

**MTN Nigeria Communications Limited**  
**Consolidated and separate financial statements**  
**for the year ended 31 December 2018**  
**Together with Directors' and Auditor's Reports**

# **MTN Nigeria Communications Limited**

Consolidated and separate financial statements for the year ended 31 December 2018

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# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Directors' report

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The directors present their report on the affairs of MTN Nigeria Communications Limited and its subsidiaries (the Group), together with the financial statements and independent auditor's report for the year ended 31 December 2018.

### Principal Activities of the Group

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 address of the Company's registered office 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.

Their principal activities are the provision of broadband fixed wireless access service, high quality telecommunication services and mobile financial services in Nigeria.

During the year, the Group established a new subsidiary, Yello Digital Financial Services Limited. This subsidiary is wholly owned by MTN Nigeria but is yet to commence operations. In addition, an application was made to the Central Bank of Nigeria (CBN) for a Payment Service Bank license. We are still expecting the approval from CBN. The Payment Service Bank is to provide mobile financial services upon incorporation.

### Business Review

The Group recorded revenue of N1.039 trillion (December 2017 : N887.18 billion) and a profit after tax of N145.69 billion (December 2017: profit after tax of N81.07 billion) for the year.

### Operating Results and Dividends

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

|                    | 2018               | 2017<br>Restated * |
|--------------------|--------------------|--------------------|
|                    | N '000             | N '000             |
| Revenue            | 1,039,117,810      | 887,180,480        |
| Operating profit   | 266,113,777        | 195,928,747        |
| Profit before tax  | 221,342,648        | 107,889,668        |
| Income tax expense | (75,656,747)       | (26,819,447)       |
|                    | <u>145,685,901</u> | <u>81,070,221</u>  |

The Board of Directors approved interim dividends for the year ended 31 December 2018 (31 December 2017 : N50 billion) as follows:

- 6th March 2018 N38.6 billion
- 11th February 2019 N73 billion

### Regulatory Matters

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 N110 billion in three (3) installments was paid between 2016 and 2017. During the year another N110 billion was paid in two (2) installments.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Directors' report

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### Directors and their interests

The directors who served during the year and their indirect interests in the Group's equity were as follows:

|                                       | <u>2018</u> | <u>2017</u> |
|---------------------------------------|-------------|-------------|
|                                       | %           | %           |
| Mr. P. Dozie - (Chairman)             | 1.7         | 1.7         |
| Mr. G. Oyebo                          | 0.9         | 0.9         |
| Col. M. Sani Bello                    | 1.3         | 1.3         |
| Mr. B. Folawiyo                       | 1.1         | 1.1         |
| Chief V. Odili                        | 4.0         | 4.0         |
| Mallam A. Dasuki                      | 0.8         | 0.8         |
| Mr P. Norman*                         | Nil         | Nil         |
| Mr. R. Gasant *                       | Nil         | Nil         |
| Mr F. Moolman*                        | Nil         | Nil         |
| Mr. K. Toriola                        | Nil         | Nil         |
| Mr. R. Shuter*                        | Nil         | Nil         |
| Mr. R. Mupita*                        | Nil         | Nil         |
| Mr. J. Schulte-Bockum**               | Nil         | Nil         |
| Dr. E. Ndukwe (Appointed 1 June 2018) | Nil         | Nil         |

\* South African

\*\* German

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, certain directors declared their interest in contracts with the Group.

### Property, plant and equipment

Information relating to changes in Property, Plant and Equipment is given in Note 16 to the consolidated and separate financial statements.

### Taxation

Company Income Tax, 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 N75.66 billion (December 2017 : N26.82 billion) has been recognised in the consolidated statement of profit or loss covering the period January to December 2018.

### Notional reversal difference payment to CBN

In December 2018, MTN Nigeria signed a Resolution Agreement with the Central Bank of Nigeria to pay N19.2 billion to resolve the issues around the certificates of capital importation (CCI) relating to the 2008 private placement transaction. The payment was concluded in January, 2019. See disclosure in note 46.

### Charitable Gifts

There was an accrual of N1.45 billion made in the year for donations to MTN Foundation Limited by Guarantee (December 2017: N827million). 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 2017: Nil).

### Employment of Disabled Persons

The Group has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Group's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. As at the end of the reporting period, the Group had six (6) disabled persons in employment.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Directors' report

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### 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 post graduate 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 are not eligible for reappointment at the AGM.

By Order of the Board



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Uto Ukpanah  
Company Secretary  
FRC/2014/NBA/00000005748

Lagos, Nigeria

11 March, 2019

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Statement of directors' responsibilities

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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 annual 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.



Mr. Pascal Dozie  
Chairman of the Board of Directors  
FRC/2013/CIBN/00000002852



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



## *Independent auditor's report*

To the Members of MTN Nigeria Communications Limited

### *Report on the audit of the consolidated and separate financial statements*

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#### *Our opinion*

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of MTN Nigeria Communications Limited ("the company") and its subsidiaries (together "the group") as at 31 December 2018, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

#### **What we have audited**

MTN Nigeria Communications Limited's consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of profit or loss for the year then ended;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

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

#### **Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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#### *Other information*

The directors are responsible for the other information. The other information comprises the Directors' report, Statement of directors' responsibilities, Value added statements and Five-year financial summaries, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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*PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria*



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

If, based on the work we have performed, 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.

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### *Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements*

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

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

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

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### *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 scepticism throughout the audit. We also:

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

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

We communicate with 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.

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#### *Report on other legal and regulatory requirements*

The Companies and Allied Matters Act 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 purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's statement of financial position, statement of profit or loss and statement of other comprehensive income are in agreement with the books of account.

For: **PricewaterhouseCoopers**  
Chartered Accountants  
Lagos, Nigeria

Engagement Partner: Samuel Abu  
FRC/2013/ICAN/00000001495



19 March 2019

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Statement of profit or loss

|                                                                      | Note(s) | Group              |                              | Company            |                              |
|----------------------------------------------------------------------|---------|--------------------|------------------------------|--------------------|------------------------------|
|                                                                      |         | 2018<br>N '000     | 2017<br>Restated *<br>N '000 | 2018<br>N '000     | 2017<br>Restated *<br>N '000 |
| Revenue                                                              | 8       | 1,039,117,810      | 887,180,480                  | 1,037,067,731      | 885,807,704                  |
| Other income                                                         | 9       | 2,225,066          | -                            | 2,225,066          | -                            |
| Direct network operating costs                                       | 14      | (305,519,088)      | (268,358,987)                | (305,244,580)      | (268,589,297)                |
| Value added services                                                 |         | (16,643,563)       | (28,226,747)                 | (16,627,876)       | (28,193,641)                 |
| Blackberry licence fees                                              |         | -                  | 239,542                      | -                  | 239,542                      |
| Cost of handsets and other accessories                               |         | (6,191,729)        | (7,214,379)                  | (6,176,000)        | (7,182,432)                  |
| Interconnect costs                                                   |         | (95,630,222)       | (84,194,261)                 | (95,617,279)       | (84,159,211)                 |
| Roaming costs                                                        |         | (4,173,205)        | (2,724,654)                  | (4,182,265)        | (2,712,740)                  |
| Transmission costs                                                   |         | (5,508,549)        | (5,685,104)                  | (5,508,549)        | (6,036,436)                  |
| Discounts and commissions                                            |         | (51,287,375)       | (45,770,358)                 | (51,287,375)       | (45,770,358)                 |
| Advertisements, sponsorships and sales promotions                    |         | (16,274,390)       | (15,567,368)                 | (16,274,390)       | (15,605,812)                 |
| Impairment reversal/ (losses) on contracts with customers            |         | 8,757,923          | (5,595,982)                  | 8,962,844          | (5,595,982)                  |
| Employee costs                                                       | 12      | (27,152,445)       | (22,683,483)                 | (27,152,445)       | (22,683,483)                 |
| (Impairment)/reversal of impairment of property, plant and equipment |         | (758,926)          | 718,535                      | (758,926)          | 718,535                      |
| Writeback of impairment of assets held for sale                      | 20      | 6,996              | -                            | 6,996              | -                            |
| Depreciation                                                         | 16      | (141,162,479)      | (123,817,906)                | (141,162,479)      | (123,817,906)                |
| Amortisation of intangible assets                                    | 17      | (26,700,181)       | (26,648,659)                 | (21,346,862)       | (21,295,339)                 |
| Notional reversal difference payment to CBN                          | 46      | (19,192,309)       | -                            | (19,192,309)       | -                            |
| Other operating expenses                                             | 13      | (67,799,557)       | (55,721,922)                 | (66,777,223)       | (55,758,618)                 |
| <b>Operating profit</b>                                              |         | <b>266,113,777</b> | <b>195,928,747</b>           | <b>270,954,079</b> | <b>199,364,526</b>           |
| Finance income                                                       | 10      | 22,568,339         | 43,503,203                   | 21,910,265         | 43,503,188                   |
| Finance costs                                                        | 11      | (67,339,468)       | (131,542,282)                | (67,339,468)       | (131,542,057)                |
| <b>Profit before taxation</b>                                        |         | <b>221,342,648</b> | <b>107,889,668</b>           | <b>225,524,876</b> | <b>111,325,657</b>           |
| Taxation                                                             | 15      | (75,656,747)       | (26,819,447)                 | (76,894,322)       | (27,813,601)                 |
| <b>Profit for the year</b>                                           |         | <b>145,685,901</b> | <b>81,070,221</b>            | <b>148,630,554</b> | <b>83,512,056</b>            |
| <b>Earnings per share</b>                                            |         |                    |                              |                    |                              |
| <b>Per share information</b>                                         |         |                    |                              |                    |                              |
| Earnings per share - basic/diluted (N)                               | 40      | 357.87             | 199.15                       | 365.10             | 205.14                       |

The accounting policies on pages 15 to 25 and the notes on pages 26 to 92 form an integral part of the consolidated and separate financial statements.

\* See Note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Statement of other comprehensive income

|                                                              | Note(s) | Group       |                      | Company     |                      |
|--------------------------------------------------------------|---------|-------------|----------------------|-------------|----------------------|
|                                                              |         | 2018        | 2017                 | 2018        | 2017                 |
|                                                              |         | N '000      | Restated *<br>N '000 | N '000      | Restated *<br>N '000 |
| Profit for the year                                          |         | 145,685,901 | 81,070,221           | 148,630,554 | 83,512,056           |
| Other comprehensive income:                                  |         |             |                      |             |                      |
| Items that may be reclassified to profit or loss:            |         |             |                      |             |                      |
| Net fair value (loss)/gain on financial assets held at FVOCI |         | (490,575)   | 170,923              | (490,575)   | 170,923              |
| Other comprehensive income for the year net of taxation      |         | (490,575)   | 170,923              | (490,575)   | 170,923              |
| Total comprehensive income                                   |         | 145,195,326 | 81,241,144           | 148,139,979 | 83,682,979           |
| Total comprehensive income attributable to:                  |         |             |                      |             |                      |
| Owners of the parent                                         |         | 145,195,326 | 81,241,144           | 148,139,979 | 83,682,979           |
|                                                              |         | 145,195,326 | 81,241,144           | 148,139,979 | 83,682,979           |

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

The accounting policies on pages 15 to 25 and the notes on pages 26 to 92 form an integral part of the consolidated and separate financial statements.

\* See Note 5

# MTN Nigeria Communications Limited

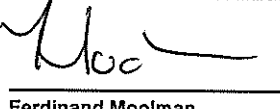
Consolidated and separate financial statements for the year ended 31 December 2018

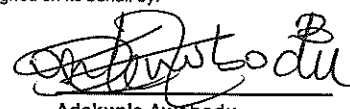
## Statement of financial position as at 31 December 2018

|                                                                |         | Group              |                              |                                        | Company            |                              |                                        |
|----------------------------------------------------------------|---------|--------------------|------------------------------|----------------------------------------|--------------------|------------------------------|----------------------------------------|
|                                                                | Note(s) | 2018<br>N '000     | 2017<br>Restated *<br>N '000 | 1 January 2017<br>Restated *<br>N '000 | 2018<br>N '000     | 2017<br>Restated *<br>N '000 | 1 January 2017<br>Restated *<br>N '000 |
| <b>Assets</b>                                                  |         |                    |                              |                                        |                    |                              |                                        |
| <b>Non-current assets</b>                                      |         |                    |                              |                                        |                    |                              |                                        |
| Property, plant and equipment                                  | 16      | 607,023,544        | 582,438,885                  | 494,670,217                            | 606,962,868        | 582,378,208                  | 494,609,541                            |
| Intangible assets                                              | 17      | 119,368,123        | 128,602,009                  | 141,488,116                            | 77,107,651         | 80,988,218                   | 88,870,605                             |
| Investments in subsidiaries                                    | 18      | -                  | -                            | -                                      | 43,828,000         | 43,778,000                   | 43,778,000                             |
| Contract acquisition costs                                     | 31      | 3,766,048          | 3,411,568                    | 4,314,693                              | 3,766,048          | 3,411,568                    | 4,314,693                              |
| Prepayments                                                    | 22      | 15,726,985         | 13,683,216                   | 18,449,756                             | 15,726,985         | 13,683,216                   | 18,449,756                             |
| Derivatives                                                    | 19      | -                  | 55,673                       | -                                      | -                  | 55,673                       | -                                      |
|                                                                |         | <b>745,884,700</b> | <b>728,191,351</b>           | <b>658,922,782</b>                     | <b>747,391,552</b> | <b>724,294,883</b>           | <b>650,022,595</b>                     |
| <b>Current assets</b>                                          |         |                    |                              |                                        |                    |                              |                                        |
| Inventories                                                    | 21      | 1,538,766          | 5,729,899                    | 9,160,431                              | 1,545,496          | 5,736,633                    | 9,167,159                              |
| Trade and other receivables                                    | 22      | 38,617,124         | 33,425,336                   | 39,550,140                             | 38,485,289         | 32,620,975                   | 38,817,158                             |
| Current investments                                            | 23      | 65,468,259         | 71,078,495                   | 151,437,457                            | 65,468,259         | 71,078,495                   | 151,437,457                            |
| Restricted cash                                                | 24      | 37,219,023         | 41,617,634                   | 17,260,604                             | 37,169,023         | 41,617,634                   | 17,260,604                             |
| Cash and cash equivalents                                      | 25      | 53,011,748         | 89,564,964                   | 146,369,033                            | 52,806,185         | 89,046,974                   | 146,046,049                            |
|                                                                |         | <b>195,854,920</b> | <b>241,416,328</b>           | <b>363,777,665</b>                     | <b>195,474,252</b> | <b>240,100,711</b>           | <b>362,728,427</b>                     |
| Non-current assets held for sale and assets of disposal groups | 20      | -                  | 174                          | 7,229                                  | -                  | 174                          | 7,229                                  |
| <b>Total assets</b>                                            |         | <b>941,739,620</b> | <b>969,607,853</b>           | <b>1,022,707,676</b>                   | <b>942,865,804</b> | <b>964,395,768</b>           | <b>1,012,758,251</b>                   |
| <b>Equity and liabilities</b>                                  |         |                    |                              |                                        |                    |                              |                                        |
| <b>Equity</b>                                                  |         |                    |                              |                                        |                    |                              |                                        |
| Share capital                                                  | 26      | 646,510            | 646,510                      | 646,510                                | 646,510            | 646,510                      | 646,510                                |
| Share premium                                                  | 27      | 64,498,466         | 64,498,466                   | 64,498,466                             | 64,498,466         | 64,498,466                   | 64,498,466                             |
| Other reserves                                                 |         | 6,069              | 496,644                      | 325,721                                | 6,069              | 496,644                      | 325,721                                |
| Retained profit                                                |         | 154,201,270        | 47,210,298                   | 16,140,077                             | 167,579,860        | 57,644,235                   | 24,132,179                             |
|                                                                |         | <b>219,352,315</b> | <b>112,851,918</b>           | <b>81,610,774</b>                      | <b>232,730,905</b> | <b>123,285,855</b>           | <b>89,602,876</b>                      |
| <b>Liabilities</b>                                             |         |                    |                              |                                        |                    |                              |                                        |
| <b>Non-current liabilities</b>                                 |         |                    |                              |                                        |                    |                              |                                        |
| Borrowings                                                     | 28      | 31,438,349         | 135,544,915                  | 189,783,327                            | 31,438,349         | 135,544,915                  | 189,783,327                            |
| Derivatives                                                    | 19      | 14,152             | -                            | -                                      | 14,152             | -                            | -                                      |
| Deferred tax                                                   | 34      | 109,266,019        | 87,176,559                   | 94,082,642                             | 100,191,396        | 76,592,596                   | 81,989,337                             |
| Provisions                                                     | 33      | 65,934             | 70,048                       | 210,196                                | 65,934             | 70,048                       | 210,196                                |
| Share based payment liability                                  | 44      | 654,791            | 655,565                      | 657,448                                | 654,791            | 655,565                      | 657,448                                |
| Regulatory fine liability                                      | 30      | -                  | 91,656,623                   | 168,060,851                            | -                  | 91,656,623                   | 168,060,851                            |
|                                                                |         | <b>141,439,245</b> | <b>315,103,710</b>           | <b>452,794,464</b>                     | <b>132,364,622</b> | <b>304,519,747</b>           | <b>440,701,159</b>                     |
| <b>Current liabilities</b>                                     |         |                    |                              |                                        |                    |                              |                                        |
| Trade and other payables                                       | 29      | 213,715,209        | 245,991,213                  | 255,567,870                            | 211,055,001        | 241,516,678                  | 249,962,721                            |
| Borrowings                                                     | 28      | 143,875,889        | 119,820,228                  | 100,054,289                            | 143,875,889        | 119,820,228                  | 100,054,289                            |
| Contract liabilities                                           | 32      | 42,738,547         | 35,532,093                   | 38,345,203                             | 42,684,874         | 35,489,217                   | 38,309,068                             |
| Current tax payable                                            | 37      | 54,131,436         | 25,996,641                   | 52,806,752                             | 53,667,534         | 25,451,993                   | 52,599,814                             |
| Provisions                                                     | 33      | 21,359,196         | 13,192,909                   | 12,526,264                             | 21,359,196         | 13,192,909                   | 12,526,264                             |
| Regulatory fine liability                                      | 30      | 105,127,783        | 101,119,141                  | 29,002,060                             | 105,127,783        | 101,119,141                  | 29,002,060                             |
|                                                                |         | <b>580,948,060</b> | <b>541,652,225</b>           | <b>488,302,438</b>                     | <b>577,770,277</b> | <b>536,590,166</b>           | <b>482,454,216</b>                     |
| <b>Total liabilities</b>                                       |         | <b>722,387,305</b> | <b>856,755,935</b>           | <b>941,096,902</b>                     | <b>710,134,899</b> | <b>841,109,913</b>           | <b>923,155,375</b>                     |
| <b>Total equity and liabilities</b>                            |         | <b>941,739,620</b> | <b>969,607,853</b>           | <b>1,022,707,676</b>                   | <b>942,865,804</b> | <b>964,395,768</b>           | <b>1,012,758,251</b>                   |

The consolidated and separate financial statements were approved by the board of directors on the 11 March, 2019 and were signed on its behalf by:

  
**Pascal Dozie**  
 Chairman of the Board of Directors  
 FRC/2013/CIBN/00000002852

  
**Ferdinand Moolman**  
 Chief Executive Officer  
 FRC/2016/IODN/00000015147

  
**Adekunle Awobodu**  
 Chief Financial Officer  
 FRC/2016/ICAN/00000015524

The accounting policies on pages 15 to 25 and the notes on pages 26 to 92 form an integral part of the consolidated and separate financial statements.

\* See Note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## 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             |
| <b>Group</b>                                    |                |                   |                     |                  |                    |                    |
| Opening balance as previously reported          | 646,510        | 64,498,466        | 65,144,976          | 325,721          | 12,698,388         | 78,169,085         |
| IFRS 15 retrospective adjustments               | -              | -                 | -                   | -                | 3,441,689          | 3,441,689          |
| <b>Balance at 1 January 2017 as restated*</b>   | <b>646,510</b> | <b>64,498,466</b> | <b>65,144,976</b>   | <b>325,721</b>   | <b>16,140,077</b>  | <b>81,610,774</b>  |
| Profit for the year (restated*)                 | -              | -                 | -                   | -                | 81,070,221         | 81,070,221         |
| Other comprehensive income                      | -              | -                 | -                   | 170,923          | -                  | 170,923            |
| <b>Total comprehensive income for the year</b>  | <b>-</b>       | <b>-</b>          | <b>-</b>            | <b>170,923</b>   | <b>81,070,221</b>  | <b>81,241,144</b>  |
| Dividends                                       | -              | -                 | -                   | -                | (50,000,000)       | (50,000,000)       |
| <b>Balance at 31 December 2017 as restated*</b> | <b>646,510</b> | <b>64,498,466</b> | <b>65,144,976</b>   | <b>496,644</b>   | <b>47,210,298</b>  | <b>112,851,918</b> |
| Opening balance as previously reported          | 646,510        | 64,498,466        | 65,144,976          | 496,644          | 47,210,298         | 112,851,918        |
| Adjustments                                     | -              | -                 | -                   | -                | (82,348)           | (82,348)           |
| Effect of application of IFRS 9                 | -              | -                 | -                   | -                | -                  | -                  |
| <b>Balance at 1 January 2018 as restated*</b>   | <b>646,510</b> | <b>64,498,466</b> | <b>65,144,976</b>   | <b>496,644</b>   | <b>47,127,950</b>  | <b>112,769,570</b> |
| Profit for the year                             | -              | -                 | -                   | -                | 145,685,901        | 145,685,901        |
| Other comprehensive income                      | -              | -                 | -                   | (490,575)        | -                  | (490,575)          |
| <b>Total comprehensive income for the year</b>  | <b>-</b>       | <b>-</b>          | <b>-</b>            | <b>(490,575)</b> | <b>145,685,901</b> | <b>145,195,326</b> |
| Dividends                                       | -              | -                 | -                   | -                | (38,612,581)       | (38,612,581)       |
| <b>Balance at 31 December 2018</b>              | <b>646,510</b> | <b>64,498,466</b> | <b>65,144,976</b>   | <b>6,069</b>     | <b>154,201,270</b> | <b>219,352,315</b> |
| Note(s)                                         | 26             | 27                |                     |                  |                    |                    |

The accounting policies on pages 15 to 25 and the notes on pages 26 to 92 form an integral part of the consolidated and separate financial statements.

\* See Note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## 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             |  |
| <b>Company</b>                                  |                |  |                   |  |                     |  |                  |  |                    |  |                    |  |
| Opening balance as previously reported          | 646,510        |  | 64,498,466        |  | 65,144,976          |  | 325,721          |  | 20,690,490         |  | 86,161,187         |  |
| IFRS 15 retrospective adjustments               | -              |  | -                 |  | -                   |  | -                |  | 3,441,689          |  | 3,441,689          |  |
| <b>Balance at 1 January 2017 as restated*</b>   | <b>646,510</b> |  | <b>64,498,466</b> |  | <b>65,144,976</b>   |  | <b>325,721</b>   |  | <b>24,132,179</b>  |  | <b>89,602,876</b>  |  |
| Profit for the year (restated*)                 | -              |  | -                 |  | -                   |  | -                |  | 83,512,056         |  | 83,512,056         |  |
| Other comprehensive income                      | -              |  | -                 |  | -                   |  | 170,923          |  | -                  |  | 170,923            |  |
| <b>Total comprehensive income for the year</b>  | <b>-</b>       |  | <b>-</b>          |  | <b>-</b>            |  | <b>170,923</b>   |  | <b>83,512,056</b>  |  | <b>83,682,979</b>  |  |
| Dividends                                       | -              |  | -                 |  | -                   |  | -                |  | (50,000,000)       |  | (50,000,000)       |  |
| <b>Balance at 31 December 2017 as restated*</b> | <b>646,510</b> |  | <b>64,498,466</b> |  | <b>65,144,976</b>   |  | <b>496,644</b>   |  | <b>57,644,235</b>  |  | <b>123,285,855</b> |  |
| Opening balance as previously reported          | 646,510        |  | 64,498,466        |  | 65,144,976          |  | 496,644          |  | 57,644,235         |  | 123,285,855        |  |
| Adjustments                                     | -              |  | -                 |  | -                   |  | -                |  | (82,348)           |  | (82,348)           |  |
| Effect of application of IFRS 9                 | -              |  | -                 |  | -                   |  | -                |  | -                  |  | -                  |  |
| <b>Balance at 1 January 2018 as restated*</b>   | <b>646,510</b> |  | <b>64,498,466</b> |  | <b>65,144,976</b>   |  | <b>496,644</b>   |  | <b>57,561,887</b>  |  | <b>123,203,507</b> |  |
| Profit for the year                             | -              |  | -                 |  | -                   |  | -                |  | 148,630,554        |  | 148,630,554        |  |
| Other comprehensive income                      | -              |  | -                 |  | -                   |  | (490,575)        |  | -                  |  | (490,575)          |  |
| <b>Total comprehensive income for the year</b>  | <b>-</b>       |  | <b>-</b>          |  | <b>-</b>            |  | <b>(490,575)</b> |  | <b>148,630,554</b> |  | <b>148,139,979</b> |  |
| Dividends                                       | -              |  | -                 |  | -                   |  | -                |  | (38,612,581)       |  | (38,612,581)       |  |
| <b>Balance at 31 December 2018</b>              | <b>646,510</b> |  | <b>64,498,466</b> |  | <b>65,144,976</b>   |  | <b>6,069</b>     |  | <b>167,579,860</b> |  | <b>232,730,905</b> |  |
| Note(s)                                         | 26             |  | 27                |  |                     |  |                  |  |                    |  |                    |  |

The accounting policies on pages 15 to 25 and the notes on pages 26 to 92 form an integral part of the consolidated and separate financial statements.

