1.6	Nil	1.7
Mr. Gbenga Oyeboode, MFR (Retired 2 September 2019)	Nil	0.8	Nil	0.9
Col. M. Sani Bello (Retired 2 September 2019)	Nil	1.3	Nil	1.3
Mr. Babatunde Folawiyo (Retired 2 September 2019)	Nil	1.0	Nil	1.1
Chief Victor Odili, OON (Retired 2 September 2019)	Nil	4.0	Nil	4.0
Mallam Ahmed Dasuki (Retired 2 September 2019)	0.1	0.8	Nil	0.8
Dr. Ernest Ndukwe, OFR	0.0	Nil	Nil	Nil
Dr. Omobola Johnson (Appointed effective 2 September 2019)	0.0	Nil	Nil	Nil
Mr. Andrew Alli, MFR (Appointed effective 2 September 2019)	0.0	Nil	Nil	Nil

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Directors' report

Directors' interest in contracts

None of the directors have notified the Group for the purpose of Section 277 of the Companies and Allied Matter Act 2004 of any declarable interest in contracts in which the Group is involved.

Shareholders and their interest

Share range	Number of shareholders	% of shareholder	Number of holdings	% of shareholdings
1 - 10,000	3,300	67.7340	6,175,022	0.03
10,001 - 50,000	637	13.0747	15,835,982	0.08
50,001 - 100,000	160	3.2841	12,213,472	0.06
100,001 - 500,000	448	9.1954	105,523,270	0.52
500,001 - 1,000,000	102	2.0936	74,013,955	0.36
1,000,001 - 5,000,000	138	2.8325	323,704,864	1.59
5,000,001 - 10,000,000	25	0.5131	180,345,192	0.89
10,000,001 - 50,000,000	49	1.0057	972,433,162	4.78
50,000,001 - 100,000,000	2	0.0411	129,153,950	0.63
100,000,001 - 500,000,000	8	0.1642	1,682,963,081	8.27
500,000,001 - 1,000,000,000	2	0.0411	1,366,607,050	6.71
1,000,000,001 - Above	1	0.0205	15,485,544,050	76.08
	4,872	100	20,354,513,050	100

Substantial interest in shares

As at 31 December 2019, MTN International (Mauritius) Limited with total interest of 76.08% held more than 5% of the issued share capital of the Company.

Property, plant and equipment

Information relating to changes in Property, Plant and Equipment is given in Note 17 to the consolidated and separate financial statements.

Taxation

Companies Income Tax, Tertiary Education Tax and National Information Technology Development fund levy due in the prior years have been duly settled in line with the provisions of relevant tax laws.

An aggregate tax expense of N87.99 billion (December 2018: N75.66 billion) has been recognised in the consolidated statement of profit or loss covering the period January to December 2019.

Charitable gifts

There was an accrual of N2.0 billion made in the year for donations to MTN Foundation Limited by Guarantee (December 2018: N1.45 billion). The Foundation, a duly registered charitable entity separate and distinct from the Group has three main areas of focus, namely; Education, Economic Empowerment and Health.

The Group made no donations to other charitable organisations during the year (December 2018: Nil).

In compliance with S38 (2) of CAMA, the Group did not make any donation to any political party, political association or for any political purpose.

Employment of physically challenged persons

The Group has a policy of fair consideration of job applications by physically challenged persons having regard to their abilities and aptitude. The Group's policy prohibits discrimination of physically challenged persons in the recruitment, training and career development of its employees. As at the end of the reporting period, the Group had six (31 December 2018: six) physically challenged persons in employment.

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Directors' report

Employee consultation and training

The Group has a vibrant platform called "Employee Council" through which it engages with its employees on a regular basis and also leverages all communication channels to keep employees informed on business performance.

MTN Nigeria is committed to employee development as a key value proposition through its investment in learning and development opportunities to drive personal development and achievement of business targets. This is achieved by identifying skills gaps and sourcing learning interventions to address them. There are also opportunities for professional development and the pursuit of postgraduate studies for eligible employees.

Health, safety and welfare at work

The Group places a high premium on the health, safety and welfare of its employees in their place of work.

Auditors

The Nigerian Code of Corporate Governance (NCCG) 2018 provides that audit firms may be retained for no longer than ten years continuously. The external auditors Messrs PricewaterhouseCoopers having served for more than ten years were not re-appointed at the Annual General Meeting (AGM) held on 8 April 2019.

Messrs Grant Thornton Nigeria (Chartered Accountants) were appointed by the Board to fill the casual vacancy to carry out the statutory audit for the financial year ending 31 December 2019.

Statutory Audit Committee

The Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004 requires every public company to establish a Statutory Audit Committee (SAC) composed of an equal number of its directors and representatives of the shareholders. The Committee's functions as set out in CAMA are to:

- ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices;
- review the scope and planning of audit requirements;
- review the findings on management matters in conjunction with the external auditor and departmental responses thereon;
- keep under review the effectiveness of the company's system of accounting and internal control;
- make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the company; and
- authorise the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee.

The Board has nominated the following directors as its representatives to the Statutory Audit Committee:

- a) Mr. Muhammad K. Ahmad, OON
- b) Mr. Rhidwaan Gasant
- c) Mrs. Ifueko M Omoigui Okauru, MFR

At the Company's first Annual General Meeting post reregistration as a public limited company, three (3) shareholder representatives will be elected in accordance with the provisions of CAMA.

By Order of the Board



Ufo Ukpanah
Company Secretary
FRC/2014/NBA/00000005748
28 February 2020

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Statement of directors' responsibilities

The Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004 requires the Directors to prepare consolidated and separate financial statements for each financial year that give a true and fair view of the state of the financial affairs of the Group at the end of the year and its profit or loss. The responsibilities include ensuring that the Group:

- (a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004.
- (b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- (c) prepares its consolidated and separate financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, which are consistently applied.

The Directors accept responsibility for the consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of consolidated and separate financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.



Dr. Ernest Ndukwe, OFR
Chairman of the Board of Directors
FRC/2020/003/00000020337



Mr. Ferdinand Moolman
Chief Executive Officer
FRC/2016/IODN/00000015147

MTN Nigeria Communications PLC

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Audit Committee report

We the members of the Audit Committee of MTN Nigeria Communications PLC hereby report on the financial statements of the Group for the year ended 31 December 2019 as follows:

- The scope and plan of the audit for the year ended 31 December 2019 were adequate;
- The Group's systems of accounting and internal controls are in compliance with legal requirements and best practice;
- We are of the opinion that the accounting and reporting policies of the Group are in accordance with legal requirements and ethical practices; and
- We have reviewed the external auditors' management letter for the year and are satisfied with the management's responses and that management has taken appropriate steps to address the issues raised by the Auditors.

The external auditors confirmed they received full cooperation from the Group's management in the course of the statutory audit and that the scope of their work was not restricted in any way.



Rhidwaan Gasant
Chairman Audit Committee
FRC/2020/003/00000020382



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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MTN NIGERIA COMMUNICATIONS PLC

Opinion

We have audited the consolidated and separate financial statements of MTN Nigeria Communications Plc (the "Company"), and its subsidiaries (the "Group"), which comprise of the consolidated and separate statement of financial position as at 31 December 2019, the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Company and Group as at 31 December 2019, and of 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 (IFRSs), the Financial Reporting Council of Nigeria Act No. 6, 2011 and the provision of the Companies and Allied Matters Act, CAP C20 LFN, 2004.

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 Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements section of our report. We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have

obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year. We have communicated the key audit matters to those charged with governance (TCWG). The key audit matters are not a comprehensive reflection of all matters discussed. 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.

We have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Chartered Accountants

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Uchenna G. Okigbo
Ajayi O. Iriboje
Nonyerem O. Opara

Key audit matter	How our audit addressed the key audit matter
<p>Right of Use (ROU) Asset - Adoption of IFRS 16 Leases</p> <p>MTN Nigeria Communications Plc implemented IFRS 16 on leases as a first adoption which took effect from 1 January 2019.</p> <p>Under IFRS 16, the standard allows the lessee to recognize a right of use asset and a lease liability at the date of commencement. The standard thus removed the distinction between operating lease and finance leases as previously required under IAS 17, with the only optional exemptions being applied for certain short-term leases and leases of low-value assets.</p> <p>The company recognized a carrying amount on ROU asset of N500 billion (leases on Network Towers accounted for 97%) and a total financial liability of N516.54 billion as at 31 December 2019, which contributed to the percentage of ROU (carrying amount) to the total asset of 33%</p> <p>We considered this as a key audit matter given the significance of the amount, the complexity involved in the split between the lease and non-lease component and in determining the lease liabilities, financial charges and incremental borrowing rate.</p>	<p>In evaluating the company's adoption of the standard, we have:</p> <ul style="list-style-type: none"> • We reviewed management's impact assessment of adopting the new standard (IFRS 16). • We evaluated and tested the design and operating effectiveness of the controls that management has established to identify Contract that is, or contains, a lease. • We tested management basis and assumptions for separating components of a contract into lease and non-lease components. • We tested the non-cancellable operating lease commitments disclosed at 31 December 2018 and lease liabilities recognized on 1 January 2019. • We tested the basis for the initial and subsequent measurement of the ROU Assets and lease liabilities. • We performed procedures to ensure that the practical expedients elected by the company were correctly implemented <p>Based on the above procedures performed, the result of our substantive testing did not identify any material misstatements on the adoption of IFRS 16 and recognition of ROU Assets and lease liabilities.</p>

Other Information

The directors are responsible for the other information. The other information comprises of the Report of the Directors, Audit Committee's Report, Statement of Directors' Responsibilities and Other National Disclosures, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 obtained prior to the date of this auditor's 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. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is responsible for assessing 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 judgment and maintain professional skepticism throughout the audit. We also:

- i) 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.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv) Conclude on the appropriateness of management's use of the going concern 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 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- v) 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 transaction and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.



Report on Other Legal and Regulatory Requirements

The Companies and Allied Matters Act, CAP C20, LFN 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) In our opinion, proper books of account have been kept by the Company; and
- iii) The Consolidated and separate Statement of Financial Position and Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of account.

Uchenna Okigbo, FCA
FRC/2016/ICAN/00000015653
For: GRANT THORNTON
(Chartered Accountants)
28 February 2020
Lagos, Nigeria.



MTN Nigeria Communications PLC

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Statement of profit or loss

	Note(s)	Group		Company	
		2019 N '000	2018 N '000	2019 N '000	2018 N '000
Revenue	9	1,169,734,682	1,039,117,810	1,167,418,643	1,037,067,731
Other income	10	96,920	2,225,066	96,920	2,225,066
Direct network operating costs	15	(242,012,147)	(305,519,088)	(241,958,015)	(305,244,580)
Value added services		(12,459,255)	(16,643,563)	(12,462,084)	(16,627,876)
Cost of handsets and accessories		(12,765,784)	(6,191,729)	(12,765,784)	(6,176,000)
Interconnect costs		(105,249,627)	(95,630,222)	(105,249,914)	(95,617,279)
Roaming costs		(4,037,863)	(4,173,205)	(4,020,515)	(4,182,265)
Transmission costs		(5,553,286)	(5,508,549)	(5,688,202)	(5,508,549)
Discounts and commissions		(56,585,622)	(51,287,375)	(56,568,993)	(51,287,375)
Advertisements, sponsorships and sales promotions		(19,848,271)	(16,274,390)	(18,829,997)	(16,274,390)
Employee costs	13	(30,705,957)	(27,152,445)	(30,705,957)	(27,152,445)
Depreciation of property, plant and equipment	17	(147,807,719)	(141,162,479)	(147,807,719)	(141,162,479)
Amortisation of intangible assets	19	(29,996,820)	(26,700,181)	(24,642,891)	(21,346,862)
Depreciation of right of use assets		(56,817,341)	-	(56,817,341)	-
Notional reversal difference payment to CBN	46	-	(19,192,309)	-	(19,192,309)
Other operating expenses	14	(50,694,682)	(59,793,564)	(50,182,898)	(58,566,309)
Operating profit		395,297,228	266,113,777	399,815,253	270,954,079
Finance income	11	20,132,082	22,568,339	20,205,463	21,910,265
Finance costs	12	(125,325,277)	(67,339,468)	(125,325,277)	(67,339,468)
Profit before taxation		290,104,033	221,342,648	294,695,439	225,524,876
Taxation	16	(87,993,059)	(75,656,747)	(89,385,210)	(76,894,322)
Profit for the year		202,110,974	145,685,901	205,310,229	148,630,554
Earnings per share - basic/diluted (N)*	41	9.93	7.16	10.09	7.30

* The comparative figures have been restated to reflect the changes in the number of shares.

The accompanying notes form an integral part of the consolidated and separate financial statements.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Statement of other comprehensive income

	Note(s)	Group		Company	
		2019 N '000	2018 N '000	2019 N '000	2018 N '000
Profit for the year		202,110,974	145,685,901	205,310,229	148,630,554
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Net fair value gain/(loss) on financial assets held at FVOCI		275,672	(490,575)	275,672	(490,575)
Other comprehensive income for the year net of taxation		275,672	(490,575)	275,672	(490,575)
Total comprehensive income		202,386,646	145,195,326	205,585,901	148,139,979
Total comprehensive income attributable to:					
Owners of the parent		202,386,646	145,195,326	205,585,901	148,139,979
		202,386,646	145,195,326	205,585,901	148,139,979

Financial assets classified as fair value through other comprehensive income are Federal Government treasury bills, which are exempted from company income tax.

The accompanying notes form an integral part of the consolidated and separate financial statements.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Statement of financial position as at 31 December 2019

	Note(s)	Group		Company	
		2019 N '000	2018 N '000	2019 N '000	2018 N '000
Assets					
Non-current assets					
Property, plant and equipment	17	625,095,789	607,023,544	625,095,789	606,962,868
Right of use assets		500,067,655	-	500,067,655	-
Intangible assets	19	120,946,914	119,368,123	84,072,042	77,107,651
Investments in subsidiaries	20	-	-	45,578,000	43,828,000
Contract acquisition costs	32	4,851,490	3,766,048	4,851,490	3,766,048
Prepayments	23	12,145,236	15,726,985	12,145,236	15,726,985
		1,263,107,084	745,884,700	1,271,810,212	747,391,552
Current assets					
Inventories	22	909,577	1,538,766	909,577	1,545,496
Trade and other receivables	23	52,400,096	38,617,124	53,594,201	38,485,289
Current investments	24	54,826,569	65,468,259	54,826,569	65,468,259
Restricted cash	25	38,049,589	37,219,023	37,999,589	37,169,023
Cash and cash equivalents	26	116,277,629	53,011,748	114,301,003	52,806,185
		262,463,460	195,854,920	261,630,939	195,474,252
Total assets		1,525,570,544	941,739,620	1,533,441,151	942,865,804
Equity and liabilities					
Equity					
Share capital	27	407,090	646,510	407,090	646,510
Share premium	28	17,216,293	64,498,466	17,216,293	64,498,466
Other reserves	27	521,161	6,069	521,161	6,069
Retained profit		126,541,015	154,201,270	143,118,853	167,579,860
		144,685,559	219,352,315	161,263,397	232,730,905
Liabilities					
Non-current liabilities					
Borrowings	29	380,088,780	31,438,349	380,088,780	31,438,349
Derivatives	21	264,573	14,152	264,573	14,152
Lease liabilities	35	481,434,369	-	481,434,369	-
Deferred tax	36	120,586,575	109,266,019	113,039,867	100,191,396
Provisions	34	71,424	65,934	71,424	65,934
Share based payment liability	45	744,591	654,791	744,591	654,791
		983,190,312	141,439,245	975,643,604	132,364,622
Current liabilities					
Trade and other payables	30	190,440,496	213,715,209	189,641,572	211,055,001
Borrowings	29	32,453,044	143,875,889	32,453,044	143,875,889
Lease liabilities	35	35,099,787	-	35,099,787	-
Contract liabilities	33	46,806,355	42,738,547	46,745,269	42,684,874
Current tax payable	38	65,625,921	54,131,436	65,325,408	53,667,534
Provisions	34	27,269,070	21,359,196	27,269,070	21,359,196
Regulatory fine liability	31	-	105,127,783	-	105,127,783
		397,694,673	580,948,060	396,534,150	577,770,277
Total liabilities		1,380,884,985	722,387,305	1,372,177,754	710,134,899
Total equity and liabilities		1,525,570,544	941,739,620	1,533,441,151	942,865,804

The consolidated and separate financial statements were approved by the Board of Directors on the 28 February 2020 and were signed on its behalf by:



Dr. Ernest Ndukwe, OFR
Chairman of the Board of Directors
FRC/2020/003/00000020337



Mr. Ferdinand Moolman
Chief Executive Officer
FRC/2016/IODN/00000015147



Mrs. Omolara Michael-Nwadu
Ag. Chief Financial Officer
FRC/2014/ICAN/00000009692

The accompanying notes form an integral part of the consolidated and separate financial statements.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Statement of changes in equity

	Share capital	Share premium	Total share capital	Other reserves	Retained profit	Total equity
	N '000	N '000	N '000	N '000	N '000	N '000
Group						
Balance at 1 January 2018	646,510	64,498,466	65,144,976	496,644	47,127,950	112,769,570
Profit for the year	-	-	-	-	145,685,901	145,685,901
Other comprehensive income	-	-	-	(490,575)	-	(490,575)
Total comprehensive income for the year	-	-	-	(490,575)	145,685,901	145,195,326
Dividends	-	-	-	-	(38,612,581)	(38,612,581)
Balance at 31 December 2018	646,510	64,498,466	65,144,976	6,069	154,201,270	219,352,315
Balance at 1 January 2019	646,510	64,498,466	65,144,976	6,069	154,201,270	219,352,315
Profit for the year	-	-	-	-	202,110,974	202,110,974
Other comprehensive income	-	-	-	275,672	-	275,672
Total comprehensive income for the year	-	-	-	275,672	202,110,974	202,386,646
Redemption of preference shares*	(239,420)	(47,282,173)	(47,521,593)	239,420	(96,725,416)	(144,007,589)
Dividends	-	-	-	-	(133,045,813)	(133,045,813)
Balance at 31 December 2019	407,090	17,216,293	17,623,383	521,161	126,541,015	144,685,559
Note(s)	27	28		27.1		

*Following the Board's approval to redeem the preference shares, the preference share capital of N239.4million (402,590,263 preference shares of US\$ 0.005c) and preference share premium of N47.3 billion (402,590,263 US\$ 0.005c preference shares at \$0.987c each) were reclassified to a Redemption account. The difference between the carrying value of the equity instrument and the fair value of the financial liability (N96.7 billion) being the exchange loss at the date of reclassification was recognized in retained earnings.

Included in other reserves is N239.4 million, a sum equal to the nominal amount of the par value of the redeemable preference shares reclassified from retained earnings to a Capital Redemption Reserve Fund (CRRF) in line with the Companies and Allied Matters Act, 2004 (CAMA).

The accompanying notes form an integral part of the consolidated and separate financial statements.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Statement of changes in equity

	Share capital	Share premium	Total share capital	Other reserves	Retained profit	Total equity
	N '000	N '000	N '000	N '000	N '000	N '000
Company						
Balance at 1 January 2018	646,510	64,498,466	65,144,976	496,644	57,561,887	123,203,507
Profit for the year	-	-	-	-	148,630,554	148,630,554
Other comprehensive income	-	-	-	(490,575)	-	(490,575)
Total comprehensive income for the year	-	-	-	(490,575)	148,630,554	148,139,979
Dividends	-	-	-	-	(38,612,581)	(38,612,581)
Balance at 31 December 2018	646,510	64,498,466	65,144,976	6,069	167,579,860	232,730,905
Balance at 1 January 2019	646,510	64,498,466	65,144,976	6,069	167,579,860	232,730,905
Profit for the year	-	-	-	-	205,310,229	205,310,229
Other comprehensive income	-	-	-	275,672	-	275,672
Total comprehensive income for the year	-	-	-	275,672	205,310,229	205,585,901
Redemption of preference shares*	(239,420)	(47,282,173)	(47,521,593)	239,420	(96,725,423)	(144,007,596)
Dividends	-	-	-	-	(133,045,813)	(133,045,813)
Balance at 31 December 2019	407,090	17,216,293	17,623,383	521,161	143,118,853	161,263,397
Note(s)	27	28		27.1		

*Following the Board's approval to redeem the preference shares, the preference share capital of N239.4million (402,590,263 preference shares of US\$ 0.005c) and preference share premium of N47.3 billion (402,590,263 US\$ 0.005c preference shares at \$0.987c each) were reclassified to a Redemption account. The difference between the carrying value of the equity instrument and the fair value of the financial liability (N96.7 billion) being the exchange loss at the date of reclassification was recognized in retained earnings.

Included in other reserves is N239.4 million, a sum equal to the nominal amount of the par value of the redeemable preference shares reclassified from retained earnings to a Capital Redemption Reserve Fund (CRRF) in line with the Companies and Allied Matters Act, 2004 (CAMA).