\* See Note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Statement of cash flows

|                                                                         | Note(s) | Group                |                      | Company              |                      |
|-------------------------------------------------------------------------|---------|----------------------|----------------------|----------------------|----------------------|
|                                                                         |         | 2018                 | 2017                 | 2018                 | 2017                 |
|                                                                         |         | N '000               | Restated *<br>N '000 | N '000               | Restated *<br>N '000 |
| <b>Cash flows from operating activities</b>                             |         |                      |                      |                      |                      |
| Cash generated from operations                                          | 38      | 437,488,621          | 284,970,885          | 438,106,609          | 284,598,195          |
| Interest income                                                         |         | 19,604,317           | 10,969,388           | 18,946,243           | 10,969,373           |
| Finance costs                                                           |         | (42,024,438)         | (47,233,628)         | (42,024,438)         | (47,233,403)         |
| Dividends                                                               |         | (38,612,581)         | (50,000,000)         | (38,612,581)         | (50,000,000)         |
| Share based payment                                                     |         | (774)                | (1,883)              | (774)                | (1,883)              |
| Regulatory fine paid                                                    |         | (110,000,000)        | (30,000,000)         | (110,000,000)        | (30,000,000)         |
| Tax paid                                                                |         | (21,607,434)         | (58,876,805)         | (21,254,921)         | (58,699,327)         |
| <b>Net cash generated from operating activities</b>                     |         | <b>244,847,711</b>   | <b>109,827,957</b>   | <b>245,160,138</b>   | <b>109,632,955</b>   |
| <b>Cash flows from investing activities</b>                             |         |                      |                      |                      |                      |
| Purchase of property, plant and equipment                               |         | (201,195,215)        | (193,015,248)        | (201,195,215)        | (193,015,247)        |
| Proceeds from sale of property, plant and equipment                     |         | 652,516              | 544,027              | 652,516              | 544,027              |
| Purchase of contract acquisition costs                                  | 31      | (2,830,395)          | (1,674,739)          | (2,830,395)          | (1,674,739)          |
| Purchase of other intangible assets                                     |         | (10,119,300)         | (10,319,689)         | (10,119,300)         | (10,319,689)         |
| Proceeds from sale of assets held for sale                              |         | -                    | 7,055                | -                    | 7,055                |
| Movement in restricted cash                                             |         | 4,398,611            | (24,357,030)         | 4,448,611            | (24,357,030)         |
| Movement in investment in subsidiaries                                  |         | -                    | -                    | (50,000)             | -                    |
| Disposal of/ (investment) in bonds, treasury bills and foreign deposits |         | 5,484,257            | 117,347,886          | 5,484,257            | 117,347,881          |
| <b>Net cash used in investing activities</b>                            |         | <b>(203,609,526)</b> | <b>(111,467,738)</b> | <b>(203,609,526)</b> | <b>(111,467,742)</b> |
| <b>Cash flows from financing activities</b>                             |         |                      |                      |                      |                      |
| Proceeds from borrowings                                                |         | 136,339,156          | 50,516,108           | 136,339,156          | 50,516,108           |
| Repayment of borrowings                                                 |         | (216,275,998)        | (106,889,704)        | (216,275,998)        | (106,889,704)        |
| <b>Net cash used in financing activities</b>                            |         | <b>(79,936,842)</b>  | <b>(56,373,596)</b>  | <b>(79,936,842)</b>  | <b>(56,373,596)</b>  |
| <b>Total cash movement for the year</b>                                 |         | <b>(38,698,657)</b>  | <b>(58,013,377)</b>  | <b>(38,386,230)</b>  | <b>(58,208,383)</b>  |
| Cash at the beginning of the year                                       |         | 89,564,964           | 146,369,033          | 89,046,974           | 146,046,049          |
| Effect of exchange rate movement on cash balances                       |         | 2,145,441            | 1,209,308            | 2,145,441            | 1,209,308            |
| <b>Total cash at end of the year</b>                                    | 25      | <b>53,011,748</b>    | <b>89,564,964</b>    | <b>52,806,185</b>    | <b>89,046,974</b>    |

The accounting policies on pages 15 to 25 and the notes on pages 26 to 92 form an integral part of the consolidated and separate financial statements.

\* See Note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 1 General Information

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 of Nigeria, Cap C20 LFN 2004. 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 license which was obtained on 12 August 2015, in addition to others as shown in note 17.

MTN Nigeria Communications Limited's subsidiaries are XS Broadband Limited and Visafone Communications Limited. Their principal activities are the provision of broadband fixed wireless access service and high quality telecommunication service respectively.

During the year, the Group established a new subsidiary, Yello Digital Financial Services Limited. The subsidiary is wholly owned by MTN Nigeria but is yet to commence operations. The Company was set up to provide mobile financial services.

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.

The address of the Company's registered office is 4, Aromire road, Off Alfred Rewane Road, Ikoyi Lagos.

### 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.

Amounts are rounded to the nearest thousand, 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.

#### 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.

# **MTN Nigeria Communications Limited**

Consolidated and separate financial statements for the year ended 31 December 2018

## **Notes to the consolidated and separate financial statements**

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### **4.1 Consolidation (continued)**

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 assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in 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.

#### **4.4.3 Goodwill**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), such excess is recognised immediately in profit or loss as a bargain purchase.

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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 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.

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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 4.6 Property, plant and equipment (continued)

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:

|                                                     |             |
|-----------------------------------------------------|-------------|
| 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

#### 4.8.1 Finance lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are capitalised at the lower of the fair value of the leased asset and the estimated present value of the minimum lease payments at the inception of the lease. The corresponding liability to the lessor, net of finance charges, is included in the statement of financial position under other non-current\current liabilities.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the expected term of the lease.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 4.8 Leases (continued)

#### 4.8.2 Operating lease

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

Sub-lease income is recognised in profit or loss on a straight-line basis over the term of the lease. In all significant operating lease arrangements in place during the year, the Group acted as the lessee.

#### Sale and leaseback

In sale and leaseback transactions that result in operating leases, where it is clear that the transaction is priced at fair value, any profit or loss is recognised on the effective date of the sale transaction. If the sale price is below fair value, any profit or loss is recognised on the effective date of the sale transaction except that, if a loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period during which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

### 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.

#### 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 basic, housing and transport allowance while the Group contributes 10% of the guaranteed pay in line with the Pension Reform Act 2014 guidelines. Guaranteed pay is total annual salary excluding bonus, overtime, commission and shift 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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 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 education tax) on the taxable income for the year determined in accordance with the provisions of the Companies Income Tax Act and 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.

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 Information Technology Development Levy (ITDL)

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

### 4.13 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. All borrowing costs are recognised in profit or loss using the effective interest method.

### 4.14 Share capital and equity

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.

### 4.15 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.

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## Notes to the consolidated and separate financial statements

### 4.16 Revenue

The Group principally generates revenue from providing mobile telecommunications services, interconnect and roaming services, as well as from 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 services 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.

| Type of product/ service          | Nature, timing of satisfaction of performance obligations, significant payment terms                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Revenue recognition                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mobile telecommunication services | Mobile telecommunication services include airtime and subscription, data, digital, Value Added Service (VAS) and Short Message Service (SMS). Customers obtain control of these services as the services are provided. Customers pay in advance for these services or pay monthly over the contractual period.                                                                                                                                                                                                                                         | The Group recognises revenue from these services as they are provided. 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. |
| Interconnect and roaming          | Customers obtain control of interconnect/roaming services as the service is provided.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | The Group recognises interconnect and roaming revenue and debtors unless it is not probable on transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties in settling amounts. The Group has considered historical payment patterns in assessing whether the contract contains a significant financing component.           |
| Mobile devices                    | Mobile devices is made up of handsets and accessories. Customers obtain control of mobile devices when the customers takes 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. | Revenue is recognised when customers take possession of devices.                                                                                                                                                                                                                                                                                                                                                                                                               |

#### 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.

The asset is subject to impairment review.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 4.16 Revenue (continued)

#### 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 utilized 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 utilization thereof becomes remote.

### 4.17 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.

### 4.18 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.

#### 4.18.1 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Financial assets are classified into the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI (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.

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 hold financial assets in order 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 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 (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, debt instruments, restricted cash, cash and cash equivalents.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 4.18 Financial instruments (continued)

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.

Restricted cash comprises monies placed on deposit with banks to secure letters of credit. It also includes minimum capital deposit placed with the Central Bank of Nigeria (CBN) for Payment Service Bank license as well as escrow account relating to Visafone acquisition, which were undrawn and not freely available at the reporting date.

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 OCI (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.

#### 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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 4.18 Financial instruments (continued)

#### 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 that 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+) by the Fitch Rating Agency, but are considered to be low credit risk investments as the risk of default is low.

The Group uses the ratings from the Fitch Rating Agency 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

### 4.18.2 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.

### 4.18.3 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.

# **MTN Nigeria Communications Limited**

Consolidated and separate financial statements for the year ended 31 December 2018

## **Notes to the consolidated and separate financial statements**

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### **4.18.3 Financial liabilities (continued) 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.

### **4.19 Impairment of non-financial assets**

#### **4.19.1 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.

#### **4.20 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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## 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 the following new accounting pronouncements as issued by the IASB, which were effective for the Group from 1 January 2018:

- IFRS 15 Revenue from Contracts with Customers (IFRS 15).
- IFRS 9 Financial Instruments (IFRS 9).

The changes in accounting policies were applied retrospectively. Comparative numbers have been restated for the adoption of IFRS 15.

IFRS 9 has been applied retrospectively; however, the Group has elected not to restate comparative information. This is because retrospective treatment will require the application of hindsight.

#### 5.1 Application of IFRS 15 Revenue from contracts with customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

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 standalone selling prices. The standalone selling prices are determined based on the list prices at which the Group sells mobile devices and network services separately.

On adoption of IFRS 15, the Group restated its retained earnings as at 1 January 2017

|                                                                 | N '000           |
|-----------------------------------------------------------------|------------------|
| Recognition of contract acquisition costs (note 5.1.1)          | 4,314,693        |
| Recognition of breakage from contract liabilities (note 5.1.2)  | 888,458          |
| Increase in current tax payable (note 5.1.4)                    | (1,665,008)      |
| Increase in trade and other payables (note 5.1.3)               | (96,454)         |
| <b>Adjustment to retained earnings from adoption of IFRS 15</b> | <b>3,441,689</b> |

#### 5.1.1 Contract acquisition costs

IFRS 15 introduced specific guidance on accounting for incremental costs of obtaining contracts with customers. Under IAS 18, the Group expensed contract acquisition costs at inception of the contract.

\* See Note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 5. Changes in accounting policy (continued)

The Group expects that incremental contract acquisition costs for obtaining contracts with customers are recoverable. The costs include agents' commission on SIM activation costs on prepaid contracts. The Group has therefore capitalised them as contract acquisition costs. These are amortised on a systematic basis over the average customer life and included in discounts and commissions in profit or loss. The amortisation period ranges from 18 months - 48 months. The net adjustment of N3.4 billion is included in contract acquisition costs in the statement of financial position on 31 December 2017 (1 January 2017, N4.3 billion).

In terms of a practical expedient, the Group has elected to recognise the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. The impact of this change is a decrease in discounts and commissions and the recognition of a new asset: contract acquisition costs.

#### 5.1.2 Contract liabilities

Contract liabilities relating to unused airtime recharge vouchers and subscriber identification module (SIM cards) were previously presented as unearned revenue.

Revenue on the contract liabilities are recognized over the customer's usage patterns, the transfer of rights and obligations occurred at point of payment.

When the Group expects to be entitled to breakage (forfeiture of unused airtime), it recognises the expected amount of breakage in proportion to the pattern of rights exercised by the customer. Any unexpected amounts of breakage are recognized when the usage of the airtime becomes remote.

The Group has estimated breakage of N2.6 billion as at 31 December 2017 for airtime recharge vouchers sold in 2015 and 2016 financial years (1 January 2017, N0.9 billion).

#### 5.1.3 Trade and other payables

Following the recognition of contract acquisition costs and the recognition of revenue relating to breakage, the impact of information technology development levy (ITDL) of 1% on the profit before tax was considered. This gave rise to an increase of N96.4 million as at 1 January 2017 and N104.8 million as at 31 December 2017.

#### 5.1.4 Current tax liabilities

The adjustments for contract acquisition costs and the recognition of revenue relating to breakage gave rise to a current tax liability of N1.9 billion as at 31 December 2017 (1 January 2017, N1.7 billion).

The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated below.

### 5.2 Impact on profit or loss and total comprehensive income for the year ended 31 December 2017

|                                                   | Group<br>N '000 | Company<br>N '000 |
|---------------------------------------------------|-----------------|-------------------|
| Increase / (decrease) in revenue                  | 1,740,227       | 1,740,227         |
| (Increase) /decrease in discounts and commissions | (903,125)       | (903,125)         |
| (Increase) /decrease in other operating expenses  | (8,371)         | (8,371)           |
| (Increase) decrease in income tax expense         | (267,874)       | (267,874)         |
|                                                   | <b>560,857</b>  | <b>560,857</b>    |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 5. Changes in accounting policy (continued)

#### 5.3 Impact on assets, liabilities and equity as at 1 January 2017

| Group                       | Note(s) | As previously reported<br>N '000 | IFRS 15<br>Adjustments<br>N '000 | As restated<br>N '000 |
|-----------------------------|---------|----------------------------------|----------------------------------|-----------------------|
| <b>Assets</b>               |         |                                  |                                  |                       |
| Contracts acquisition costs | 5.1.1   | -                                | 4,314,693                        | 4,314,693             |
|                             |         | -                                | 4,314,693                        | 4,314,693             |
| <b>Liabilities</b>          |         |                                  |                                  |                       |
| Trade and other payables    | 5.1.3   | 255,471,416                      | 96,454                           | 255,567,870           |
| Unearned revenue            | 5.1.2   | 39,233,661                       | (39,233,661)                     | -                     |
| Contract liabilities        | 5.1.2   | -                                | 38,345,203                       | 38,345,203            |
| Tax liabilities             | 5.1.4   | 51,141,744                       | 1,665,008                        | 52,806,752            |
|                             |         | 345,846,821                      | 873,004                          | 346,719,825           |
| <b>Equity</b>               |         |                                  |                                  |                       |
| Retained earnings           |         | 12,698,388                       | 3,441,689                        | 16,140,077            |
|                             |         | 12,698,388                       | 3,441,689                        | 16,140,077            |
| <b>Company</b>              |         |                                  |                                  |                       |
| <b>Assets</b>               |         |                                  |                                  |                       |
| Contracts acquisition costs | 5.1.1   | -                                | 4,314,693                        | 4,314,693             |
|                             |         | -                                | 4,314,693                        | 4,314,693             |
| <b>Liabilities</b>          |         |                                  |                                  |                       |
| Trade and other payables    | 5.1.3   | 249,866,267                      | 96,454                           | 249,962,721           |
| Unearned revenue            | 5.1.2   | 39,197,526                       | (39,197,526)                     | -                     |
| Contract liabilities        | 5.1.2   | -                                | 38,309,068                       | 38,309,068            |
| Tax liabilities             | 5.1.4   | 50,934,806                       | 1,665,008                        | 52,599,814            |
|                             |         | 339,998,599                      | 873,004                          | 340,871,603           |
| <b>Equity</b>               |         |                                  |                                  |                       |
| Retained earnings           |         | 20,690,490                       | 3,441,689                        | 24,132,179            |
|                             |         | 20,690,490                       | 3,441,689                        | 24,132,179            |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 5. Changes in accounting policy (continued)

#### 5.4 Impact on assets, liabilities and equity as at 31 December 2017

| Group                       | Note(s) | As previously reported<br>N '000 | IFRS 15<br>Adjustments<br>N '000 | As restated<br>N '000 |
|-----------------------------|---------|----------------------------------|----------------------------------|-----------------------|
| <b>Assets</b>               |         |                                  |                                  |                       |
| Contracts acquisition costs | 5.1.1   | -                                | 3,411,568                        | 3,411,568             |
|                             |         | -                                | 3,411,568                        | 3,411,568             |
| <b>Liabilities</b>          |         |                                  |                                  |                       |
| Trade and other payables    | 5.1.3   | 245,886,387                      | 104,826                          | 245,991,213           |
| Unearned revenue            | 5.1.2   | 38,160,778                       | (38,160,778)                     | -                     |
| Contract liabilities        | 5.1.2   | -                                | 35,532,093                       | 35,532,093            |
| Tax liabilities             | 5.1.4   | 24,063,760                       | 1,932,881                        | 25,996,641            |
|                             |         | 308,110,925                      | (590,978)                        | 307,519,947           |
| <b>Equity</b>               |         |                                  |                                  |                       |
| Retained earnings           |         | 43,207,752                       | 4,002,546                        | 47,210,298            |
|                             |         | 43,207,752                       | 4,002,546                        | 47,210,298            |

| Company                     | Note(s) | As previously reported<br>N '000 | IFRS 15<br>Adjustments<br>N '000 | As restated<br>N '000 |
|-----------------------------|---------|----------------------------------|----------------------------------|-----------------------|
| <b>Assets</b>               |         |                                  |                                  |                       |
| Contracts acquisition costs | 5.1.1   | -                                | 3,411,568                        | 3,411,568             |
|                             |         | -                                | 3,411,568                        | 3,411,568             |
| <b>Liabilities</b>          |         |                                  |                                  |                       |
| Trade and other payables    | 5.1.3   | 241,411,852                      | 104,826                          | 241,516,678           |
| Unearned revenue            | 5.1.2   | 38,117,902                       | (38,117,902)                     | -                     |
| Contract liabilities        | 5.1.2   | -                                | 35,489,217                       | 35,489,217            |
| Tax liabilities             | 5.1.4   | 23,519,112                       | 1,932,881                        | 25,451,993            |
|                             |         | 303,048,866                      | (590,978)                        | 302,457,888           |
| <b>Equity</b>               |         |                                  |                                  |                       |
| Retained earnings           |         | 53,641,689                       | 4,002,546                        | 57,644,235            |
|                             |         | 53,641,689                       | 4,002,546                        | 57,644,235            |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 5. Changes in accounting policy (continued)

#### 5.5 Accounting policies

The nature of the changes in the accounting policies were as follows:

| Type of product/service                        | Nature, timing of satisfaction of performance obligations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Nature of change in accounting policy                                                                                                                                                                                                                                                                                                                                                                                                        | Impact                                                                                                                                                                                                        |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mobile telecommunication services              | Mobile telecommunication services include network services and digital services. The Group recognises revenue from these services as they are provided. 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 or network services expire or when usage thereof becomes Remote. | Earlier recognition of breakage. Previously, the Group only accounted for breakage when it became remote that customers would use these services.                                                                                                                                                                                                                                                                                            | <p>This has resulted in revenue from breakage being recognised earlier.</p> <p>This has resulted in an increase in revenue and a decrease in unearned revenue (which is now called contract liabilities).</p> |
| Capitalisation of subscriber acquisition costs | IFRS 15 introduced specific guidance on accounting for incremental costs of obtaining contracts with customers. Under IAS 18, the Group expensed subscriber acquisition costs at inception of the contract. The Group expects that incremental subscriber acquisition costs for obtaining contracts are recoverable. These costs include agent's commission on SIM activation costs on prepaid contracts. The Group has therefore capitalised these costs as contract acquisition costs.                                                                        | Capitalised contract costs are amortised on a systematic basis over the average customer life and included in discounts and commissions in profit or loss. In terms of a practical expedient, the Group has elected to recognise the incremental costs of obtaining contracts as commissions 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. | The impact of this change is a decrease in discounts and commissions and the recognition of a new asset: capitalised contract costs.                                                                          |

#### 5.6 Transition to IFRS 15

In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparative numbers for the 2017 financial year.

The group applied the following practical expedients when applying IFRS 15 retrospectively.

- The Group did not restate comparative numbers for contracts that were completed contracts at 1 January 2017;
- The Group did not restate comparative numbers for contracts that began and ended in the same annual reporting period;

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 5. Changes in accounting policy (continued)

#### 5.7 Application of IFRS 9 Financial Instruments

The adoption of IFRS 9 had the following impact on the Group:

- Change in classification of the measurement categories for financial instruments.
- Change from the IAS 39 incurred loss model to the expected credit loss (ECL) model to calculate impairments of financial instruments.

#### 5.8 Classification and measurement

IFRS 9 introduces new measurement categories for financial assets. The measurement categories of IFRS 9 and IAS 39 are illustrated in the table below.

| IAS 39 category                                               | IFRS 9 category                                                           |
|---------------------------------------------------------------|---------------------------------------------------------------------------|
| Financial assets at fair value through profit or loss (FVTPL) | Financial assets at FVTPL                                                 |
| Loans and receivables<br>Held to maturity                     | Financial assets at amortised cost                                        |
| Available for sale                                            | Financial assets at fair value through other comprehensive income (FVOCI) |

From 1 January 2018 the Group classifies financial assets in each of the IFRS 9 measurement categories based on the Group's business model for managing the financial asset and the cash flow characteristics of the financial assets.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

-debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

-debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVOCI);

-all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

When a debt investment measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Debt instruments that are measured subsequently at amortised cost or at FVOCI are subject to impairment.

The reclassification into the new measurement categories of IFRS 9 did not have a significant impact on the Group.

The main effects resulting from these reclassifications are as follows:

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Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 5. Changes in accounting policy (continued)

#### Financial assets classification - 1 January 2018

|                                                     | FVTPL            | FVOCI            | Amortised<br>cost | Total             |
|-----------------------------------------------------|------------------|------------------|-------------------|-------------------|
|                                                     | N '000           | N '000           | N '000            | N '000            |
| Reclassified from US Dollar deposits                | -                | -                | 9,543,790         | 9,543,790         |
| Reclassified from Treasury bills held to maturity   | -                | -                | 42,641,311        | 42,641,311        |
| Reclassified from Treasury bills available for sale | -                | 9,970,842        | -                 | 9,970,842         |
| Reclassified from Treasury bills held for trading   | 8,922,552        | -                | -                 | 8,922,552         |
|                                                     | <b>8,922,552</b> | <b>9,970,842</b> | <b>52,185,101</b> | <b>71,078,495</b> |

#### Financial assets classification as originally presented - 31 December 2017

|                                        | Loans and<br>receivables | Fair value<br>through profit<br>or loss | Available for<br>sale | Held to<br>Maturity | Total             |
|----------------------------------------|--------------------------|-----------------------------------------|-----------------------|---------------------|-------------------|
|                                        | N '000                   | N '000                                  | N '000                | N '000              | N '000            |
| US Dollar deposits with interest rates | 9,543,790                | -                                       | -                     | -                   | 9,543,790         |
| Treasury bills held to maturity        | -                        | -                                       | -                     | 42,641,311          | 42,641,311        |
| Treasury bills available for sale      | -                        | -                                       | 9,970,842             | -                   | 9,970,842         |
| Treasury bills held for trading        | -                        | 8,922,552                               | -                     | -                   | 8,922,552         |
|                                        | <b>9,543,790</b>         | <b>8,922,552</b>                        | <b>9,970,842</b>      | <b>42,641,311</b>   | <b>71,078,495</b> |

#### Reclassification from loans and receivables to amortised cost

Trade receivables, restricted cash, cash and cash equivalents that were previously reported under loans and receivables have been reclassified to amortised cost. They represent solely payments of principal and interest. The business model objective is to hold assets to collect contractual cash flows.