The accompanying notes form an integral part of the consolidated and separate financial statements.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Statement of cash flows

	Note(s)	Group		Company	
		2019 N '000	2018 N '000	2019 N '000	2018 N '000
Cash flows from operating activities					
Cash generated from operations	39	604,904,165	437,487,847	604,505,568	438,105,835
Interest received		16,058,162	19,604,317	16,131,543	18,946,243
Finance costs paid - lease liability		(62,858,726)	-	(62,858,726)	-
Finance costs paid - borrowings		(46,995,768)	(42,024,438)	(46,995,768)	(42,024,438)
Dividends paid		(133,045,813)	(38,612,581)	(133,045,813)	(38,612,581)
Regulatory fine paid		(110,000,000)	(110,000,000)	(110,000,000)	(110,000,000)
Income tax paid		(62,082,381)	(21,607,434)	(61,783,228)	(21,254,921)
Net cash generated from operating activities		205,979,639	244,847,711	205,953,576	245,160,138
Cash flows from investing activities					
Acquisition of property, plant and equipment		(181,685,416)	(201,195,215)	(181,685,416)	(201,195,215)
Proceeds from sale of property, plant and equipment		1,023,031	652,516	1,023,031	652,516
Purchase of contract acquisition costs		(3,761,690)	(2,830,395)	(3,761,690)	(2,830,395)
Acquisition of right of use assets		(4,570,620)	-	(4,570,620)	-
Purchase of intangible assets		(21,040,667)	(10,119,300)	(21,035,667)	(10,119,300)
Movement in restricted cash		(830,566)	4,398,611	(830,566)	4,448,611
Movement in investment in subsidiaries		-	-	(1,750,000)	(50,000)
Disposal of treasury bills and foreign deposits		13,875,683	5,484,257	13,875,683	5,484,257
Net cash used in investing activities		(196,990,245)	(203,609,526)	(198,735,245)	(203,609,526)
Cash flows from financing activities					
Redemption of preference shares		(148,189,489)	-	(148,189,489)	-
Proceeds from borrowings		381,701,421	136,339,156	381,701,421	136,339,156
Repayment of borrowings		(146,123,670)	(216,275,998)	(146,123,670)	(216,275,998)
Repayment of lease liability		(33,265,495)	-	(33,265,495)	-
Net cash flow generated from/(used in) financing activities		54,122,767	(79,936,842)	54,122,767	(79,936,842)
Net increase/(decrease) cash and cash equivalents		63,112,161	(38,698,657)	61,341,098	(38,386,230)
Cash and cash equivalents at the beginning of the year		53,011,748	89,564,964	52,806,185	89,046,974
Effect of exchange rate movement on cash balances		153,720	2,145,441	153,720	2,145,441
Cash and cash equivalents at end of the year	26	116,277,629	53,011,748	114,301,003	52,806,185

The accompanying notes form an integral part of the consolidated and separate financial statements.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Notes to the consolidated and separate financial statements

1 General Information

MTN Nigeria Communications PLC (formerly MTN Nigeria Communications Limited) was incorporated on 8 November 2000 as a private limited liability company under the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 1990. The Company was granted a licence by the Nigerian Communications Commission on 9 February 2001 to undertake the business of building and operating GSM Cellular Network Systems and other related services nation-wide in Nigeria. The Company commenced operations on 8 August 2001 (commercial launch date). Currently, the Company holds a Unified Access Service License (UASL) in addition to a 2GHz Spectrum and Digital Terrestrial TV Broadcasting licence, in addition to others shown in note 19.

On 18 April 2019, MTN Nigeria Communications Limited re-registered as a public limited company, MTN Nigeria Communications PLC. The Company was listed by introduction on the Premium Board of the Nigerian Stock Exchange on 16 May 2019. The Company's registered office is at 4, Aromire road, off Alfred Rewane Road, Ikoyi Lagos.

MTN Nigeria Communications PLC's subsidiaries are XS Broadband Limited, Visafone Communications Limited and Yello Digital Financial Services Limited. Their principal activities are the provision of broadband fixed wireless access service, high quality telecommunication services and mobile financial services respectively.

The Group's holding company is MTN International (Mauritius) Limited, a company incorporated in the Republic of Mauritius and its ultimate holding company is MTN Group Limited, a company incorporated in South Africa.

2 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and with the requirements of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004.

The Group has 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 except for those standards stated in note 5.

The consolidated and separate financial statements have been prepared under the historical cost basis except for derivatives measured at fair value and debt instruments measured at fair value through profit or loss.

The prior year comparatives relate to the period commencing 1 January 2018 and ending 31 December 2018. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Figures shown throughout this report may not precisely add up due to rounding effect of total figures presented.

Amounts are rounded to the nearest thousands, except where stated otherwise.

3 Going concern

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

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated and separate financial statements.

4 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated and separate financial statements are set out below and in the related notes to the consolidated and separate financial statements. The policies applied are consistent with those adopted in the prior year unless otherwise stated.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Notes to the consolidated and separate financial statements

4.1 Consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries, XS Broadband Limited, Visafone Communications Limited and Yello Digital Financial Services Limited companies incorporated in Nigeria. The subsidiaries are wholly owned and controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The subsidiaries are fully consolidated from the date on which control is obtained and deconsolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

The acquisition method is used to account for the acquisition of subsidiaries by the Group. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired and liabilities 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.

4.2 Investments in subsidiaries

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

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

4.3 Foreign currency translation

4.3.1 Functional and presentation currency

Items included in the consolidated and separate financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and separate financial statements are presented in Naira, which is also the functional currency of the Company.

4.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies are translated at the closing rates at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the year end translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

4.4 Intangible assets

4.4.1 Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their useful lives.

4.4.2 Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised using the straight-line method over their estimated useful life (three years) and carried at cost less accumulated amortisation and impairment losses.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Notes to the consolidated and separate financial statements

4.4.3 Goodwill

Goodwill in the consolidated financial statement 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.

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 that 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.

4.5 Inventories

Inventories comprises cellular telephones, accessories, starter packs and prepaid cards and are measured at the lower of cost and net realisable value. The cost of inventory is determined using the weighted average method and includes directly attributable costs such as custom duties, freight and handling costs. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where appropriate, provision is made for obsolete, slow moving and defective inventory.

4.6 Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Included in property, plant and equipment is the estimated amount required for the decommissioning, dismantling and restoration of leased sites, where there is a legal obligation to restore such sites to their original condition.

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

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

Property, plant and equipment under construction is measured at initial cost and depreciated over its useful life from the date the asset is available for use in the manner intended by management. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Assets are transferred from capital work in progress to an appropriate category of property, plant and equipment when commissioned and ready for intended use.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Notes to the consolidated and separate financial statements

4.6 Property, plant and equipment (continued)

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is deemed to be an asset which takes more than 12 months to acquire, construct or produce. Borrowing costs include general and specific borrowings directly attributable to the acquisition, construction or production of qualifying assets. Other borrowing costs are expensed in profit or loss.

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, plant and equipment acquired in exchange for non-monetary assets are measured at the fair value unless the exchange transaction lacks commercial substance or the fair value of the assets cannot be reliably measured. Assets received in the exchange transaction that are not measured at fair value are measured at the carrying value of the asset given up.

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:

- (a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred; or
- (b) the entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.

In instances whereby the Group receives assets for no consideration (free of charge), the Group accounts for these at cost in accordance with IAS 16 Property, Plant and Equipment, being zero value.

Where assets are received free of charge relating to settlement arising from business interruption, the assets are recognised at their fair value.

Rebates\asset vouchers received from suppliers are applied against future purchases to reduce the amount payable to the respective supplier and the cost of the asset.

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

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Notes to the consolidated and separate financial statements

4.6 Property, plant and equipment (continued)

Buildings	10-15 years
Leasehold improvements	10-15 years
Network infrastructure	2-15 years
Information systems, furniture and office equipment	2-4 years
Motor vehicles	5 years

Land is not depreciated.

Capital work in progress is not depreciated but tested for impairment every reporting period.

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

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

4.7 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the facility will be drawn down.

4.8 Leases

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

4.8.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

4.8.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. This is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Notes to the consolidated and separate financial statements

4.8 Leases (continued)

4.8.3 Short-term leases and lease of low-values assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000 or N1.8 million). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.8.4 Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

The Group included the renewal period as part of the lease term for leases of office equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period of two years and there will be a negative effect on operations if a replacement is not readily available.

A number of leases entitled both the Group and the lessor to terminate the lease without a termination penalty. In determining whether the Group has an economic incentive to not exercise the termination option, the Group considers the broader economics of the contract and not only contractual termination payments.

4.9 Employee benefits

4.9.1 Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting year is recognised on an undiscounted basis as an expense in that reporting period. A liability is recognised for accumulated leave and for other short-term benefits when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statement; or
- achievement of previously agreed bonus criteria has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

4.9.2 Share-based payment

The Group operates a cash settled share-based compensation plan. The fair value of the employee option over the vesting period is recognised as an expense with a corresponding increase in liabilities. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted and the impact of the expense, if any, is recognised in the income statement. Unexercised options lapse 10 years from the date of grant and are forfeited if the employee leaves the Group before they vest.

MTN Nigeria Communications PLC

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4.9 Employee benefits (continued)

4.9.3 Post employment benefits

The Group's end of service benefits scheme has been in existence since 1 February 2004 as a defined contribution scheme governed by the Scheme's Trust Deeds and Rules.

All full time employees contribute 8% of monthly emoluments while the Group contributes 10% of monthly emoluments in line with the Pension Reform Act 2014 guidelines. Monthly emoluments comprise of basic salary, housing allowance, transport allowance, leave allowance, 13th month allowance and passage allowance.

4.10 Provisions

Provisions are 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. 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.

Decommissioning provision relates to the estimate of the costs of dismantling and removing items of property, plant and equipment and restoring the item and site on which the items are located to their original condition. The Group only recognises these decommissioning costs for the proportion of its overall number of sites for which it expects decommissioning to take place. The expected percentage has been based on actual experience in the respective operations.

4.11 Current and deferred income tax

Income tax charge is the sum of current and deferred tax. Income taxes are recognised in profit or loss unless they relate to items that are recorded in Other Comprehensive Income (OCI) in which case the tax is recorded in OCI. The Group determines the tax due based on expected amount payable and on an individual tax position basis.

Current income tax

Current tax is the expected tax payable (companies income tax and tertiary education tax) on the taxable income for the year determined in accordance with the provisions of the Companies Income Tax Act and Tertiary Education Tax Act using the tax rate enacted or substantively enacted as at the reporting date.

Deferred income tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences except;

- a. the initial recognition of goodwill; or
- b. the initial recognition of an asset or liability in a transaction which:
 - i. is not a business combination; and
 - ii. at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

Deferred tax is measured at the statutory tax rate enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

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

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4.11 Current and deferred income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same authority.

4.12 Nigerian Police Trust Fund

Police Trust Fund is computed and recognised at 0.005% of the "net profit" which is profit before tax in line with Nigerian Police Trust Fund Act of 2019. The Nigerian Police Trust Fund Act 2019 was signed during the year. The Act imposes a levy of 0.005% on the Group's operating business in Nigeria. The levy is calculated based on 0.005% of profit before tax.

4.13 Information Technology Development Levy (ITDL)

Information Technology Development Levy is computed and recognised at one percent of profit before tax in line with the National Information Technology Development Act of 2007.

4.14 Finance income and expenses

Finance income comprises interest income on funds invested, changes in fair value of financial assets through profit or loss and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance expenses comprise interest expenses on borrowings, unwinding of the discount on provisions, changes in fair value of financial assets through profit or loss and foreign exchange losses that are recognised in profit or loss.

4.15 Share capital

Ordinary and preference shares are classified as equity. Incremental external costs directly attributable to the issue of new shares or share options are recognised in equity as a deduction, net of tax from the proceeds. The preference shares are redeemable cumulative preference shares and have been classified as equity instruments because there is no contractual obligation to deliver cash or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

4.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less, if not they are presented as non-current liabilities.

4.17 Revenue

The Group principally generates revenue from providing mobile telecommunications services, such as network services (comprising data, voice and SMS), value added services (VAS), digital, interconnect and roaming services, as well as from the sale of mobile devices. Products and services may be sold separately or in bundled packages.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells mobile devices and network services separately.

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4.17 Revenue (continued)

4.17.1 Categories of revenue

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

Mobile telecommunication services

The Group provides mobile telecommunication services, including network services, value added services (VAS) and digital services. Network services (comprising voice, data, SMS (person to person)) are considered to represent a single performance obligation as all are provided over the MTN network and transmitted as data representing a digital signal on the network. The transmission of voice, data and SMS all consume network bandwidth and therefore, irrespective of the nature of the communication, the subscriber ultimately receives access to the network and the right to consume network bandwidth. Network services are, therefore viewed as a single performance obligation represented by capacity on the MTN network.

Digital revenue is any value added service that involves an application in transacting (i.e. application to person SMS, person to application SMS, Unstructured Supplementary Service Data (USSD), Interactive Voice Response (IVR). These services include rich media, insurance and e-commerce services.

Value added services includes airtime lending and mobile money (Fintech), subscriber identification module (SIM) back up services and voice based services.

The Group recognises revenue from these services as they are provided. Revenue is recognised based on actual units of network services provided during the reporting period as a proportion of the total units of network services to be provided. The customer receives and uses the benefits of these services simultaneously.

Customers either pay in advance for these services. A contract liability is recognised for amounts received in advance, until the services are provided or when the usage of services becomes remote.

When the Group expects to be entitled to breakage (forfeiture of unused value or network services), the Group recognises the expected amount of breakage in proportion to network services provided versus the total expected network services to be provided. Any unexpected amounts of breakage are recognised when the unused value of network services expire or when usage thereof becomes remote. Assessment of breakage is updated each reporting period and any resulting change is accounted for prospectively as a change in estimate in terms of IAS 8 Accounting policies, changes in accounting estimates and errors.

Mobile devices

The Group sells a range of mobile devices (handsets and accessories). The Group recognises revenue when customers obtain control of mobile devices, being when the customers take possession of the devices. For mobile devices sold separately, customers pay in full at the point of sale. For mobile devices sold in bundled packages, the Group allocates the transaction price to the device and the network services based on the stand-alone selling prices.

The Group is obligated to replace a faulty device or accessory with another device/accessory. No cash refund is provided to the customer.

Interconnect and roaming

The Group provides interconnect and roaming services. The Group recognises interconnect and roaming revenue and debtors as the service is provided unless it is not probable (based on historical information) on 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 amounts.

The Group has considered historical payment patterns (i.e. customary business practice) in assessing whether the contract contains a significant financing component. For contracts containing a significant financing component, the Group reduces interconnect and roaming revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

MTN Nigeria Communications PLC

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Notes to the consolidated and separate financial statements

4.17 Revenue (continued)

4.17.2 Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Certain commissions incurred by the Group in obtaining customer contracts that are payable to third party agents qualify as incremental costs. The Group recognises such commissions as an asset, included as contract acquisition costs, if it expects to recover these costs. The asset is amortised on a straight-line basis over the estimated subscriber tenure on the network. The amortisation period ranges from 18 months to 48 months.

In terms of a practical expedient, the Group has elected to recognise the incremental costs of obtaining contracts in profit or loss, when incurred, if the amortisation period of the assets that the Group otherwise would have recognised is 12 months or less.

Contract acquisition costs are assessed for impairment in line with IAS 36 Impairment of Assets when there is an indication of impairment.

4.17.3 Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

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 in proportion to the pattern of rights exercised by the customer or when utilisation thereof becomes remote.

4.18 Dividends

Interim dividends on ordinary shares are recognised as a liability and a reduction from equity, in the period in which they are approved by the Board of Directors.

Final dividends on ordinary shares are recognised as a liability and a reduction from equity, in the period in which they are recommended by the Board of Directors and ratified by the shareholders.

4.19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

4.19.1 Financial assets

Initial recognition, measurement and classification

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets are classified into the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

MTN Nigeria Communications PLC

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4.19 Financial instruments (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, current investments, restricted cash, cash and cash equivalents.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, then they are recognised at fair value.

Current investments comprise investment in treasury bills with maturity periods, that are more than three months but less than twelve months.

Restricted cash represents deposits with banks to secure letters of credit, collateral against repayment of borrowings and bank guarantees against court judgements.

Cash and cash equivalents comprise cash in hand, in current accounts which is a non-interest bearing demand deposit, Naira deposits held on call and other highly liquid investments with original maturities of three months or less.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in Federal Government Treasury bills included under current investments.

MTN Nigeria Communications PLC

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Notes to the consolidated and separate financial statements

4.19 Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and investments in Federal Government Treasury bills.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and attributable transaction costs are recognised in profit or loss when incurred. Subsequently, derivatives are measured at fair value through profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECL is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers whether there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of Federal Government Treasury Bills that are graded in the non-investment category (B- to B+) by the Standard & Poor's (S&P), but are considered to be low credit risk investments as the risk of default is low.

The Group uses the ratings from the S&P both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Derecognition

A financial asset is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;
- The Group has transferred substantially all of the risks and rewards of the asset

MTN Nigeria Communications PLC

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Notes to the consolidated and separate financial statements

4.19 Financial instruments (continued)

4.19.2 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts, there is an intention to settle on a net basis and to realise the assets and settle the liabilities simultaneously.

4.19.3 Financial liabilities

Initial recognition and measurement

Financial liabilities comprise trade and other payables, borrowings and other non-current liabilities (excluding provisions). Financial liabilities are initially measured at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities if payment is required within 12 months and non-current where the settlement of the liability is for at least 12 months after the reporting date.

Derecognition

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4.20 Impairment of non-financial assets

4.20.1 Goodwill and investment in subsidiaries

The Group accounts for investment in subsidiaries at cost less impairment losses.

The Group tests goodwill for impairment on an annual basis. Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

4.21 Assets held for sale

Assets are classified as held for sale and are stated at the lower of their carrying amount and fair value less cost to sell when their carrying amounts are to be recovered principally through sale rather than continued use and the sale is considered to be highly probable. These assets are recognised under non-current assets.

4.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other components, whose operating results are reviewed regularly by the Executive Committee (EXCOM), to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. All costs that are directly traceable to the operating segments are allocated to the segment concerned.

Notes to the consolidated and separate financial statements**5. Changes in accounting policy**

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new standards.

The Group has adopted IFRS 16 Leases (IFRS 16) with effect from 1 January 2019.

IFRS 16: Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the Group recognised depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognises operating lease expense for these leases. Cash generated from operations increased as lease costs are no longer included in this category; interest paid increased, as it includes the interest portion of the lease liability payments and the capital portion of lease liability repayments is included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

The Group adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 January 2019.

The Group's leasing activities and significant accounting policies

The Group's leases include network infrastructure (including tower space and land), land, buildings, motor vehicles and office equipment. Lease contracts are typically made for fixed periods varying between three to eleven years but may have renewal periods.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, the Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and for short-term leases, i.e. leases that at commencement date, have lease terms of twelve (12) months or less. The Group defines low-value leases as leases of assets for which the value of the underlying asset when it is new is N1.8 million or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019	1 January 2019
	N '000	N '000
Network infrastructure	488,763,508	505,583,125
Buildings	5,102,905	1,189,730
Land	5,873,573	6,091,470
Motor vehicles	49,396	-
Office equipment	278,273	417,388
	500,067,655	513,281,713

Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle of three to five years and history of terminating/ not renewing leases.

Notes to the consolidated and separate financial statements**5. Changes in accounting policy (continued)**

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Lease and non-lease components

A number of lease contracts include both lease and non-lease components. The Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone selling prices. The stand-alone selling prices of each component are based on available market prices. The Group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate, for the remaining lease terms, as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients as permitted by the standard, when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounted for leases with a remaining lease term of less than twelve (12) months as at 1 January 2019 as short-term leases;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Impact on financials

On transition to IFRS 16, the Group recognised right-of-use assets and liabilities. The impact on transition is summarised below:

	1 January 2019 N '000
Right-of-use assets* (Note 18)	513,281,713
Lease liabilities - current	26,835,610
Lease liabilities - non-current	479,164,904
	506,000,514

* Right-of-use assets includes N7.2 billion reclassified from prepayments

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 18.82% for Naira denominated liabilities and 10.49% for US Dollar denominated liabilities. A reconciliation of the operating lease commitments disclosed as at 31 December 2018, discounted using the incremental borrowing rate to the lease liability recognised on 1 January 2019 is disclosed below:

Notes to the consolidated and separate financial statements

5. Changes in accounting policy (continued)

	N'000
Operating lease commitments disclosed at 31 December 2018	2,638,323,804
	<hr/>
Discounted using the incremental borrowing rate on 1 January 2019	1,406,196,847
Less: non-lease components	(895,480,379)
Add: extension options reasonably certain to be exercised	24,392,428
Less: variable lease payments based on an index or rate	(29,108,382)
	<hr/>
	506,000,514

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised N500.1 billion of right-of-use assets (see note 18) and N516.5 billion of lease liabilities (see note 35) as at 31 December 2019 .

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense of N105.5 billion that would have been recognised under IAS 17. During the year ended 31 December 2019, the Group recognised N56.8 billion of depreciation charges and N68.1 billion of interest costs from these leases. Foreign exchange losses of N15.6 million were recognised on foreign denominated lease liabilities.

Earnings Per Share (EPS) decreased for the year ended 31 December 2019 by 65kobo per share as a result of the IFRS 16 adoption. Due to the impact of the reducing finance charges over the life of the lease, the impact of adopting IFRS 16 is initially dilutive, before being accretive in later periods.