#### Reclassification from held to maturity to amortised cost

Federal Government Treasury bills that were previously classified as held-to maturity are now classified as amortised cost. The Group intends to hold the assets to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

#### Reclassification from available for sale (AFS) to Fair value through other comprehensive income (FVOCI)

Federal Government Treasury bills were reclassified from available for sale to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

### 5.9 IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

#### 5.9.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

#### 5.9.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus (in the case of a financial asset not at Fair Value through Profit or Loss - FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 5. Changes in accounting policy (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at Fair Value through Other Comprehensive Income - FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Financial liabilities are measured at amortised cost except for those designated as at FVTPL, which are measured at fair value.

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

#### 5.10 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses (ECL) and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The Group has three types of financial assets that are subject to IFRS 9's new ECL model:

- Debt instruments carried at amortised cost
- Debt instruments carried at FVOCI
- Trade receivables

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Group applies the simplified approach to determine the ECL for trade receivables. This results in calculating lifetime expected credit losses for these trade receivables. ECL for trade receivables is calculated using a provision matrix.

Provision matrix – ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical write-offs, management used a proxy write-off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward looking information to determine the ECL for the portfolio of trade receivables at the reporting period to the extent that there is a strong correlation between the forward looking information and the ECL.

The loss allowance as at 1 January 2018 was determined as follows:

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## Notes to the consolidated and separate financial statements

### 5. Changes in accounting policy (continued)

| 1 January 2018        | Current   | More than 30<br>days past due | More than 90<br>days past due | More than 180<br>days past due | Total      |
|-----------------------|-----------|-------------------------------|-------------------------------|--------------------------------|------------|
|                       | N '000    | N '000                        | N '000                        | N '000                         | N '000     |
| Expected loss rate    | 1.49 %    | 12.66 %                       | 83.62 %                       | 100.00 %                       |            |
| Gross carrying amount | 2,177,398 | 9,706,761                     | 5,413,435                     | 18,338,683                     | 35,636,277 |
| Loss allowance        | 32,471    | 1,228,955                     | 4,526,978                     | 18,338,283                     | 24,126,687 |

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

|                                                          |            |
|----------------------------------------------------------|------------|
|                                                          | 1 Jan 2018 |
|                                                          | N '000     |
| At 31 December 2017 as originally presented              | 24,044,339 |
| Transition adjustments through opening retained earnings | 82,348     |
| Opening loss allowance as at 1 January 2018              | 24,126,687 |

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

|                                                      |            |
|------------------------------------------------------|------------|
|                                                      | 1 Jan 2018 |
|                                                      | N '000     |
| Restated* closing retained earnings 31 December 2017 | 47,166,661 |
| Increase in provision for trade receivables          | (82,348)   |
| Opening retained earnings 1 January 2018             | 47,084,313 |

Short term investments are all liquid assets that consist of marketable securities. Investments 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, MTN Nigeria also considers the credit risk assessment of the issuer by the rating agencies such as Fitch. The Federal Government (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.

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 expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The difference resulted in an immaterial impairment on current investments.

#### 5.11 Transition to IFRS 9

Changes in accounting policies from the adoption of IFRS 9 have been applied retrospectively; however, the Group has elected not to restate comparative information. This is because retrospective restatement would require the application of hindsight. Differences between the carrying amounts as at 31 December 2017 and 1 January 2018 resulting from the initial application of IFRS 9 are recognised in retained earnings. Accordingly, information relating to 31 December 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

# MTN Nigeria Communications Limited

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## Notes to the consolidated and separate financial statements

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### 6. New Standards and Interpretations

#### 6.1 Standards and interpretations effective for the first time for 31 December 2018 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:

##### Foreign Currency Transactions and Advance Consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after 1 January, 2018.

The impact of the interpretation is not material.

##### Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

The effective date of the amendment is for years beginning on or after 1 January, 2018.

The impact of the amendment is not material.

# **MTN Nigeria Communications Limited**

Consolidated and separate financial statements for the year ended 31 December 2018

## **Notes to the consolidated and separate financial statements**

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### **6. New Standards and Interpretations (continued)**

#### **Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers**

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 1 January, 2018.

The impact of IFRS 15 is set out in note 5 Changes in Accounting Policy.

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. See note 5.7.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current and previous periods has been disclosed see Note 5.1.

### **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, 2019 or later periods:

#### **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 impact of this amendment is currently being assessed.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 6. New Standards and Interpretations (continued)

#### 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 Group expects to adopt the interpretation for the first time in the 2019 consolidated and separate financial statements

The impact of this interpretation is currently being assessed.

#### 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.

As at the reporting date, the Group has non-cancellable operating lease commitments of N2.64 trillion (refer to note 36.1 ). Of these commitments, approximately N1.66 trillion relates to non-lease components of operating leases which will continue to be recognised as an expense in profit or loss as they are incurred.

For lease commitments (excluding non-lease components, short-term and low-value leases) the Group will recognise lease liabilities, representing the present value of the future minimum lease payments discounted at a rate appropriate to the operation in which the leases arise, on 1 January 2019, and corresponding right-of-use assets in respect of these leases, adjusted for prepayments and accrued lease payments recognised as at 31 December 2018.

On adoption of IFRS 16 operating lease costs (other than short-term and low value lease) will no longer be recognised as part of operating expenses. The Group will apply a threshold of US\$5 000 for assessing what constitutes low value assets. For the year ended 31 December 2018 the Group has recognised lease expenses of N235.23 billion (refer to note 36). Of these operating lease expenses, approximately N141 billion relates to non-lease components of operating leases which will continue to be recognised as an expense in operating expenses as they are incurred.

As a result of the new accounting rules, EBITDA used to measure segment results is expected to increase, as the total operating lease payments were previously included in EBITDA under IAS 17. The group will recognise depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss – these charges are excluded from EBITDA. Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods. Furthermore, leases denominated in currencies that are not the functional currency of the operation will increase foreign exchange exposure. Therefore, the Group expects that net profit after tax will decrease for 2019 as a result of adopting the new rules.

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

The Group expects to adopt the standard for the first time in the 2019 consolidated and separate financial statements.

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## Notes to the consolidated and separate financial statements

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### 7. 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 "other significant accounting policies" disclosed in note 4.

#### 7.1 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.

#### 7.2 Provisions

The Group exercises judgement in determining the expected cash outflows related to its provision. Judgment is necessary in determining the timing of outflow as well as qualifying the possible range 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.

#### 7.3 Impairment of trade and other receivables

The allowance for doubtful accounts involves significant management judgment and review of receivables based on customer creditworthiness, current economic trends and analysis of historical bad debts.

The Group determines the expected credit losses on trade and other receivables using a provision matrix.

#### 7.4 Operating lease

##### Determining whether an arrangement contains a lease

The Group applies the principles of IFRIC 4 Determining whether an arrangement contains a lease in order to assess whether its arrangements constitute or contain leases. The requirements to be met in order to conclude that an arrangement constitutes or contains a lease are as follows:

- The provision of a service in terms of the arrangement should be dependent on the use of one or more specific assets; and
- The arrangement must convey a right to use these assets.

All other arrangements that do not constitute or contain leases are treated as service level agreements; the costs are expensed as incurred.

For the purpose of applying IFRIC 4 on tower space lease arrangements, the Group considers the tower asset as a whole in assessing whether the arrangement contains a lease. This is consistent with the guidance on determining a component of an asset in IAS 16 Property, Plant and Equipment. The Group has resolved that an arrangement contains a lease as defined in IAS 17 Leases where the arrangement provides an exclusive right to use a specific tower space which is more than an insignificant part of the tower asset.

##### Determining whether an arrangement qualifies as an operating lease or a finance lease.

The Group applies judgement in determining the accounting treatment for arrangements which constitute or contain leases and follows the guidance of IAS 17 Leases to determine the classification of leases as either operating or finance leases based on definition in note 4.8.1

The critical elements that are considered with respect to classification of lease transactions are:

- whether the lease term is for the major part of the economic life of the asset; and

# MTN Nigeria Communications Limited

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## Notes to the consolidated and separate financial statements

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### 7. Critical Accounting Judgements, Estimates and Assumptions (continued)

- whether at inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset.

Minimum lease payments are determined by separating the payments required by the lease arrangement into those pertaining to the lease and those pertaining to other elements such as services and cost of inputs on the basis of their relative fair values. Management exercises judgement in estimating the fair value of the other elements by reference to comparable cost structures of the Group. The rate of interest MTN Nigeria would incur in borrowing the funds necessary to purchase similar assets are used in calculating the present value of the minimum lease payments.

### 7.5 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.

### 7.6 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.

### 7.7 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.

### 7.8 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). (Note 5.10).

### 7.9 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 subscriber tenure on the network.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

|                                                   | Group                |                      | Company              |                      |
|---------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                   | 2018                 | 2017                 | 2018                 | 2017                 |
|                                                   | N '000               | Restated *<br>N '000 | N '000               | Restated *<br>N '000 |
| <b>8. Revenue</b>                                 |                      |                      |                      |                      |
| <b>Revenue from contracts with customers</b>      |                      |                      |                      |                      |
| Airtime and subscription                          | 676,381,351          | 556,577,781          | 674,779,035          | 555,374,723          |
| Data                                              | 165,169,353          | 116,798,263          | 164,798,828          | 116,668,278          |
| SMS                                               | 14,270,357           | 12,622,507           | 14,270,357           | 12,622,507           |
| Interconnect and roaming                          | 107,182,690          | 103,566,934          | 107,166,611          | 103,559,953          |
| Handset and accessories                           | 207,872              | 635,842              | 207,872              | 635,842              |
| Digital                                           | 40,706,066           | 69,410,549           | 40,706,066           | 69,410,549           |
| Value added services                              | 30,540,478           | 24,015,651           | 30,487,842           | 23,987,320           |
| Other revenues                                    | 4,659,643            | 3,552,953            | 4,651,120            | 3,548,532            |
| <b>Total revenue from contract with customers</b> | <b>1,039,117,810</b> | <b>887,180,480</b>   | <b>1,037,067,731</b> | <b>885,807,704</b>   |

Other revenue comprise revenue from cloud and infrastructure services, payment and transfer services.

## 9. Other income

|              |           |   |           |   |
|--------------|-----------|---|-----------|---|
| Other income | 2,225,066 | - | 2,225,066 | - |
|--------------|-----------|---|-----------|---|

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 this transaction (US\$ 5.8million) as other income measured at the fair value of the free and discounted goods.

Also included in other income is lease rental income of N96million from sites leased by other telecom operators.

## 10. Finance income

|                                               |                   |                   |                   |                   |
|-----------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Interest income on bank deposits              | 8,184,500         | 12,747,911        | 7,526,426         | 12,747,896        |
| Interest income on amortised cost investments | 10,514,417        | 24,056,712        | 10,514,417        | 24,056,712        |
| Net gain on FVTPL investments                 | 1,716,135         | 2,694,231         | 1,716,135         | 2,694,231         |
| Net gain on FVOCI investments                 | 1,384,163         | 1,426,739         | 1,384,163         | 1,426,739         |
| Interest income on intercompany receivables   | 20,101            | 12,971            | 20,101            | 12,971            |
| Currency swap gain                            | -                 | 55,673            | -                 | 55,673            |
| Foreign exchange gain                         | 749,023           | 2,508,966         | 749,023           | 2,508,966         |
| <b>Total finance income</b>                   | <b>22,568,339</b> | <b>43,503,203</b> | <b>21,910,265</b> | <b>43,503,188</b> |

## 11. Finance costs

|                                          |                   |                    |                   |                    |
|------------------------------------------|-------------------|--------------------|-------------------|--------------------|
| Interest expense - borrowings            | 36,375,324        | 46,163,752         | 36,375,324        | 46,163,752         |
| Interest expense - banking fees          | 4,123,004         | 3,001,126          | 4,123,004         | 3,001,126          |
| Interest expense - intercompany payables | -                 | 1,258,643          | -                 | 1,258,643          |
| Time value accretion on regulatory fine  | 22,352,019        | 25,712,853         | 22,352,019        | 25,712,853         |
| Foreign exchange loss                    | 4,419,296         | 55,405,908         | 4,419,296         | 55,405,683         |
| Currency swap loss                       | 69,825            | -                  | 69,825            | -                  |
| <b>Total finance costs</b>               | <b>67,339,468</b> | <b>131,542,282</b> | <b>67,339,468</b> | <b>131,542,057</b> |

\* See Note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 12. Employee costs

#### Employee costs

|                                                                | Group             |                   | Company           |                   |
|----------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                | 2018<br>N '000    | 2017<br>N '000    | 2018<br>N '000    | 2017<br>N '000    |
| Salaries and wages                                             | 21,980,917        | 18,463,132        | 21,980,917        | 18,463,132        |
| Post-employment benefits - Pension - Defined contribution plan | 1,561,762         | 1,344,731         | 1,561,762         | 1,344,731         |
| Other staff costs                                              | 3,609,766         | 2,875,620         | 3,609,766         | 2,875,620         |
|                                                                | <b>27,152,445</b> | <b>22,683,483</b> | <b>27,152,445</b> | <b>22,683,483</b> |

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

#### 12.1 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      |              |
|---------------------------|--------------|--------------|--------------|--------------|
|                           | 2018         | 2017         | 2018         | 2017         |
| N1,900,001 - N2,500,000   | 109          | 45           | 109          | 45           |
| N2,500,001 - N3,500,000   | 35           | 23           | 35           | 23           |
| N3,500,001 - N4,500,000   | 113          | 123          | 113          | 123          |
| N4,500,001 - N5,500,000   | 214          | 272          | 214          | 272          |
| N5,500,001 - N6,500,000   | 194          | 197          | 194          | 197          |
| N6,500,001 - N7,500,000   | 174          | 126          | 174          | 126          |
| N7,500,001 - N8,500,000   | 90           | 120          | 90           | 120          |
| N8,500,001 - N9,500,000   | 101          | 84           | 101          | 84           |
| N9,500,001 - N10,500,000  | 97           | 116          | 97           | 116          |
| N10,500,001 - N11,500,000 | 108          | 82           | 108          | 82           |
| N11,500,001 - N12,500,000 | 69           | 57           | 69           | 57           |
| Over - N12,500,000        | 394          | 306          | 394          | 306          |
|                           | <b>1,698</b> | <b>1,551</b> | <b>1,698</b> | <b>1,551</b> |

#### 12.2 The year end number of full time persons employed by the Group was as follows:

|                                   |              |              |              |              |
|-----------------------------------|--------------|--------------|--------------|--------------|
| CEO's Office                      | 41           | 25           | 41           | 25           |
| Corporate Services                | 41           | 44           | 41           | 44           |
| Customer Relations                | 270          | 266          | 270          | 266          |
| Finance                           | 288          | 286          | 288          | 286          |
| Human Resources                   | 59           | 55           | 59           | 55           |
| Information Systems               | 105          | 95           | 105          | 95           |
| Business Risk Management          | -            | 24           | -            | 24           |
| Marketing                         | 104          | 92           | 104          | 92           |
| Network Group                     | 364          | 362          | 364          | 362          |
| Sales and Distribution            | 211          | 161          | 211          | 161          |
| Enterprise Solutions              | 147          | 141          | 147          | 141          |
| Legal Services                    | 18           | -            | 18           | -            |
| Internal Audit & Fraud Management | 19           | -            | 19           | -            |
| Risk & Compliance                 | 31           | -            | 31           | -            |
|                                   | <b>1,698</b> | <b>1,551</b> | <b>1,698</b> | <b>1,551</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 12. Employee costs (continued)

| Group          |                | Company        |                |
|----------------|----------------|----------------|----------------|
| 2018<br>N '000 | 2017<br>N '000 | 2018<br>N '000 | 2017<br>N '000 |

#### 12.3 Remuneration was paid in respect of directors of the Group as follows:

##### Directors' emoluments:

|                                            |                |                |                |                |
|--------------------------------------------|----------------|----------------|----------------|----------------|
| Fees (non-executive directors)             | 60,923         | 26,293         | 60,923         | 26,293         |
| Other emoluments (non-executive directors) | 278,261        | 62,757         | 278,261        | 62,757         |
| Emoluments (executive directors)           | 571,430        | 302,380        | 571,430        | 302,380        |
|                                            | <b>910,614</b> | <b>391,430</b> | <b>910,614</b> | <b>391,430</b> |

The directors' remuneration shown above includes:

|                         |         |         |         |         |
|-------------------------|---------|---------|---------|---------|
| Chairman's remuneration | 34,065  | 12,210  | 34,065  | 12,210  |
| Highest paid director   | 571,430 | 302,380 | 571,430 | 302,380 |

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

|                  |   |   |   |   |
|------------------|---|---|---|---|
| Nil              | 6 | 6 | 6 | 6 |
| Above N5,000,000 | 7 | 7 | 7 | 7 |

| Group          |                | Company        |                |
|----------------|----------------|----------------|----------------|
| 2018<br>N '000 | 2017<br>N '000 | 2018<br>N '000 | 2017<br>N '000 |

### 13. Other operating expenses

|                                                            |                   |                   |                   |                   |
|------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Profit on disposal of property, plant and equipment        | (456,858)         | (434,384)         | (456,858)         | (434,384)         |
| Loss/(profit) on disposal of assets held for sale          | 7,169             | (1,544)           | 7,169             | (1,544)           |
| Bad debt written off/(reversal of bad debt written off)    | 7,746,898         | (2,520)           | 7,746,898         | (2,520)           |
| Directors' emoluments                                      | 910,614           | 391,430           | 910,614           | 391,430           |
| Fixed assets written off                                   | 447               | 628,462           | 447               | 628,462           |
| Information Technology Development Levy and MTN Foundation | 3,737,082         | 1,940,538         | 3,737,082         | 1,940,538         |
| Insurance cost                                             | 1,641,847         | 1,646,061         | 1,641,847         | 1,646,061         |
| Audit fees                                                 | 270,992           | 196,452           | 255,992           | 181,452           |
| Professional fees                                          | 29,475,146        | 30,016,022        | 28,590,457        | 29,368,014        |
| Maintenance costs                                          | 13,123,184        | 11,424,007        | 13,123,184        | 11,423,531        |
| Rent, rates, utilities and other office running cost       | 6,469,475         | 5,661,678         | 6,449,060         | 5,704,481         |
| Trainings, travels and entertainment cost                  | 2,570,701         | 2,757,997         | 2,570,501         | 2,743,433         |
| Other expenses                                             | 951,906           | 1,398,031         | 849,876           | 2,069,972         |
| Trading inventory write off                                | 1,350,954         | 99,692            | 1,350,954         | 99,692            |
|                                                            | <b>67,799,557</b> | <b>55,721,922</b> | <b>66,777,223</b> | <b>55,758,618</b> |

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

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

|  | Group  |                      | Company |                      |
|--|--------|----------------------|---------|----------------------|
|  | 2018   | 2017                 | 2018    | 2017                 |
|  | N '000 | Restated *<br>N '000 | N '000  | Restated *<br>N '000 |

### 14. Direct network operating costs

|                       |                    |                    |                    |                    |
|-----------------------|--------------------|--------------------|--------------------|--------------------|
| Regulatory fees       | 27,203,234         | 23,282,127         | 27,138,856         | 23,232,335         |
| Annual Numbering Plan | 1,164,030          | 1,281,057          | 977,025            | 943,741            |
| BTS leases            | 233,223,823        | 203,253,094        | 233,222,153        | 203,195,199        |
| Network Maintenance   | 43,928,001         | 40,542,709         | 43,906,546         | 41,218,022         |
|                       | <b>305,519,088</b> | <b>268,358,987</b> | <b>305,244,580</b> | <b>268,589,297</b> |

### 15. Taxation

#### Analysis of tax expense for the year

##### Current

|                                                                |                   |                   |                   |                   |
|----------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Company income tax                                             | 46,659,079        | 30,064,744        | 46,403,534        | 29,549,556        |
| Local income tax - recognised in current tax for prior periods | -                 | (2,422,067)       | -                 | (2,422,067)       |
| Education tax                                                  | 6,908,057         | 5,812,374         | 6,891,950         | 5,812,374         |
| Capital gains tax                                              | 38                | 2,605             | 38                | 2,605             |
| Penalty for late filing                                        | 115               | -                 | -                 | -                 |
| Impact of IFRS 15 adjustments                                  | -                 | 267,874           | -                 | 267,874           |
|                                                                | <b>53,567,289</b> | <b>33,725,530</b> | <b>53,295,522</b> | <b>33,210,342</b> |

##### Deferred

|              |                   |                   |                   |                   |
|--------------|-------------------|-------------------|-------------------|-------------------|
| Deferred tax | 22,089,458        | (6,906,083)       | 23,598,800        | (5,396,741)       |
|              | <b>75,656,747</b> | <b>26,819,447</b> | <b>76,894,322</b> | <b>27,813,601</b> |

#### 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% (2017: 30%) and the Company's total tax expense for each year.

The income tax charge for the year is reconciled to the effective rate of taxation in Nigeria as follows:

|                                       |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Profit before tax                     | 221,342,648    | 107,889,668    | 225,524,876    | 111,325,657    |
| Taxation                              | (75,656,747)   | (26,819,447)   | (76,894,322)   | (27,813,601)   |
| Actual tax rate                       | 34.18 %        | 24.86 %        | 34.10 %        | 24.98 %        |
| Applicable tax rate                   | 30.00 %        | 30.00 %        | 30.00 %        | 30.00 %        |
| Exempt income                         | (1.43)%        | (6.74)%        | (1.40)%        | (6.53)%        |
| Prior year tax (over)/under provision | (1.10)%        | (5.93)%        | (1.09)%        | (5.69)%        |
| Capital gains tax                     | - %            | 0.05 %         | - %            | (0.04)%        |
| Investment allowance                  | (2.48)%        | (5.64)%        | (2.43)%        | (5.47)%        |
| Expenses not allowed                  | 5.50 %         | 8.42 %         | 5.40 %         | 8.15 %         |
| Impact of IFRS 15 adjustments         | - %            | 0.02 %         | - %            | 0.05 %         |
| Education tax                         | 3.69 %         | 4.68 %         | 3.62 %         | 4.51 %         |
|                                       | <b>34.18 %</b> | <b>24.86 %</b> | <b>34.10 %</b> | <b>24.98 %</b> |

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.

\* See Note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 16. Property 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                    | N'000                |
| <b>Cost</b>                        |                  |                   |                        |                                                     |                  |                        |                          |                      |
| Balance at 1 January 2017          | 3,152,827        | 26,692,697        | 8,256,071              | 52,156,217                                          | 4,275,256        | 971,715,958            | 62,325,396               | 1,128,574,422        |
| Additions                          | -                | 2,563             | 542,545                | 7,134,156                                           | 720,895          | 78,366,791             | 127,948,437              | 214,715,387          |
| Disposal                           | -                | -                 | -                      | (224,632)                                           | (147,650)        | (437,590)              | (261,013)                | (1,070,885)          |
| Reclassification                   | 3,892            | 85,633            | 7,086,410              | 215,668                                             | -                | 102,957,072            | (113,448,757)            | (3,100,082)          |
| Reclassification                   | -                | -                 | -                      | -                                                   | -                | -                      | (9,161)                  | (9,161)              |
| Write-off                          | -                | -                 | -                      | (225,476)                                           | (20,675)         | (14,093,155)           | (624,339)                | (14,963,645)         |
| <b>Balance at 31 December 2017</b> | <b>3,156,719</b> | <b>26,780,893</b> | <b>15,885,026</b>      | <b>59,055,933</b>                                   | <b>4,827,826</b> | <b>1,138,509,076</b>   | <b>75,930,563</b>        | <b>1,324,146,036</b> |
| Additions                          | 15,421           | 54,057            | 1,399,925              | 7,185,314                                           | 1,918,470        | 14,751,175             | 148,960,658              | 174,285,020          |
| Reclassification                   | -                | 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)                                        | (767,800)        | (250,319,311)          | -                        | (279,112,769)        |
| Disposal                           | -                | -                 | -                      | (2,192,010)                                         | -                | (447,778)              | -                        | (3,407,588)          |
| <b>Balance at 31 December 2018</b> | <b>3,172,140</b> | <b>26,934,693</b> | <b>20,519,534</b>      | <b>38,120,809</b>                                   | <b>5,975,096</b> | <b>1,044,144,137</b>   | <b>69,461,417</b>        | <b>1,208,327,826</b> |
| <b>Accumulated depreciation</b>    |                  |                   |                        |                                                     |                  |                        |                          |                      |
| Balance at 1 January 2017          | -                | 15,471,217        | 3,619,114              | 36,315,430                                          | 3,112,663        | 575,385,781            | -                        | 633,904,205          |
| Charge for the year                | -                | 1,515,775         | 728,364                | 7,462,047                                           | 754,254          | 113,357,466            | -                        | 123,817,906          |
| Write-off                          | -                | -                 | -                      | (222,462)                                           | (19,601)         | (14,093,120)           | -                        | (14,335,183)         |
| Disposal                           | -                | -                 | -                      | (200,977)                                           | (374,085)        | (386,180)              | -                        | (961,242)            |
| Impairment of asset                | -                | -                 | -                      | -                                                   | -                | (718,535)              | -                        | (718,535)            |
| <b>Balance at 31 December 2017</b> | <b>-</b>         | <b>16,986,992</b> | <b>4,347,478</b>       | <b>43,354,038</b>                                   | <b>3,473,231</b> | <b>673,545,412</b>     | <b>-</b>                 | <b>741,707,151</b>   |
| 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)          |
| Write-off                          | -                | -                 | -                      | (28,781,636)                                        | -                | (250,330,708)          | -                        | (279,112,344)        |
| Impairment                         | -                | -                 | -                      | -                                                   | -                | 758,926                | -                        | 758,926              |
| <b>Balance at 31 December 2018</b> | <b>-</b>         | <b>18,492,073</b> | <b>6,110,911</b>       | <b>22,690,812</b>                                   | <b>3,484,305</b> | <b>550,526,181</b>     | <b>-</b>                 | <b>601,304,282</b>   |
| <b>Carrying amount</b>             |                  |                   |                        |                                                     |                  |                        |                          |                      |
| Balance as at 31 December 2018     | 3,172,140        | 8,442,620         | 14,408,623             | 15,429,997                                          | 2,490,791        | 493,617,956            | 69,461,417               | 607,023,544          |
| Balance as at 31 December 2017     | 3,156,719        | 9,793,901         | 11,537,548             | 15,701,895                                          | 1,354,595        | 464,963,664            | 75,930,563               | 582,438,885          |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 16. Property and equipment (continued)

#### Company

|                                 | Land      | Building   | 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                    | N'000         |
| <b>Cost</b>                     |           |            |                        |                                                     |                |                        |                          |               |
| Balance at 1 January 2017       | 3,152,827 | 26,689,749 | 8,256,071              | 52,133,651                                          | 4,264,512      | 971,335,438            | 62,325,396               | 1,128,157,644 |
| Additions                       | -         | 2,563      | 542,545                | 7,134,156                                           | 720,895        | 78,366,791             | 127,948,437              | 214,715,387   |
| Disposal                        | -         | -          | -                      | (224,632)                                           | (147,650)      | (437,590)              | (261,013)                | (1,070,885)   |
| Reallocation                    | 3,892     | 85,632     | 7,086,410              | 215,668                                             | -              | 102,957,072            | (113,448,757)            | (3,100,083)   |
| Reclassification                | -         | -          | -                      | -                                                   | -              | -                      | (9,161)                  | (9,161)       |
| Write-off                       | -         | -          | -                      | (225,476)                                           | (20,675)       | (14,093,155)           | (624,339)                | (14,963,645)  |
| Balance at 31 December 2017     | 3,156,719 | 26,777,944 | 15,885,026             | 59,033,367                                          | 4,817,082      | 1,138,128,556          | 75,930,563               | 1,323,729,257 |
| Additions                       | 15,421    | 54,057     | 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                    | -         | 99,743     | 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                       | -         | -          | -                      | (28,793,457)                                        | -              | (250,319,311)          | -                        | (279,112,768) |
| Balance at 31 December 2018     | 3,172,140 | 26,931,744 | 20,519,534             | 38,098,244                                          | 5,964,352      | 1,043,763,617          | 69,461,417               | 1,207,911,048 |
| <b>Accumulated depreciation</b> |           |            |                        |                                                     |                |                        |                          |               |
| Balance at 1 January 2017       | -         | 15,471,217 | 3,619,114              | 36,295,914                                          | 3,101,919      | 575,059,939            | -                        | 633,548,103   |
| Charge for the year             | -         | 1,515,775  | 728,364                | 7,462,047                                           | 754,254        | 113,357,466            | -                        | 123,817,906   |
| Disposal                        | -         | -          | -                      | (200,977)                                           | (374,085)      | (386,180)              | -                        | (961,242)     |
| Impairment                      | -         | -          | -                      | -                                                   | -              | (718,535)              | -                        | (718,535)     |
| Reallocation                    | -         | -          | -                      | -                                                   | -              | -                      | -                        | -             |
| Write-off                       | -         | -          | -                      | (222,462)                                           | (19,601)       | (14,093,120)           | -                        | (14,335,183)  |
| Balance at 31 December 2017     | -         | 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       |
| 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   |
| <b>Carrying amount</b>          |           |            |                        |                                                     |                |                        |                          |               |
| Balance as at 31 December 2018  | 3,172,140 | 8,439,671  | 14,408,623             | 15,426,948                                          | 2,490,791      | 493,563,278            | 69,461,417               | 606,962,868   |
| Balance as at 31 December 2017  | 3,156,719 | 9,790,952  | 11,537,548             | 15,698,845                                          | 1,354,595      | 464,908,986            | 75,930,563               | 582,378,208   |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 16. Property and equipment (continued)

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.

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

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

#### Capital work-in-progress

These are various capital work-in-progress projects under way within the Group.

#### Impairment losses recognised in the year

The impairment of N0.76billion (2017: impairment reversal of N0.72 billion) relates to network infrastructure inventory items impaired due to technological obsolescence.

#### Property, plant and equipment - leased

##### Group

|                                                | Network<br>infrastructure<br>N'000 | Total<br>N'000 |
|------------------------------------------------|------------------------------------|----------------|
| <b>Cost</b>                                    |                                    |                |
| Balance at 1 January 2017                      | 1,580,636                          | 1,580,636      |
| Balance at 31 December 2017                    | 1,580,636                          | 1,580,636      |
| Balance at 31 December 2018                    | 1,580,636                          | 1,580,636      |
| <b>Accumulated depreciation and impairment</b> |                                    |                |
| Balance at 1 January 2017                      | 1,513,779                          | 1,513,779      |
| Charge for the year                            | 32,809                             | 32,809         |
| Balance at 31 December 2017                    | 1,546,588                          | 1,546,588      |
| Charge for the year                            | 32,753                             | 32,753         |
| Balance at 31 December 2018                    | 1,579,341                          | 1,579,341      |
| <b>Carrying amount</b>                         |                                    |                |
| Balance as at 31 December 2018                 | 1,295                              | 1,295          |
| Balance as at 31 December 2017                 | 34,048                             | 34,048         |

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Notes to the consolidated and separate financial statements

#### 16. Property and equipment (continued)

##### Company

|                                                | Network<br>infrastructure<br>N'000 | Total<br>N'000 |
|------------------------------------------------|------------------------------------|----------------|
| <b>Cost</b>                                    |                                    |                |
| Balance at 1 January 2017                      | 1,580,636                          | 1,580,636      |
| Balance at 31 December 2017                    | 1,580,636                          | 1,580,636      |
| Balance at 31 December 2018                    | 1,580,636                          | 1,580,636      |
| <b>Accumulated depreciation and impairment</b> |                                    |                |
| Balance at 1 January 2017                      | 1,513,779                          | 1,513,779      |
| Charge for the year                            | 32,809                             | 32,809         |
| Balance at 31 December 2017                    | 1,546,588                          | 1,546,588      |
| Charge for the year                            | 32,753                             | 32,753         |
| Balance at 31 December 2018                    | 1,579,341                          | 1,579,341      |
| <b>Carrying amount</b>                         |                                    |                |
| Balance as at 31 December 2018                 | 1,295                              | 1,295          |
| Balance as at 31 December 2017                 | 34,048                             | 34,048         |

MTN Nigeria entered into a revenue share agreement with Huawei Technologies for the provision of Ring Back Tone (RBT) Caller Tunez service. The agreement commenced in 2010 and is for a period of 8 years. The arrangement did not take the legal form of a lease but conveyed the right to use asset (RBT system) in return for a payment or series of payments. In line with the provisions of IAS 17 Leases, the arrangement was treated as a finance lease. Upon the expiry of the revenue sharing period in 2018, the ownership right of the RBT system shall automatically transfer to MTN Nigeria. The RBT system is depreciated over the lease term.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 17. Intangible assets

#### Group

|                                 | Goodwill<br>N'000 | Software<br>N'000 | Licences<br>N'000 | Total<br>N'000 |
|---------------------------------|-------------------|-------------------|-------------------|----------------|
| <b>Cost</b>                     |                   |                   |                   |                |
| Balance at 1 January 2017       | 10,016,039        | 65,423,510        | 178,937,052       | 254,376,601    |
| Additions                       | -                 | 10,319,690        | 349,600           | 10,669,290     |
| Reallocation                    | -                 | 3,100,082         | -                 | 3,100,082      |
| Reclassifications               | -                 | (6,820)           | -                 | (6,820)        |
| Write-offs                      | -                 | (369,419)         | (699,297)         | (1,068,716)    |
| Balance at 31 December 2017     | 10,016,039        | 78,467,043        | 178,587,355       | 267,070,437    |
| Addition                        | -                 | 9,887,584         | -                 | 9,887,584      |
| Disposal                        | -                 | (1,004)           | -                 | (1,004)        |
| Reallocation                    | -                 | 7,578,735         | -                 | 7,578,735      |
| Write-offs                      | -                 | (44,579,406)      | (400,001)         | (44,979,407)   |
| Balance at 31 December 2018     | 10,016,039        | 51,352,952        | 178,187,354       | 239,556,345    |
| <b>Accumulated amortisation</b> |                   |                   |                   |                |
| Balance at 1 January 2017       | -                 | 49,573,479        | 63,315,006        | 112,888,485    |
| Charge for the year             | -                 | 10,499,966        | 16,148,693        | 26,648,659     |
| Write-offs                      | -                 | (369,419)         | (699,297)         | (1,068,716)    |
| Balance at 31 December 2017     | -                 | 59,704,026        | 78,764,402        | 138,468,428    |
| Charge for the year             | -                 | 11,432,779        | 15,267,402        | 26,700,181     |
| Disposal                        | -                 | (1,004)           | -                 | (1,004)        |
| Write-offs                      | -                 | (44,579,382)      | (400,001)         | (44,979,383)   |
| Balance at 31 December 2018     | -                 | 26,556,419        | 93,631,803        | 120,188,222    |
| <b>Carrying amount</b>          |                   |                   |                   |                |
| Balance as at 31 December 2018  | 10,016,039        | 24,796,533        | 84,555,551        | 119,368,123    |
| Balance as at 31 December 2017  | 10,016,039        | 18,763,017        | 99,822,953        | 128,602,009    |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 17. Intangible assets (continued)

| Company                         | Software<br>N'000 | Licences<br>N'000 | Total<br>N'000 |
|---------------------------------|-------------------|-------------------|----------------|
| <b>Cost</b>                     |                   |                   |                |
| Balance at 1 January 2017       | 65,423,510        | 129,786,857       | 195,210,367    |
| Additions                       | 10,319,690        | -                 | 10,319,690     |
| Reallocation                    | 3,100,082         | -                 | 3,100,082      |
| Reclassifications               | (6,820)           | -                 | (6,820)        |
| Write-offs                      | (369,419)         | (355,581)         | (725,000)      |
| Balance at 31 December 2017     | 78,467,043        | 129,431,276       | 207,898,319    |
| Addition                        | 9,887,584         | -                 | 9,887,584      |
| Disposal                        | (1,004)           | -                 | (1,004)        |
| Reallocation                    | 7,578,735         | -                 | 7,578,735      |
| Write-off                       | (44,579,406)      | -                 | (44,579,406)   |
| Balance at 31 December 2018     | 51,352,952        | 129,431,276       | 180,784,228    |
| <b>Accumulated amortisation</b> |                   |                   |                |
| Balance at 1 January 2017       | 49,573,479        | 56,766,283        | 106,339,762    |
| Charge for the year             | 10,499,966        | 10,795,373        | 21,295,339     |
| Write-offs                      | (369,419)         | (355,581)         | (725,000)      |
| Balance at 31 December 2017     | 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-off                       | (44,579,382)      | -                 | (44,579,382)   |
| Balance at 31 December 2018     | 26,556,419        | 77,120,158        | 103,676,577    |
| <b>Carrying amount</b>          |                   |                   |                |
| Balance as at 31 December 2018  | 24,796,533        | 52,311,118        | 77,107,651     |
| Balance as at 31 December 2017  | 18,763,017        | 62,225,201        | 80,988,218     |

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

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

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

Goodwill relates to the acquisition of Visafone Communications Limited.

#### 17.1 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 the Visafone cash generating units (CGU). The recoverable amount of the CGU was determined based on fair value less cost 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.

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Notes to the consolidated and separate financial statements

#### 17. Intangible assets (continued)

##### 17.2 Details of Network Licences

| Network Licences Type                                                                                    | Date Granted<br>Renewed    | Term (Years)                                               | Renewable Term                                                                                                                                                                                                                                                                                                                                                           | Licence Fee<br>Currency | Initiation Fee                                                                                 | Annual Licence Fees                            | Future Fees<br>Obligations |
|----------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------|----------------------------|
| Digital Mobile Licence<br>(DML) - 900MHz &<br>1800MHz                                                    | 9 February 2001            | 15                                                         | The NCC has decided to discontinue the issuance of the DML as the services provided there under have been subsumed under the UASL. The tenure of the 900MHz and 1800MHz spectrum issued with the DML has been extended to 31st August 2021 to align and expire with our UASL. The sum of N18,559,528,337.17 was paid on the 10th December 2015 for the 5 year extension. | USD                     | 285 million                                                                                    | Annual operating levy -<br>2.5% of net revenue | None                       |
| 3G Spectrum Licence<br>(Receive Frequency 1920 -<br>1930 MHz) (Transmit<br>Frequency 2110 - 2120<br>MHz) | 1 May 2007                 | 15                                                         | As may be determined by NCC                                                                                                                                                                                                                                                                                                                                              | USD                     | 150 million                                                                                    | Annual operating levy -<br>2.5% of net revenue | None                       |
| Universal Access Service<br>Licence (Including<br>International Gateway)                                 | 1 September<br>2006        | 15                                                         | 5                                                                                                                                                                                                                                                                                                                                                                        | NGN                     | 114.6 million                                                                                  | Annual operating levy -<br>2.5% of net revenue | None                       |
| International Submarine<br>Cable Infrastructure and<br>Landing Station (WACS)                            | 1 January 2010             | 20                                                         | 20                                                                                                                                                                                                                                                                                                                                                                       | USD                     | 220.5 million                                                                                  | Annual operating levy -<br>2.5% of net revenue | None                       |
| Wimax 3.5GHz Spectrum                                                                                    | 2007/Renewable<br>Annually | Assigned<br>annually - with<br>a use it or lose<br>it term | Annually                                                                                                                                                                                                                                                                                                                                                                 | NGN                     | 427.5 million -<br>Calculated annually<br>using the Frequency<br>Regulation Pricing<br>Formula |                                                | None                       |

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Notes to the consolidated and separate financial statements

#### 17. 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                  | 16th January 2018 (effective date for the spectrum has been suspended by the NCC till all encumbrances have been cleared) | TBC                                                                                      | TBC                                                                                                     | USD but paid in Naira at the prevailing interbank rate | \$171 Million USD (N34,114,500,000.00) | None                                                                               | None                    |
| Microwave Spectrums 8GHz -26GHz           | 2001/Renewable Annually                                                                                                   | Assigned annually - with a use it or lose it term                                        | Annually                                                                                                | NGN                                                    |                                        | 1.225 billion - Calculated annually using the Frequency Regulation Pricing Formula | None                    |
| Unified Access Service License (VISAFONE) | 1 July 2007                                                                                                               | 10 years (Application to renew has been submitted to the NCC and is under consideration) | Application to renew has been submitted to the NCC and is under consideration                           |                                                        |                                        |                                                                                    |                         |
| Spectrums 800MHz (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                    |
| Spectrums 2.6GHz                          | Effective date suspended by the NCC until band is cleared of all encumbrances                                             | 10                                                                                       | Renewable after expiration of 10 years.                                                                 | NGN                                                    | 18.9 billion                           | None                                                                               | None                    |

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Notes to the consolidated and separate financial statements

#### 18. Investments in subsidiaries

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

##### Company

##### Name of company

|                                          | %<br>Holding<br>2018 | %<br>Holding<br>2017 | %<br>Holding<br>2016 | Carrying<br>amount 2018<br>N'000 | Carrying<br>amount 2017<br>N'000 | Carrying<br>amount 2016<br>N'000 |
|------------------------------------------|----------------------|----------------------|----------------------|----------------------------------|----------------------------------|----------------------------------|
| Visafone Communications Limited          | 100.00 %             | 100.00 %             | 100.00 %             | 43,778,000                       | 43,778,000                       | 43,778,000                       |
| XS Broadband Limited                     | 100.00 %             | 100.00 %             | 100.00 %             | 500,000                          | 500,000                          | 500,000                          |
| Yello Digital Financial Services Limited | 100.00 %             | - %                  | - %                  | 50,000                           | -                                | -                                |
| Impairment of investment in subsidiaries | 100.00 %             | 100.00 %             | 100.00 %             | 44,328,000<br>(500,000)          | 44,278,000<br>(500,000)          | 44,278,000<br>(500,000)          |
|                                          |                      |                      |                      | 43,828,000                       | 43,778,000                       | 43,778,000                       |

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.

##### Significant restrictions

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

##### 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) / Capita 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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

|                                                       | Group          |                |                | Company        |                |                |
|-------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                       | 2018<br>N '000 | 2017<br>N '000 | 2016<br>N '000 | 2018<br>N '000 | 2017<br>N '000 | 2016<br>N '000 |
| <b>19. Derivatives</b>                                |                |                |                |                |                |                |
| Currency swap                                         | (14,152)       | 55,673         | -              | (14,152)       | 55,673         | -              |
| <b>Split between non-current and current portions</b> |                |                |                |                |                |                |
| Non-current assets                                    | -              | 55,673         | -              | -              | 55,673         | -              |
| Non-current liabilities                               | (14,152)       | -              | -              | (14,152)       | -              | -              |
|                                                       | (14,152)       | 55,673         | -              | (14,152)       | 55,673         | -              |

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.

### 20. Assets held for sale

|                                                 | Group          |                |                             | Company        |                |                             |
|-------------------------------------------------|----------------|----------------|-----------------------------|----------------|----------------|-----------------------------|
|                                                 | 2018<br>N '000 | 2017<br>N '000 | 1 January<br>2017<br>N '000 | 2018<br>N '000 | 2017<br>N '000 | 1 January<br>2017<br>N '000 |
| Balance at 1 January                            | 174            | 7,229          | 134,067                     | 174            | 7,229          | 134,067                     |
| Writeback of impairment of assets held for sale | 6,996          | -              | 202,841                     | 6,996          | -              | 202,841                     |
|                                                 | 7,170          | 7,229          | 336,908                     | 7,170          | 7,229          | 336,908                     |
| Less: Disposal of assets held for sale          | (7,170)        | (7,055)        | (329,679)                   | (7,170)        | (7,055)        | (329,679)                   |
| <b>Balance at 31 December</b>                   | <b>-</b>       | <b>174</b>     | <b>7,229</b>                | <b>-</b>       | <b>174</b>     | <b>7,229</b>                |

The impairment of assets held for sale (motor vehicles) was reversed as the realised amount from its disposal exceeded the carrying amount.

### 21. Inventories

|                                               |                    |                    |                  |                    |                    |                  |
|-----------------------------------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|
| Handsets and accessories                      | 1,472,329          | 2,770,388          | 1,066,743        | 1,479,059          | 2,777,122          | 1,073,471        |
| Airtime cards                                 | -                  | 5,555              | 78               | -                  | 5,555              | 78               |
| Starter packs                                 | 1,600,467          | 5,927,122          | 8,507,535        | 1,600,467          | 5,927,122          | 8,507,535        |
|                                               | 3,072,796          | 8,703,065          | 9,574,356        | 3,079,526          | 8,709,799          | 9,581,084        |
| Inventories (write-downs)                     | (1,534,030)        | (2,973,166)        | (413,925)        | (1,534,030)        | (2,973,166)        | (413,925)        |
|                                               | 1,538,766          | 5,729,899          | 9,160,431        | 1,545,496          | 5,736,633          | 9,167,159        |
| <b>Reconciliation of inventory write-down</b> |                    |                    |                  |                    |                    |                  |
| At beginning of year                          | (2,973,166)        | (413,925)          | (72,418)         | (2,973,166)        | (413,925)          | (72,418)         |
| Additions                                     | (2,277,878)        | (2,658,933)        | (341,507)        | (2,277,878)        | (2,658,933)        | (341,507)        |
| Utilised                                      | 1,350,954          | 99,692             | -                | 1,350,954          | 99,692             | -                |
| Unused reversed                               | 2,366,060          | -                  | -                | 2,366,060          | -                  | -                |
| <b>At end of year</b>                         | <b>(1,534,030)</b> | <b>(2,973,166)</b> | <b>(413,925)</b> | <b>(1,534,030)</b> | <b>(2,973,166)</b> | <b>(413,925)</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

|                                                    | Group             |                   |                   | Company           |                   |                   |
|----------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                    | 2018              | 2017              | 1 January 2017    | 2018              | 2017              | 1 January 2017    |
|                                                    |                   | Restated *        | Restated *        |                   | Restated *        | Restated *        |
|                                                    | N '000            | N '000            | N '000            | N '000            | N '000            | N '000            |
| <b>22. Trade and other receivables</b>             |                   |                   |                   |                   |                   |                   |
| <b>Financial instruments:</b>                      |                   |                   |                   |                   |                   |                   |
| Trade receivables                                  | 32,790,123        | 35,636,277        | 31,995,652        | 32,110,907        | 34,277,844        | 30,007,895        |
| Trade receivables - related parties                | 6,821,267         | 6,410,310         | 5,045,500         | 6,821,267         | 6,699,420         | 6,184,444         |
| Allowance for expected credit losses               | (15,338,739)      | (24,044,339)      | (18,450,877)      | (14,761,742)      | (23,672,263)      | (18,078,801)      |
| Trade receivables at amortised cost                | 24,272,651        | 18,002,248        | 18,590,275        | 24,170,432        | 17,305,001        | 18,113,538        |
| Sundry receivables and advances                    | 268,265           | 250,659           | 4,273,181         | 268,288           | 250,682           | 4,273,204         |
| Other receivables*                                 | 4,721,131         | 9,415,665         | 9,522,511         | 4,692,691         | 9,309,727         | 9,267,442         |
| <b>Non-financial instruments:</b>                  |                   |                   |                   |                   |                   |                   |
| Prepayments**                                      | 25,082,062        | 19,439,980        | 25,613,929        | 25,080,863        | 19,438,781        | 25,612,730        |
| Less: non current prepayments                      | (15,726,985)      | (13,683,216)      | (18,449,756)      | (15,726,985)      | (13,683,216)      | (18,449,756)      |
| <b>Total trade and other receivables - current</b> | <b>38,617,124</b> | <b>33,425,336</b> | <b>39,550,140</b> | <b>38,485,289</b> | <b>32,620,975</b> | <b>38,817,158</b> |

Impairment reversal/(loss) of N8.76 billion (31 December 2017 N(5.60) billion) for Group and N8.96 billion (31 December 2017 N(5.60) billion) for Company was booked in the current year, and this amount is stated on the statement of profit or loss.