Cash from operating activities includes interest paid on lease liabilities of N62.8 billion, cash used in financing activities includes N33.3 billion for the capital portion of lease liability repayments.

Notes to the consolidated and separate financial statements

6. New standards and interpretations

6.1 Standards and interpretations effective for the first time for 31 December 2019 year end

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Plan amendment, curtailment or settlement - amendments to IAS 19

The amendment deals with the determination of past service cost and gains or losses on settlement, when a plan is amended, curtailed or settled ("the event"). Specifically, when determining the past service cost or gain or loss on settlement, the net defined benefit liability (asset) shall be remeasured using the current fair value of plan assets and current actuarial assumptions reflecting the benefits offered under the plan and plan assets both before and after the event. The effect of the asset ceiling shall not be considered in this exercise. The effect of the asset ceiling shall be determined after the event.

The amendment also specifies that when determining current service costs and net interest on the defined benefit liability (asset) in a period in which an amendment, curtailment or settlement occurs, to apply inputs at the beginning of the reporting period for the current service cost and interest up to the date of the event, and to apply inputs as at the date of the event to determine current service costs and interest for the remainder of the period.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The amendment did not have a material impact on the Group's consolidated and separate financial statements.

Long-term interests in joint ventures and associates - amendments to IAS 28

The amendment now requires that an entity also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The amendment did not have a material impact on the Group's consolidated and separate financial statements.

Prepayment features with negative compensation - amendment to IFRS 9

The amendment to Appendix B of IFRS 9 specifies that for the purpose of applying paragraphs B4.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay or receive reasonable compensation for that early termination.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The amendment did not have a material impact on the Group's consolidated and separate financial statements.

Amendments to IFRS 3 business combinations: annual improvements to IFRS 2015 - 2017 cycle

The amendment clarifies that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The amendment did not have a material impact on the Group's consolidated and separate financial statements.

Amendments to IFRS 11 joint arrangements: annual improvements to IFRS 2015 - 2017 cycle

The amendment clarifies that if a party participates in, but does not have joint control of, a joint operation and subsequently obtains joint control of the joint operation (which constitutes a business as defined in IFRS 3) that, in such cases, previously held interests in the joint operation are not remeasured.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The amendment did not have a material impact on the Group's consolidated and separate financial statements.

Notes to the consolidated and separate financial statements

6. New standards and interpretations (continued)

Amendments to IAS 12 income taxes: annual improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The amendment did not have a material impact on the Group's consolidated and separate financial statements.

Amendments to IAS 23 borrowing costs: annual improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The amendment did not have a material impact on the Group's consolidated and separate financial statements.

Uncertainty over income tax treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 1 January 2019.

The interpretation did not have a material impact on the consolidated and separate financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Practical expedients are available for short-term and low-value leases. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

The effective date of the standard is for years beginning on or after 1 January 2019. The Group has adopted the standard for the first time in the 2019 consolidated and separate financial statements.

The impact of the standard is set out in note 5 Changes in Accounting Policy.

6.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods:

Notes to the consolidated and separate financial statements

6. New standards and interpretations (continued)**Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture**

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate financial statements.

IFRS 17 insurance contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 1 January 2021.

It is unlikely that the standard will have a material impact on the Group's consolidated and separate financial statements.

Notes to the consolidated and separate financial statements

7. Segment information

The Group has identified three reportable segments that are used by the Executive Committee (EXCOM) to make key operating decisions. All operating segment results are reviewed regularly by EXCOM to make decisions about resources to be allocated and to assess its performance. The reportable segments are largely grouped according to customer type for which discrete financial information is available. The customer segments are as follows:

- Consumer Business Unit (CBU)
- Enterprise Business Unit (EBU)
- Wholesale Business Unit (WBU)

Operating results are reported and reviewed regularly by the EXCOM and include items directly attributable to a segment.

Business segments

Customer Business Unit (CBU)

Description

It consists of subscribers sitting in value propositions and tariff plans dedicated to three sub segments: Youth, High Value and Mass segments. All MTN customers are assumed to fall within CBU except where otherwise stated.

Enterprise Business Unit (EBU)

Enterprise customers are mostly corporate and small medium organisations whose business requires our products, services and solutions to serve their everyday business needs.

Wholesale Business Unit (WBU)

The Wholesale business, serves customers who buy MTN telecom products in bulk with the intention to re-sell these products (mobile or fixed) to their external clients.

A key performance measure of the Group is gross margin. This is defined as revenue less direct costs. The table below presents revenue, direct costs and gross margin for the operating segments for the year ended 31 December 2019 and 31 December 2018 respectively. There were no intersegment transactions during the year.

Information about reportable segments

	CBU N '000	EBU N '000	WBU N '000	Total N '000
31 December 2019				
Segment revenue	990,961,986	132,761,023	46,011,673	1,169,734,682
Direct costs	(205,633,663)	(12,147,459)	(92,987)	(218,774,109)
Gross margin	785,328,323	120,613,564	45,018,686	950,960,573
31 December 2018				
Segment revenue	897,070,104	110,368,666	31,679,040	1,039,117,810
Direct costs	(179,295,415)	(18,847,495)	(791,976)	(198,934,886)
Gross margin	717,774,689	91,521,171	30,887,064	840,182,924

Notes to the consolidated and separate financial statements

Reconciliation of reportable segment revenue and profit or loss**Revenues**

There are no significant reconciling items between the reportable segment revenue and total revenue for the period.

Profit or loss

	31 December 2019 N '000	31 December 2018 N '000
Segment gross margin	950,960,573	840,182,924
Unallocated items:		
- Other income	(96,920)	(2,225,066)
- Operating expenses	(320,944,545)	(403,981,421)
- Depreciation & amortisation	(234,621,880)	(167,862,660)
- Finance income	20,132,082	22,568,339
- Finance expense	(125,325,277)	(67,339,468)
Profit before taxation	290,104,033	221,342,648

Segment assets and liabilities

The Group has not provided information on reportable segment assets and liabilities as they are not part of the items regularly reviewed by the Executive Committee (EXCOM) to make operating decisions.

Notes to the consolidated and separate financial statements

8. 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 "significant accounting policies" disclosed in note 4.

8.1 Income taxes

The Group exercises significant judgement in determining its provision for income taxes when dealing with 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. 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.

8.2 Provisions

The Group exercises judgement in determining the expected cash outflows related to its provision. Judgement is necessary in determining the timing of outflow as well as qualifying the possible range of financial settlements that may occur.

The present value of the Group's provisions is based on management's best estimate of the future cash outflows expected to be required to settle the obligations, discounted using appropriate pre-tax discount rates that reflect the current market assessment of the time value of money and the risks specific to each provision.

8.3 Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL), which uses a lifetime expected loss allowance for all trade receivables. In applying the provision matrix, the Group estimates the ultimate write offs for a defined population of trade receivables. A loss ratio is calculated according to the ageing profile of the trade receivables by applying the historic write offs to the payment profile of the population adjusted to reflect current and forward looking information on microeconomic factors. The Group exercises significant judgements in the inputs, assumptions and techniques for estimating ECL, default and credit impaired assets.

8.4 Bundled products

In revenue arrangements where more than one good or service is provided to the customer, customer consideration is allocated between the goods and services using estimated standalone selling prices (SASP). The Group generally determines the SASP of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis after considering any appropriate volume discounts.

8.5 Timing of satisfaction of performance obligations

The Group uses the output method to recognise revenue over a period of time. The output method recognises revenue based on direct measurement of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The bulk of MTN's revenue is from airtime that is used on network services such as voice, SMS, data and digital services. The output method is a faithful depiction as this represents the value transferred to the customer based on usage.

8.6 Principal and agency arrangements

When the Group sells goods or services as a principal, revenue is reported on a gross basis in revenue and the amount paid to the agent is recorded in operating costs. If the Group sells goods or services as an agent, revenue is on a net basis, representing the margin earned. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue.

Notes to the consolidated and separate financial statements

8. Critical accounting judgements, estimates and assumptions (continued)**8.7 Impairment on current investments**

The Group applies the general approach to estimate impairment of the current investments measured at amortised cost. This area requires the use of inputs and assumptions on the credit rating of the issuer and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

8.8 Amortisation of capitalised contract acquisition costs

The Group has capitalised incremental commission fees paid to trade partners for activating sim kits. These costs are amortised on a straight line basis over the estimated subscriber tenure on the network. The Group has estimated the amortisation periods based on the tenure spent by the subscriber on the network.

8.9 Contract liability

Recharge vouchers that have been purchased but not loaded, and airtime loaded but not recognised, are recorded as part of contract liability. Customers may not exercise all their rights and these are called breakage. The Group recognised the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. The pattern of rights exercised is estimated by reference to recharge/usage patterns. Management estimates a breakage rate with which to gradually release unexercised rights or recognise credit into revenue.

Notes to the consolidated and separate financial statements

	Group		Company	
	2019	2018	2019	2018
	N '000	N '000	N '000	N '000

9. Revenue
Revenue from contracts with customers

Voice	725,448,243	681,911,412	723,922,579	680,329,848
Data	219,397,299	154,134,275	218,686,620	153,763,750
SMS	13,505,415	14,306,527	13,467,016	14,270,357
Interconnect and roaming	125,042,270	102,568,907	125,066,454	102,568,246
Handset and accessories	2,208,282	2,200,757	2,208,207	2,193,232
Digital	35,939,581	40,706,066	35,922,184	40,706,066
Value added services	37,167,612	32,275,869	37,158,127	32,223,193
Other revenue	11,025,980	11,013,997	10,987,456	11,013,039
Total revenue from contract with customers	1,169,734,682	1,039,117,810	1,167,418,643	1,037,067,731

Subsequent to the publication of interim results for the nine months ended 30 September 2019, the Group updated its definitions for data, value added services and other revenue. This resulted in a reclassification of revenue from data and other revenue into value added services, handsets and accessories, interconnect and roaming. 2018 comparatives have been updated to reflect this reclassification.

Data revenue excludes roaming data, roaming data is reported under interconnect and roaming.

Other revenue comprises revenue from cloud and infrastructure services, information and communication technology (ICT) revenue.

10. Other income

Other income	96,920	2,225,066	96,920	2,225,066
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Other income in 2019 relates to lease rental income from sites leased to other telecom operators (2018: N96.92 million).

In 2018, the ultimate holding company (MTN Group Limited) entered into a Settlement Agreement for compensation in respect of losses arising from breach of contract with Zhongxing Telecommunications Equipment (ZTE). In the terms of the agreement, ZTE agreed to provide specific discounts and free goods to the value US\$26.7 million to the MTN Group Limited and its operating companies. MTN Nigeria (the Company) accounted for its share of this transaction US\$5.83 million (N2.13 billion) as other income measured at the fair value of the free and discounted goods.

11. Finance income

Interest income on bank deposits	7,949,262	8,184,500	8,022,643	7,526,426
Interest income on amortised cost investments	10,212,003	10,514,417	10,212,003	10,514,417
Net gain on FVTPL investments	955,295	1,716,135	955,295	1,716,135
Net gain on FVOCI investments	281,237	1,384,163	281,237	1,384,163
Interest income on intercompany receivables	16,469	20,101	16,469	20,101
Currency swap gain	27,521	-	27,521	-
Foreign exchange gain	690,295	749,023	690,295	749,023
Total finance income	20,132,082	22,568,339	20,205,463	21,910,265

Notes to the consolidated and separate financial statements

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
12. Finance costs				
Interest expense - borrowings	46,967,357	36,375,324	46,967,357	36,375,324
Interest expense - lease liability	68,146,724	-	68,146,724	-
Interest expense - banking fees	2,180,683	4,123,004	2,180,683	4,123,004
Time value accretion on regulatory fine	4,872,217	22,352,019	4,872,217	22,352,019
Foreign exchange loss	3,158,296	4,419,296	3,158,296	4,419,296
Currency swap loss	-	69,825	-	69,825
Total finance costs	125,325,277	67,339,468	125,325,277	67,339,468

13. Employee costs

Salaries and wages	25,791,881	21,980,917	25,791,881	21,980,917
Post-employment benefits - pension - defined contribution plan	1,729,571	1,561,762	1,729,571	1,561,762
Other staff costs	3,184,505	3,609,766	3,184,505	3,609,766
	30,705,957	27,152,445	30,705,957	27,152,445

Other staff costs comprise of mortgage subsidy, long service award, termination benefits, reward and recognition, group life insurance, medical expenses, etc.

13.1 Particulars relating to employees

Employees of the Group, other than Directors, whose duties were wholly or mainly discharged in Nigeria received remuneration (excluding pension contributions) in the following ranges:

	Group		Company	
	2019	2018	2019	2018
N1,900,001 - N2,500,000	-	109	-	109
N2,500,001 - N3,500,000	218	35	218	35
N3,500,001 - N4,500,000	62	113	62	113
N4,500,001 - N5,500,000	67	214	67	214
N5,500,001 - N6,500,000	162	194	162	194
N6,500,001 - N7,500,000	313	174	313	174
N7,500,001 - N8,500,000	114	90	114	90
N8,500,001 - N9,500,000	128	101	128	101
N9,500,001 - N10,500,000	116	97	116	97
N10,500,001 - N11,500,000	98	108	98	108
N11,500,001 - N12,500,000	105	69	105	69
Over - N12,500,000	487	394	487	394
	1,870	1,698	1,870	1,698

Notes to the consolidated and separate financial statements
13. Employee costs (continued)

	Group		Company	
	2019	2018	2019	2018
13.2 The year end number of full time persons employed by the Group was as follows:				
CEO's Office	54	41	54	41
Corporate Services	66	41	66	41
Customer Relations	271	270	271	270
Digital Services*	12	-	12	-
Finance	294	288	294	288
Human Resources	60	59	60	59
Information Systems	127	105	127	105
Marketing	103	104	103	104
Network Group	379	364	379	364
Sales and Distribution	301	211	301	211
Enterprise Solutions	145	147	145	147
Legal Services**	-	18	-	18
Internal Audit & Fraud Management	23	19	23	19
Risk & Compliance	35	31	35	31
	1,870	1,698	1,870	1,698

* Digital Services division was created in the year.

** Legal Services division has been merged with Corporate Services division.

	Group		Company	
	2019	2018	2019	2018

13.3 Remuneration was paid in respect of directors of the Group as follows:
Directors' emoluments:

Fees (non-executive directors)	69,570	60,923	69,570	60,923
Other emoluments (non-executive directors)	164,711	278,261	164,711	278,261
Emoluments (executive directors)	585,936	571,430	585,936	571,430
	820,217	910,614	820,217	910,614

The directors' remuneration shown above includes:

Chairman's remuneration	32,736	34,065	32,736	34,065
Highest paid director	585,936	571,430	585,936	571,430

The emoluments of all other directors fall within the following ranges:

Nil	6	6	6	6
Above N5,000,000	14	7	14	7

Notes to the consolidated and separate financial statements

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
14. Other operating expenses				
Profit on disposal of property, plant and equipment	(960,235)	(456,858)	(960,235)	(456,858)
Loss on disposal of assets held for sale	-	7,169	-	7,169
Bad debt written off	9,367,203	7,746,898	9,367,203	7,746,898
Directors' emoluments	820,217	910,614	820,217	910,614
Fixed assets written off	3,041,030	447	3,041,030	447
Writeback of impairment of assets held for sale*	-	(6,996)	-	(6,996)
(Reversal)/impairment of property and equipment*	(3,000,307)	758,926	(3,011,885)	758,926
Impairment reversal on contract with customers*	(9,066,233)	(8,757,923)	(8,907,023)	(8,962,844)
Information Technology Development Levy and MTN Foundation	4,999,893	3,737,082	4,999,893	3,737,082
Insurance cost	1,496,323	1,641,847	1,496,323	1,641,847
Audit fees	303,750	270,992	288,750	255,992
Professional fees	19,890,165	29,475,146	19,586,635	28,590,457
Maintenance costs	14,726,934	13,123,184	14,669,635	13,123,184
Rent, rates, utilities and other office running cost	2,760,408	6,469,475	2,736,502	6,449,060
Trainings, travels and entertainment cost	4,792,492	2,570,701	4,574,554	2,570,501
Trading inventory write off	190,292	1,350,954	190,292	1,350,954
Other expenses	1,332,750	951,906	1,291,007	849,876
	50,694,682	59,793,564	50,182,898	58,566,309

*In 2018, these expense lines were initially disclosed on the statement of profit or loss.

Other expenses include bank charges, subscriptions, office refreshments, security costs, etc.

Included in professional fees is the sum of N525,000 for the certification of MTN's retained earnings done by Grant Thornton during the year (2018: N53.1 million to PricewaterhouseCoopers for professional and tax advisory services in relation to the initial public offering). These non-audit services did not impair the independence and objectivity of the external auditor.

15. Direct network operating costs

Regulatory fees	30,273,271	27,203,234	30,202,163	27,138,856
Annual numbering plan	983,353	1,164,030	977,025	977,025
BTS leases*	165,519,304	233,223,823	165,519,304	233,222,153
Network maintenance	45,236,219	43,928,001	45,259,523	43,906,546
	242,012,147	305,519,088	241,958,015	305,244,580

*Due to the adoption of IFRS 16 Leases, BTS lease expense for 2019 relates to the non-lease components (power and maintenance) of the tower lease contracts which are recognised as an expense in profit or loss as they are incurred. The Group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. The comparatives include the full lease expense (lease and non-lease components) as required by IAS 17 Leases.

Notes to the consolidated and separate financial statements

	Group		Company	
	2019	2018	2019	2018
	N '000	N '000	N '000	N '000

16. Taxation
Analysis of tax expense for the year
Current

Company income tax	67,813,183	46,659,079	67,677,420	46,403,534
Education tax	8,844,585	6,908,057	8,844,585	6,891,950
Capital gains tax	-	38	-	38
Nigerian Police Trust Fund	14,734	-	14,734	-
Penalty for late filing	-	115	-	-
	76,672,502	53,567,289	76,536,739	53,295,522

Deferred

Deferred tax	11,320,557	22,089,458	12,848,471	23,598,800
	87,993,059	75,656,747	89,385,210	76,894,322

The Nigeria Police Trust Fund Act 2019 was signed during the year. The Act imposes a levy of 0.005% on the Group's operating business in Nigeria. The levy is calculated based on the 0.005% of profit before tax.

There was a late filing penalty of N115,000 which relates to the late submission of Visafone Communication Limited's financial statements in 2018.

Tax rate reconciliation

The table below explains the differences between the expected tax expense on continuing operations, at the Nigerian statutory tax rate of 30% (2018: 30%) and the Company's total tax expense for each year.