The Group's exposure to currency risk and credit risk and impairment losses related to trade and other receivables are disclosed in note 43.6.2 and 43.4 respectively.

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

\*Other receivables includes withholding tax receivables.

\*\*Prepayments relate to rent payments for BTS sites, other property leases and Indefeasible Right of Use (IRU).

### Reconciliation of loss allowances

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

|                                                          |                     |                     |                     |                     |                     |                     |
|----------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Opening balance as previously presented                  | (24,044,339)        | (18,450,877)        | (18,704,442)        | (23,672,263)        | (18,078,801)        | (18,332,367)        |
| Effect of IFRS 9 application                             | (82,348)            | -                   | -                   | (82,348)            | -                   | -                   |
| <b>1 January 2018 restated opening balance</b>           | <b>(24,126,687)</b> | <b>(18,450,877)</b> | <b>(18,704,442)</b> | <b>(23,754,611)</b> | <b>(18,078,801)</b> | <b>(18,332,367)</b> |
| Increase in loss allowance recognised in profit or loss  | (2,461,352)         | (5,595,982)         | -                   | (2,256,431)         | (5,595,982)         | -                   |
| Receivables written off during the year as uncollectible | 7,746,898           | -                   | -                   | 7,746,898           | -                   | -                   |
| Unused reversed                                          | 3,502,402           | 2,520               | 253,565             | 3,502,402           | 2,520               | 253,566             |
| <b>Closing balance</b>                                   | <b>(15,338,739)</b> | <b>(24,044,339)</b> | <b>(18,450,877)</b> | <b>(14,761,742)</b> | <b>(23,672,263)</b> | <b>(18,078,801)</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 23. Current investments

|                                                                      | Group             |                   |                    | Company           |                   |                    |
|----------------------------------------------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
|                                                                      | 2018              | 2017              | 1 January 2017     | 2018              | 2017              | 1 January 2017     |
|                                                                      | N '000            | N '000            | N '000             | N '000            | N '000            | N '000             |
| Treasury bills at fair value through profit and loss                 | 1,302,198         | 8,922,552         | 21,301,925         | 1,302,198         | 8,922,552         | 21,301,925         |
| Treasury bills at fair value through other comprehensive income      | 434,066           | 9,970,842         | 6,426,819          | 434,066           | 9,970,842         | 6,426,819          |
| Treasury bills at amortised cost                                     | 56,080,918        | 42,641,311        | 115,947,851        | 56,080,918        | 42,641,311        | 115,947,851        |
| US dollar deposits with interest rates of 7% to 8% at amortised cost | 7,651,077         | 9,543,790         | 7,760,862          | 7,651,077         | 9,543,790         | 7,760,862          |
|                                                                      | <b>65,468,259</b> | <b>71,078,495</b> | <b>151,437,457</b> | <b>65,468,259</b> | <b>71,078,495</b> | <b>151,437,457</b> |

### 24. Restricted cash

|                          |            |            |            |            |            |            |
|--------------------------|------------|------------|------------|------------|------------|------------|
| Restricted cash deposits | 37,219,023 | 41,617,634 | 17,260,604 | 37,169,023 | 41,617,634 | 17,260,604 |
|--------------------------|------------|------------|------------|------------|------------|------------|

Restricted cash represents deposits with banks to secure Letters of Credit and collateral against repayment on borrowings. Also included in restricted cash is the retention fee on purchase of Visafone Communications Limited. It also includes the placement of minimum capital with Central Bank of Nigeria (CBN) for Payment Service Bank license.

### 25. Cash and cash equivalents

Cash and cash equivalents consist of:

|                     |                   |                   |                    |                   |                   |                    |
|---------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| Bank balances       | 25,811,748        | 28,764,964        | 41,419,033         | 25,606,185        | 28,246,974        | 41,096,049         |
| Short-term deposits | 27,200,000        | 60,800,000        | 104,950,000        | 27,200,000        | 60,800,000        | 104,950,000        |
|                     | <b>53,011,748</b> | <b>89,564,964</b> | <b>146,369,033</b> | <b>52,806,185</b> | <b>89,046,974</b> | <b>146,046,049</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 26. Share capital

#### Authorised

|                                                  | Group          |                |                | Company        |                |                |
|--------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                  | 2018<br>N '000 | 2017<br>N '000 | 2016<br>N '000 | 2018<br>N '000 | 2017<br>N '000 | 2016<br>N '000 |
| 500,000,000 ordinary shares of N1 each           | 500,000        | 500,000        | 500,000        | 500,000        | 500,000        | 500,000        |
| 4,500,000 "B" ordinary shares of N1 each         | 4,500          | 4,500          | 4,500          | 4,500          | 4,500          | 4,500          |
| 402,590,263 preference shares of US\$0.005c each | 239,420        | 239,420        | 239,420        | 239,420        | 239,420        | 239,420        |
|                                                  | <b>743,920</b> | <b>743,920</b> | <b>743,920</b> | <b>743,920</b> | <b>743,920</b> | <b>743,920</b> |

#### Issued and fully paid

|                                                                                   |                |                |                |                |                |                |
|-----------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 402,590,263(December 2017 :402,590,263)<br>ordinary shares of N1 each             | 402,590        | 402,590        | 402,590        | 402,590        | 402,590        | 402,590        |
| 4,500,000 (December 2017 :4,500,000 ) "B"<br>ordinary shares of N 1 each          | 4,500          | 4,500          | 4,500          | 4,500          | 4,500          | 4,500          |
| 402,590,263 (December 2017 :402,590,263)<br>preference shares of US\$ 0.005c each | 239,420        | 239,420        | 239,420        | 239,420        | 239,420        | 239,420        |
|                                                                                   | <b>646,510</b> | <b>646,510</b> | <b>646,510</b> | <b>646,510</b> | <b>646,510</b> | <b>646,510</b> |

The 'B' ordinary shares were issued to MTN International (Mauritius) Limited in 2006, and carry the same rights and privileges as the ordinary shares.

There are no restriction, rights and preferences including restrictions on dividend distributions attached to ordinary shares.

The preference shares are redeemable preference shares.

### 27. Share premium

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

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 28. Borrowings

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

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 28. Borrowings (continued)

| Unsecured                         | Group                      | Company                    | Denominated currency | Description of borrowing                                | Type of interest charged | Effective interest | Remaining repayment details     |
|-----------------------------------|----------------------------|----------------------------|----------------------|---------------------------------------------------------|--------------------------|--------------------|---------------------------------|
|                                   | 31 December 2017<br>N '000 | 31 December 2017<br>N '000 |                      |                                                         |                          | %                  |                                 |
|                                   | 125,641,792                | 125,641,792                | NGN                  | Local Syndicated Facility                               | Floating                 | 21.44              | 4 equal semi-annual instalments |
|                                   | 14,650,616                 | 14,650,616                 | USD                  | Chinese syndicated equipment finance (G)                | Floating                 | 4.50               | 5 equal semi-annual instalments |
|                                   | 29,398,289                 | 29,398,289                 | USD                  | RMB foreign currency facility (E)                       | Floating                 | 4.41               | 3 equal semi-annual instalments |
|                                   | 17,668,179                 | 17,668,179                 | USD                  | KfW equipment finance (F1 & F3)                         | Floating                 | 2.51               | 4 equal semi-annual instalments |
|                                   | 11,778,786                 | 11,778,786                 | USD                  | KfW equipment finance (F2)                              | Fixed                    | 1.67               | 4 equal semi-annual instalments |
|                                   | 25,028,387                 | 25,028,387                 | USD                  | Credit Suisse (Buyer's Credit Facility)                 | Floating                 | 7.18               | 8 equal semi-annual instalments |
|                                   | 27,038,924                 | 27,038,924                 | USD                  | KfW/Citi Bank (Buyer's Credit Facility)                 | Floating                 | 2.61               | 9 equal semi-annual instalments |
|                                   | 4,160,170                  | 4,160,170                  | USD                  | Import and Trade Finance (Usance) line with local banks | Floating                 | 6.92               | 6 months revolving              |
| <b>Total unsecured borrowings</b> | <b>255,365,143</b>         | <b>255,365,143</b>         |                      |                                                         |                          |                    |                                 |

| Unsecured                         | Group                      | Company                    | Denominated currency | Description of borrowing                 | Type of interest charged | Effective interest | Remaining repayment details     |
|-----------------------------------|----------------------------|----------------------------|----------------------|------------------------------------------|--------------------------|--------------------|---------------------------------|
|                                   | 31 December 2016<br>N '000 | 31 December 2016<br>N '000 |                      |                                          |                          | %                  |                                 |
|                                   | 188,238,335                | 188,238,335                | NGN                  | Local currency facility                  | Floating                 | 20.34              | 6 equal semi-annual instalments |
|                                   | 18,562,393                 | 18,562,393                 | USD                  | Chinese syndicated equipment finance (G) | Floating                 | 4.02               | 6 equal semi-annual instalments |
|                                   | 43,650,543                 | 43,650,543                 | USD                  | RMB foreign currency facility (E)        | Floating                 | 4.61               | 5 equal semi-annual instalments |
|                                   | 23,631,807                 | 23,631,807                 | USD                  | KfW equipment finance (F1 & F3)          | Floating                 | 2.25               | 6 equal semi-annual instalments |
|                                   | 15,754,538                 | 15,754,538                 | USD                  | KfW equipment finance (F2)               | Fixed                    | 1.67               | 7 equal semi-annual instalments |
| <b>Total unsecured borrowings</b> | <b>289,837,616</b>         | <b>289,837,616</b>         |                      |                                          |                          |                    |                                 |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 28. Borrowings (continued)

|                                                                                               | Group              |                    |                          | Company            |                    |                          |
|-----------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------------|--------------------|--------------------|--------------------------|
|                                                                                               | 2018<br>N '000     | 2017<br>N '000     | 1 January 2017<br>N '000 | 2018<br>N '000     | 2017<br>N '000     | 1 January 2017<br>N '000 |
| The maturity of the loan is as follows:                                                       |                    |                    |                          |                    |                    |                          |
| Payable within one year (included in current liabilities)                                     | 143,875,889        | 119,820,228        | 100,054,289              | 143,875,889        | 119,820,228        | 100,054,289              |
| More than one year but not exceeding two years                                                | 12,762,693         | 107,393,556        | 97,759,207               | 12,762,693         | 107,393,556        | 97,759,207               |
| More than two years but not exceeding five years                                              | 18,675,656         | 28,151,359         | 92,024,120               | 18,675,656         | 28,151,359         | 92,024,120               |
| <b>Amounts included in non-current liabilities</b>                                            | <b>31,438,349</b>  | <b>135,544,915</b> | <b>189,783,327</b>       | <b>31,438,349</b>  | <b>135,544,915</b> | <b>189,783,327</b>       |
| The Company has the following undrawn facilities:                                             |                    |                    |                          |                    |                    |                          |
| Floating rate                                                                                 | 14,573,480         | 212,075,477        | 47,250,000               | 14,573,480         | 212,075,477        | 47,250,000               |
| Fixed rate                                                                                    | -                  | 38,247,982         | -                        | -                  | 38,247,982         | -                        |
|                                                                                               | <b>14,573,480</b>  | <b>250,323,459</b> | <b>47,250,000</b>        | <b>14,573,480</b>  | <b>250,323,459</b> | <b>47,250,000</b>        |
| The carrying amounts of the Company's borrowings are denominated in the following currencies: |                    |                    |                          |                    |                    |                          |
| US Dollar                                                                                     | 85,289,168         | 129,723,351        | 101,599,281              | 85,289,168         | 129,723,351        | 101,599,281              |
| Nigerian Naira                                                                                | 90,025,070         | 125,641,792        | 188,238,335              | 90,025,070         | 125,641,792        | 188,238,335              |
|                                                                                               | <b>175,314,238</b> | <b>255,365,143</b> | <b>289,837,616</b>       | <b>175,314,238</b> | <b>255,365,143</b> | <b>289,837,616</b>       |

### 28.1 Borrowings reconciliation

|                               |                    |                    |                    |                    |                    |                    |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Balance at 1 January</b>   | 255,365,143        | 289,837,616        | 336,800,014        | 255,365,143        | 289,837,616        | 336,800,014        |
| Drawdown                      | 136,339,156        | 50,516,108         | -                  | 136,339,156        | 50,516,108         | -                  |
| Repayment                     | (216,275,998)      | (106,889,704)      | (91,943,983)       | (216,275,998)      | (106,889,704)      | (91,943,983)       |
| Prepaid borrowing cost        | 512,722            | -                  | -                  | 512,722            | -                  | -                  |
| Accrued interest              | (1,237,813)        | 1,428,628          | 1,573,411          | (1,237,813)        | 1,428,628          | 1,573,411          |
| Revaluation loss              | 611,028            | 20,472,495         | 43,408,174         | 611,028            | 20,472,495         | 43,408,174         |
| <b>Balance at 31 December</b> | <b>175,314,238</b> | <b>255,365,143</b> | <b>289,837,616</b> | <b>175,314,238</b> | <b>255,365,143</b> | <b>289,837,616</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 28. Borrowings (continued)

#### 28.2 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** - This is a N329.25 billion local currency term loan maturing November 2019. It is a variable interest loan, linked to average 3-Month NIBOR plus a margin of 1%. The total of amount has been drawn, with the balance of N47.25 billion drawn in March 2018. The loan is repayable in nine (9) equal semi-annual instalments from November 2015 to November 2019.

As at 31 December 2018, the outstanding principal balance on the facility is N86.29 billion.

**Local Facility 2** - This is a N200 billion local currency term loan maturing in 2019. It is a variable interest loan, linked to average 3-Month NIBOR plus a margin of 1.5%.

As at 31 December 2018, the total amount of N200 billion is yet to be drawn.

**Foreign Facility E** - USD 280 million International Syndicated Commercial Loan. The facility is in the form of a foreign currency term loan with a seven-year tenor which was agreed with a consortium of foreign lenders with FirstRand Bank Ltd as the principal lender (and Lenders' Agent). The Facility has been fully drawn, USD 100 million in July and USD 180 million in October 2013. Repayment, in 10 equal semi-annual instalments, commenced in October 2014. Facility E is also a variable interest loan, linked to 6-Month LIBOR, plus a margin of 2.85%.

The outstanding balance as at 31 December 2018 is USD 28 million.

**Foreign Facility F** - USD 300 million Export Credit Agency Backed Facility from KfW-IPEX Bank. This is a Medium Term Facility from KfW-Ipex Bank of Germany ("KfW"). The facility is in three tranches (F1, F2 and F3) of USD 118 million, USD 100 million and USD 82 million, respectively:

Facility F1 and F3- The combined amount is USD 200 million with thirteen (13) and eleven (11) equal principal repayments, respectively. F1 and F3 are variable interest loan facilities linked to the 6-Month LIBOR plus a 1.05% margin. The principal repayment of F1 commenced in August 2013, while that of F3 commenced August, 2014.

As at 31 December 2018 the outstanding amounts for F1 and F3 are USD 18.15 million and USD 7.29 million respectively.

Facility F2- A Swedish Export Credit Agency \ KfW Buyer's Credit Facility for USD 100 million at a fixed interest rate. A full draw down of F2 was made in 2014. The principal repayment is in twelve (12) equal semi-annual instalments and this commenced in February 2014. F2 was agreed at a fixed interest rate of 1.67%.

The F2 outstanding balance as at 31 December 2018 is USD 16.67 million.

**Foreign Facility G** - USD 300 million Chinese Banks' Syndicated Buyers Credit Facility. This is a variable interest Medium Term Facility from a syndicate of three Chinese Banks which was agreed in April 2013. A total of USD 85.05 million was drawn on the Facility. The principal repayment of ten (10) equal instalments commenced in July 2015. The interest rate is linked to the 6-Month LIBOR plus a margin of 3.04%.

As at 31 December 2018, Facility G has an outstanding balance of USD 25.51 million.

**Foreign Facility H** - USD 329 million Export Credit Agency Backed Facility from KfW-IPEX Bank and Citibank. This is a Medium Term Facility from KfW-Ipex Bank of Germany ("KfW") and Citibank London Branch. The facility is in three tranches (H1, H2 and H3) of USD 103 million, USD 106 million and USD 120 million, respectively:

A total drawdown of USD 87.6 million has been made on H1 as at 31 December 2018 while the availability periods for drawing on both H2 and H3 has expired. Facility H1 and H2 have 10 equal principal repayments which commenced September 2017. Facility H3 is designed to have 9 equal instalments, commencing March 2018. H1 and H3 are variable interest loan facilities linked to the 6-Month LIBOR plus a 1.15% margin, while H2 is a fixed interest rate loan at 2.18% p.a.

The outstanding balance as at 31 December 2018 is USD 59.9 million.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 28. Borrowings (continued)

**Foreign Facility J** – This contains Facilities J and J1 in the sum of USD 30 million and USD 84 million, respectively. J is a Buyer's Credit Facility from Credit Suisse AG, London Branch while J1 is a Chinese Banks' Syndicated Buyer's 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 USD 57.32 million has been drawn on J1. The two Facilities are repayable in 8 equal instalments commencing August 2018.

As at 31 December 2018, both J and J1 have a combined outstanding balance of USD 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.

### 29. Trade and other payables

|                                  | Group              |                      |                      | Company            |                      |                      |
|----------------------------------|--------------------|----------------------|----------------------|--------------------|----------------------|----------------------|
|                                  | 2018               | 2017                 | 1 January 2017       | 2018               | 2017                 | 1 January 2017       |
|                                  | N '000             | Restated *<br>N '000 | Restated *<br>N '000 | N '000             | Restated *<br>N '000 | Restated *<br>N '000 |
| Trade payables                   | 18,607,909         | 28,214,501           | 75,656,793           | 17,698,675         | 25,150,640           | 71,552,104           |
| Trade payables - related parties | 39,652,033         | 28,229,643           | 46,683,357           | 39,652,033         | 28,229,643           | 46,683,357           |
| Sundry payables                  | 1,229,176          | 1,876,507            | 1,906,924            | 1,121,150          | 1,768,480            | 1,798,897            |
| Other accrued expenses           | 140,869,024        | 171,486,861          | 112,107,680          | 139,927,596        | 170,673,360          | 111,074,846          |
| Other payables                   | 13,357,067         | 16,183,701           | 19,213,116           | 12,655,547         | 15,694,555           | 18,853,517           |
|                                  | <b>213,715,209</b> | <b>245,991,213</b>   | <b>255,567,870</b>   | <b>211,055,001</b> | <b>241,516,678</b>   | <b>249,962,721</b>   |

### 30. Regulatory fine liability

|                        |               |               |              |               |               |              |
|------------------------|---------------|---------------|--------------|---------------|---------------|--------------|
| Balance at 1 January   | 192,775,764   | 197,062,911   | 275,073,747  | 192,775,764   | 197,062,911   | 275,073,747  |
| Reversal for the year  | -             | -             | (20,383,675) | -             | -             | (20,383,675) |
| Time value accretion   | 22,352,019    | 25,712,853    | 22,372,839   | 22,352,019    | 25,712,853    | 22,372,839   |
| Payment                | (110,000,000) | (30,000,000)  | (80,000,000) | (110,000,000) | (30,000,000)  | -            |
| Balance at 31 December | 105,127,783   | 192,775,764   | 197,062,911  | 105,127,783   | 192,775,764   | 197,062,911  |
| Current portion        | (105,127,783) | (101,119,141) | (29,002,060) | (105,127,783) | (101,119,141) | (29,002,060) |
| Non-current portion    | -             | 91,656,623    | 168,060,851  | -             | 91,656,623    | 168,060,851  |

### 31. Contract acquisition costs

|                       |                  |                  |                  |                  |                  |                  |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Opening balance       | 3,411,568        | 4,314,693        | -                | 3,411,568        | 4,314,693        | -                |
| Additions             | 2,830,395        | 1,674,739        | 11,037,129       | 2,830,395        | 1,674,739        | 11,037,129       |
| Amortised in the year | (2,475,915)      | (2,577,864)      | (6,722,436)      | (2,475,915)      | (2,577,864)      | (6,722,436)      |
| Net book value        | <b>3,766,048</b> | <b>3,411,568</b> | <b>4,314,693</b> | <b>3,766,048</b> | <b>3,411,568</b> | <b>4,314,693</b> |

\* See note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

|  | Group  |            |                | Company |            |                |
|--|--------|------------|----------------|---------|------------|----------------|
|  | 2018   | 2017       | 1 January 2017 | 2018    | 2017       | 1 January 2017 |
|  |        | Restated * | Restated *     |         | Restated * | Restated *     |
|  | N '000 | N '000     | N '000         | N '000  | N '000     | N '000         |

### 32. Contract liabilities (continued)

#### 32. Contract liabilities

|                      |                   |                   |                   |                   |                   |                   |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contract liabilities | 42,738,547        | 35,532,093        | 38,345,203        | 42,684,874        | 35,489,217        | 38,309,068        |
|                      | <b>42,738,547</b> | <b>35,532,093</b> | <b>38,345,203</b> | <b>42,684,874</b> | <b>35,489,217</b> | <b>38,309,068</b> |

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 for 31 December 2018 is N33.9 billion (31 December 2017 N34.4 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.

### 33. Provisions

#### Reconciliation of provisions - Group - 2018

|                           | At beginning of year | Additions         | Utilised during the year | Reversed during the year | At end of year    |
|---------------------------|----------------------|-------------------|--------------------------|--------------------------|-------------------|
|                           | N '000               | N '000            | N '000                   | N '000                   | 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        |
|                           | <b>13,262,957</b>    | <b>19,564,818</b> | <b>(9,299,761)</b>       | <b>(2,102,884)</b>       | <b>21,425,130</b> |

#### Reconciliation of provisions - Group - 2017

|                           | At beginning of year | Additions         | Utilised during the year | Reversed during the year | At end of year    |
|---------------------------|----------------------|-------------------|--------------------------|--------------------------|-------------------|
|                           | N '000               | N '000            | N '000                   | N '000                   | N '000            |
| Restructuring provision   | 1,259,862            | 950,396           | (2,093,756)              | -                        | 116,502           |
| Decommissioning provision | 210,196              | 58,704            | (197,298)                | (1,554)                  | 70,048            |
| Litigation provision      | 740,020              | 2,421,604         | -                        | -                        | 3,161,624         |
| Bonus provision           | 2,666,294            | 2,615,801         | (2,071,091)              | -                        | 3,211,004         |
| Other provisions          | 7,860,088            | 7,686,517         | (4,810,711)              | (4,032,115)              | 6,703,779         |
|                           | <b>12,736,460</b>    | <b>13,733,022</b> | <b>(9,172,856)</b>       | <b>(4,033,669)</b>       | <b>13,262,957</b> |

\* see note 5

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Notes to the consolidated and separate financial statements

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#### 33. Provisions (continued)

##### Reconciliation of provisions - Group - 2016

|                           | At beginning<br>of year | Additions         | Utilised<br>during the<br>year | Reversed<br>during the<br>year | At end of year    |
|---------------------------|-------------------------|-------------------|--------------------------------|--------------------------------|-------------------|
|                           | N '000                  | N '000            | N '000                         | N '000                         | N '000            |
| Restructuring provision   | 872,699                 | 1,252,666         | (865,503)                      | -                              | 1,259,862         |
| Decommissioning provision | 38,797                  | 171,630           | (231)                          | -                              | 210,196           |
| Litigation provision      | 740,020                 | -                 | -                              | -                              | 740,020           |
| Bonus provision           | 2,652,608               | 2,667,014         | (201,634)                      | (2,451,694)                    | 2,666,294         |
| NCC fine provision        | 275,073,747             | 7,826,416         | (50,000,000)                   | (232,900,163)                  | -                 |
| Other provisions          | 14,459,419              | 2,185,577         | (144,835)                      | (8,640,073)                    | 7,860,088         |
|                           | <b>293,837,290</b>      | <b>14,103,303</b> | <b>(51,212,203)</b>            | <b>(243,991,930)</b>           | <b>12,736,460</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 33. Provisions (continued)

#### Reconciliation of provisions - Company - 2018

|                           | At the beginning of the year<br>N '000 | Additions<br>N '000 | Utilised during the year<br>N '000 | Reversed during the year<br>N '000 | At end of year<br>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               |
|                           | <b>13,262,957</b>                      | <b>19,564,818</b>   | <b>(9,299,761)</b>                 | <b>(2,102,884)</b>                 | <b>21,425,130</b>        |

#### Reconciliation of provisions - Company - 2017

|                           | At beginning of year<br>N '000 | Additions<br>N '000 | Utilised during the year<br>N '000 | Reversed during the year<br>N '000 | At end of year<br>N '000 |
|---------------------------|--------------------------------|---------------------|------------------------------------|------------------------------------|--------------------------|
| Restructuring provision   | 1,259,862                      | 950,396             | (2,093,756)                        | -                                  | 116,502                  |
| Decommissioning provision | 210,196                        | 58,704              | (197,298)                          | (1,554)                            | 70,048                   |
| Litigation provision      | 740,020                        | 2,421,604           | -                                  | -                                  | 3,161,624                |
| Bonus provision           | 2,666,294                      | 2,615,801           | (2,071,091)                        | -                                  | 3,211,004                |
| Other provisions          | 7,860,088                      | 7,686,517           | (4,810,711)                        | (4,032,115)                        | 6,703,779                |
|                           | <b>12,736,460</b>              | <b>13,733,022</b>   | <b>(9,172,856)</b>                 | <b>(4,033,669)</b>                 | <b>13,262,957</b>        |

#### Reconciliation of provisions - Company - 2016

|                           | At beginning of year<br>N '000 | Additions<br>N '000 | Utilised during the year<br>N '000 | Reversed during the year<br>N '000 | At end of year<br>N '000 |
|---------------------------|--------------------------------|---------------------|------------------------------------|------------------------------------|--------------------------|
| Restructuring provision   | 872,699                        | 1,252,666           | (865,503)                          | -                                  | 1,259,862                |
| Decommissioning provision | 38,797                         | 171,630             | (231)                              | -                                  | 210,196                  |
| Litigation provision      | 740,020                        | -                   | -                                  | -                                  | 740,020                  |
| Bonus provision           | 2,652,608                      | 2,667,014           | (201,634)                          | (2,451,694)                        | 2,666,294                |
| NCC fine provision        | 275,073,747                    | 7,826,416           | (50,000,000)                       | (232,900,163)                      | -                        |
| Other provisions          | 14,459,419                     | 2,185,577           | (144,835)                          | (8,640,073)                        | 7,860,088                |
|                           | <b>293,837,290</b>             | <b>14,103,303</b>   | <b>(51,212,203)</b>                | <b>(243,991,930)</b>               | <b>12,736,460</b>        |

|                         | Group             |                   |                   | Company           |                   |                   |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                         | 2018<br>N '000    | 2017<br>N '000    | 2016<br>N '000    | 2018<br>N '000    | 2017<br>N '000    | 2016<br>N '000    |
| Non-current liabilities | 65,934            | 70,048            | 210,196           | 65,934            | 70,048            | 210,196           |
| Current liabilities     | 21,359,196        | 13,192,909        | 12,526,264        | 21,359,196        | 13,192,909        | 12,526,264        |
|                         | <b>21,425,130</b> | <b>13,262,957</b> | <b>12,736,460</b> | <b>21,425,130</b> | <b>13,262,957</b> | <b>12,736,460</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

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### 33. Provisions (continued)

#### 33.1 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.

#### 33.2 Decommissioning provision

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the item and site on which the item is located to its original condition.

#### 33.3 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.

#### 33.4 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 etc. Timing is dependent on the outcome of court judgements in respect of the litigation.

#### 33.5 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 recognised provisions in respect of these matters based on estimates and the probability of an outflow of economic benefits. BTS sites installation fees payable to different state governments and government agencies is included in other provisions.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 34. Deferred tax

| Group                                                                       | At beginning of year | Recognised in income statement | Prior year reclass | Arising on consolidation | At end of year       |
|-----------------------------------------------------------------------------|----------------------|--------------------------------|--------------------|--------------------------|----------------------|
| Non-current assets                                                          | N '000               | N '000                         | N '000             | N '000                   | N '000               |
| <b>31 December 2017</b>                                                     |                      |                                |                    |                          |                      |
| Temporary difference from provisions and unrealised foreign exchange losses | 8,413,187            | 17,240,152                     | -                  | -                        | 25,653,339           |
| <b>Total deferred tax asset</b>                                             | <b>8,413,187</b>     | <b>17,240,152</b>              | <b>-</b>           | <b>-</b>                 | <b>25,653,339</b>    |
| <b>31 December 2018</b>                                                     |                      |                                |                    |                          |                      |
| Temporary difference from provisions and unrealised foreign exchange losses | 25,653,339           | (25,653,339)                   | -                  | -                        | -                    |
| <b>Total deferred tax asset</b>                                             | <b>25,653,339</b>    | <b>(25,653,339)</b>            | <b>-</b>           | <b>-</b>                 | <b>-</b>             |
| <b>Non-current Liabilities</b>                                              |                      |                                |                    |                          |                      |
| <b>31 December 2017</b>                                                     |                      |                                |                    |                          |                      |
| Arising due to fair value adjustment on business combination                | (12,074,733)         | -                              | -                  | 1,509,342                | (10,565,391)         |
| Temporary differences from fixed asset                                      | (90,421,096)         | (11,843,411)                   | -                  | -                        | (102,264,507)        |
| <b>Total deferred tax liability</b>                                         | <b>(102,495,829)</b> | <b>(11,843,411)</b>            | <b>-</b>           | <b>1,509,342</b>         | <b>(112,829,898)</b> |
| <b>31 December 2018</b>                                                     |                      |                                |                    |                          |                      |
| 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)        |
| <b>Total deferred tax liability</b>                                         | <b>(112,829,898)</b> | <b>2,054,538</b>               | <b>-</b>           | <b>1,509,341</b>         | <b>(109,266,019)</b> |
| <b>Net deferred tax liability</b>                                           |                      |                                |                    |                          |                      |
| <b>31 December 2017</b>                                                     | <b>(94,082,642)</b>  | <b>5,396,741</b>               | <b>-</b>           | <b>1,509,342</b>         | <b>(87,176,559)</b>  |
| <b>31 December 2018</b>                                                     | <b>(87,176,559)</b>  | <b>(23,598,801)</b>            | <b>-</b>           | <b>1,509,341</b>         | <b>(109,266,019)</b> |
| <b>Company</b>                                                              |                      |                                |                    |                          |                      |
| Non-current assets                                                          | 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               |
| <b>31 December 2017</b>                                                     |                      |                                |                    |                          |                      |
| Temporary difference from provisions and unrealised foreign exchange losses | 8,413,187            | 17,240,152                     | -                  | -                        | 25,653,339           |
| <b>Total deferred tax asset</b>                                             | <b>8,413,187</b>     | <b>17,240,152</b>              | <b>-</b>           | <b>-</b>                 | <b>25,653,339</b>    |
| <b>31 December 2018</b>                                                     |                      |                                |                    |                          |                      |
| Temporary difference from provisions and unrealised foreign exchange losses | 25,653,339           | (25,653,339)                   | -                  | -                        | -                    |
| <b>Total deferred tax asset</b>                                             | <b>25,653,339</b>    | <b>(25,653,339)</b>            | <b>-</b>           | <b>-</b>                 | <b>-</b>             |
| <b>Non-current Liabilities</b>                                              |                      |                                |                    |                          |                      |
| <b>31 December 2017</b>                                                     |                      |                                |                    |                          |                      |
| Temporary differences from fixed asset                                      | (90,402,524)         | (11,843,411)                   | -                  | -                        | (102,245,935)        |
| <b>Total deferred tax liability</b>                                         | <b>(90,402,524)</b>  | <b>(11,843,411)</b>            | <b>-</b>           | <b>-</b>                 | <b>(102,245,935)</b> |
| <b>31 December 2018</b>                                                     |                      |                                |                    |                          |                      |
| Temporary differences from fixed asset                                      | (102,245,935)        | 2,054,539                      | -                  | -                        | (100,191,396)        |
| <b>Total deferred tax liability</b>                                         | <b>(102,245,935)</b> | <b>2,054,539</b>               | <b>-</b>           | <b>-</b>                 | <b>(100,191,396)</b> |
| <b>Net deferred tax liability</b>                                           |                      |                                |                    |                          |                      |
| <b>31 December 2017</b>                                                     | <b>(81,989,337)</b>  | <b>5,396,741</b>               | <b>-</b>           | <b>-</b>                 | <b>(76,592,596)</b>  |
| <b>31 December 2018</b>                                                     | <b>(76,592,596)</b>  | <b>(23,598,800)</b>            | <b>-</b>           | <b>-</b>                 | <b>(100,191,396)</b> |

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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 35. Capital commitments

|                                                                            | Group              |                    | Company            |                    |
|----------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                            | 2018<br>N '000     | 2017<br>N '000     | 2018<br>N '000     | 2017<br>N '000     |
| Commitments for the acquisition of property, plant, equipment and software |                    |                    |                    |                    |
| Contracted but not provided for                                            | 89,119,572         | 20,856,690         | 89,119,572         | 20,856,690         |
| Authorised but not contracted for                                          | 86,251,509         | 142,407,129        | 86,251,509         | 142,407,129        |
| <b>Total commitments for property, plant, equipment and software</b>       | <b>175,371,081</b> | <b>163,263,819</b> | <b>175,371,081</b> | <b>163,263,819</b> |

Capital expenditure will be funded from operating cash flows and where necessary by raising additional facilities.

### 36. Operating leases expense

|                                 |                    |                    |                    |                    |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Site build operating lease      | 233,023,799        | 203,126,032        | 233,023,799        | 203,126,032        |
| Rent and utilities- non-network | 1,960,762          | 1,624,428          | 1,960,762          | 1,624,428          |
| Operating leases- equipment     | 245,256            | (1,126)            | 245,256            | (1,126)            |
|                                 | <b>235,229,817</b> | <b>204,749,334</b> | <b>235,229,817</b> | <b>204,749,334</b> |

Site build operating lease expense is included in direct network operating costs while rent and utilities- non-network and equipment operating leases expenses are included in other operating expenses.

#### 36.1 Operating lease commitments

At the year end the Group had outstanding operating leases commitments which fall due as follows:

|                      | Cancellable       |                   | Non-cancellable      |                      |
|----------------------|-------------------|-------------------|----------------------|----------------------|
|                      | 2018<br>N '000    | 2017<br>N '000    | 2018<br>N '000       | 2017<br>N '000       |
| Less than one year   | 15,639,023        | 13,875,188        | 245,682,028          | 182,318,607          |
| One to five years    | 50,815,860        | 55,500,752        | 982,728,112          | 703,552,771          |
| More than five years | -                 | 3,468,797         | 1,409,913,664        | 1,216,213,050        |
|                      | <b>66,454,883</b> | <b>72,844,737</b> | <b>2,638,323,804</b> | <b>2,102,084,428</b> |

The Group has lease agreements relating to the use of certain space on telecommunications towers under non-cancellable/cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Penalties are chargeable on certain leases should they be cancelled before the end of the agreement.

### 37. Current tax payable

|                                              | Group             |                              |                                        | Company           |                              |                                        |
|----------------------------------------------|-------------------|------------------------------|----------------------------------------|-------------------|------------------------------|----------------------------------------|
|                                              | 2018<br>N '000    | 2017<br>Restated *<br>N '000 | 1 January 2017<br>Restated *<br>N '000 | 2018<br>N '000    | 2017<br>Restated *<br>N '000 | 1 January 2017<br>Restated *<br>N '000 |
| Opening balance                              | 25,996,641        | 52,806,752                   | 83,344,103                             | 25,451,993        | 52,599,814                   | 83,313,601                             |
| Provisions for the year - company income tax | 46,659,079        | 30,064,744                   | 41,572,826                             | 46,403,534        | 29,549,556                   | 41,396,390                             |
| Provisions for the year - education tax      | 6,908,057         | 5,812,374                    | 5,870,543                              | 6,891,950         | 5,812,374                    | 5,870,543                              |
| Provisions for the year - capital gains tax  | 38                | 2,605                        | -                                      | 38                | 2,605                        | -                                      |
| Impact of IFRS 15 adjustments                | -                 | 267,874                      | -                                      | -                 | 267,874                      | -                                      |
| Penalty for late filing                      | 115               | -                            | -                                      | -                 | -                            | -                                      |
| Tax paid                                     | (21,269,927)      | (58,876,361)                 | (80,258,773)                           | (20,955,224)      | (58,698,883)                 | (80,258,773)                           |
| Withholding tax credit                       | (3,825,060)       | (1,658,836)                  | (3,704,628)                            | (3,825,060)       | (1,658,836)                  | (3,704,628)                            |
| Reclassification                             | (337,507)         | (444)                        | 4,317,673                              | (299,697)         | (444)                        | 4,317,673                              |
| Prior year (over)/under provision            | -                 | (2,422,067)                  | 1,665,008                              | -                 | (2,422,067)                  | 1,665,008                              |
| <b>Closing balance</b>                       | <b>54,131,436</b> | <b>25,996,641</b>            | <b>52,806,752</b>                      | <b>53,667,534</b> | <b>25,451,993</b>            | <b>52,599,814</b>                      |

\* see note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

|                                                                      | Group              |                      | Company            |                      |
|----------------------------------------------------------------------|--------------------|----------------------|--------------------|----------------------|
|                                                                      | 2018               | 2017                 | 2018               | 2017                 |
|                                                                      | N '000             | Restated *<br>N '000 | N '000             | Restated *<br>N '000 |
| <b>38. Cash generated from operations</b>                            |                    |                      |                    |                      |
| Profit before taxation                                               | 221,342,648        | 107,889,668          | 225,524,876        | 111,325,657          |
| <b>Adjustments for:</b>                                              |                    |                      |                    |                      |
| Finance costs                                                        | 67,339,468         | 131,542,282          | 67,339,468         | 131,542,057          |
| Interest income                                                      | (22,568,339)       | (43,503,203)         | (21,910,265)       | (43,503,188)         |
| Depreciation                                                         | 141,162,479        | 123,817,906          | 141,162,479        | 123,817,906          |
| Amortisation of intangible assets                                    | 26,700,181         | 26,648,659           | 21,346,862         | 21,295,339           |
| Amortisation of contract cost                                        | 2,475,915          | 2,577,864            | 2,475,915          | 2,577,864            |
| Fixed assets written off                                             | 447                | 628,462              | 447                | 628,462              |
| Profit on disposals of property, plant and equipment                 | (456,858)          | (434,384)            | (456,858)          | (434,384)            |
| Impairment/(Reversal of impairment) of property, plant and equipment | 758,926            | (718,535)            | 758,926            | (718,535)            |
| Impairment losses recognised on initial application of IFRS 9        | (82,348)           | -                    | (82,348)           | -                    |
| Bad debts written off/(reversal of bad debts written off)            | 7,746,898          | (2,520)              | 7,746,898          | (2,520)              |
| (Writeback of impairment)/Impairment of trade receivables            | (8,757,923)        | 5,595,982            | (8,962,844)        | 5,595,982            |
| (Writeback of impairment)/Impairment of other receivables            | (268,139)          | 5,499                | (268,139)          | 5,499                |
| Impairment of inventory                                              | 2,277,878          | 2,658,933            | 2,277,878          | 2,658,933            |
| Loss on sale of assets held for sale                                 | 174                | -                    | 174                | -                    |
| Movements in provisions                                              | 8,164,582          | 654,689              | 8,164,582          | 654,689              |
| Loss/(gain) on fair valuation of derivative                          | 69,825             | (55,673)             | 69,825             | (55,673)             |
| <b>Changes in working capital:</b>                                   |                    |                      |                    |                      |
| Decrease in inventories                                              | 1,913,255          | 771,594              | 1,913,259          | 771,593              |
| Increase in trade and other receivables                              | (4,426,546)        | (18,236,610)         | (4,894,151)        | (18,165,231)         |
| (Increase)/decrease in prepayments                                   | (2,043,769)        | 2,651,665            | (2,043,769)        | 2,651,665            |
| Decrease in trade and other payables                                 | (11,066,587)       | (54,708,283)         | (9,252,263)        | (53,228,069)         |
| increase/(decrease) in contract liabilities                          | 7,206,454          | (2,813,110)          | 7,195,657          | (2,819,851)          |
|                                                                      | <b>437,488,621</b> | <b>284,970,885</b>   | <b>438,106,609</b> | <b>284,598,195</b>   |

### 39. Contingencies

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 N22.71 billion (2017: N19.18 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.

### 40. Earnings per share

#### Basic earnings per share

The Group's Earnings per share of N357.87 ( 31 December 2017 : N199.15) is based on the profit for the year of N145.69 billion (31 December 2017 : N81.07 billion) and on 407,090,263 ordinary shares in issue at the end of the year (31 December 2017 : 407,090,263).

The Company's Earnings per share of N365.10 ( 31 December 2017 : N205.14) is based on the profit for the year of N148.63 billion (31 December 2017 : N83.51 billion) and on 407,090,263 ordinary shares in issue at the end of the year (31 December 2017 : 407,090,263).

Interim dividend of N38.61 billion (N94.85 per share) for the year ended 31 December 2018 (31 December 2017 : N50 billion) was fully paid.

The Group has no potential dilutive shares as the issued preference shares are not convertible.

\* See Note 5

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 41. 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<br>31 December 2018      | United States<br>Dollar<br>N '000 | British Pound<br>Sterling<br>N '000 | Euro<br>N '000   | South African<br>Rand<br>N '000 | Total<br>N '000    |
|--------------------------------|-----------------------------------|-------------------------------------|------------------|---------------------------------|--------------------|
| <b>Assets</b>                  |                                   |                                     |                  |                                 |                    |
| <b>Current assets</b>          |                                   |                                     |                  |                                 |                    |
| 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         |
| <b>Liabilities</b>             |                                   |                                     |                  |                                 |                    |
| <b>Current liabilities</b>     |                                   |                                     |                  |                                 |                    |
| 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        |
| <b>Non-current liabilities</b> |                                   |                                     |                  |                                 |                    |
| Borrowings                     | 32,536,488                        | -                                   | -                | -                               | 32,536,488         |
|                                | 32,536,488                        | -                                   | -                | -                               | 32,536,488         |
| <b>Total liabilities</b>       | <b>177,898,559</b>                | <b>37,648</b>                       | <b>3,846,617</b> | <b>54,932</b>                   | <b>181,837,756</b> |
| <b>31 December 2017</b>        |                                   |                                     |                  |                                 |                    |
| <b>Assets</b>                  |                                   |                                     |                  |                                 |                    |
| <b>Current assets</b>          |                                   |                                     |                  |                                 |                    |
| Trade and other receivables    | 6,046,571                         | -                                   | 16,379           | -                               | 6,062,950          |
| Current investments            | 9,543,790                         | -                                   | -                | -                               | 9,543,790          |
| Restricted cash                | 12,993,970                        | -                                   | -                | -                               | 12,993,970         |
| Cash and cash equivalents      | 970,166                           | 2,315                               | -                | -                               | 972,481            |
|                                | 29,554,497                        | 2,315                               | 16,379           | -                               | 29,573,191         |
| <b>Liabilities</b>             |                                   |                                     |                  |                                 |                    |
| <b>Current liabilities</b>     |                                   |                                     |                  |                                 |                    |
| Trade and other payables       | 126,375,960                       | 7,822                               | 1,666,041        | 3,658                           | 128,053,481        |
| Borrowings                     | 56,723,912                        | -                                   | -                | -                               | 56,723,912         |
|                                | 183,099,872                       | 7,822                               | 1,666,041        | 3,658                           | 184,777,393        |
| <b>Non-current liabilities</b> |                                   |                                     |                  |                                 |                    |
| Borrowings                     | 72,999,439                        | -                                   | -                | -                               | 72,999,439         |
|                                | 72,999,439                        | -                                   | -                | -                               | 72,999,439         |
| <b>Total liabilities</b>       | <b>256,099,311</b>                | <b>7,822</b>                        | <b>1,666,041</b> | <b>3,658</b>                    | <b>257,776,832</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 41. Foreign exchange exposure (continued)

| Company<br>31 December 2018    | United States<br>Dollar<br>N '000 | British Pound<br>Sterling<br>N '000 | Euro<br>N '000   | South African<br>Rand<br>N '000 | Total<br>N '000    |
|--------------------------------|-----------------------------------|-------------------------------------|------------------|---------------------------------|--------------------|
| <b>Assets</b>                  |                                   |                                     |                  |                                 |                    |
| <b>Current assets</b>          |                                   |                                     |                  |                                 |                    |
| 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          |
|                                | <b>41,119,426</b>                 | <b>6,949</b>                        | <b>1,593,810</b> | <b>-</b>                        | <b>42,720,185</b>  |
| <b>Liabilities</b>             |                                   |                                     |                  |                                 |                    |
| <b>Current liabilities</b>     |                                   |                                     |                  |                                 |                    |
| Trade and other payables       | 87,873,489                        | 37,648                              | 3,846,617        | 54,932                          | 91,812,685         |
| Borrowings                     | 57,488,582                        | -                                   | -                | -                               | 57,488,582         |
|                                | <b>145,362,071</b>                | <b>37,648</b>                       | <b>3,846,617</b> | <b>54,932</b>                   | <b>149,301,268</b> |
| <b>Non-current liabilities</b> |                                   |                                     |                  |                                 |                    |
| Borrowings                     | 32,536,488                        | -                                   | -                | -                               | 32,536,488         |
|                                | <b>32,536,488</b>                 | <b>-</b>                            | <b>-</b>         | <b>-</b>                        | <b>32,536,488</b>  |
| <b>Total liabilities</b>       | <b>177,898,559</b>                | <b>37,648</b>                       | <b>3,846,617</b> | <b>54,932</b>                   | <b>181,837,756</b> |
| <b>31 December 2017</b>        |                                   |                                     |                  |                                 |                    |
| <b>Assets</b>                  |                                   |                                     |                  |                                 |                    |
| <b>Current assets</b>          |                                   |                                     |                  |                                 |                    |
| Trade and other receivables    | 6,046,571                         | -                                   | 16,379           | -                               | 6,062,950          |
| Current investments            | 9,543,790                         | -                                   | -                | -                               | 9,543,790          |
| Restricted cash                | 12,993,970                        | -                                   | -                | -                               | 12,993,970         |
| Cash and cash equivalents      | 970,166                           | 2,315                               | -                | -                               | 972,481            |
|                                | <b>29,554,497</b>                 | <b>2,315</b>                        | <b>16,379</b>    | <b>-</b>                        | <b>29,573,191</b>  |
| <b>Liabilities</b>             |                                   |                                     |                  |                                 |                    |
| <b>Current liabilities</b>     |                                   |                                     |                  |                                 |                    |
| Trade and other payables       | 126,375,960                       | 7,822                               | 1,666,041        | 3,658                           | 128,053,481        |
| Borrowings                     | 56,723,912                        | -                                   | -                | -                               | 56,723,912         |
|                                | <b>183,099,872</b>                | <b>7,822</b>                        | <b>1,666,041</b> | <b>3,658</b>                    | <b>184,777,393</b> |
| <b>Non-current liabilities</b> |                                   |                                     |                  |                                 |                    |
| Borrowings                     | 72,999,439                        | -                                   | -                | -                               | 72,999,439         |
|                                | <b>72,999,439</b>                 | <b>-</b>                            | <b>-</b>         | <b>-</b>                        | <b>72,999,439</b>  |
| <b>Total liabilities</b>       | <b>256,099,311</b>                | <b>7,822</b>                        | <b>1,666,041</b> | <b>3,658</b>                    | <b>257,776,832</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 42. 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 are 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 Limited's subsidiaries are XS Broadband Limited and Visafone Communications Limited, their principal activity is the provision of broadband fixed wireless access service and high quality telecommunication service respectively. During the year, the Group established a new subsidiary Yello Digital Financial Services Limited, setup to provide mobile financial services.