Profit before tax	290,104,033	221,342,648	294,695,439	225,524,876
Taxation	(87,993,059)	(75,656,747)	(89,385,210)	(76,894,322)
Actual tax rate	30.33 %	34.18 %	30.33 %	34.10 %
Applicable tax rate	30.00 %	30.00 %	30.00 %	30.00 %
Exempt income	(1.06)%	(1.43)%	(1.04)%	(1.40)%
Prior year tax under/(over) provision	0.17 %	(1.10)%	0.27 %	(1.09)%
Investment allowance	(2.16)%	(2.48)%	(2.13)%	(2.43)%
Expenses not allowed	0.28 %	5.50 %	0.19 %	5.40 %
Education tax	3.09 %	3.69 %	3.03 %	3.62 %
Police Trust Fund	0.01 %	-	0.01 %	-
Effective tax rate	30.33 %	34.18 %	30.33 %	34.10 %

The Group is regarded as tax resident in Nigeria in line with the provisions of the Companies Income Tax Act and as such taxable in Nigeria.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Notes to the consolidated and separate financial statements

17. Property, plant and equipment

Group

	Land & Buildings	Leasehold improvements	Information systems, furniture and office equipment	Motor vehicles	Network infrastructure	Capital work-in-progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost							
Balance at 1 January 2018	29,937,611	15,885,026	59,055,933	4,827,826	1,138,509,076	75,930,563	1,324,146,035
Additions	69,479	1,399,925	7,185,314	1,918,470	14,751,175	148,960,658	174,285,021
Disposal	-	-	(2,192,010)	(767,800)	(447,778)	-	(3,407,588)
Reallocation	99,743	3,234,583	2,869,025	(3,400)	141,650,975	(155,429,661)	(7,578,735)
Reclassification	-	-	(3,995)	-	-	(143)	(4,138)
Write-off	-	-	(28,793,458)	-	(250,319,311)	-	(279,112,769)
Balance at 31 December 2018	30,106,833	20,519,534	38,120,809	5,975,096	1,044,144,137	69,461,417	1,208,327,826
Additions	821,392	1,047,990	4,544,436	-	6,144,094	169,127,503	181,685,415
Other movement	(2,948)	-	(182,357)	(10,744)	(9,225,843)	(676,252)	(10,098,144)
Disposal	-	(4,302)	(3,623,530)	(2,555)	(24,154,919)	-	(27,785,306)
Reallocation	718,276	277,900	6,071,364	-	188,384,144	(201,055,360)	(5,603,676)
Write-off	-	-	-	-	(3,041,030)	-	(3,041,030)
Balance at 31 December 2019	31,643,553	21,841,122	44,930,722	5,961,797	1,202,250,583	36,857,308	1,343,485,085
Accumulated depreciation							
Balance at 1 January 2018	16,986,992	4,347,478	43,354,038	3,473,231	673,545,412	-	741,707,151
Charge for the year	1,505,081	1,763,433	10,248,818	712,033	126,933,114	-	141,162,479
Write-off	-	-	(28,781,636)	-	(250,330,708)	-	(279,112,344)
Disposal	-	-	(2,130,408)	(700,959)	(380,563)	-	(3,211,930)
Impairment of asset	-	-	-	-	758,926	-	758,926
Balance at 31 December 2018	18,492,073	6,110,911	22,690,812	3,484,305	550,526,181	-	601,304,282
Charge for the year	1,577,014	976,135	9,445,999	537,394	135,271,177	-	147,807,719
Disposal	-	(4,302)	(3,583,474)	(2,427)	(23,776,053)	-	(27,366,256)
Impairment	-	-	-	-	(3,000,307)	-	(3,000,307)
Other movement	-	-	(19,517)	(10,745)	(325,880)	-	(356,142)
Balance at 31 December 2019	20,069,087	7,082,744	28,533,820	4,008,527	658,695,118	-	718,389,296
Carrying amount							
Balance as at 31 December 2019	11,574,466	14,758,378	16,396,902	1,953,270	543,555,465	36,857,308	625,095,789
Balance as at 31 December 2018	11,614,760	14,408,623	15,429,997	2,490,791	493,617,956	69,461,417	607,023,544

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Notes to the consolidated and separate financial statements

17. Property, plant and equipment (continued)

Company

	Land & Buildings	Leasehold improvements	Information systems, furniture and office equipment	Motor vehicles	Network infrastructure	Capital work-in-progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost							
Balance at 1 January 2018	29,934,662	15,885,026	59,033,367	4,817,082	1,138,128,556	75,930,563	1,323,729,256
Additions	69,478	1,399,925	7,185,314	1,918,470	14,751,175	148,960,658	174,285,020
Disposal	-	-	(2,192,010)	(767,800)	(447,778)	-	(3,407,588)
Reallocation	99,744	3,234,583	2,869,025	(3,400)	141,650,975	(155,429,661)	(7,578,734)
Reclassification	-	-	(3,995)	-	-	(143)	(4,138)
Write-off	-	-	(28,793,457)	-	(250,319,311)	-	(279,112,768)
Balance at 31 December 2018	30,103,884	20,519,534	38,098,244	5,964,352	1,043,763,617	69,461,417	1,207,911,048
Additions	821,392	1,047,990	4,544,436	-	6,144,094	169,127,503	181,685,415
Disposal	-	(4,302)	(3,623,530)	(2,555)	(24,154,919)	-	(27,785,306)
Other movement	-	-	(159,791)	-	(8,845,323)	(676,252)	(9,681,366)
Reallocation	718,277	277,900	6,071,363	-	188,384,144	(201,055,360)	(5,603,676)
Write-off	-	-	-	-	(3,041,030)	-	(3,041,030)
Balance at 31 December 2019	31,643,553	21,841,122	44,930,722	5,961,797	1,202,250,583	36,857,308	1,343,485,085
Accumulated depreciation							
Balance at 1 January 2018	16,986,992	4,347,478	43,334,522	3,462,487	673,219,570	-	741,351,049
Charge for the year	1,505,081	1,763,433	10,248,818	712,033	126,933,114	-	141,162,479
Disposal	-	-	(2,130,408)	(700,959)	(380,563)	-	(3,211,930)
Impairment	-	-	-	-	758,926	-	758,926
Reallocation	-	-	-	-	-	-	-
Write-off	-	-	(28,781,636)	-	(250,330,708)	-	(279,112,344)
Balance at 31 December 2018	18,492,073	6,110,911	22,671,296	3,473,561	550,200,339	-	600,948,180
Charge for the year	1,577,014	976,135	9,445,999	537,394	135,271,178	-	147,807,720
Disposal	-	(4,302)	(3,583,475)	(2,428)	(23,764,514)	-	(27,354,719)
Impairment	-	-	-	-	(3,011,885)	-	(3,011,885)
Balance at 31 December 2019	20,069,087	7,082,744	28,533,820	4,008,527	658,695,118	-	718,389,296
Carrying amount							
Balance as at 31 December 2019	11,574,466	14,758,378	16,396,902	1,953,270	543,555,465	36,857,308	625,095,789
Balance as at 31 December 2018	11,611,811	14,408,623	15,426,948	2,490,791	493,563,278	69,461,417	606,962,868

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Notes to the consolidated and separate financial statements

17. Property, plant and equipment (continued)

17.1 Land and buildings

Included in land and buildings, is land of N5.57 billion not depreciated.

17.2 Reallocation

Reallocation relates to assets moved from capital work in progress to network infrastructure and other categories of property, plant and equipment and assets reclassified from property, plant and equipment to intangible assets.

17.3 Reclassification

Reclassifications relate to tangible assets initially capitalised but later expensed in the statement of profit or loss due to materiality threshold.

17.4 Write-off

This relates to obsolete network inventory written off during the year.

17.5 Capital work-in-progress

These are various capital work-in-progress projects relating to network sites under construction in the Group.

17.6 Impairment losses recognised in the year

There was a write-off on obsolete network inventory during the year. The write off led to the reversal of impairment charged in previous years. The impairment reversal of N3 billion was recognised in the statement of profit or loss (2018: impairment reversal of N0.76 billion).

17.7 Other movement

This relates to the reversal of prior year accruals no longer required.

17.8 Assets pledged as security

The Group has made a negative pledge over all existing and future assets to the lenders. The negative pledge signifies that the Group has agreed not to deplete its assets via sales, collateral and transfer to anyone except the group of lenders, subject to a permitted amount.

17.9 Capitalised borrowing costs

No borrowing costs were capitalised during the year (2018: Nil).

Notes to the consolidated and separate financial statements

18. Right of use assets

Group & Company	Network infrastructure N'000	Base station land N'000	Buildings N'000	Office equipment N'000	Motor vehicles N'000	Total N'000
Cost						
Balance at 1 January 2019	-	-	-	-	-	-
Opening balance adjustment - 1 January 2019*	505,583,125	6,091,470	1,189,730	417,388	-	513,281,713
Additions	35,874,283	2,325,950	5,339,002	-	64,048	43,603,283
Balance as at period end	541,457,408	8,417,420	6,528,732	417,388	64,048	556,884,996
Depreciation						
Balance at 1 January 2019	-	-	-	-	-	-
Depreciation for the period	52,693,900	2,543,847	1,425,827	139,115	14,652	56,817,341
Balance as at period end	52,693,900	2,543,847	1,425,827	139,115	14,652	56,817,341
Carrying amounts						
At 1 January 2019	505,583,125	6,091,470	1,189,730	417,388	-	513,281,713
At 31 December 2019	488,763,508	5,873,573	5,102,905	278,273	49,396	500,067,655

*Opening balance adjustment relates to the adoption of IFRS 16 on 1 January 2019 (see Note 5).

Notes to the consolidated and separate financial statements
19. Intangible assets
Group

	Goodwill	Software	Licences	Capital work-in- progress	Total
	N'000	N'000	N'000	N'000	N'000
Cost					
Balance at 1 January 2018	10,016,039	78,467,043	178,587,355	-	267,070,437
Additions	-	9,887,584	-	-	9,887,584
Reallocation	-	7,578,735	-	-	7,578,735
Write-off	-	(44,579,406)	(400,001)	-	(44,979,407)
Disposal	-	(1,004)	-	-	(1,004)
Balance at 31 December 2018	10,016,039	51,352,952	178,187,354	-	239,556,345
Additions	-	11,354,421	6,236,370	9,064,668	26,655,459
Disposal	-	(9,475,416)	-	-	(9,475,416)
Other movement	-	(651,854)	-	-	(651,854)
Reallocation	-	9,471,137	-	(3,867,461)	5,603,676
Balance at 31 December 2019	10,016,039	62,051,240	184,423,724	5,197,207	256,491,003
Accumulated amortisation					
Balance at 1 January 2018	-	59,704,026	78,764,402	-	138,468,428
Charge for the year	-	11,432,779	15,267,402	-	26,700,181
Write-off	-	(44,579,382)	(400,001)	-	(44,979,383)
Disposal	-	(1,004)	-	-	(1,004)
Balance at 31 December 2018	-	26,556,419	93,631,803	-	120,188,222
Charge for the year	-	14,304,977	15,691,843	-	29,996,820
Disposal	-	(9,443,746)	-	-	(9,443,746)
Balance at 31 December 2019	-	31,417,650	109,323,646	-	140,741,296
Carrying amount					
Balance as at 31 December 2019	10,016,039	30,633,590	75,100,078	5,197,207	120,946,914
Balance as at 31 December 2018	10,016,039	24,796,533	84,555,551	-	119,368,123

Notes to the consolidated and separate financial statements
19. Intangible assets (continued)
Company

	Software	Licences	Capital work- in-progress	Total
	N'000	N'000	N'000	N'000
Cost				
Balance at 1 January 2018	78,467,043	129,431,276	-	207,898,319
Additions	9,887,584	-	-	9,887,584
Disposal	(1,004)	-	-	(1,004)
Reallocation	7,578,735	-	-	7,578,735
Write-offs	(44,579,406)	-	-	(44,579,406)
Balance at 31 December 2018	51,352,952	129,431,276	-	180,784,228
Additions	11,354,421	6,236,370	9,064,668	26,655,459
Disposal	(9,340,321)	-	-	(9,340,321)
Other movements	(651,854)	-	-	(651,854)
Reallocation	9,471,137	-	(3,867,461)	5,603,676
Balance at 31 December 2019	62,186,335	135,667,646	5,197,207	203,051,188
Accumulated amortisation				
Balance at 1 January 2018	59,704,026	67,206,075	-	126,910,101
Charge for the year	11,432,779	9,914,083	-	21,346,862
Disposal	(1,004)	-	-	(1,004)
Write-offs	(44,579,382)	-	-	(44,579,382)
Balance at 31 December 2018	26,556,419	77,120,158	-	103,676,577
Charge for the year	14,304,977	10,337,914	-	24,642,891
Disposal	(9,340,322)	-	-	(9,340,322)
Balance at 31 December 2019	31,521,074	87,458,072	-	118,979,146
Carrying amount				
Balance as at 31 December 2019	30,665,261	48,209,574	5,197,207	84,072,042
Balance as at 31 December 2018	24,796,533	52,311,118	-	77,107,651

19.1 Licences and software

The licences and software are not internally generated intangible assets and have a definite useful life.

19.2 Reallocation

Reallocation relates to items reclassified from property, plant and equipment to intangible assets.

19.3 Write-offs

Write-offs relate to fully depreciated assets written off during the year.

19.4 Other movement

Other movement relates to reversal of prior year accruals no longer required

19.5 Goodwill

The goodwill relates to the acquisition of Visafone Communications Limited.

Notes to the consolidated and separate financial statements

19. Intangible assets (continued)**19.6 Goodwill impairment assessment**

Goodwill arising on the acquisition of Visafone was tested for impairment in accordance with IAS 36. For this purpose, the entire goodwill was allocated to Visafone cash generating unit (CGU). The recoverable amount of the CGU was determined based on fair value less costs to sell obtained from an independent valuer.

The fair value was estimated using the market approach. This entailed estimating spectrum values based on international average spectrum holdings per operator in other countries. The valuation method includes the spectrum auctions in active markets. A spectrum auction will provide an indication of market prices in a competitive market, and will provide an indication of market value of the auction prices of the spectrum range of 800 MHz.

The results were also benchmarked against worldwide auction results adjusted by Gross Domestic Product Purchasing Power Parity (GDP PPP) to provide comparable results to the valuations produced.

The calculated fair value exceeded the carrying amount of cash generating unit and no impairment was recognized in the financial statements.

The level of the valuation within the fair value hierarchy is Level 3.

Notes to the consolidated and separate financial statements

19. Intangible assets (continued)

19.7 Details of Network Licences

Network Licences Type	Date Granted /Renewed	Term (Years)	Renewable Term	Licence Fee Currency	Initiation Fee	Annual Licence Fees	Future Fees\ Obligations
900MHz & 1800MHz	1 September 2016	5	As may be determined by NCC	NGN	18.6 billion	Annual operating levy - 2.5% of net revenue	None
3G Spectrum Licence (Receive Frequency 1920 - 1930 MHz) (Transmit Frequency 2110 - 2120 MHz)	1 May 2007	15	As may be determined by NCC	US\$	150 million	Annual operating levy - 2.5% of net revenue	None
Universal Access Service Licence (Including International Gateway)	1 September 2006	15	5	NGN	114.6 million	Annual operating levy - 2.5% of net revenue	None
International Submarine Cable Infrastructure and Landing Station (WACS)	1 January 2010	20	20	US\$	220.5 million	Annual operating levy - 2.5% of net revenue	None

Notes to the consolidated and separate financial statements

19. Intangible assets (continued)

Network Licences Type	Date Granted /Renewed	Term (Years)	Renewable Term	Licence Fee Currency	Initiation Fee	Annual Licence Fees	Future Fees/Obligations
700 MHz spectrum License	16 January 2018 (effective date for the spectrum has been suspended by the NCC till all interferences have been cleared)	To be communciated by the NCC	To be communciated by the NCC	US\$ but paid in Naira at the prevailing interbank rate	\$171 million (N34.1 million)	None	None
Unified Access Service License (Visafone)	1 July 2017	10 years	10 years	NGN	349.6 million	None	None
800MHz Spectrum (Visafone)	1 January 2015	10	Renewal fees will be based on the frequency fees and pricing regulation in force at the time of renewal	NGN	2.87 billion	None	None
2.6GHz Spectrum	1 August 2016 (effective date for the spectrum has been suspended by the NCC till all interferences have been cleared)	To be communciated by the NCC	To be communciated by the NCC	NGN	18.9 billion	None	None

Notes to the consolidated and separate financial statements**20. Investments in subsidiaries**

The following table lists the entities which are controlled by the Group.

Company

Name of company	% Holding 2019	% Holding 2018	Carrying amount 2019 N '000	Carrying amount 2018 N '000
Visafone Communications Limited	100.00 %	100.00 %	43,778,000	43,778,000
XS Broadband Limited	100.00 %	100.00 %	500,000	500,000
Yello Digital Financial Services Limited	100.00 %	100.00 %	1,800,000	50,000
			<u>46,078,000</u>	<u>44,328,000</u>
Impairment of investment in subsidiary (XS Broadband)			(500,000)	(500,000)
			<u>45,578,000</u>	<u>43,828,000</u>

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. All the subsidiaries have the same year-end as the parent company.

In 2018, the Group established a new subsidiary Yello Digital Financial Services Limited to provide mobile financial services. During the year, there was an additional capital injection of N1.75 billion to fund business operations.

The investment in XS Broadband Limited was impaired following service delivery issues experienced with the subsidiary's fixed wireless access network in line with IAS 36 - Impairment of Assets.

Investment in subsidiary impairment assessment

The investment in Visafone was tested for impairment in accordance with IAS 36. For this purpose, Visafone is regarded as a cash generating unit (CGU). The recoverable amount of the CGU was determined based on fair value less cost to sell calculations performed by an independent valuer.

The fair value was estimated using the market approach. This entailed estimating spectrum values based on international average spectrum holdings per operator in other countries. The valuation method includes the spectrum auctions in active markets. A spectrum auction will provide an indication of market prices in a competitive market, and will provide an indication of market value of the auction prices of the spectrum range of 800 MHz.

Adjustments were made to the international benchmark to normalize the prices and improve the benchmark's relevance to the Nigerian market by adjusting the GDP (PPP Adjusted) to simulate results to a Nigerian GDP which is different from the auctions in the foreign markets.

No impairment was recognised in the financial statements for Visafone.

Significant restrictions

There are no significant regulatory restrictions to movement of capital from the subsidiaries.

Notes to the consolidated and separate financial statements

	Group		Company	
	2019	2018	2019	2018
	N '000	N '000	N '000	N '000

21. Derivatives

Currency swap	(264,573)	(14,152)	(264,573)	(14,152)
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Split between non-current and current portions

Non-current liabilities	(264,573)	(14,152)	(264,573)	(14,152)
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The Group uses derivative financial instruments such as currency swap to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date 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 as finance income or cost.

22. Inventories

Handsets and accessories	658,172	1,472,329	658,172	1,479,059
Starter packs	436,140	1,600,467	436,140	1,600,467
	1,094,312	3,072,796	1,094,312	3,079,526
Inventories (write-downs) (Note 22.1)	(184,735)	(1,534,030)	(184,735)	(1,534,030)
	909,577	1,538,766	909,577	1,545,496

22.1 Reconciliation of inventory write-down

At beginning of year	(1,534,030)	(2,973,166)	(1,534,030)	(2,973,166)
Additions	1,349,296	(2,277,878)	1,349,296	(2,277,878)
Utilised	190,292	1,350,954	190,292	1,350,954
Unused reversed	(190,293)	2,366,060	(190,293)	2,366,060
At end of year	(184,735)	(1,534,030)	(184,735)	(1,534,030)

23. Trade and other receivables
Financial instruments:

Trade receivables	30,813,196	32,790,123	29,663,338	32,110,907
Trade receivables - related parties	12,490,278	6,821,267	14,384,864	6,821,267
Allowance for expected credit losses (Note 23.1)	(6,272,506)	(15,338,739)	(5,854,719)	(14,761,742)

Trade receivables at amortised cost	37,030,968	24,272,651	38,193,483	24,170,432
Sundry receivables and advances	217,438	268,265	217,438	268,288
Other receivables*	9,995,588	4,721,131	10,029,024	4,692,691

Non-financial instruments:

Prepayments**	17,301,338	25,082,062	17,299,492	25,080,863
Less: non current prepayments	(12,145,236)	(15,726,985)	(12,145,236)	(15,726,985)

Total trade and other receivables - current	52,400,096	38,617,124	53,594,201	38,485,289
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*Other receivables includes the placement of minimum capital with Central Bank of Nigeria (CBN) for Payment Service Bank license and withholding tax receivables

**Prepayments relate to rent payments for non-lease portion of BTS sites and payments made in advance for insurance contracts.

Notes to the consolidated and separate financial statements
23. Trade and other receivables (continued)

The Group's exposure to currency risk and credit risk and impairment losses related to trade and other receivables are disclosed in note 44.6.2 and 44.4 respectively.

The carrying value of trade and other receivables materially approximates the fair value because of the short period to maturity.

Group		Company	
2019	2018	2019	2018
N '000	N '000	N '000	N '000

23.1 Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

1 January 2019 opening balance	(15,338,739)	(24,126,687)	(14,761,742)	(23,754,611)
Increase in loss allowance recognised in profit or loss	(9,066,233)	(2,461,352)	(8,907,023)	(2,256,431)
Receivables written off during the year as uncollectible	9,367,203	7,746,898	9,367,203	7,746,898
Unused reversed	8,765,263	3,502,402	8,446,843	3,502,402
Closing balance	(6,272,506)	(15,338,739)	(5,854,719)	(14,761,742)

Impairment loss/(reversal) of N9.07 billion (31 December 2018: N8.76 billion) for Group and N8.91 billion (31 December 2018: N8.96 billion) for Company was recognised in the statement of profit or loss.

24. Current investments

Treasury bills at fair value through profit or loss	3,634,024	1,302,198	3,634,024	1,302,198
Treasury bills at fair value through other comprehensive income	6,135,782	434,066	6,135,782	434,066
Treasury bills at amortised cost	33,204,013	56,080,918	33,204,013	56,080,918
US dollar deposits with interest rates of 3.3% to 5.25% at amortised cost	11,852,750	7,651,077	11,852,750	7,651,077
	54,826,569	65,468,259	54,826,569	65,468,259

Notes to the consolidated and separate financial statements

	Group		Company	
	2019	2018	2019	2018
	N '000	N '000	N '000	N '000

25. Restricted cash

Restricted cash deposits	38,049,589	37,219,023	37,999,589	37,169,023
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Restricted cash represents deposits with banks to secure Letters of Credit, collateral against repayment on borrowings and bank guarantees against court judgements. Also included in restricted cash is the retention fee on purchase of Visafone Communications Limited.

26. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	40,477,629	25,811,748	38,501,003	25,606,185
Short-term deposits	75,800,000	27,200,000	75,800,000	27,200,000
	116,277,629	53,011,748	114,301,003	52,806,185

27. Share capital
Authorised

500,000,000 ordinary shares of N1 each	-	500,000	-	500,000
4,500,000 "B" ordinary shares of N1 each	-	4,500	-	4,500
402,590,263 preference shares of US\$0.005c each	-	239,420	-	239,420
27,850,000,000 ordinary shares of N0.02 each	557,000	-	557,000	-
	557,000	743,920	557,000	743,920

At an Extraordinary General Meeting of the Company on 31 January 2019, an ordinary resolution was passed to sub-divide the ordinary shares of the Company from One Naira (N1.00) each to 2 kobo each. This became effective with the listing of the Company's shares by introduction on the Nigerian Stock Exchange (NSE). The sub-division led to the increase of the nominal value of the ordinary shares from 557,000,000 to 27,850,000,000 shares.

Issued and fully paid

20,354,513,050 (December 2018: 402,590,263 of N1 each) ordinary shares of N0.02 each	407,090	402,590	407,090	402,590
4,500,000 (December 2018: 4,500,000) "B" ordinary shares of N 1 each	-	4,500	-	4,500
402,590,263 (December 2018: 402,590,263) preference shares of US\$ 0.005c each	-	239,420	-	239,420
	407,090	646,510	407,090	646,510

At a General Meeting of the holders of ordinary shares on 31 January 2019, a special resolution was passed to delink the ordinary shares of the Company from the preference shares. This became effective with the listing of the Company's shares by introduction on the NSE. Following the delinking of the ordinary shares from the preference shares, the 4,500,000 Class B ordinary shares have been renamed ordinary shares by way of a special resolution passed by the Board of Directors. Upon the listing on the NSE, the Board of Directors on 24 April 2019 approved the redemption of the preference shares as required in the Group's Memorandum and Articles of Association. The par and premium value of the preference shares of 402,590,263 were reclassified from share capital (see table below) and share premium (see Note 28) to a redemption account. The redeemable preference shares of \$399.59 million (N148.19 billion) were redeemed on 30 December 2019.

In line with the Companies and Allied Matters Act, 2004 (CAMA), a sum equal to the nominal amount of the par value of the redeemable preference shares N239.4 million was reclassified out of retained earnings to a Capital Redemption Reserve Fund (CRRF). (See Note 27.1)

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	Group		Company	
	2019	2018	2019	2018
	N '000	N '000	N '000	N '000

27. Share capital (continued)

Movement

As at 1 January	646,510	646,510	646,510	646,510
Redemption of preference shares	(239,420)	-	(239,420)	-
As at 31 December	407,090	646,510	407,090	646,510

27.1. Other reserves

Opening reserves	6,069	-	6,069	-
Other comprehensive income	275,672	6,069	275,672	6,069
Capital Redemption Reserve Fund (CRRF)	239,420	-	239,420	-
Closing reserves	521,161	6,069	521,161	6,069

Other comprehensive income are Federal Government treasury bills investments which are exempted from company income tax.

Capital Redemption Reserve Fund (CRRF) relates to the nominal amount transferred from retained earnings in line with the requirement of Companies and Allied Matters Act, 2004 (CAMA) on redemption of 402,590,263 redeemable preference shares.

28. Share premium

4,500,000 "B" ordinary shares of N 3,779.89 each	-	17,009,500	-	17,009,500
4,500,000 ordinary shares of N 3,779.89 each	17,009,500	-	17,009,500	-
138,960 ordinary shares at N 1,488.15 each	206,793	206,793	206,793	206,793
402,590,263 US\$ 0.005c Preference shares at \$0.987c each	-	47,282,173	-	47,282,173
	17,216,293	64,498,466	17,216,293	64,498,466

Movement

As at 1 January	64,498,466	64,498,466	64,498,466	64,498,466
Redemption of preference shares	(47,282,173)	-	(47,282,173)	-
As at 31 December	17,216,293	64,498,466	17,216,293	64,498,466

Notes to the consolidated and separate financial statements
29. Borrowings

Unsecured	Group	Company	Denominated currency	Description of borrowing	Type of interest charged	Effective interest rate	Remaining repayment details
	31 December 2019 N '000	31 December 2019 N '000					
	199,186,453	199,186,453	NGN	Local Syndicated Facility (M)	Floating	14.85 %	11 semi-annual equal installments
	179,436,404	179,436,404	NGN	New Local Syndicated Facility (N)	Floating	14.85	11 semi-annual equal instalments
	14,374,324	14,374,324	US\$	KFW/Citibank (Buyer's Credit) Facility	Floating	3.19	5 semi-annual equal instalments
	6,725,649	6,725,649	US\$	Credit Suisse (Buyer Credit) Bilateral Facility	Floating	7.58	5 semi-annual equal instalments
	12,818,994	12,818,994	US\$	Credit Suisse (Buyer Credit Facility) Syndicated Facility	Floating	7.42	5 semi-annual equal instalments
Total unsecured borrowings	412,541,824	412,541,824					

Notes to the consolidated and separate financial statements
29. Borrowings (continued)

Unsecured	Group	Company	Denominated currency	Description of borrowing	Type of interest charged	Effective interest rate	Remaining repayment details
	31 December 2018	31 December 2018				%	
	N '000	N '000					
	85,289,168	85,289,168	NGN	Local Syndicated Facility	Floating	14.95	2 equal semi-annual instalments
	9,007,985	9,007,985	US\$	Chinese syndicated equipment finance (G)	Floating	5.56	3 equal semi-annual instalments
	9,885,306	9,885,306	US\$	RMB foreign currency facility (E)	Floating	5.63	1 equal semi-annual instalments
	8,919,616	8,919,616	US\$	KFW equipment finance (F1 & F3)	Floating	3.56	2 equal semi-annual instalments
	5,946,411	5,946,411	US\$	KFW equipment finance (F2)	Fixed	1.67	2 equal semi-annual instalments
	26,973,939	26,973,939	US\$	Credit Suisse (Buyer's Credit Facility)	Floating	8.38	8 equal semi-annual instalments
	21,152,327	21,152,327	US\$	KfW/Citi Bank (Buyer's Credit Facility)	Floating	3.71	7 equal semi-annual instalments
	8,139,486	8,139,486	US\$	Import and Trade Finance (Usance) line with local banks	Floating	6.50	6 months revolving
Total unsecured borrowings	175,314,238	175,314,238					

Notes to the consolidated and separate financial statements
29. Borrowings (continued)

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
The maturity of the loan is as follows:				
Payable within one year (included in current liabilities)	32,453,044	143,875,889	32,453,044	143,875,889
More than one year but not exceeding two years	82,210,970	12,762,693	82,210,970	12,762,693
More than two years but not exceeding five years	212,666,964	18,675,656	212,666,964	18,675,656
More than five years	85,210,846	-	85,210,846	-
Amounts included in non-current liabilities	380,088,780	31,438,349	380,088,780	31,438,349
Total borrowings	412,541,824	175,314,238	412,541,824	175,314,238
The Company has the following undrawn facilities:				
Floating rate	20,000,000	14,573,480	20,000,000	14,573,480
The carrying amounts of the Company's borrowings are denominated in the following currencies:				
US Dollar	33,918,967	85,289,168	33,918,967	85,289,168
Nigerian Naira	378,622,857	90,025,070	378,622,857	90,025,070
	412,541,824	175,314,238	412,541,824	175,314,238

29.1 Borrowings reconciliation

Balance at 1 January	175,314,238	255,365,143	175,314,238	255,365,143
Drawdown	381,701,421	136,339,156	381,701,421	136,339,156
Repayment	(144,619,047)	(216,275,998)	(144,619,047)	(216,275,998)
Prepaid borrowing cost	1,693,239	512,722	1,693,239	512,722
Accrued interest	(1,099,002)	(1,237,813)	(1,099,002)	(1,237,813)
Revaluation loss	(449,025)	611,028	(449,025)	611,028
Balance at 31 December	412,541,824	175,314,238	412,541,824	175,314,238

29.2 Summary of borrowing arrangements

MTN Nigeria has a loan portfolio with a consortium of local banks, foreign banks and export development agencies. The details of the facilities are as follows:

Local facility M - This is a local facility of N200 billion syndicated from local banks in August 2018. It is a variable interest loan, linked to average 3-Month NIBOR plus a margin of 1.75%. The total available amount under the loan has been fully drawn. The loan is repayable in eleven (11) equal semi-annual instalments from August 2020 to August 2025.

Notes to the consolidated and separate financial statements

29. Borrowings (continued)

As at 31 December 2019, the outstanding principal balance on the facility is N200 billion (31 December 2018: Nil).

Local facility N - This is a N200 billion local currency term loan syndicated from local banks in May 2019 with a 7-year tenor and moratorium of two years. It is a variable interest loan, linked to average 3-Month NIBOR plus a margin of 1.75%. The loan is repayable in eleven (11) equal semi-annual instalments from May 2021 to May 2026.

As at 31 December 2019, a total amount of N180 billion has been drawn under the facility (31 December 2018: Nil).

Foreign facility H – The US\$329m Export Credit Agency Backed Facility from KFW-IPEX Bank and Citibank was arranged in 2017. The facility is in three tranches (H1, H2 and H3) of US\$103 million, US\$106 million and US\$120 million, respectively:

A total drawdown of US\$87.6 million has been made on H1 as at 31 December 2019. The availability periods for drawing on both H2 and H3 has expired and the amount on both tranches were undrawn. Facility H1 has 10 equal semi-annual principal repayments which commenced September 2017. It is a floating interest loan linked to the 6-Month LIBOR plus a 1.15% margin.

The outstanding balance as at 31 December 2019 is US\$42.7 million (31 December 2018: US\$59.9 million).

Foreign facility J – This contains Facilities J and J1 in the sum of US\$30 million and US\$84 million respectively. Facility J is a Buyer's Credit Facility from Credit Suisse AG, London Branch while J1 is Buyers Credit Facility from Credit Suisse AG, London Branch and China Export-Import Bank. Both J and J1 are floating interest rate Facilities at LIBOR plus a margin of 5.5%. Full drawdown has been made on J while a total of US\$57.32 million has been drawn on J1. The two Facilities are repayable in eight equal instalments commencing in August 2018.

As at 31 December 2019, both J and J1 have a combined outstanding balance of US\$54.6 million (31 December 2018: US\$76.4 million).

In securing the facilities, MTN Nigeria has made a negative pledge over all existing and future assets to the lenders. The negative pledge signifies that MTN Nigeria has agreed not to deplete its assets via sales, collateral and transfer to anyone except the group of lenders, subject to a permitted amount. No other security has been provided.

30. Trade and other payables

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Trade payables	27,462,998	18,607,919	27,293,296	17,698,675
Trade payables - related parties	16,383,546	39,652,033	16,383,546	39,652,033
Sundry payables	1,092,159	1,229,176	1,092,159	1,121,150
Other accrued expenses	132,960,025	140,869,024	132,352,060	139,927,596
Other payables*	12,541,768	13,357,057	12,520,511	12,655,547
	190,440,496	213,715,209	189,641,572	211,055,001

*Other payables include withholding and value added tax liabilities.

31. Regulatory fine liability

Balance at 1 January	105,127,783	192,775,764	105,127,783	192,775,764
Time value accretion	4,872,217	22,352,019	4,872,217	22,352,019
Payment	(110,000,000)	(110,000,000)	(110,000,000)	(110,000,000)
Balance at 31 December	-	105,127,783	-	105,127,783

Notes to the consolidated and separate financial statements

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000

32. Contract acquisition costs

Opening balance	3,766,048	3,411,568	3,766,048	3,411,568
Additions	3,761,690	2,830,395	3,761,690	2,830,395
Amortised in the year	(2,676,248)	(2,475,915)	(2,676,248)	(2,475,915)
Net book value	4,851,490	3,766,048	4,851,490	3,766,048

33. Contract liabilities

Contract liabilities	46,806,355	42,738,547	46,745,269	42,684,874
	46,806,355	42,738,547	46,745,269	42,684,874

Contract liability relates to payments received in advance from sales of recharge cards and on Subscriber Identification Module (SIM) cards. Contract liabilities are recognised as revenue when the subscribers use the airtime for network services such as voice, SMS, data and digital services and when the SIM cards are activated on the network.

Revenue recognized from contract liability at the beginning of the period is N34.2 billion (2018 N33.9 billion). The Group has elected the practical expedient of not disclosing the transaction price of unsatisfied performance obligations because the performance obligations relate to contracts that have an original expected duration of one year or less.

34. Provisions
Reconciliation of provisions - Group - 2019

	At beginning of year N '000	Additions N '000	Utilised during the year N '000	Reversed during the year N '000	At end of year N '000
Decommissioning provision	65,934	5,490	-	-	71,424
Litigation provision	7,177,482	11,225,992	(1,564,424)	(400,937)	16,438,112
Bonus provision	3,424,777	5,953,062	(4,766,595)	(400,000)	4,211,244
Other provisions	10,756,937	3,969,120	(2,089,280)	(6,017,063)	6,619,714
	21,425,130	21,153,664	(8,420,300)	(6,818,000)	27,340,494

Reconciliation of provisions - Group - 2018

	At beginning of year N '000	Additions N '000	Utilised during the year N '000	Reversed during the year N '000	At end of year N '000
Restructuring provision	116,502	9,349	(122,664)	(3,187)	-
Decommissioning provision	70,048	-	-	(4,114)	65,934
Litigation provision	3,161,624	5,754,285	(1,277,676)	(460,751)	7,177,482
Bonus provision	3,211,004	3,769,511	(3,555,738)	-	3,424,777
Other provisions	6,703,779	10,031,673	(4,343,683)	(1,634,832)	10,756,937
	13,262,957	19,564,818	(9,299,761)	(2,102,884)	21,425,130

Notes to the consolidated and separate financial statements
34. Provisions (continued)
Reconciliation of provisions - Company - 2019

	At the beginning of the year N '000	Additions N '000	Utilised during the year N '000	Reversed during the year N '000	At end of year N '000
Decommissioning provision	65,934	5,490	-	-	71,424
Litigation provision	7,177,482	11,225,992	(1,564,424)	(400,937)	16,438,112
Bonus provision	3,424,777	5,953,062	(4,766,595)	(400,000)	4,211,244
Other provisions	10,756,937	3,969,120	(2,089,280)	(6,017,063)	6,619,714
	21,425,130	21,153,664	(8,420,300)	(6,818,000)	27,340,494

Reconciliation of provisions - Company - 2018

	At beginning of year N '000	Additions N '000	Utilised during the year N '000	Reversed during the year N '000	At end of year N '000
Restructuring provision	116,502	9,349	(122,664)	(3,187)	-
Decommissioning provision	70,048	-	-	(4,114)	65,934
Litigation provision	3,161,624	5,754,285	(1,277,676)	(460,751)	7,177,482
Bonus provision	3,211,004	3,769,511	(3,555,738)	-	3,424,777
Other provisions	6,703,779	10,031,673	(4,343,683)	(1,634,832)	10,756,937
	13,262,957	19,564,818	(9,299,761)	(2,102,884)	21,425,130

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Non-current liabilities	71,424	65,934	71,424	65,934
Current liabilities	27,269,070	21,359,196	27,269,070	21,359,196
	27,340,494	21,425,130	27,340,494	21,425,130

34.1 Bonus provision

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall Group performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the Holding Company annual results have been announced. Bonus provision is calculated as a percentage of employee's gross annual income plus pension contribution based on the overall performance of the Group, the teams, divisions and the employees.

Notes to the consolidated and separate financial statements

34. Provisions (continued)

34.2 Decommissioning provision

The decommissioning provision is the present value of dismantling costs discounted at a rate equal to the average rate that reflects current market assessment of the time value of money and the risks specific to the dismantling cost. The timing of the decommissioning is dependent on the expiration of the contract with the lessor.

34.3 Restructuring provision

This provision relates to pay-off to staff due to managed services initiative. The timing of settlement is dependent on when the Group eventually exits the staff.

34.4 Litigation provision

This relates to cases between MTN Nigeria and various bodies such as: Abia State vs MTN Nigeria, Corporate Communications Ltd vs MTN Nigeria, C-SOKA Nigeria Limited vs MTN Nigeria, Premium Sports vs MTN Nigeria & Media Reach, arbitration between CALL FIX IT and MTN Nigeria, Pastor Friday Essien & ors v MTNN, Beruk International & ANOR V MTNN, Adekunle Adebisi, Richard Iweanoge & Access bank PLC, Benue State Internal Revenue Services v MTNN, MTN V Anambra State Internal Revenue Service etc. Timing is dependent on the outcome of court judgements in respect of the litigation.

34.5 Other provisions

The Group is involved in various regulatory and tax matters. These matters may not necessarily be resolved in a manner that is favourable to the group. The group has therefore recognized provisions in respect of these matters based on estimates and probability of an outflow of economic benefits. MTN Nigeria Listing expenses and other strategic advisory services are payable to various consultants and legal advisers.

35 Lease liabilities

The Group's leases include network infrastructure (including tower space and land), buildings, motor vehicles and office equipment. 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:

The lease liability is measured at the present value of lease payments to be made over the lease term and are discounted using the Group's incremental borrowing rate. The lease liability is included in the statement of financial position under other non-current/current liabilities. Each lease payment is allocated between the liability and interest expense. Interest expense on the lease liability is a component of finance costs, which represents the unwinding of discount charged to profit or loss over the remaining balance of the obligation for each accounting period.

Lease commitments exclude non-lease components, short-term and low-value leases. There were no future cash outflows to which MTN Nigeria is potentially exposed that are not reflected in the measurement of lease liabilities.

Short-term lease payments of N806.5 million not included in the lease liabilities are included in other operating expenses during the year. In all significant operating lease arrangements in place during the year, the Group acted as the lessee.

As at year end, the Group had outstanding obligations under lease commitments which fall due as follows:

By maturity	Network	Buildings	Office	Motor	Total
	infrastructure		equipment	vehicles	
	N '000	N '000	N '000	N '000	N '000
Under 1 year	34,948,897	-	136,928	13,962	35,099,787
1 to 2 Years	36,806,317	-	170,484	16,960	36,993,761
2 to 5 Years	128,905,618	-	22,507	-	128,928,125
Over 5 Years	315,512,483	-	-	-	315,512,483
	516,173,315	-	329,919	30,922	516,534,156

Notes to the consolidated and separate financial statements
36. Deferred tax
Group

	At beginning of year	Recognised in income statement	Prior year reclass	Arising on consolidation	At end of year
	N '000	N '000	N '000	N '000	N '000
Non-current assets					
31 December 2018					
Temporary difference from provisions and unrealised foreign exchange losses	25,653,339	(25,653,339)	-	-	-
Total deferred tax asset	25,653,339	(25,653,339)	-	-	-
Non-current liabilities					
31 December 2018					
Arising due to fair value adjustment on business combination	(10,565,391)	-	-	1,509,341	(9,056,050)
Temporary differences from fixed asset	(102,264,507)	2,054,538	-	-	(100,209,969)
Total deferred tax liability	(112,829,898)	2,054,538	-	1,509,341	(109,266,019)
31 December 2019					
Arising due to fair value adjustment on business combination	(9,056,050)	-	-	1,509,341	(7,546,709)
Temporary differences from fixed asset	(100,209,969)	(12,829,897)	-	-	(113,039,866)
Total deferred tax liability	(109,266,019)	(12,829,897)	-	1,509,341	(120,586,575)
Net deferred tax liability					
31 December 2018	(87,176,559)	(23,598,801)	-	1,509,341	(109,266,019)
31 December 2019	(109,266,019)	(12,829,897)	-	1,509,341	(120,586,575)
Company					
Non-current assets					
31 December 2018					
Temporary difference from provisions and unrealised foreign exchange losses	25,653,339	(25,653,339)	-	-	-
Total deferred tax asset	25,653,339	(25,653,339)	-	-	-
Non-current liabilities					
31 December 2018					
Temporary differences from fixed asset	(102,245,935)	2,054,539	-	-	(100,191,396)
Total deferred tax liability	(102,245,935)	2,054,539	-	-	(100,191,396)
31 December 2019					
Temporary differences from fixed asset	(100,191,396)	(12,848,471)	-	-	(113,039,867)
Total deferred tax liability	(100,191,396)	(12,848,471)	-	-	(113,039,867)
Net deferred tax liability					
31 December 2018	(76,592,596)	(23,598,800)	-	-	(100,191,396)
31 December 2019	(100,191,396)	(12,848,471)	-	-	(113,039,867)

The deferred tax assets and liabilities have been offset because the Group has a legally enforceable right to set off current tax assets against current tax liabilities. They also relate to income taxes levied by the same taxation authority. Prior year balances have been restated to reflect a net deferred tax liability position.

Notes to the consolidated and separate financial statements
37. Capital commitments

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Commitments for the acquisition of property, plant, equipment				
Contracted but not provided for	53,340,085	89,119,572	53,340,085	89,119,572
Authorised but not contracted for	145,262,725	86,251,509	145,262,725	86,251,509
Total commitments for property, plant, equipment	198,602,810	175,371,081	198,602,810	175,371,081
Commitments for the acquisition of software*				
Contracted but not provided for	1,010,049	1,838,478	1,010,049	1,838,478
Authorised but not contracted for	19,320,771	16,528,838	19,320,771	16,528,838
Total commitments for software	20,330,820	18,367,316	20,330,820	18,367,316

*Capital commitments have been split into property, plant and equipment and software. The comparatives have been updated to reflect this split.