#### Key management personnel

For the purpose of the key management compensation below, key management personnel is defined as Executive and Non-Executive Committee members having the authority and responsibility for planning, directing and controlling the activities of the entity.

|                                                 | Group            |                  | Company          |                  |
|-------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                 | 2018<br>N '000   | 2017<br>N '000   | 2018<br>N '000   | 2017<br>N '000   |
| <b>Key management compensation</b>              |                  |                  |                  |                  |
| Salaries and other short-term employee benefits | 1,758,469        | 1,334,052        | 1,758,469        | 1,334,052        |
| Post-employment benefits                        | 192,388          | 92,257           | 192,388          | 92,257           |
| Other benefits                                  | 363,457          | 293,214          | 363,457          | 293,214          |
| Bonuses                                         | 916,474          | 322,970          | 916,474          | 322,970          |
| Fees (non-executive directors)                  | 60,923           | 26,293           | 60,923           | 26,293           |
| Other emoluments (non-executive directors)      | 278,262          | 62,757           | 278,262          | 62,757           |
| <b>Total</b>                                    | <b>3,569,972</b> | <b>2,131,543</b> | <b>3,569,972</b> | <b>2,131,543</b> |

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

#### Parent company: MTN International (Mauritius) Limited

##### Dividends paid (excluding withholding tax):

|                                   |                   |                   |                   |                   |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| MTN International (Mauritius) Ltd | 27,172,920        | 35,186,615        | 27,172,920        | 35,186,615        |
|                                   | <b>27,172,920</b> | <b>35,186,615</b> | <b>27,172,920</b> | <b>35,186,615</b> |

#### Visafone Communications Limited

##### Transactions within the year

|                                                                                          |   |   |           |         |
|------------------------------------------------------------------------------------------|---|---|-----------|---------|
| Purchases from Visafone Communications Limited                                           | - | - | (764,351) | -       |
| Payments made on behalf of Visafone Communications Limited                               | - | - | -         | 188,595 |
| Cost charged to Visafone Communications Limited for hosting its customers on the network | - | - | 857,339   | 719,689 |
| Intercompany receivable                                                                  | - | - | 894,149   | 289,110 |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 42. Related party transactions (continued)

|                                                | Group             |                   | Company           |                   |
|------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                | 2018<br>N '000    | 2017<br>N '000    | 2018<br>N '000    | 2017<br>N '000    |
| <b>Related party balances</b>                  |                   |                   |                   |                   |
| <b>Amounts due to related parties</b>          |                   |                   |                   |                   |
| MTN Sudan                                      | 34,027            | -                 | 34,027            | -                 |
| MTN Swaziland                                  | 23                | 253               | 23                | 253               |
| MTN Uganda                                     | 16,750            | 7,641             | 16,750            | 7,641             |
| MTN Zambia                                     | 8,182             | 2,481             | 8,182             | 2,481             |
| MTN Dubai                                      | 286,193           | 637,235           | 286,193           | 637,235           |
| Global Trading Company                         | 2,795,104         | 3,294,413         | 2,795,104         | 3,294,413         |
| MTN Benin                                      | 2,625,094         | 873,815           | 2,625,094         | 873,815           |
| MTN Cameroon                                   | 557,781           | 173,223           | 557,781           | 173,223           |
| MTN Congo                                      | 782               | -                 | 782               | -                 |
| MTN Cote d'Ivoire                              | 426,926           | 184,773           | 426,926           | 184,773           |
| IHS Towers                                     | 12,319,273        | 9,674,187         | 12,319,273        | 9,674,187         |
| MTN Ghana                                      | 1,135,802         | 933,557           | 1,135,802         | 933,557           |
| MTN Guinea Bissau                              | 2,056             | 1                 | 2,056             | 1                 |
| MTN Congo Brassaville                          | 3,794             | -                 | 3,794             | -                 |
| MTN Rwanda                                     | 7,201             | 492               | 7,201             | 492               |
| MTN South Africa                               | 174,122           | 138,982           | 174,122           | 138,982           |
| Interserve Overseas Ltd                        | 10,762,382        | 3,889,554         | 10,762,382        | 3,889,554         |
| MTN Group Management Services                  | -                 | 677,416           | -                 | 677,416           |
| MTN Shared Services (SEA)                      | -                 | 398               | -                 | 398               |
| MTN International (Mauritius) Limited          | 8,483,323         | 7,732,663         | 8,483,323         | 7,732,663         |
| MTN Holdings                                   | 13,218            | 8,559             | 13,218            | 8,559             |
| <b>Total</b>                                   | <b>39,652,033</b> | <b>28,229,643</b> | <b>39,652,033</b> | <b>28,229,643</b> |
| <b>Amounts due from related parties</b>        |                   |                   |                   |                   |
| MTN Sudan                                      | 54,904            | 281               | 54,904            | 281               |
| MTN Uganda                                     | 11,314            | -                 | 11,314            | -                 |
| MTN Yemen                                      | -                 | -                 | -                 | -                 |
| MTN Zambia                                     | 17,691            | 1,701             | 17,691            | 1,701             |
| MTN Dubai                                      | -                 | 137,194           | -                 | 137,194           |
| MTN South Sudan                                | 635               | 28,157            | 635               | 28,157            |
| MTN Global Connect                             | 162,463           | -                 | 162,463           | -                 |
| Lonestar Communications Corporations (Liberia) | 14,155            | 22,911            | 14,155            | 22,911            |
| MTN Afghanistan                                | 259               | 131               | 259               | 131               |
| MTN Benin                                      | 1,120,783         | 904,673           | 1,120,783         | 904,673           |
| MTN Cameroon                                   | 1,479,451         | 667,297           | 1,479,451         | 667,297           |
| MTN Congo                                      | 7,346             | 24,815            | 7,346             | 24,815            |
| MTN Cote d'Ivoire                              | 757,745           | 398,511           | 757,745           | 398,511           |
| MTN Ghana                                      | 946,703           | 1,323,375         | 946,703           | 1,323,375         |
| MTN Guinea Bissau                              | 5,162             | -                 | 5,162             | -                 |
| MTN Guinea Conakry                             | 12,947            | 3,604             | 12,947            | 3,604             |
| MTN Namibia                                    | 14                | -                 | 14                | -                 |
| MTN Rwanda                                     | 5,372             | -                 | 5,372             | -                 |
| MTN South Africa                               | 634,016           | 789,664           | 634,016           | 789,664           |
| MTN Group Management Services                  | 814,428           | 1,332,116         | 814,428           | 1,332,116         |
| INT Towers Limited                             | 775,880           | 775,880           | 775,880           | 775,880           |
| <b>Total</b>                                   | <b>6,821,267</b>  | <b>6,410,310</b>  | <b>6,821,267</b>  | <b>6,410,310</b>  |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 42. Related party transactions (continued)

|                                                | Group          |                | Company        |                |
|------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                | 2018<br>N '000 | 2017<br>N '000 | 2018<br>N '000 | 2017<br>N '000 |
| <b>Related party transactions</b>              |                |                |                |                |
| <b>Purchases from related parties</b>          |                |                |                |                |
| MTN Sudan                                      | 92,552         | 2,157          | 92,552         | 2,157          |
| MTN Swaziland                                  | 159            | 349            | 159            | 349            |
| MTN Syria                                      | 411            | 588            | 411            | 588            |
| MTN Uganda                                     | 20,512         | 2,106          | 20,512         | 2,106          |
| MTN Yemen                                      | 39             | 17             | 39             | 17             |
| MTN Zambia                                     | 5,304          | 1,206          | 5,304          | 1,206          |
| MTN Dubai                                      | 10,080,752     | -              | 10,080,752     | -              |
| MTN South Sudan                                | 451            | 164            | 451            | 164            |
| Global Trading Company                         | 5,009,354      | 2,162,631      | 5,009,354      | 2,162,631      |
| IHS Towers                                     | 75,491,544     | 57,400,623     | 75,491,544     | 57,400,623     |
| Lonestar Communications Corporations (Liberia) | 3,859          | 3,683          | 3,859          | 3,683          |
| MTN Benin                                      | 16,601,877     | 2,011,738      | 16,601,877     | 2,011,738      |
| MTN Cameroon                                   | 1,806,406      | 242,568        | 1,806,406      | 242,568        |
| MTN Congo                                      | 4,802          | 567            | 4,802          | 567            |
| MTN Cote d'Ivoire                              | 763,845        | 127,741        | 763,845        | 127,741        |
| MTN Cyprus                                     | 522            | 257            | 522            | 257            |
| MTN Ghana                                      | 3,734,487      | 581,795        | 3,734,487      | 581,795        |
| MTN Guinea Bissau                              | -              | 691            | -              | 691            |
| MTN Guinea Conakry                             | 636            | 835            | 636            | 835            |
| MTN Irancell                                   | 304            | 465            | 304            | 465            |
| MTN Rwanda                                     | 4,005          | 2,082          | 4,005          | 2,082          |
| MTN South Africa                               | -              | 151,896        | -              | 151,896        |
| Interserve Overseas Ltd                        | -              | 2,884,851      | -              | 2,884,851      |
| Mobile Telephone Networks (Pty) Ltd            | 3,972,116      | -              | 3,972,116      | -              |
| MTN International (Mauritius) Limited          | -              | 1,258,643      | -              | 1,258,643      |
| INT Towers Limited                             | -              | 793,220        | -              | 793,220        |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 42. Related party transactions (continued)

|                                                | Group          |                | Company        |                |
|------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                | 2018<br>N '000 | 2017<br>N '000 | 2018<br>N '000 | 2017<br>N '000 |
| <b>Sales to related parties</b>                |                |                |                |                |
| MTN Sudan                                      | 166,189        | 328            | 166,189        | 328            |
| MTN Swaziland                                  | 93             | 41             | 93             | 41             |
| MTN Syria                                      | 92             | 3              | 92             | 3              |
| MTN Uganda                                     | 89,477         | 2,033          | 89,477         | 2,033          |
| MTN Yemen                                      | -              | 15             | -              | 15             |
| MTN Zambia                                     | 86,178         | 62,587         | 86,178         | 62,587         |
| MTN Dubai                                      | 44,077         | 282,166        | 44,077         | 282,166        |
| MTN South Sudan                                | 17,740         | 11,464         | 17,740         | 11,464         |
| Lonestar Communications Corporations (Liberia) | 13,800         | 7,899          | 13,800         | 7,899          |
| MTN Benin                                      | 8,581,415      | 6,740,210      | 8,581,415      | 6,740,210      |
| MTN Cameroon                                   | 5,138,451      | 6,202,740      | 5,138,451      | 6,202,740      |
| MTN Congo                                      | 13,329         | 3,123          | 13,329         | 3,123          |
| MTN Cote d'Ivoire                              | 2,201,551      | 2,145,357      | 2,201,551      | 2,145,357      |
| MTN Cyprus                                     | 64             | 38             | 64             | 38             |
| MTN Ghana                                      | 4,752,964      | 4,601,558      | 4,752,964      | 4,601,558      |
| MTN Guinea Bissau                              | 204            | 247            | 204            | 247            |
| MTN Guinea Conakry                             | 6,329          | 2,287          | 6,329          | 2,287          |
| MTN Irancell                                   | 64             | 13             | 64             | 13             |
| MTN Rwanda                                     | 1,094          | 421            | 1,094          | 421            |
| MTN South Africa                               | -              | 7,422,453      | -              | 7,422,453      |
| Mobile Telephone Networks (Pty) Ltd            | 7,238,744      | -              | 7,238,744      | -              |

Effective 1 February 2017, INT Towers ceased to be a related party to the Group as MTN Group Limited exchanged its 51% interest in Nigeria Tower InterCo B.V., the parent company of INT Towers Limited, for an additional shareholding in IHS Holding Limited.

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Notes to the consolidated and separate financial statements

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#### 43. 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 in to 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, current investments, borrowings and 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 Technology, Regulatory, Stakeholder, Financial including foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

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

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

#### 43.1 Accounting classes and fair values

Group  
31 December 2018

|                                          | Amortised<br>costs | Fair value<br>through<br>profit or loss | Fair value<br>through other<br>comprehensive<br>income | Total<br>carrying<br>amount |
|------------------------------------------|--------------------|-----------------------------------------|--------------------------------------------------------|-----------------------------|
|                                          | N'000              | N'000                                   | N'000                                                  | N'000                       |
| <b>Non-current financial assets</b>      |                    |                                         |                                                        |                             |
| Derivatives                              | -                  | -                                       | -                                                      | -                           |
|                                          | -                  | -                                       | -                                                      | -                           |
| <b>Current financial assets</b>          |                    |                                         |                                                        |                             |
| 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                  |
|                                          | <b>183,224,813</b> | <b>1,302,198</b>                        | <b>434,066</b>                                         | <b>184,961,077</b>          |
|                                          | <b>183,224,813</b> | <b>1,302,198</b>                        | <b>434,066</b>                                         | <b>184,961,077</b>          |
| <b>Non-current financial liabilities</b> |                    |                                         |                                                        |                             |
| Borrowings                               | 31,438,349         | -                                       | -                                                      | 31,438,349                  |
| Derivatives                              | -                  | 14,152                                  | -                                                      | 14,152                      |
|                                          | <b>31,438,349</b>  | <b>14,152</b>                           | <b>-</b>                                               | <b>31,452,501</b>           |
| <b>Current financial liabilities</b>     |                    |                                         |                                                        |                             |
| Trade payables                           | 18,607,914         | -                                       | -                                                      | 18,607,914                  |
| Borrowings                               | 143,875,889        | -                                       | -                                                      | 143,875,889                 |
| Accrued expenses                         | 121,315,900        | -                                       | -                                                      | 121,315,900                 |
| Other payables                           | 1,196,006          | -                                       | -                                                      | 1,196,006                   |
| Amounts due to related parties           | 39,652,033         | -                                       | -                                                      | 39,652,033                  |
| Regulatory fine liability                | 105,127,783        | -                                       | -                                                      | 105,127,783                 |
|                                          | <b>429,775,525</b> | <b>-</b>                                | <b>-</b>                                               | <b>461,228,026</b>          |
|                                          | <b>461,213,874</b> | <b>14,152</b>                           | <b>-</b>                                               | <b>461,228,026</b>          |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

31 December 2017

|                                          | Amortised<br>costs | Fair value<br>through<br>profit or loss | Fair value<br>through other<br>comprehensive<br>income | Total<br>carrying<br>amount |
|------------------------------------------|--------------------|-----------------------------------------|--------------------------------------------------------|-----------------------------|
|                                          | N'000              | N'000                                   | N'000                                                  | N'000                       |
| <b>Non-current financial assets</b>      |                    |                                         |                                                        |                             |
| Derivatives                              | -                  | 55,673                                  | -                                                      | 55,673                      |
|                                          | -                  | 55,673                                  | -                                                      | 55,673                      |
| <b>Current financial assets</b>          |                    |                                         |                                                        |                             |
| Trade and other receivables              | 27,668,572         | -                                       | -                                                      | 27,668,572                  |
| Current investments                      | 52,185,101         | 8,922,552                               | 9,970,842                                              | 71,078,495                  |
| Cash and cash equivalents                | 89,564,964         | -                                       | -                                                      | 89,564,964                  |
| Restricted cash                          | 41,617,634         | -                                       | -                                                      | 41,617,634                  |
|                                          | <b>211,036,271</b> | <b>8,922,552</b>                        | <b>9,970,842</b>                                       | <b>229,929,665</b>          |
|                                          | <b>211,036,271</b> | <b>8,978,225</b>                        | <b>9,970,842</b>                                       | <b>229,985,338</b>          |
| <b>Non-current financial liabilities</b> |                    |                                         |                                                        |                             |
| Borrowings                               | 135,544,915        | -                                       | -                                                      | 135,544,915                 |
| Regulatory fine liability                | 91,656,623         | -                                       | -                                                      | 91,656,623                  |
|                                          | <b>227,201,538</b> | <b>-</b>                                | <b>-</b>                                               | <b>227,201,538</b>          |
| <b>Current financial liabilities</b>     |                    |                                         |                                                        |                             |
| Trade payables                           | 28,214,500         | -                                       | -                                                      | 28,214,500                  |
| Borrowings                               | 119,820,228        | -                                       | -                                                      | 119,820,228                 |
| Accrued expenses                         | 161,057,759        | -                                       | -                                                      | 161,057,759                 |
| Other payables                           | 996,463            | -                                       | -                                                      | 996,463                     |
| Amounts due to related parties           | 28,229,643         | -                                       | -                                                      | 28,229,643                  |
| Regulatory fine liability                | 101,119,141        | -                                       | -                                                      | 101,119,141                 |
|                                          | <b>439,437,734</b> | <b>-</b>                                | <b>-</b>                                               | <b>439,437,734</b>          |
|                                          | <b>666,639,272</b> | <b>-</b>                                | <b>-</b>                                               | <b>666,639,272</b>          |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

Company  
31 December 2018

|                                          | Amortised<br>costs | Fair value<br>through<br>profit or loss | Fair value<br>through other<br>comprehensive<br>income | Total<br>carrying<br>amount |
|------------------------------------------|--------------------|-----------------------------------------|--------------------------------------------------------|-----------------------------|
|                                          | N'000              | N'000                                   | N'000                                                  | N'000                       |
| <b>Non-current financial assets</b>      |                    |                                         |                                                        |                             |
| Derivatives                              | -                  | -                                       | -                                                      | -                           |
|                                          | -                  | -                                       | -                                                      | -                           |
| <b>Current financial assets</b>          |                    |                                         |                                                        |                             |
| 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                  |
|                                          | <b>182,838,614</b> | <b>1,302,198</b>                        | <b>434,066</b>                                         | <b>184,574,878</b>          |
|                                          | <b>182,838,614</b> | <b>1,302,198</b>                        | <b>434,066</b>                                         | <b>184,574,878</b>          |
| <b>Non-current financial liabilities</b> |                    |                                         |                                                        |                             |
| Borrowings                               | 31,438,349         | -                                       | -                                                      | 31,438,349                  |
| Derivatives                              | -                  | 14,152                                  | -                                                      | 14,152                      |
|                                          | <b>31,438,349</b>  | <b>14,152</b>                           | <b>-</b>                                               | <b>31,452,501</b>           |
| <b>Current financial liabilities</b>     |                    |                                         |                                                        |                             |
| 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                 |
|                                          | <b>427,358,873</b> | <b>-</b>                                | <b>-</b>                                               | <b>427,358,873</b>          |
|                                          | <b>458,797,222</b> | <b>14,152</b>                           | <b>-</b>                                               | <b>458,811,374</b>          |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

31 December 2017

|                                          | Amortised costs | Fair value through profit or loss | Fair value through other comprehensive income | Total carrying amount |
|------------------------------------------|-----------------|-----------------------------------|-----------------------------------------------|-----------------------|
|                                          | N'000           | N'000                             | N'000                                         | N'000                 |
| <b>Non-current financial assets</b>      |                 |                                   |                                               |                       |
| Derivatives                              | -               | 55,673                            | -                                             | 55,673                |
|                                          | -               | 55,673                            | -                                             | 55,673                |
| <b>Current financial assets</b>          |                 |                                   |                                               |                       |
| Trade and other receivables              | 26,865,410      | -                                 | -                                             | 26,865,410            |
| Current investments                      | 52,185,101      | 8,922,552                         | 9,970,842                                     | 71,078,495            |
| Cash and cash equivalents                | 89,046,974      | -                                 | -                                             | 89,046,974            |
| Restricted cash                          | 41,617,634      | -                                 | -                                             | 41,617,634            |
|                                          | 209,715,119     | 8,922,552                         | 9,970,842                                     | 228,608,513           |
|                                          | 209,715,119     | 8,978,225                         | 9,970,842                                     | 228,664,186           |
| <b>Non-current financial liabilities</b> |                 |                                   |                                               |                       |
| Borrowings                               | 135,544,915     | -                                 | -                                             | 135,544,915           |
| Regulatory fine liability                | 91,656,623      | -                                 | -                                             | 91,656,623            |
|                                          | 227,201,538     | -                                 | -                                             | 227,201,538           |
| <b>Current financial liabilities</b>     |                 |                                   |                                               |                       |
| Trade payables                           | 25,150,639      | -                                 | -                                             | 25,150,639            |
| Borrowings                               | 119,820,228     | -                                 | -                                             | 119,820,228           |
| Accrued expenses                         | 130,150,310     | -                                 | -                                             | 130,150,310           |
| Other payables                           | 740,915         | -                                 | -                                             | 740,915               |
| Amounts due to related parties           | 28,229,643      | -                                 | -                                             | 28,229,643            |
| Regulatory fine liability                | 101,119,141     | -                                 | -                                             | 101,119,141           |
|                                          | 405,210,876     | -                                 | -                                             | 405,210,876           |
|                                          | 632,412,414     | -                                 | -                                             | 632,412,414           |

#### 43.2 Fair value estimation

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 below.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

| Group                                                           |                          |                          |                          |                        |
|-----------------------------------------------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| 31 December 2018                                                | Level 1<br>N'000         | Level 2<br>N'000         | Level 3<br>N'000         | Total<br>N'000         |
| <b>Assets</b>                                                   |                          |                          |                          |                        |
| 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                |
|                                                                 | <b>1,736,264</b>         | <b>-</b>                 | <b>-</b>                 | <b>1,736,264</b>       |
| <b>Liabilities</b>                                              |                          |                          |                          |                        |
| Currency swap                                                   | -                        | 14,152                   | -                        | 14,152                 |
|                                                                 | <b>-</b>                 | <b>14,152</b>            | <b>-</b>                 | <b>14,152</b>          |
| <b>31 December 2017</b>                                         |                          |                          |                          |                        |
| <b>Assets</b>                                                   |                          |                          |                          |                        |
| Treasury bills at fair value through profit and loss            | 8,922,552                | -                        | -                        | 8,922,552              |
| Treasury bills at fair value through other comprehensive income | 9,970,842                | -                        | -                        | 9,970,842              |
| Currency swap                                                   | -                        | 55,673                   | -                        | 55,673                 |
|                                                                 | <b>18,893,394</b>        | <b>55,673</b>            | <b>-</b>                 | <b>18,949,067</b>      |
| <b>Company</b>                                                  |                          |                          |                          |                        |
| <b>31 December 2018</b>                                         | <b>Level 1<br/>N'000</b> | <b>Level 2<br/>N'000</b> | <b>Level 3<br/>N'000</b> | <b>Total<br/>N'000</b> |
| <b>Assets</b>                                                   |                          |                          |                          |                        |
| 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                |
|                                                                 | <b>1,736,264</b>         | <b>-</b>                 | <b>-</b>                 | <b>1,736,264</b>       |
| <b>Liabilities</b>                                              |                          |                          |                          |                        |
| Currency swap                                                   | -                        | 14,152                   | -                        | 14,152                 |
|                                                                 | <b>-</b>                 | <b>14,152</b>            | <b>-</b>                 | <b>14,152</b>          |
| <b>31 December 2017</b>                                         |                          |                          |                          |                        |
| <b>Assets</b>                                                   |                          |                          |                          |                        |
| Treasury bills at fair value through profit and loss            | 8,922,552                | -                        | -                        | 8,922,552              |
| Treasury bills at fair value through other comprehensive income | 9,970,842                | -                        | -                        | 9,970,842              |
| Currency swap                                                   | -                        | 55,673                   | -                        | 55,673                 |
|                                                                 | <b>18,893,394</b>        | <b>55,673</b>            | <b>-</b>                 | <b>18,949,067</b>      |

### Fair value measurements for financial instruments not measured at fair value.

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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

#### 43.3 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:

| <b>Group</b>                         |                               |                                |                             |
|--------------------------------------|-------------------------------|--------------------------------|-----------------------------|
| <b>31 December 2018</b>              | <b>Gross amount<br/>N'000</b> | <b>Amount offset<br/>N'000</b> | <b>Net amount<br/>N'000</b> |
| <b>Current financial assets</b>      |                               |                                |                             |
| Interconnect receivables             | 21,129,283                    | 10,149,839                     | 10,979,444                  |
|                                      | <u>21,129,283</u>             | <u>10,149,839</u>              | <u>10,979,444</u>           |
| <b>Current financial liabilities</b> |                               |                                |                             |
| Interconnect payables                | 13,908,787                    | 10,149,839                     | 3,758,948                   |
|                                      | <u>13,908,787</u>             | <u>10,149,839</u>              | <u>3,758,948</u>            |
| <b>31 December 2017</b>              |                               |                                |                             |
| <b>Current financial assets</b>      |                               |                                |                             |
| Interconnect receivables             | 32,723,775                    | 17,910,195                     | 14,813,580                  |
|                                      | <u>32,723,775</u>             | <u>17,910,195</u>              | <u>14,813,580</u>           |
| <b>Current financial liabilities</b> |                               |                                |                             |
| Interconnect payables                | 17,910,195                    | 17,910,195                     | -                           |
|                                      | <u>17,910,195</u>             | <u>17,910,195</u>              | <u>-</u>                    |
| <b>Company</b>                       |                               |                                |                             |
| <b>31 December 2018</b>              | <b>Gross amount<br/>N'000</b> | <b>Amount offset<br/>N'000</b> | <b>Net amount<br/>N'000</b> |
| <b>Current financial assets</b>      |                               |                                |                             |
| Interconnect receivables             | 21,129,283                    | 10,149,839                     | 10,979,444                  |
|                                      | <u>21,129,283</u>             | <u>10,149,839</u>              | <u>10,979,444</u>           |
| <b>Current financial liabilities</b> |                               |                                |                             |
| Interconnect payables                | 13,908,787                    | 10,149,839                     | 3,758,948                   |
|                                      | <u>13,908,787</u>             | <u>10,149,839</u>              | <u>3,758,948</u>            |
| <b>31 December 2017</b>              |                               |                                |                             |
| <b>Current financial assets</b>      |                               |                                |                             |
| Interconnect receivables             | 32,723,775                    | 17,910,195                     | 14,813,580                  |
|                                      | <u>32,723,775</u>             | <u>17,910,195</u>              | <u>14,813,580</u>           |
| <b>Current financial liabilities</b> |                               |                                |                             |
| Interconnect payables                | 17,910,195                    | 17,910,195                     | -                           |
|                                      | <u>17,910,195</u>             | <u>17,910,195</u>              | <u>-</u>                    |

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Notes to the consolidated and separate financial statements

#### 43. Financial instruments and risk management (continued)

##### 43.4 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            |                    |
|----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                    | 2018<br>N '000     | 2017<br>N '000     | 2018<br>N '000     | 2017<br>N '000     |
| The following instruments give rise to credit risk |                    |                    |                    |                    |
| Trade receivables                                  | 29,262,047         | 27,668,572         | 29,131,411         | 26,865,410         |
| Cash and cash equivalents                          | 53,011,748         | 89,564,964         | 52,806,185         | 89,046,974         |
| Restricted cash                                    | 37,219,023         | 41,617,634         | 37,169,023         | 41,617,634         |
| Current investments                                | 65,468,259         | 71,078,495         | 65,468,259         | 71,078,495         |
| Derivatives                                        | -                  | 55,673             | -                  | 55,673             |
|                                                    | <b>184,961,077</b> | <b>229,985,338</b> | <b>184,574,878</b> | <b>228,664,186</b> |

#### Cash and cash equivalents, restricted cash, current investments and derivative asset

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, mostly 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 30% to manage concentration risk. The Exposure is controlled by a right of setoff and counter party limits indexed against the facility amount provided to the Group by each of the lending institutions.