38. Current tax payable

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Opening balance	54,131,436	25,996,641	53,667,534	25,451,993
Provisions for the year - company income tax	67,813,183	46,659,079	67,677,420	46,403,534
Provisions for the year - education tax	8,844,585	6,908,057	8,844,585	6,891,950
Provisions for the year - capital gains tax	-	38	-	38
Nigerian Police Trust Fund	14,734	-	14,734	-
Penalty for late filing	-	115	-	-
Tax paid	(44,068,636)	(21,269,927)	(43,769,484)	(20,955,224)
Income tax on dividend	(18,013,744)	-	(18,013,744)	-
Withholding tax credit	(3,095,637)	(3,825,060)	(3,095,637)	(3,825,060)
Reclassification	-	(337,507)	-	(299,697)
Closing balance	65,625,921	54,131,436	65,325,408	53,667,534

Notes to the consolidated and separate financial statements

	Group		Company	
	2019	2018	2019	2018
	N '000	N '000	N '000	N '000
39. Cash generated from operations				
Profit before taxation	290,104,033	221,342,648	294,695,439	225,524,876
Adjustments for:				
Finance costs	125,325,277	67,339,468	125,325,277	67,339,468
Interest income	(20,132,082)	(22,568,339)	(20,205,463)	(21,910,265)
Depreciation of property, plant and equipment	147,807,719	141,162,479	147,807,719	141,162,479
Depreciation of right of use assets	56,817,341	-	56,817,341	-
Amortisation of intangible assets	29,996,820	26,700,181	24,642,891	21,346,862
Amortisation of contract cost	2,676,248	2,475,915	2,676,248	2,475,915
Fixed assets written off	3,041,030	447	3,041,030	447
Profit on disposals of property, plant and equipment	(960,235)	(456,858)	(960,235)	(456,858)
(Reversal of impairment)/impairment of property, plant and equipment	(3,000,307)	758,926	(3,011,885)	758,926
Impairment losses recognised on initial application of IFRS 9	-	(82,348)	-	(82,348)
Bad debts written off	9,367,203	7,746,898	9,367,203	7,746,898
Movement of impairment of contracts with customers	(9,066,233)	(8,757,923)	(8,907,023)	(8,962,844)
Writeback of impairment of other receivables	-	(268,139)	-	(268,139)
(Reversal)/Impairment of trading inventory	(1,349,296)	2,277,878	(1,349,296)	2,277,878
Loss on sale of assets held for sale	-	174	-	174
Other movement in intangible assets	31,670	-	31,670	-
Movements in provisions	(322,675)	8,164,582	(322,675)	8,164,582
Loss on fair valuation of derivative	250,421	69,825	250,421	69,825
Share based payment	89,800	(774)	89,800	(774)
Changes in working capital:				
Decrease in inventories	1,978,484	1,913,255	1,978,484	1,913,259
Increase in trade and other receivables	(14,668,759)	(4,426,546)	(14,828,306)	(4,894,151)
Increase in prepayments	(4,001,294)	(2,043,769)	(4,001,294)	(2,043,769)
Decrease in trade and other payables	(13,148,808)	(11,066,587)	(12,692,173)	(9,252,263)
Increase in contract liabilities	4,067,808	7,206,454	4,060,395	7,195,657
	604,904,165	437,487,847	604,505,568	438,105,835

Notes to the consolidated and separate financial statements

40. Contingent liabilities

Contingent liabilities represent possible obligations that arise from past event whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

The Group has N16 billion (2018: N22.7 billion) contingent liabilities arising from claims and litigations in the ordinary course of business and the Group is defending these actions. These matters are currently being considered by various courts and the timing of the judgements are unknown. In the opinion of the Directors, which is based on advice from the legal counsels, no material loss is expected to arise from these claims and litigations.

41. Earnings per share

Basic earnings per share

Earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding at the end of the reporting period. On the other hand, diluted earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company, by the weighted average number of shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Profit attributable to equity holders	202,110,974	145,685,901	205,310,229	148,630,554
Weighted average number of ordinary shares*	20,354,513	20,354,513	20,354,513	20,354,513
Basic/diluted EPS (N)	9.93	7.16	10.09	7.30

*The EPS for December 2018 was restated as a result of the sub-division of ordinary shares of N1.00 each (407,090,263 ordinary shares) to 2 kobo each (20,354,513,050 ordinary shares) in 2019.

Dividend per share

The interim dividend represents N2.95 kobo per ordinary share on the issued share capital of 20.3 billion ordinary shares of 2 kobo each for the period ended 30 June 2019.

The Board of Directors recommend the payment of a final dividend of N4.97 per ordinary share of 2 kobo each subject to shareholders' approval at the forthcoming Annual General Meeting (AGM). If the proposed final dividend is approved, the total dividend for the financial year ended 31 December 2019 will be N7.92 per share of 2 kobo each. Withholding tax would be deducted at the point of payment.

Notes to the consolidated and separate financial statements
42. Foreign exchange exposure

Included in the Group statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group:

Group	United States	British	Euro	South	Total
31 December 2019	Dollar	Pound		African Rand	
	N '000	Sterling	N '000	N '000	N '000
		N '000			
Assets					
Current assets					
Trade and other receivables	7,094,838	-	-	-	7,094,838
Current investments	11,852,750	-	-	-	11,852,750
Restricted cash	19,013,105	-	-	-	19,013,105
Cash and cash equivalents	4,597,742	7,438	505	6	4,605,691
	42,558,435	7,438	505	6	42,566,384
Liabilities					
Current liabilities					
Trade and other payables	72,108,143	29,249	819,306	41,833	72,998,531
Borrowings	14,222,503	-	-	-	14,222,503
Lease liabilities	8,425,714	-	-	-	8,425,714
	94,756,360	29,249	819,306	41,833	95,646,748
Non-current liabilities					
Borrowings	21,269,809	-	-	-	21,269,809
Lease liabilities	155,604,330	-	-	-	155,604,330
	176,874,139	-	-	-	176,874,139
Total liabilities	271,630,499	29,249	819,306	41,833	272,520,887
31 December 2018					
Assets					
Current assets					
Trade and other receivables	7,243,240	-	1,593,810	-	8,837,050
Current investments	7,651,077	-	-	-	7,651,077
Restricted cash	24,933,524	-	-	-	24,933,524
Cash and cash equivalents	1,291,585	6,949	-	-	1,298,534
	41,119,426	6,949	1,593,810	-	42,720,185
Liabilities					
Current liabilities					
Trade and other payables	87,873,489	37,648	3,846,617	54,932	91,812,685
Borrowings	57,488,582	-	-	-	57,488,582
	145,362,071	37,648	3,846,617	54,932	149,301,268
Non-current liabilities					
Borrowings	32,536,488	-	-	-	32,536,488
	32,536,488	-	-	-	32,536,488
Total liabilities	177,898,559	37,648	3,846,617	54,932	181,837,756

Notes to the consolidated and separate financial statements
42. Foreign exchange exposure (continued)

Company 31 December 2019	United States Dollar	British Pound Sterling	Euro	South African Rand	Total
	N '000	N '000	N '000	N '000	N '000
Assets					
Current assets					
Trade and other receivables	7,094,838	-	-	-	7,094,838
Current investments	11,852,750	-	-	-	11,852,750
Restricted cash	19,013,105	-	-	-	19,013,105
Cash and cash equivalents	4,597,742	7,438	505	6	4,605,691
	42,558,435	7,438	505	6	42,566,384
Liabilities					
Current liabilities					
Trade and other payables	72,108,143	29,249	819,306	41,833	72,998,531
Borrowings	14,222,503	-	-	-	14,222,503
Lease liabilities	8,425,714	-	-	-	8,425,714
	94,756,360	29,249	819,306	41,833	95,646,748
Non-current liabilities					
Borrowings	21,269,809	-	-	-	21,269,809
Lease liabilities	155,604,330	-	-	-	155,604,330
	176,874,139	-	-	-	176,874,139
Total liabilities	271,630,499	29,249	819,306	41,833	272,520,887
31 December 2018					
Assets					
Current assets					
Trade and other receivables	7,243,240	-	1,593,810	-	8,837,050
Current investments	7,651,077	-	-	-	7,651,077
Restricted cash	24,933,524	-	-	-	24,933,524
Cash and cash equivalents	1,291,585	6,949	-	-	1,298,534
	41,119,426	6,949	1,593,810	-	42,720,185
Liabilities					
Current liabilities					
Trade and other payables	87,873,489	37,648	3,846,617	54,932	91,812,685
Borrowings	57,488,582	-	-	-	57,488,582
	145,362,071	37,648	3,846,617	54,932	149,301,268
Non-current liabilities					
Borrowings	32,536,488	-	-	-	32,536,488
	32,536,488	-	-	-	32,536,488
Total liabilities	177,898,559	37,648	3,846,617	54,932	181,837,756

Notes to the consolidated and separate financial statements

43. 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.

Various transactions were entered into by the Group during the year with related parties. The terms of these transactions are at arm's length.

Holding and ultimate holding companies

The Company's holding company is MTN International (Mauritius) Limited, a company incorporated in the Republic of Mauritius and its ultimate holding company is MTN Group Limited, a company incorporated in South Africa. MTN Nigeria Communications PLC's subsidiaries are XS Broadband Limited, Visafone Communications Limited and Yello Digital Financial Services Limited. Their principal activities are the provision of broadband fixed wireless access service, high quality telecommunication services and mobile financial services respectively.

Key management personnel

For the purpose of defining related party transactions with key management personnel, key management is defined as Directors and the Group's Executive Committee (EXCOM) members having the authority and responsibility for planning, directing and controlling the activities of the Group. It also includes close members of their families and entities controlled or jointly controlled by these individuals.

Key management compensation

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Executive directors and EXCOM members				
Salaries and other short-term employee benefits	1,842,171	1,758,469	1,842,171	1,758,469
Post-employment benefits	130,905	192,388	130,905	192,388
Other benefits	475,386	362,838	475,386	362,838
Share based payment	-	619	-	619
Bonuses	1,132,733	916,474	1,132,733	916,474
Non-executive directors				
Fees	69,570	60,923	69,570	60,923
Other emoluments	164,711	278,262	164,711	278,262
Total	3,815,476	3,569,972	3,815,476	3,569,972

Executive directors' and EXCOM members emoluments comprise:

- Salaries and other short-term employee benefits: This includes the gross salary package and other allowances paid on a monthly basis.
- Post-employment benefits: This includes the company's pension contribution paid monthly on behalf of executive directors and EXCOM members.
- Other benefits: These include lifestyle, medical and accommodation benefits. These are paid at periodic intervals during the year.
- Share based payment: This is equity compensation benefits for executive directors and EXCOM members in respect of the share appreciation rights.
- Bonus: This is a performance-based bonus, which is based on overall Group performance. Bonuses are payable annually in arrears.

Non-executive directors' emoluments comprise:

- Directors' emoluments: This includes sitting allowance for attending Board and Board Committee Meetings paid after each meeting. It also includes travel and accommodation related expenses.
- Directors fees: These are board and committee member appointment fees paid quarterly to non-executive directors.

Notes to the consolidated and separate financial statements
43. Related party transactions (continued)

The following is a summary of transactions between the Group and its related parties during the year and balances due at year end:

	Group		Company	
	2018 N '000	2018 N '000	2018 N '000	2018 N '000
Parent company: MTN International (Mauritius) Limited				
Dividends paid (excluding withholding tax):	93,628,636	27,172,920	93,628,636	27,172,920
Redemption of preference shares	112,345,104	-	112,345,104	-
Subsidiaries				
Visafone Communications Limited				
Purchases	-	-	33,860	764,351
Cost charged for hosting its customers on the network	-	-	704,355	857,339
Intercompany receivable	-	-	178,813	894,149
Yello Digital Financial Services Limited				
Transactions				
Intercompany receivable	-	-	1,102,719	-
XS Broadband Limited Transactions				
Intercompany receivable	-	-	613,054	668,101

Other related entities
Access Bank PLC

The bank provides loans (along other consortium of banks) to MTN Nigeria. Dr. Ernest Ndukwe is a non-executive director in Access Bank PLC.

Pascal Dozie is a shareholder in Access Bank PLC and Babatunde Folawiyo is also a shareholder and a director in Access Bank PLC. Both retired from MTN Nigeria's Board of Directors effective 2 September 2019.

Aluko & Oyebode

Aluko & Oyebode is one of the external legal counsels to MTN Nigeria. Gbenga Oyebode is a principal partner of Aluko & Oyebode. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

Brawal Line Limited

Brawal Line Limited leases properties to MTN Nigeria PLC. Victor Odili is a director and shareholder in Brawal Line Limited. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

Celfcom Investment Ltd

Celfcom Investment Ltd has direct interest in shares of MTN Nigeria. Pascal Dozie is a director and a shareholder in Celfcom Investment Ltd. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

Ecart Internet Service Nigeria Ltd (Jumia)

Jumia is an online store that delivers goods and renders logistic services to MTN Nigeria. Karl Toriola is a director in Jumia.

Eventful Ltd

Eventful Ltd provides event management services to MTN Nigeria. Omobola Johnson is related to the CEO of Eventful Ltd.

Notes to the consolidated and separate financial statements

43. Related party transactions (continued)**Hermitage Overseas Corporation Limited**

Hermitage Overseas Corporation Limited has direct interest in shares of MTN Nigeria. Victor Odili is a director and a shareholder in Hermitage Overseas Co. Limited. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

Main One Cable Company Nigeria Limited

MTN Nigeria Communications PLC purchases capacity from Main One Cable Company. Karl Toriola is a minority shareholder in Main One Cable Company Nigeria Limited.

N - Cell Limited

N-Cell Ltd has direct interest in shares of MTN Nigeria. Gbenga Oyebode is a director and a shareholder in N-Cell Ltd. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

NISPV Ltd

NISPV Ltd has direct interest in shares of MTN Nigeria. Ahmed Dasuki is a director and a shareholder in NISPV Ltd. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

One Africa Investment Limited

One Africa Investment Limited has direct interest in shares of MTN Nigeria. Sanni Bello is a Director and a shareholder in One Africa Investment Limited. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

SASPV Limited

SASPV Limited has direct interest in shares of MTN Nigeria. Ahmed Dasuki is a director and a shareholder in SASPV Limited. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

The Temple Management Co. Ltd

The Temple Management Co. Ltd provides events management agency services to MTN Nigeria. Babatunde Folawiyo is a shareholder and a Director in Temple Management Co. Ltd. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

Union Bank of Nigeria PLC

The bank provides loans (along other consortium of banks) to MTN Nigeria. Sanni Bello is a Director in Union Bank of Nigeria PLC. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

Universal Communications Ltd

Universal Communications Ltd has direct interest in shares of MTN Nigeria. Babatunde Folawiyo is a director and a shareholder in Universal Communications Ltd. He retired from MTN Nigeria's Board of Directors effective 2 September 2019.

Notes to the consolidated and separate financial statements
43. Related party transactions (continued)

Group		Company	
2019	2018	2019	2018
N '000	N '000	N '000	N '000

Related party balances

The Group is related to other entities in the MTN Group by virtue of common shareholding.

The transactions with related parties during the year are as follows:

Amounts due to related parties

MTN Sudan	76,121	34,027	76,121	34,027
MTN Swaziland	-	23	-	23
MTN Uganda	1,824	16,750	1,824	16,750
MTN Zambia	5,473	8,182	5,473	8,182
MTN Dubai	361,547	286,193	361,547	286,193
Global Trading Company	371,308	2,795,104	371,308	2,795,104
MTN Management Services Co	1,064,037	-	1,064,037	-
MTN Benin	1,194,963	2,625,094	1,194,963	2,625,094
MTN Cameroon	627,568	557,781	627,568	557,781
MTN Congo	8,690	782	8,690	782
MTN Cote d'Ivoire	168,431	426,926	168,431	426,926
IHS Towers	-	12,319,273	-	12,319,273
MTN Ghana	770,212	1,135,802	770,212	1,135,802
MTN Guinea Bissau	262	2,056	262	2,056
MTN Namibia	87	-	87	-
MTN Congo Brassaville	-	3,794	-	3,794
MTN Rwanda	2,220	7,201	2,220	7,201
MTN South Africa	588,751	174,122	588,751	174,122
Interserve Overseas Ltd	2,023,424	10,762,382	2,023,424	10,762,382
MTN Global Connect	613,240	-	613,240	-
MTN International (Mauritius) Limited	8,491,775	8,483,323	8,491,775	8,483,323
MTN Holdings	13,612	13,218	13,612	13,218
Total	16,383,546	39,652,033	16,383,546	39,652,033

Amounts due from related parties

MTN Sudan	87,377	54,904	87,377	54,904
MTN Uganda	-	11,314	-	11,314
MTN Zambia	17,593	17,691	17,593	17,691
MTN South Sudan	-	635	-	635
MTN Global Connect	6,292,182	162,463	6,292,182	162,463
Lonestar Communications Corporations (Liberia)	15,720	14,155	15,720	14,155
MTN Afghanistan	259	259	259	259
MTN Benin	274,404	1,120,783	274,404	1,120,783
MTN Cameroon	1,688,173	1,479,451	1,688,173	1,479,451
MTN Congo	18,724	7,346	18,724	7,346
MTN Cote d'Ivoire	339,711	757,745	339,711	757,745
MTN Ghana	719,235	946,703	719,235	946,703
MTN Guinea Bissau	8,769	5,162	8,769	5,162
MTN Guinea Conakry	13,576	12,947	13,576	12,947
MTN Namibia	-	14	-	14
MTN Rwanda	-	5,372	-	5,372
MTN South Africa	749,613	634,016	749,613	634,016
MTN Group Management Services	2,264,945	814,428	2,264,945	814,428
INT Towers Limited	-	775,880	-	775,880
Total	12,490,278	6,821,267	12,490,278	6,821,267

Notes to the consolidated and separate financial statements
43. Related party transactions (continued)

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Related party transactions				
Purchases from related parties				
MTN Sudan	3,500	92,552	3,500	92,552
MTN Swaziland	324	159	324	159
MTN Syria	472	411	472	411
MTN Uganda	4,387	20,512	4,387	20,512
MTN Yemen	51	39	51	39
MTN Zambia	799	5,304	799	5,304
MTN Dubai	2,388,054	10,080,752	2,388,054	10,080,752
MTN South Sudan	708	451	708	451
Global Trading Company	1,106,047	5,009,354	1,106,047	5,009,354
MTN Global Connect	17,144	-	17,144	-
Lonestar Communications Corporations (Liberia)	4,236	3,859	4,236	3,859
MTN Namibia	401	-	401	-
MTN Benin	48,146	16,601,877	48,146	16,601,877
MTN Cameroon	35,133	1,806,406	35,133	1,806,406
MTN Congo	1,045	4,802	1,045	4,802
MTN Cote d'Ivoire	9,968	763,845	9,968	763,845
MTN Cyprus	1,645	522	1,645	522
MTN Ghana	96,111	3,734,487	96,111	3,734,487
MTN Guinea Bissau	813	-	813	-
MTN Guinea Conakry	912	636	912	636
MTN Irancell	339	304	339	304
MTN Rwanda	5,449	4,005	5,449	4,005
Mobile Telephone Networks (Pty) Ltd	35,156	3,972,116	35,156	3,972,116
IHS Towers	-	75,491,544	-	75,491,544
Sales to related parties				
MTN Sudan	34,828	166,189	34,828	166,189
MTN Swaziland	264	93	264	93
MTN Syria	57	92	57	92
MTN Uganda	12,693	89,477	12,693	89,477
MTN Yemen	11	-	11	-
MTN Zambia	17,410	86,178	17,410	86,178
MTN Dubai	-	44,077	-	44,077
MTN South Sudan	3,176	17,740	3,176	17,740
MTN Namibia	1,230	-	1,230	-
MTN Global Connect	6,292,182	-	6,292,182	-
Lonestar Communications Corporations (Liberia)	2,753	13,800	2,753	13,800
MTN Benin	926,984	8,581,415	926,984	8,581,415
MTN Cameroon	518,852	5,138,451	518,852	5,138,451
MTN Congo	9,655	13,329	9,655	13,329
MTN Cote d'Ivoire	168,799	2,201,551	168,799	2,201,551
MTN Cyprus	369	64	369	64
MTN Ghana	4,000,391	4,752,964	4,000,391	4,752,964
MTN Guinea Bissau	364	204	364	204
MTN Guinea Conakry	5,748	6,329	5,748	6,329
MTN Irancell	29	64	29	64
MTN Rwanda	1,340	1,094	1,340	1,094
Mobile Telephone Networks (Pty) Ltd	516,972	7,238,744	516,972	7,238,744

The receivables from related parties arise mainly from professional, roaming and interconnect services transactions rendered on behalf of other operations within MTN Group. These are due one month after the date of rendering of service. No provisions are held against receivables from related parties.

Notes to the consolidated and separate financial statements
43. Related party transactions (continued)

Trade payables to related parties arise mainly from professional fees, interconnect, roaming service transactions rendered on MTN Nigeria's behalf by other operations within the MTN Group and are due one month after the date of purchase.

Other related party transactions

	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Group and Company				
Names of related entity	Dividends paid		Preference shares redeemed	
Hermitage Overseas Corporation	4,746,742	1,377,600	5,940,142	-
NISPV Limited	304,740	88,442	381,356	-
Celtelecom Investment Limited	1,961,757	569,341	2,454,970	-
N-Cell Limited	961,762	279,123	1,203,563	-
Universal Communications Limited	1,179,654	342,359	1,476,236	-
SASPV Limited	849,645	246,584	1,063,258	-
One Africa Investment Limited	1,559,480	452,593	1,951,556	-
Names of related entity	Purchases from		Amounts due to	
Eventful Ltd	300,513	131,878	87,556	-
Aluko & Oyebode	967,966	292,428	113,868	1,355
Ecart Internet Service Nigeria Ltd (Jumia)	491,153	767,600	215,399	-
Brawal Line Limited	30,477	254,926	-	-
The Temple Management Co. Ltd	13,741	54,060	1,480	-
Main One Cable Company Nigeria Limited	268,560	245,366	46,103	7,588
Total	2,072,410	1,746,258	464,406	8,943

Notes to the consolidated and separate financial statements

44. Financial instruments and risk management

Introduction

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group classifies its financial instruments into the following categories depending on the purpose for which the financial instruments were acquired:

- Financial assets: Amortised cost, fair value through OCI (FVOCI) and fair value through profit or loss (FVTPL);
- Financial liabilities: fair value through profit or loss and amortised cost.

Financial instruments comprise trade and other receivables, cash and cash equivalents, restricted cash, current investments, borrowings, derivatives, trade and other payables.

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange and interest rate risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk profile

The Group's overall risk management programme focuses on the unpredictability of its markets and seeks to minimize potential adverse effects on the performance of the Group and its subsidiaries.

Risk management is carried out under policies approved by the Board of Directors of the Group. The Directors identify, evaluate and manage the enterprise risks in line with the MTN Group Risk Management Framework. 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 and investing cash.

The carrying value of financial instruments materially approximate their fair values.

44.1 Accounting classes and fair values

Group

31 December 2019

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total carrying amount
	N'000	N'000	N'000	N'000
Current financial assets				
Trade and other receivables	47,243,994	-	-	47,243,994
Current investments	45,056,763	3,634,024	6,135,782	54,826,569
Cash and cash equivalents	116,277,629	-	-	116,277,629
Restricted cash	38,049,589	-	-	38,049,589
	246,627,975	3,634,024	6,135,782	256,397,781
	246,627,975	3,634,024	6,135,782	256,397,781
Non-current financial liabilities				
Borrowings	380,088,780	-	-	380,088,780
Derivatives	-	264,573	-	264,573
Lease liabilities	481,434,369	-	-	481,434,369
	861,523,149	264,573	-	861,787,722
Current financial liabilities				
Trade payables	27,462,995	-	-	27,462,995
Borrowings	32,453,044	-	-	32,453,044
Accrued expenses	113,411,051	-	-	113,411,051
Other payables	428,660	-	-	428,660
Amounts due to related parties	16,383,546	-	-	16,383,546
Lease liabilities	35,099,787	-	-	35,099,787
	225,239,083	-	-	225,239,083
	1,086,762,232	264,573	-	1,087,026,805

Notes to the consolidated and separate financial statements
44. Financial instruments and risk management (continued)

31 December 2018	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total carrying amount
	N'000	N'000	N'000	N'000
Current financial assets				
Trade and other receivables	29,262,047	-	-	29,262,047
Current investments	63,731,995	1,302,198	434,066	65,468,259
Cash and cash equivalents	53,011,748	-	-	53,011,748
Restricted cash	37,219,023	-	-	37,219,023
	183,224,813	1,302,198	434,066	184,961,077
Non-current financial liabilities				
Borrowings	31,438,349	-	-	31,438,349
Derivatives	-	14,152	-	14,152
	31,438,349	14,152	-	31,452,501
Current financial liabilities				
Trade payables	18,607,924	-	-	18,607,924
Borrowings	143,875,889	-	-	143,875,889
Accrued expenses	121,315,900	-	-	121,315,900
Other payables	630,022	-	-	630,022
Amounts due to related parties	39,652,033	-	-	39,652,033
Regulatory fine liability	105,127,783	-	-	105,127,783
	429,209,551	-	-	429,209,551
	460,647,900	14,152	-	460,662,052
Company				
31 December 2019	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total carrying amount
	N'000	N'000	N'000	N'000
Current financial assets				
Trade and other receivables	48,439,945	-	-	48,439,945
Current investments	45,056,763	3,634,024	6,135,782	54,826,569
Cash and cash equivalents	114,301,003	-	-	114,301,003
Restricted cash	37,999,589	-	-	37,999,589
	245,797,300	3,634,024	6,135,782	255,567,106
	245,797,300	3,634,024	6,135,782	255,567,106
Non-current financial liabilities				
Borrowings	380,088,780	-	-	380,088,780
Derivatives	-	264,573	-	264,573
Lease liabilities	481,434,369	-	-	481,434,369
	861,523,149	264,573	-	861,787,722
Current financial liabilities				
Trade payables	27,293,297	-	-	27,293,297
Borrowings	32,453,044	-	-	32,453,044
Accrued expenses	112,902,813	-	-	112,902,813
Other payables	428,660	-	-	428,660
Amounts due to related parties	16,383,546	-	-	16,383,546
Lease liabilities	35,099,787	-	-	35,099,787
	224,561,147	-	-	224,561,147
	1,086,084,296	264,573	-	1,086,348,869

Notes to the consolidated and separate financial statements
44. Financial instruments and risk management (continued)

31 December 2018	Amortised cost N'000	Fair value through profit or loss N'000	Fair value through other comprehensive income N'000	Total carrying amount N'000
Current financial assets				
Trade and other receivables	29,131,411	-	-	29,131,411
Current investments	63,731,995	1,302,198	434,066	65,468,259
Cash and cash equivalents	52,806,185	-	-	52,806,185
Restricted cash	37,169,023	-	-	37,169,023
	182,838,614	1,302,198	434,066	184,574,878
Non-current financial liabilities				
Borrowings	31,438,349	-	-	31,438,349
Derivatives	-	14,152	-	14,152
	31,438,349	14,152	-	31,452,501
Current financial liabilities				
Trade payables	17,698,676	-	-	17,698,676
Borrowings	143,875,889	-	-	143,875,889
Accrued expenses	120,374,470	-	-	120,374,470
Other payables	630,022	-	-	630,022
Amounts due to related parties	39,652,033	-	-	39,652,033
Regulatory fine liability	105,127,783	-	-	105,127,783
	427,358,873	-	-	427,358,873
	458,797,222	14,152	-	458,811,374

44.2 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.

Where a financial asset or liability is carried on the statement of financial position at fair value, additional disclosure is required. In particular, the fair values need to be classified in accordance with the fair value hierarchy. This fair value hierarchy distinguishes between different fair value methodologies based on the level of subjectivity applied in the valuation. The fair value hierarchy is split into the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (e.g. the price quoted on a stock exchange for a listed share).

Level 2: Valuation techniques with 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) (e.g. a valuation that uses observable interest rates or foreign exchange rates as inputs).

Level 3: Valuation techniques with inputs that are not based on observable market data (that is, unobservable inputs) (e.g. a valuation that uses the expected growth rate of an underlying business as input).

The Group's financial instruments measured at fair value are presented on the next page.

Notes to the consolidated and separate financial statements
44. Financial instruments and risk management (continued)
Group
31 December 2019

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Treasury bills at fair value through profit and loss	3,634,024	-	-	3,634,024
Treasury bills at fair value through other comprehensive income	6,135,782	-	-	6,135,782
	9,769,806	-	-	9,769,806
Liabilities				
Derivatives	-	264,573	-	264,573
	-	264,573	-	264,573

31 December 2018
Assets

Treasury bills at fair value through profit and loss	1,302,198	-	-	1,302,198
Treasury bills at fair value through other comprehensive income	434,066	-	-	434,066
	1,736,264	-	-	1,736,264

Liabilities

Derivatives	-	14,152	-	14,152
	-	14,152	-	14,152

Company
31 December 2019

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Treasury bills at fair value through profit and loss	3,634,024	-	-	3,634,024
Treasury bills at fair value through other comprehensive income	6,135,782	-	-	6,135,782
	9,769,806	-	-	9,769,806
Liabilities				
Derivatives	-	264,573	-	264,573
	-	264,573	-	264,573

31 December 2018
Assets

Treasury bills at fair value through profit and loss	1,302,198	-	-	1,302,198
Treasury bills at fair value through other comprehensive income	434,066	-	-	434,066
	1,736,264	-	-	1,736,264

Liabilities

Derivatives	-	14,152	-	14,152
	-	14,152	-	14,152

Financial asset at amortised cost 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 liabilities measured at amortised cost are also not significantly different from their carrying values.

Notes to the consolidated and separate financial statements
44. Financial instruments and risk management (continued)
44.3 Financial assets and liabilities subject to offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group currently has 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. Interconnect partners payables are offset against its receivables and reported on a net basis in the statement of financial position.

The following table presents the Group's financial assets and liabilities that are subject to offsetting:

Group			
31 December 2019	Gross amount	Amount offset	Net amount
	N'000	N'000	N'000
Current financial assets			
Interconnect receivables	24,618,126	10,348,523	14,269,603
	24,618,126	10,348,523	14,269,603
Current financial liabilities			
Interconnect payables	13,915,264	10,348,523	3,566,741
	13,915,264	10,348,523	3,566,741
31 December 2018			
Current financial assets			
Interconnect receivables	21,129,283	10,149,839	10,979,444
	21,129,283	10,149,839	10,979,444
Current financial liabilities			
Interconnect payables	13,908,787	10,149,839	3,758,948
	13,908,787	10,149,839	3,758,948
Company			
31 December 2019	Gross amount	Amount offset	Net amount
	N'000	N'000	N'000
Current financial assets			
Interconnect receivables	24,618,126	10,348,523	14,269,603
	24,618,126	10,348,523	14,269,603
Current financial liabilities			
Interconnect payables	13,915,264	10,348,523	24,263,787
	13,915,264	10,348,523	24,263,787
31 December 2018			
Current financial assets			
Interconnect receivables	21,129,283	10,149,839	10,979,444
	21,129,283	10,149,839	10,979,444
Current financial liabilities			
Interconnect payables	13,908,787	10,149,839	3,758,948
	13,908,787	10,149,839	3,758,948

Notes to the consolidated and separate financial statements

44. Financial instruments and risk management (continued)

44.4 Credit risk

Credit risk or the risk of financial loss to the Group due to customers or counter parties not meeting their contractual obligations and 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.

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
The following instruments give rise to credit risk				
Trade receivables	47,243,994	29,262,047	48,439,945	29,131,411
Cash and cash equivalents	116,277,629	53,011,748	114,301,003	52,806,185
Restricted cash	38,049,589	37,219,023	37,999,589	37,169,023
Current investments	54,826,569	65,468,259	54,826,569	65,468,259
	256,397,781	184,961,077	255,567,106	184,574,878

Cash and cash equivalents, restricted cash and current investments.

Cash and cash equivalents, restricted cash and current investments. The Group's exposure and the credit ratings of its counter parties are continuously monitored and the aggregate values of investment portfolio is spread amongst approved financial institutions, which are lending institutions to the Group. The Group's Cash investment activity is based on the SLY (Safety, Liquidity and Yield) principle while it also limits its cash holdings in a financial institution to a maximum of 40% of total investment portfolio to manage concentration risk. The Exposure is controlled by a right of setoff and counter party exposure limits derived from the facility amount provided to the Group, the credit rating of the lending institutions as well as the cash collection by each of the lending institutions.

The credit ratings of the counterparty financial institutions where we have bank deposits and restricted cash range from B- to B+.

The credit ratings of the counterparty financial institutions where we have current investments range from B- to B.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type).

The Group holds collateral as security for trade receivables relating to trade partners. These are bank guarantees held with bank with credit ratings of ngA to CCC. A total of N4.75 billion was held as collateral for same value of receivables as at 31 Dec 2019 (2018: N4.57 billion). Trade partners are to pay within seven days of credit advanced. In the event of default, the bank guarantee is recalled immediately to offset the credit.

Notes to the consolidated and separate financial statements
44. Financial instruments and risk management (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix.

Group 31 December 2019	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total N '000
	N '000	N '000	N '000	N '000	
Expected loss rate	1.04 %	5.06 %	7.08 %	100.00 %	
Gross carrying amount	16,949,812	3,898,496	4,375,414	5,589,474	30,813,196
Loss allowance	175,771	197,294	309,967	5,589,474	6,272,506
Credit impaired	No	No	No	Yes	

Group 31 December 2018	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total N '000
	N '000	N '000	N '000	N '000	
Expected loss rate	2.30 %	30.81 %	73.26 %	100.00 %	
Gross carrying amount	15,074,028	3,218,821	1,861,050	12,636,224	32,790,123
Loss allowance	347,407	991,652	1,363,456	12,636,224	15,338,739
Credit impaired	No	No	No	Yes	

Company 31 December 2019	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total N '000
	N '000	N '000	N '000	N '000	
Expected loss rate	0.63 %	1.15 %	3.78 %	100.00 %	
Gross carrying amount	16,754,243	3,791,175	3,546,333	5,571,587	29,663,338
Loss allowance	105,508	43,495	134,129	5,571,587	5,854,719
Credit impaired	No	No	No	Yes	

Company 31 December 2018	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	Total N '000
	N '000	N '000	N '000	N '000	
Expected loss rate	2.30 %	30.81 %	78.76 %	100.00 %	
Gross carrying amount	15,074,028	3,218,821	1,861,060	11,956,998	32,110,907
Loss allowance	347,407	991,652	1,465,685	11,956,998	14,761,742
Credit impaired	No	No	No	Yes	

Credit impaired financial assets for the year ended 31 December 2019 stood at N4.3 billion (31 December 2018 N4.4 billion)

Notes to the consolidated and separate financial statements

44. Financial instruments and risk management (continued)

Current investments

Current investments are all liquid assets that consist of marketable securities. They are primarily selected based on the funding and liquidity plan of the Group and from issuers with the least known credit and default risk. In connection with investment decisions, priority is placed on the issuer's very high creditworthiness and the present yield/interest rates offered. In this assessment, the Group also considers the credit risk assessment of the issuer by the rating agencies such as Fitch, Standards and Poor (S & P). The Federal Government of Nigeria (FGN) has one of the lowest credit risks known in the country and in a possibility of default, it could simply increase the circulation of money in the country or borrow from international sources to pay off its local debt. In line with the Group's risk policy, its investments in treasury bills have no historical rate of default and the investments can be liquidated and sold at the prevalent market rates at that point in time. The international rating for the FGN is B, a speculative grade, for its Short-Term Local Currency Issuer Default Rating (IDR) which is a stable rating but not yet at the investment grade level which is hardly given to African Countries. Current investments are thus not subject to a material credit risk and are allocated to stage 1 of the impairment model.

Expected Credit Losses (ECLs) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The computed ECL resulted in an immaterial impairment on current investments.

44.5 Liquidity risk

Liquidity risk is the risk that an entity 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.

The Group ensures it has sufficient cash on demand (currently the Group is maintaining a positive cash position) or access to facilities to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Group		Company	
2019	2018	2019	2018
N '000	N '000	N '000	N '000

The following are the liquid resources:

Cash and cash equivalents	116,277,629	53,011,748	114,301,003	52,806,185
Trade and other receivables	47,243,994	29,262,047	48,439,945	29,131,411
Current investments	54,826,569	65,468,259	54,826,569	65,468,259
	218,348,192	147,742,054	217,567,517	147,405,855

Notes to the consolidated and separate financial statements

44. Financial instruments and risk management (continued)

The following are the contractual maturities of financial liabilities:

Group	Carrying amount	Payable within one month or on demand	More than one month but not exceeding three months	More than three months but not exceeding one year	More than one year but not exceeding two years	More than two years but not exceeding five years	More than five years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
31 December 2019								
Trade payables	27,462,995	12,351,986	15,111,009	-	-	-	-	27,462,995
Accrued expenses	113,411,051	89,561,895	23,849,156	-	-	-	-	113,411,051
Other payables	428,660	428,660	-	-	-	-	-	428,660
Amounts due to related parties	16,383,546	-	16,383,546	-	-	-	-	16,383,546
Current lease liability	35,099,787	-	28,244,842	73,552,857	-	-	-	101,797,699
Current borrowings	32,453,044	-	19,905,271	71,338,523	-	-	-	91,243,795
Non-current lease liability	481,434,369	-	-	-	99,396,747	285,118,485	435,727,955	820,243,187
Non-current borrowings	380,088,780	-	-	-	132,766,674	310,052,477	94,044,438	536,863,589
Derivatives	264,573	264,573	-	-	-	-	-	264,573
	1,087,026,805	102,607,113	103,493,824	144,891,381	232,163,420	595,170,962	529,772,393	1,708,099,095
31 December 2018								
Trade payables	18,607,914	17,932,860	675,054	-	-	-	-	18,607,914
Accrued expenses	121,315,900	112,236,563	9,079,337	-	-	-	-	121,315,900
Other payables	1,196,006	1,196,006	-	-	-	-	-	1,196,006
Amounts due to related parties	39,652,033	11,789,647	27,862,386	-	-	-	-	39,652,033
Current regulatory fine liability	105,127,783	55,000,000	55,000,000	-	-	-	-	110,000,000
Current borrowings	143,875,889	3,410,063	16,788,921	129,118,855	-	-	-	149,317,839
Non-current borrowings	31,438,349	-	-	-	15,977,537	23,436,517	-	39,414,054
Derivatives	14,152	-	-	-	14,152	-	-	14,152
	461,492,599	201,829,712	109,405,698	129,118,855	15,991,689	23,436,517	-	479,782,471

Notes to the consolidated and separate financial statements
44. Financial instruments and risk management (continued)

Company	Carrying amount	Payable within one month or on demand	More than one month but not exceeding three months	More than three months but not exceeding one year	More than one year but not exceeding two years	More than two years but not exceeding five years	More than five years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
31 December 2019								
Trade payables	27,293,297	12,351,986	14,941,311	-	-	-	-	27,293,297
Accrued expenses	112,921,386	89,072,230	23,849,156	-	-	-	-	112,921,386
Other payables	428,660	428,660	-	-	-	-	-	428,660
Amounts due to related parties	16,383,546	-	16,383,546	-	-	-	-	16,383,546
Derivatives	264,573	264,573	-	-	-	-	-	264,573
Current borrowings	32,453,044	-	19,905,271	71,338,523	-	-	-	91,243,795
Non-current Borrowings	380,088,780	-	-	-	132,766,674	310,052,477	94,044,438	536,863,589
Current lease liability	35,099,787	-	28,244,842	73,552,857	-	-	-	101,797,699
Non-current lease liability	481,434,369	-	-	-	99,396,747	285,118,485	435,727,955	820,243,187
	1,086,367,442	102,117,448	103,324,126	144,891,381	232,163,420	595,170,962	529,772,393	1,707,439,732
31 December 2018								
Trade payables	17,698,676	17,023,621	675,055	-	-	-	-	17,698,676
Accrued expenses	120,374,470	111,295,134	9,079,336	-	-	-	-	120,374,470
Other payables	630,022	630,022	-	-	-	-	-	630,022
Amounts due to related parties	39,652,033	12,319,273	27,332,760	-	-	-	-	39,652,033
Current regulatory fine liability	105,127,783	55,000,000	55,000,000	-	-	-	-	110,000,000
Current borrowings	143,875,889	3,410,063	16,788,921	129,118,855	-	-	-	149,317,839
Derivatives	14,152	-	-	-	14,152	-	-	14,152
Non-current borrowings	31,438,349	-	-	-	15,977,537	23,436,517	-	39,414,054
	458,811,374	199,678,113	108,876,072	129,118,855	15,991,689	23,436,517	-	477,101,246

Notes to the consolidated and separate financial statements

44. Financial instruments and risk management (continued)

44.6 Market risk

Market risk is the risk that changes in market prices (interest rate, price risk and currency risk) will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group is not exposed to price risk.

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 foreign currency and to manage and maintain market risk exposures within the parameters set by the Group's Board of Directors.

44.6.1 Interest rate risk

Interest rate risk is the risk that the cash flow or fair value of an interest bearing financial instrument will fluctuate because of changes in market interest rates.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, short term investments and loans payable. The interest rates applicable to these financial instruments are on a combination of floating and fixed basis in line with those currently available in the market.

The Group's interest rate risk arises from the reprising of the Group's floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the significant cash balances which exist.

The Group manages its debt on an optimal mix of local and foreign borrowings and fixed and floating interest rates.

Interest rate profile

At the reporting date the interest rate profile of the Group's financial instruments is as follows:

Group	31 December 2019			31 December 2018		
	Fixed rate instruments N'000	Variable rate instruments N'000	Non interest bearing N'000	Fixed rate instruments N'000	Variable rate instruments N'000	Non interest bearing N'000
Financial assets						
Cash and cash equivalents	116,277,629	-	-	53,011,748	-	-
Current investments	54,826,569	-	-	65,468,259	-	-
Restricted cash	-	-	38,049,589	-	-	37,219,023
Trade and other receivables	-	-	47,243,994	-	-	29,262,047
	171,104,198	-	85,293,583	118,480,007	-	66,481,070
Financial liabilities						
Trade payables	-	-	27,462,995	-	-	18,607,924
Accrued expenses	-	-	113,429,624	-	-	121,315,900
Other payables	-	-	428,147	-	-	1,196,006
Amounts due to related parties	-	16,383,546	-	-	39,652,033	-
Current Regulatory fine liability	-	-	-	-	-	105,127,783
Current Borrowings	-	32,453,044	-	-	143,875,889	-
Non-current Borrowings	-	380,088,780	-	-	31,438,349	-
	-	428,925,370	141,320,766	-	214,966,271	246,247,613

Notes to the consolidated and separate financial statements
44. Financial instruments and risk management (continued)

Company	31 December 2019			31 December 2018		
	Fixed rate instruments N'000	Variable rate instruments N'000	Non interest bearing N'000	Fixed rate instruments N'000	Variable rate instruments N'000	Non interest bearing N'000
Financial assets						
Cash and cash equivalents	114,301,003	-	-	52,806,185	-	-
Current investments	54,826,569	-	-	65,468,259	-	-
Restricted cash	-	-	37,999,589	-	-	37,169,023
Trade and other receivables	-	-	48,439,945	-	-	29,131,411
	169,127,572	-	86,439,534	118,274,444	-	66,300,434
Financial liabilities						
Trade payables	-	-	27,293,297	-	-	17,698,676
Accrued expenses	-	-	112,902,813	-	-	120,374,470
Other payables	-	-	428,147	-	-	630,022
Amounts due to related parties	-	16,383,546	-	-	39,652,033	-
Current Regulatory fine liability	-	-	-	-	-	105,127,783
Current Borrowings	-	32,453,044	-	-	143,875,889	-
Non-current Borrowings	-	380,088,780	-	-	31,438,349	-
	-	428,925,370	140,624,257	-	214,966,271	243,830,951

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

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.

The Group is mainly exposed to fluctuations in the following market interest rates: LIBOR and NIBOR. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are recognised at their fair value.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the reporting date and assumes that all other variables, in particular foreign currency rates, remains constant. The analysis is performed on the same basis for prior year.

Notes to the consolidated and separate financial statements
44. Financial instruments and risk management (continued)

Group	31 December 2019			31 December 2018		
	Increase/(decrease) in profit before tax			Increase/(decrease) in profit before tax		
	Change in interest rate	Upward change in interest rate	Downward change in interest rate	Change in interest rate	Upward change in interest rate	Downward change in interest rate
	%	N'000	N'000	%	N'000	N'000
LIBOR	1	(325,418)	325,418	1	(808,831)	808,831
NIBOR	1	(3,800,000)	3,800,000	1	(862,917)	862,917

Company	31 December 2019			31 December 2018		
	Increase/(decrease) in profit before tax			Increase/(decrease) in profit before tax		
	Change in interest rate	Upward change in interest rate	Downward change in interest rate	Change in interest rate	Upward change in interest rate	Downward change in interest rate
Expense	%	N'000	N'000	%	N'000	N'000
LIBOR	1	(325,418)	325,418	1	(808,831)	808,831
NIBOR	1	(3,800,000)	3,800,000	1	(862,917)	862,917

44.6.2 Currency risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

The Group manages foreign currency risk on major foreign denominated purchase orders through the use of Letters of Credit. The Group has also entered into a currency swap arrangement to enhance dollar liquidity to address critical operational requirements.

Sensitivity analysis

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the US Dollar, being the significant foreign denominated currency.

The Group has used a sensitivity analysis technique that measures the estimated change to the income statement of an instantaneous 10% strengthening or 5% weakening in the Nigerian Naira against the US Dollar, from the rate applicable at 31 December, for each class of financial instrument with all other variables, in particular interest rates, remaining constant.

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. The analysis is performed on the same basis for the Company.

Notes to the consolidated and separate financial statements

44. Financial instruments and risk management (continued)

Transactions in foreign currencies other than US Dollars were not significant.

Group	31 December 2019		31 December 2018	
	Increase/(decrease) in profit before tax 10% weakening in Naira, resulting in a decrease in profit before tax	5% strengthening in Naira, resulting in an increase in profit before tax	Increase/(decrease) in profit before tax 10% weakening in Naira, resulting in a decrease in profit before tax	5% strengthening in Naira, resulting in an increase in profit before tax
Denominated: Functional US\$:NGN	N'000	N'000	N'000	N'000
	(2,470,117)	1,235,058	(10,553,811)	5,276,905

Company	31 December 2019		31 December 2018	
	Increase/(decrease) in profit before tax 10% weakening in Naira, resulting in a decrease in profit before tax	5% strengthening in Naira, resulting in an increase in profit before tax	Increase/(decrease) in profit before tax 10% weakening in Naira, resulting in a decrease in profit before tax	5% strengthening in Naira, resulting in an increase in profit before tax
Denominated: Functional US\$:NGN	N'000	N'000	N'000	N'000
	(2,470,117)	1,235,058	(10,553,811)	5,276,905

Notes to the consolidated and separate financial statements
44. Financial instruments and risk management (continued)
44.7 Capital risk management

The Group seeks to optimise its capital structure by ensuring adequate gearing levels taking into consideration working capital, cash flow, existing loan covenants, operational requirements, business plan and broader macro-economic conditions.

It maximizes external borrowings on the back of its strong cash generating capacity. In line with its funding policy, the Group diversifies funding sources across local and international markets and ensures that new facility conditions comply with existing loan covenants.

Management monitors net debt to EBITDA and EBITDA to net interest in line with the financial covenants in the loan agreement while it seeks to limit refinancing risk by controlling the concentrations of maturing obligations in the short end of maturity profile. Equity approximates share capital and reserves. EBITDA is defined as earnings before interest, tax, depreciation, amortisation and goodwill impairment/losses.

Gross debt relates to MTN Nigeria syndicated medium term loan, net debt is the gross debt less cash and cash equivalents and total funding is gross debt plus equity.

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Revenue	1,169,734,682	1,039,117,810	1,167,418,643	1,037,067,731
Operating expenses excluding depreciation and amortisation.	(539,815,574)	(605,141,373)	(538,335,439)	(603,604,311)
EBITDA	629,919,108	433,976,437	629,083,204	433,463,420
Gross debt	412,541,824	175,314,238	412,541,824	175,314,238
Cash and cash equivalents	(116,277,629)	(53,011,748)	(114,301,003)	(52,806,185)
Net debt	296,264,195	122,302,490	298,240,821	122,508,053
Gross debt	412,541,824	175,314,238	412,541,824	175,314,238
Equity	144,685,560	219,352,315	161,263,397	232,730,905
Total funding	557,227,384	394,666,556	573,805,221	408,045,145
Gross debt :Total funding	74 %	44 %	72 %	43 %
Net debt: Total funding	53 %	31 %	52 %	30 %
Net debt : EBITDA	47 %	28 %	47 %	28 %

45. Share based payments
45.1 Share based payment liability

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Non-current	744,591	654,791	744,591	654,791
	744,591	654,791	744,591	654,791

Notes to the consolidated and separate financial statements

45. Share based payments (continued)

45.2 Share appreciation rights

The share based payment liability above relates to the following notional share scheme.

MTN Nigeria Communications PLC operates a Notional Share Scheme, where qualifying staff receive the increase in a phantom MTN share price at exercise date as compared to the offer price. The scheme is a cash-settled share based payment scheme. The vesting period is 100% on the third anniversary after the grant date. Options expire after 10 years from grant date.

2019

Offer date	Naira strike price		Number outstanding at 1 January 2019		Offered During 2019		Expired\Forfeited During 2019		Exercised During 2019		Number outstanding at 31 December 2019	
	LAN	GAN	LAN	GAN	LAN	GAN	LAN	GAN	LAN	GAN	LAN	GAN
	-	-	-	-	-	-	-	-	-	-	-	-
01-Apr-2008	2,916	2,160	-	-	-	-	-	-	-	-	-	-
01-Nov-2008	2,916	1,291	-	-	-	-	-	-	-	-	-	-
01-Apr-2009	3,726	1,570	-	-	-	-	-	-	-	-	-	-
01-Apr-2010	4,991	2,288	6,680	5,660	-	-	-	-	-	-	6,680	5,660
01-Apr-2011	6,067	3,123	47,600	21,550	-	-	-	-	-	-	47,600	21,550
01-Apr-2012	6,100	2,780	108,600	66,680	-	-	2,300	2,100	-	-	106,300	64,580
01-Apr-2013	5,009	2,781	252,852	196,040	-	-	1,500	1,200	-	-	251,352	194,840
01-Apr-2014	5,313	3,367	57,000	38,800	-	-	400	200	-	-	56,600	38,600
01-Apr-2015	5,299	3,354	145,200	99,000	-	-	1,500	1,000	-	-	143,700	98,000
01-Apr-2016	4,747	1,787	165,300	187,800	-	-	4,400	5,000	-	-	160,900	182,800
01-Apr-2017	4,207	2,810	340,100	212,000	-	-	-	-	-	-	340,100	212,000
01-Apr-2018	3,820	3,619	563,700	248,200	-	-	15,500	6,900	-	-	548,200	241,300
01-Apr-2019	4,797	2,189	-	-	541,800	511,900	11,600	10,900	-	-	530,200	501,000
			1,687,032	1,075,730	541,800	511,900	37,200	27,300	-	-	2,191,632	1,560,330

Notes to the consolidated and separate financial statements

45. Share based payments (continued)

2018

Offer date	Naira strike price		Number outstanding at 1 January 2018		Offered During 2018		Expired\Forfeited During 2018		Exercised During 2018		Number outstanding at 31 December 2018	
	LAN	GAN	LAN	GAN	LAN	GAN	LAN	GAN	LAN	GAN	LAN	GAN
01-Apr-2007	-	-	-	-	-	-	-	-	-	-	-	-
01-Oct-2007	-	-	-	-	-	-	-	-	-	-	-	-
01-Apr-2008	2,916	2,160	-	-	-	-	-	-	-	-	-	-
01-Nov-2008	2,916	1,291	1,960	1,030	-	-	1,960	1,030	-	-	-	-
01-Apr-2009	3,726	1,570	-	-	-	-	-	-	-	-	-	-
01-Apr-2010	4,991	2,288	6,680	5,660	-	-	-	-	-	-	6,680	5,660
01-Apr-2011	6,067	3,123	48,600	21,790	-	-	1,000	240	-	-	47,600	21,550
01-Apr-2012	6,100	2,780	113,000	69,200	-	-	4,400	2,520	-	-	108,600	66,680
01-Apr-2013	5,009	2,781	267,712	207,320	-	-	14,860	11,280	-	-	252,852	196,040
01-Apr-2014	5,313	3,367	63,500	43,200	-	-	6,500	4,400	-	-	57,000	38,800
01-Apr-2015	5,299	3,354	154,200	105,200	-	-	9,000	6,200	-	-	145,200	99,000
01-Apr-2016	4,747	1,787	168,800	191,800	-	-	3,500	4,000	-	-	165,300	187,800
01-Apr-2017	4,207	2,810	347,300	223,100	-	-	12,700	8,200	-	-	334,600	214,900
01-Apr-2018	3,820	3,619	-	-	571,200	251,600	7,500	3,400	-	-	563,700	248,200
	-	-	-	-	-	-	-	-	-	-	-	-
			1,171,752	868,300	571,200	251,600	61,420	41,270	-	-	1,681,532	1,078,630

The weighted average price of the LAN options granted during the year is N4,797; 541,800 options (2018: N3,820; 571,200 options) while the weighted average price of GAN options granted during the year is N2,188.91; 511,900 options (2018: N3,619.00; 251,600 options)

Notes to the consolidated and separate financial statements

46. Notional reversal difference payment to CBN

During the year, the Central Bank of Nigeria (CBN) alleged that MTN Nigeria (the Company) had improperly repatriated circa US\$8.1 billion between 2007 and 2015 based on invalidly issued Certificates of Capital Importation (CCIs), and was required by the CBN to reverse the historical dividend that had been distributed to the shareholders of the Company.

Without admission of liability, MTN Nigeria held various engagements with CBN, in order to make its case and reach an equitable resolution of the matter. In particular, series of meetings were held in Lagos with CBN officials during November 2018. At these meetings, MTN Nigeria provided additional material documentation which satisfactorily clarified its remittances. Upon review of the additional documentation, the CBN concluded that MTN Nigeria is no longer required to reverse the historical dividend payments made to MTN Nigeria's shareholders. However, the CBN reached a conclusion that the externalization of the proceeds of the preference shares in MTN Nigeria's private placement transaction of 2008 of circa US\$1 billion were irregular having been based on CCIs that had an approval-in-principle, but not a final regulatory approval of CBN.

As part of the Resolution Agreement with the CBN, MTN Nigeria was required to implement a notional reversal of the proceeds that were externalised from the 2008 private placement of shares in MTN Nigeria at a net cost of circa N19.2 billion - equivalent to US\$52.6 million (the notional reversal amount). This is on the basis that certain CCIs utilised in the private placement were not properly issued. MTN Nigeria and the CBN agreed to resolve the matter on the basis that MTN Nigeria would pay the notional reversal amount without admission of liability while the CBN will regularise all the CCIs that have been issued to MTN Nigeria based on the investment by its shareholders of circa \$402.6 million without regard to any historical disputes relating to those CCIs, thereby bringing to a final resolution all incidental disputes arising from this matter. The Resolution Agreement between MTN Nigeria and CBN was filed in court and has been adopted and entered as a consent judgment between the parties. The CCIs have subsequently been regularised.

47. Events after the reporting period

On 20 May 2018, MTN Nigeria received a letter from the Office of the Attorney General of the Federation (AGF) and Minister for Justice notifying the Company of an asset recovery/investigation exercise conducted with respect to outstanding revenue due to the Federal Government of Nigeria in the sum of N242 billion and US\$1.3 billion from MTN Nigeria.

The Company conducted a self-audit as advised by the AGF in its letter of 20 May 2018 and submitted the relevant documents used to remit all statutory fees to Federal Inland Revenue Service (FIRS) and Nigeria Customs Service (NCS) from 2012 to 2017 as specified by the AGF

By another letter dated 20 August 2018, the AGF made a demand on MTN Nigeria to effect payment of the said NGN242 billion and US\$1.3 billion into an asset recovery account of the Federal Government within 14 days of the receipt of the said letter.

The Company challenged this demand by filing a suit at the Federal High Court Lagos on 10 September 2018.

On 8 January 2020, the AGF formally withdrew his demand notice of N242 billion and US\$1.3 billion alleged revenue indebtedness by MTN Nigeria to the Federal Government and referred the matter to Federal Inland Revenue Service (FIRS) and Nigeria Customs Service (NCS) for resolution.

Consequently, MTN Nigeria withdrew the case and the matter was struck out by the Court on 30 January 2020. MTN Nigeria therefore intends to engage the FIRS and NCS on the matter in due course.

The FIRS has audited MTN Nigeria up till 2017 financial year, we are currently undergoing reconciliation and resolution of the last two years (2016 and 2017). MTN Nigeria has equally been issued a clearance letter by the NCS in respect of taxes and duties on Forms M and A transactions for 2007 - 2018.

MTN Nigeria remains committed to meeting its fiscal responsibilities and contributing to the social and economic development of Nigeria.

Other national disclosures

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Value added statements

	2019	2019	2018	2018
	N '000	%	N '000	%
Group				
Value added				
Revenue	1,169,734,682		1,039,117,810	
Other income	96,920		2,225,066	
- Local	(467,910,205)		(523,866,124)	
- Foreign	(21,183,915)		(41,778,528)	
Total value added	680,737,482	100	475,698,224	100
Value distributed				
To pay employees				
Salaries and other benefits	30,705,957		27,152,445	
	30,705,957	5	27,152,445	6
To pay providers of capital				
Finance costs	125,325,277		67,339,468	
	125,325,277	18	67,339,468	14
To pay government				
Income tax	87,993,059		75,656,747	
	87,993,059	13	75,656,747	16
To be retained in the business for expansion and future wealth creation:				
Depreciation and impairment	204,605,395		133,163,482	
Amortisation	29,996,820		26,700,181	
	234,602,215	34	159,863,663	34
Value retained				
Retained profit for the year	202,110,974		145,685,901	
	202,110,974	30	145,685,901	31
Total value distributed	680,737,482	100	475,698,224	100

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Value added statements

	2019	2019	2018	2018
	N '000	%	N '000	%
Company				
Value added				
Revenue	1,167,418,643		1,037,067,731	
Other income	96,920		2,225,066	
- Local	(466,356,694)		(514,933,996)	
- Foreign	(21,183,915)		(50,036,589)	
Total value added	679,974,954	100	474,322,212	100
Value distributed				
To pay employees				
Salaries and other benefits	30,705,957		27,152,445	
	30,705,957	5	27,152,445	6
To pay providers of capital				
Finance costs	125,325,277		67,339,468	
	125,325,277	18	67,339,468	14
To pay government				
Income tax	89,385,210		76,894,322	
	89,385,210	13	76,894,322	16
To be retained in the business for expansion and future wealth creation:				
Depreciation and impairment	204,605,390		132,958,561	
Amortisation	24,642,891		21,346,862	
	229,248,281	34	154,305,423	33
Value retained				
Retained profit for the year	205,310,229		148,630,554	
	205,310,229	30	148,630,554	31
Total value distributed	679,974,954	100	474,322,212	100

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Five-year financial summaries

	2019	2018	1 January 2018 Restated *	2016	2015
	N '000	N '000	N '000	N '000	N '000
Group					
Statement of financial position					
Assets					
Property, plant and equipment	625,095,789	607,023,544	582,438,885	494,670,217	450,873,469
Intangible assets	120,946,914	119,368,123	128,602,009	141,488,116	136,327,243
Other non-current assets	517,064,381	19,493,033	17,150,457	31,177,636	26,882,566
Net current liabilities	(135,231,213)	(385,093,140)	(300,235,897)	(132,937,960)	(62,342,053)
Assets of disposal groups held for sale	-	-	174	7,229	-
Non-current liabilities	(983,190,312)	(141,439,245)	(315,103,710)	(452,794,464)	(562,698,201)
Net assets/(liabilities)	144,685,559	219,352,315	112,851,918	81,610,774	(10,956,976)
Equity					
Share capital	407,090	646,510	646,510	646,510	646,510
Share premium	17,216,293	64,498,466	64,498,466	64,498,466	64,498,466
Other Reserves	521,161	6,069	496,644	325,721	(76,101,952)
Retained profit/(loss)	126,541,015	154,201,270	47,210,298	16,140,077	-
Total equity	144,685,559	219,352,315	112,851,918	81,610,774	(10,956,976)
Statement of profit or loss					
Revenue	1,169,734,682	1,039,117,810	887,180,480	793,672,969	807,448,831
Profit/(loss) before taxation	290,104,033	221,342,648	107,889,668	126,651,204	(12,334,936)
Taxation	(87,993,059)	(75,656,747)	(26,819,447)	(37,850,862)	(67,954,967)
Profit/(loss) for the year	202,110,974	145,685,901	81,070,221	88,800,342	(80,289,903)
Per share data					
Earnings/(loss) per share - basic/diluted (N)**	9.93	7.16	3.98	4.36	(3.94)
Net assets/(liabilities) per share (N)**	7.11	10.78	5.54	4.01	(0.54)

*The comparative prior year figures have been restated to reflect the changes in the number of shares. It was also restated for the impact of IFRS 15 Revenue from contracts with customers.

**Net assets per share and earnings per share have been restated to reflect the changes in number of shares.

MTN Nigeria Communications PLC

Consolidated and separate financial statements for the year ended 31 December 2019

Five-year financial summaries

	2019	2018	1 January 2018 Restated *	2016	2015
	N '000	N '000	N '000	N '000	N '000
Company					
Statement of financial position					
Assets					
Property, plant and equipment	625,095,789	606,962,868	582,378,208	494,609,541	450,812,792
Intangible assets	84,072,042	77,107,651	80,988,218	88,870,605	78,356,414
Other non-current assets	562,642,381	63,321,033	60,928,457	74,955,636	70,660,566
Net current liabilities	(134,903,211)	(382,296,025)	(296,489,455)	(128,138,976)	(60,787,324)
Non-current liabilities	(975,643,604)	(132,364,622)	(304,519,747)	(440,701,159)	(549,095,554)
Assets of disposal groups held for sale	-	-	174	7,229	-
Net assets/(liabilities)	161,263,397	232,730,905	123,285,855	89,602,876	(10,053,106)
Equity					
Share capital	407,090	646,510	646,510	646,510	646,510
Share premium	17,216,293	64,498,466	64,498,466	64,498,466	64,498,466
Other Reserves	521,161	6,069	496,644	325,721	(75,198,082)
Retained profit /(loss)	143,118,853	167,579,860	57,644,235	24,132,179	-
Total equity	161,263,397	232,730,905	123,285,855	89,602,876	(10,053,106)
Statement of profit or loss					
Revenue	1,167,418,643	1,037,067,731	885,807,704	789,891,899	807,448,831
Profit/(loss) for the year	294,695,439	225,524,876	111,325,657	135,072,340	(12,334,936)
Taxation	(89,385,210)	(76,894,322)	(27,813,601)	(39,183,768)	(67,954,967)
Profit/(loss) for the year	205,310,229	148,630,554	83,512,056	95,888,572	(80,289,903)
Per share data					
Earnings/(loss) per share - basic/diluted (N)**	10.09	7.30	4.10	4.71	(3.94)
Net assets/(liabilities) per share (N)**	7.92	11.43	6.06	4.40	(0.49)

*The comparative prior year figures have been restated to reflect the changes in the number of shares. It was also restated for the impact of IFRS 15 Revenue from contracts with customers.

**Net assets per share and earnings per share have been restated to reflect the changes in number of shares.