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

The credit ratings of the counterparty financial institutions where we have current investments range from ngA to BBB+(ng).

The credit rating of the counterparty financial institutions with whom we have derivative asset is A3.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

#### 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.

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

| Group<br>31 December 2018 | Current<br>N '000 | More than 30<br>days past due<br>N '000 | More than 90<br>days past due<br>N '000 | More than 180<br>days past due<br>N '000 | Total<br>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                                      |                 |

| Group<br>31 December 2017* | Current<br>N '000 | More than 30<br>days past due<br>N '000 | More than 90<br>days past due<br>N '000 | More than 180<br>days past due<br>N '000 | Total<br>N '000 |
|----------------------------|-------------------|-----------------------------------------|-----------------------------------------|------------------------------------------|-----------------|
| Expected loss rate         | 1.49 %            | 12.66 %                                 | 83.62 %                                 | 100.00 %                                 |                 |
| Gross carrying amount      | 2,177,398         | 9,706,761                               | 5,413,435                               | 18,338,683                               | 35,636,277      |
| Loss allowance             | 32,471            | 1,228,955                               | 4,526,978                               | 18,338,283                               | 24,126,687      |
| Credit impaired            | No                | No                                      | No                                      | Yes                                      |                 |

\* Reflects the effect of adoption of IFRS 9.

| Company<br>31 December 2018 | Current<br>N '000 | More than 30<br>days past due<br>N '000 | More than 90<br>days past due<br>N '000 | More than 180<br>days past due<br>N '000 | Total<br>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                                      |                 |

| Company<br>31 December 2017* | Current<br>N '000 | More than 30<br>days past due<br>N '000 | More than 90<br>days past due<br>N '000 | More than 180<br>days past due<br>N '000 | Total<br>N '000 |
|------------------------------|-------------------|-----------------------------------------|-----------------------------------------|------------------------------------------|-----------------|
| Expected loss rate           | 1.49 %            | 10.26 %                                 | 83.62 %                                 | 100.00 %                                 |                 |
| Gross carrying amount        | 2,177,398         | 8,348,328                               | 5,413,435                               | 18,338,683                               | 34,277,844      |
| Loss allowance               | 32,471            | 856,879                                 | 4,526,978                               | 18,338,283                               | 23,754,611      |
| Credit impaired              | No                | No                                      | No                                      | Yes                                      |                 |

\* Reflects the effect of adoption of IFRS 9.

Credit impaired financial assets for the year ended 31 December 2018 stood at N4. 4 billion (31 December 2017 N7 billion)

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Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

#### 43.5 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.

The following are the liquid resources:

|                             | Group              |                    | Company            |                    |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
|                             | 2018<br>N '000     | 2017<br>N '000     | 2018<br>N '000     | 2017<br>N '000     |
| Cash and cash equivalents   | 53,011,748         | 89,564,964         | 52,806,185         | 89,046,974         |
| Trade and other receivables | 29,262,047         | 27,668,572         | 29,131,411         | 26,865,410         |
| Current investments         | 65,468,259         | 71,078,495         | 65,468,259         | 71,078,495         |
|                             | <b>147,742,054</b> | <b>188,312,031</b> | <b>147,405,855</b> | <b>186,990,879</b> |

The following are the contractual maturities of financial liabilities:

| Group                                       | Carrying<br>amount | Payable<br>within one<br>month or on<br>demand | More than<br>one month<br>but not<br>exceeding<br>three<br>months | More than<br>three<br>months but<br>not<br>exceeding<br>one year | More than<br>one year but<br>not<br>exceeding<br>two years | More than<br>two years<br>but not<br>exceeding<br>five years | Total              |
|---------------------------------------------|--------------------|------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------|--------------------|
|                                             | N'000              | N'000                                          | N'000                                                             | N'000                                                            | N'000                                                      | N'000                                                        | N'000              |
| <b>31 December 2018</b>                     |                    |                                                |                                                                   |                                                                  |                                                            |                                                              |                    |
| 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<br>related parties           | 39,652,033         | 11,789,647                                     | 27,862,386                                                        | -                                                                | -                                                          | -                                                            | 39,652,033         |
| Current Regulatory<br>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<br>Borrowings                   | 31,438,349         | -                                              | -                                                                 | -                                                                | 15,977,537                                                 | 23,436,517                                                   | 39,414,054         |
| Derivatives                                 | 14,152             | -                                              | -                                                                 | -                                                                | 14,152                                                     | -                                                            | 14,152             |
|                                             | <b>461,228,026</b> | <b>201,565,139</b>                             | <b>109,405,698</b>                                                | <b>129,118,855</b>                                               | <b>15,991,689</b>                                          | <b>23,436,517</b>                                            | <b>479,517,898</b> |
| <b>31 December 2017</b>                     |                    |                                                |                                                                   |                                                                  |                                                            |                                                              |                    |
| Trade payables                              | 28,214,500         | 7,993,592                                      | 20,220,908                                                        | -                                                                | -                                                          | -                                                            | 28,214,500         |
| Accrued expenses                            | 161,057,759        | 5,176,610                                      | 155,881,149                                                       | -                                                                | -                                                          | -                                                            | 161,057,759        |
| Other payables                              | 996,463            | 89,252                                         | 883,645                                                           | 23,566                                                           | -                                                          | -                                                            | 996,463            |
| Amounts due to<br>related parties           | 28,229,643         | 9,674,187                                      | 18,555,456                                                        | -                                                                | -                                                          | -                                                            | 28,229,643         |
| Current Regulatory<br>fine liability        | 101,119,141        | -                                              | 55,000,000                                                        | 55,000,000                                                       | -                                                          | -                                                            | 110,000,000        |
| Current Borrowings                          | 119,820,228        | 3,627,084                                      | 20,156,008                                                        | 125,912,988                                                      | -                                                          | -                                                            | 149,696,080        |
| Non-current<br>Regulatory fine<br>liability | 91,656,623         | -                                              | -                                                                 | -                                                                | 110,000,000                                                | -                                                            | 110,000,000        |
| Non-current<br>Borrowings                   | 135,544,915        | -                                              | -                                                                 | -                                                                | 139,294,513                                                | 37,584,434                                                   | 176,878,947        |
|                                             | <b>666,639,272</b> | <b>26,560,725</b>                              | <b>270,697,166</b>                                                | <b>180,936,554</b>                                               | <b>249,294,513</b>                                         | <b>37,584,434</b>                                            | <b>765,073,392</b> |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. 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 | Total              |
|---------------------------------------|--------------------|---------------------------------------|----------------------------------------------------|---------------------------------------------------|------------------------------------------------|--------------------------------------------------|--------------------|
|                                       | N'000              | N'000                                 | N'000                                              | N'000                                             | N'000                                          | N'000                                            | N'000              |
| <b>31 December 2018</b>               |                    |                                       |                                                    |                                                   |                                                |                                                  |                    |
| 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        |
| Non-current Borrowings                | 31,438,349         | -                                     | -                                                  | -                                                 | 15,977,537                                     | 23,436,517                                       | 39,414,054         |
| Derivatives                           | 14,152             | -                                     | -                                                  | -                                                 | 14,152                                         | -                                                | 14,152             |
|                                       | <b>458,811,374</b> | <b>199,678,112</b>                    | <b>108,876,072</b>                                 | <b>129,118,855</b>                                | <b>15,991,689</b>                              | <b>23,436,517</b>                                | <b>477,101,246</b> |
| <b>31 December 2017</b>               |                    |                                       |                                                    |                                                   |                                                |                                                  |                    |
| Trade payables                        | 25,150,639         | 7,993,592                             | 17,157,047                                         | -                                                 | -                                              | -                                                | 25,150,639         |
| Accrued expenses                      | 160,185,171        | 5,176,610                             | 155,008,561                                        | -                                                 | -                                              | -                                                | 160,185,171        |
| Other payables                        | 740,915            | 89,252                                | 628,097                                            | 23,566                                            | -                                              | -                                                | 740,915            |
| Amounts due to related parties        | 28,229,643         | -                                     | -                                                  | 28,229,643                                        | -                                              | -                                                | 28,229,643         |
| Current Regulatory fine liability     | 101,119,141        | -                                     | -                                                  | 55,000,000                                        | 55,000,000                                     | -                                                | 110,000,000        |
| Current Borrowings                    | 119,820,228        | 3,627,084                             | 20,156,008                                         | 125,912,988                                       | -                                              | -                                                | 149,696,080        |
| Non-current Regulatory fine liability | 91,656,623         | -                                     | -                                                  | -                                                 | 110,000,000                                    | -                                                | 110,000,000        |
| Non-current Borrowings                | 135,544,915        | -                                     | -                                                  | -                                                 | 139,294,513                                    | 37,584,434                                       | 176,878,947        |
|                                       | <b>662,447,275</b> | <b>16,886,538</b>                     | <b>192,949,713</b>                                 | <b>209,166,197</b>                                | <b>304,294,513</b>                             | <b>37,584,434</b>                                | <b>760,881,395</b> |

#### 43.6 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.

##### 43.6.1 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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

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 2018       |                           |                      | 31 December 2017       |                           |                      |
|---------------------------------------|------------------------|---------------------------|----------------------|------------------------|---------------------------|----------------------|
|                                       | Fixed rate instruments | Variable rate instruments | Non interest bearing | Fixed rate instruments | Variable rate instruments | Non interest bearing |
|                                       | N'000                  | N'000                     | N'000                | N'000                  | N'000                     | N'000                |
| <b>Financial assets</b>               |                        |                           |                      |                        |                           |                      |
| Cash and cash equivalents             | 53,011,748             | -                         | -                    | 86,400,166             | -                         | 3,164,798            |
| Current investments                   | 65,468,259             | -                         | -                    | 71,078,495             | -                         | -                    |
| Restricted cash                       | -                      | -                         | 37,219,023           | -                      | -                         | 41,617,634           |
| Trade and other receivables           | -                      | -                         | 29,262,047           | -                      | -                         | 27,668,572           |
|                                       | <b>118,480,007</b>     | <b>-</b>                  | <b>66,481,070</b>    | <b>157,478,661</b>     | <b>-</b>                  | <b>72,451,004</b>    |
| <b>Financial liabilities</b>          |                        |                           |                      |                        |                           |                      |
| Trade payables                        | -                      | -                         | 18,607,914           | -                      | -                         | 28,214,500           |
| Accrued expenses                      | -                      | -                         | 121,315,900          | -                      | -                         | 161,057,759          |
| Other payables                        | -                      | -                         | 1,196,006            | -                      | -                         | 996,463              |
| Amounts due to related parties        | -                      | 39,652,033                | -                    | -                      | 28,229,643                | -                    |
| Current Regulatory fine liability     | -                      | -                         | 105,127,783          | -                      | -                         | 101,119,141          |
| Current Borrowings                    | -                      | 143,875,889               | -                    | 6,327,964              | 113,492,264               | -                    |
| Non-current Regulatory fine liability | -                      | -                         | -                    | -                      | -                         | 91,656,623           |
| Non-current Borrowings                | -                      | 31,438,349                | -                    | 5,450,822              | 130,094,093               | -                    |
|                                       | <b>-</b>               | <b>214,966,271</b>        | <b>246,247,603</b>   | <b>11,778,786</b>      | <b>271,816,000</b>        | <b>383,044,486</b>   |

| Company                               | 31 December 2018       |                           |                      | 31 December 2017       |                           |                      |
|---------------------------------------|------------------------|---------------------------|----------------------|------------------------|---------------------------|----------------------|
|                                       | Fixed rate instruments | Variable rate instruments | Non interest bearing | Fixed rate instruments | Variable rate instruments | Non interest bearing |
|                                       | N'000                  | N'000                     | N'000                | N'000                  | N'000                     | N'000                |
| <b>Financial assets</b>               |                        |                           |                      |                        |                           |                      |
| Cash and cash equivalents             | 52,806,185             | -                         | -                    | 86,400,166             | -                         | 2,646,808            |
| Current investments                   | 65,468,259             | -                         | -                    | 71,078,495             | -                         | -                    |
| Restricted cash                       | -                      | -                         | 37,169,023           | -                      | -                         | 41,617,634           |
| Trade and other receivables           | -                      | -                         | 29,131,411           | -                      | -                         | 26,865,410           |
|                                       | <b>118,274,444</b>     | <b>-</b>                  | <b>66,300,434</b>    | <b>157,478,661</b>     | <b>-</b>                  | <b>71,129,852</b>    |
| <b>Financial liabilities</b>          |                        |                           |                      |                        |                           |                      |
| Trade payables                        | -                      | -                         | 17,698,676           | -                      | -                         | 25,150,639           |
| Accrued expenses                      | -                      | -                         | 121,315,900          | -                      | -                         | 160,185,171          |
| Other payables                        | -                      | -                         | 630,022              | -                      | -                         | 740,915              |
| Amounts due to related parties        | -                      | 39,652,033                | -                    | -                      | 28,229,643                | -                    |
| Current Regulatory fine liability     | -                      | -                         | 105,127,783          | -                      | -                         | 101,119,141          |
| Current Borrowings                    | -                      | 143,875,889               | -                    | 6,327,964              | 113,492,264               | -                    |
| Non-current Regulatory fine liability | -                      | -                         | -                    | -                      | -                         | 91,656,623           |
| Non-current Borrowings                | -                      | 31,438,349                | -                    | 5,450,822              | 130,094,093               | -                    |
|                                       | <b>-</b>               | <b>214,966,271</b>        | <b>244,772,381</b>   | <b>11,778,786</b>      | <b>271,816,000</b>        | <b>378,852,489</b>   |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

#### 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.

| Group   | 31 December 2018                         |                                |                                  | 31 December 2017                         |                                |                                  |
|---------|------------------------------------------|--------------------------------|----------------------------------|------------------------------------------|--------------------------------|----------------------------------|
|         | 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                                        | (808,831)                      | 808,831                          | 1                                        | (1,227,566)                    | 1,227,566                        |
| NIBOR   | 1                                        | (862,917)                      | 862,917                          | 1                                        | (1,265,809)                    | 1,265,809                        |

| Company | 31 December 2018                         |                                |                                  | 31 December 2017                         |                                |                                  |
|---------|------------------------------------------|--------------------------------|----------------------------------|------------------------------------------|--------------------------------|----------------------------------|
|         | 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                                        | (808,831)                      | 808,831                          | 1                                        | (1,227,566)                    | 1,227,566                        |
| NIBOR   | 1                                        | (862,917)                      | 862,917                          | 1                                        | (1,265,809)                    | 1,265,809                        |

#### 43.6.2 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.

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Notes to the consolidated and separate financial statements

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#### 43. Financial instruments and risk management (continued)

##### 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.

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

| Group                                 | 31 December 2018                                                                                                         |                                                                                   | 31 December 2017                                                                                                         |                                                                                   |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
|                                       | Increase(decrease) in profit before tax<br>10% weakening in Naira, resulting in a decrease in profit before tax<br>N'000 | 5% strengthening in Naira, resulting in an increase in profit before tax<br>N'000 | Increase(decrease) in profit before tax<br>10% weakening in Naira, resulting in a decrease in profit before tax<br>N'000 | 5% strengthening in Naira, resulting in an increase in profit before tax<br>N'000 |
| Denominated:<br>Functional<br>USD:NGN | (10,553,811)                                                                                                             | 5,276,905                                                                         | (19,136,979)                                                                                                             | 9,568,490                                                                         |

| Company                               | 31 December 2018                                                                                                         |                                                                                   | 31 December 2017                                                                                                         |                                                                                   |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
|                                       | Increase(decrease) in profit before tax<br>10% weakening in Naira, resulting in a decrease in profit before tax<br>N'000 | 5% strengthening in Naira, resulting in an increase in profit before tax<br>N'000 | Increase(decrease) in profit before tax<br>10% weakening in Naira, resulting in a decrease in profit before tax<br>N'000 | 5% strengthening in Naira, resulting in an increase in profit before tax<br>N'000 |
| Denominated:<br>Functional<br>USD:NGN | (10,553,811)                                                                                                             | 5,276,905                                                                         | (19,136,979)                                                                                                             | 9,568,490                                                                         |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 43. Financial instruments and risk management (continued)

#### 43.7 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       |                      |
|-------------------------------------------------------------|---------------|----------------------|---------------|----------------------|
|                                                             | 2018          | 2017                 | 2018          | 2017                 |
|                                                             | N '000        | Restated *<br>N '000 | N '000        | Restated *<br>N '000 |
| Revenue                                                     | 1,039,117,810 | 887,180,480          | 1,037,067,731 | 885,807,704          |
| Operating expenses excluding depreciation and amortisation. | (605,141,373) | (540,785,168)        | (603,604,311) | (541,329,933)        |
| EBITDA                                                      | 433,976,437   | 346,395,312          | 433,463,420   | 344,477,771          |
| Gross debt                                                  | 175,314,238   | 255,365,143          | 175,314,238   | 255,365,143          |
| Cash and cash equivalents                                   | (53,011,748)  | (89,564,964)         | (52,806,185)  | (89,046,974)         |
| Net debt                                                    | 122,302,490   | 165,800,179          | 122,508,053   | 166,318,169          |
| Gross debt                                                  | 175,314,238   | 255,365,143          | 175,314,238   | 255,365,143          |
| Equity                                                      | 219,352,318   | 112,851,916          | 232,730,907   | 123,285,853          |
| Total funding                                               | 394,666,556   | 368,217,059          | 408,045,145   | 378,650,996          |
| Gross debt :Total funding                                   | 44 %          | 69 %                 | 43 %          | 67 %                 |
| Net debt: Total funding                                     | 31 %          | 45 %                 | 30 %          | 44 %                 |
| Net debt : EBITDA                                           | 28 %          | 48 %                 | 28 %          | 48 %                 |

### 44. Share based payments

#### 44.1 Share based payment liability

|             | Group   |         |         | Company |         |         |
|-------------|---------|---------|---------|---------|---------|---------|
|             | 2018    | 2017    | 2016    | 2018    | 2017    | 2016    |
|             | N '000  | N '000  | N '000  | N '000  | N '000  | N '000  |
| Non-current | 654,791 | 655,565 | 657,448 | 654,791 | 655,565 | 657,448 |
|             | 654,791 | 655,565 | 657,448 | 654,791 | 655,565 | 657,448 |

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Notes to the consolidated and separate financial statements

#### 44. Share based payments (continued) 44.2 Share appreciation rights

##### Notional Share Scheme (NSS)

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

MTN Nigeria Communications Limited 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.

2018

| Offer date  | Naira strike price |       | Number outstanding at 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 |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Notes to the consolidated and separate financial statements

### 44. Share based payments (continued)

2017

| Offer date  | Naira strike price |       | Number outstanding at 1 January 2017 |         | Offered During 2017 |         | Expired/Forfeited During 2017 |     | Exercised During 2017 |         | Number outstanding at 31 December 2017 |         |
|-------------|--------------------|-------|--------------------------------------|---------|---------------------|---------|-------------------------------|-----|-----------------------|---------|----------------------------------------|---------|
|             | LAN                | GAN   | LAN                                  | GAN     | LAN                 | GAN     | LAN                           | GAN | LAN                   | GAN     | LAN                                    | GAN     |
| 01-Dec-2004 | -                  | -     | -                                    | -       | -                   | -       | -                             | -   | -                     | -       | -                                      | -       |
| 01-Dec-2005 | -                  | -     | -                                    | -       | -                   | -       | -                             | -   | -                     | -       | -                                      | -       |
| 01-Apr-2007 | 2,442              | 1,797 | -                                    | -       | -                   | -       | -                             | -   | -                     | -       | -                                      | -       |
| 01-Oct-2007 | 2,442              | 2,005 | -                                    | -       | -                   | -       | -                             | -   | -                     | -       | -                                      | -       |
| 01-Apr-2008 | 2,916              | 2,160 | -                                    | -       | -                   | -       | -                             | -   | -                     | -       | -                                      | -       |
| 01-Nov-2008 | 2,916              | 1,291 | 1,960                                | 1,660   | -                   | -       | -                             | -   | -                     | -       | 1,960                                  | 1,030   |
| 01-Apr-2009 | 3,726              | 1,570 | 480                                  | 480     | -                   | -       | 480                           | 480 | -                     | -       | -                                      | -       |
| 01-Apr-2010 | 4,991              | 2,288 | 8,090                                | 6,980   | -                   | -       | -                             | -   | 1,410                 | 1,320   | 6,880                                  | 5,660   |
| 01-Apr-2011 | 6,067              | 3,123 | 66,200                               | 26,200  | -                   | -       | -                             | -   | 17,600                | 4,410   | 48,600                                 | 21,790  |
| 01-Apr-2012 | 6,100              | 2,780 | 139,300                              | 86,020  | -                   | -       | -                             | -   | 26,300                | 16,820  | 113,000                                | 69,200  |
| 01-Apr-2013 | 5,009              | 2,781 | 373,520                              | 286,080 | -                   | -       | -                             | -   | 105,808               | 78,760  | 267,712                                | 207,320 |
| 01-Apr-2014 | 5,313              | 3,367 | 73,100                               | 49,700  | -                   | -       | -                             | -   | 9,600                 | 6,500   | 63,500                                 | 43,200  |
| 01-Apr-2015 | 5,299              | 3,354 | 173,400                              | 117,800 | -                   | -       | -                             | -   | 19,200                | 12,600  | 154,200                                | 105,200 |
| 01-Apr-2016 | 4,747              | 1,787 | 175,500                              | 199,600 | -                   | -       | -                             | -   | 6,700                 | 7,800   | 168,800                                | 191,800 |
| 01-Apr-2017 | 4,207              | 2,810 | -                                    | -       | 362,200             | 232,400 | -                             | -   | 14,900                | 9,300   | 347,300                                | 223,100 |
|             |                    |       | 1,011,550                            | 774,520 | 362,200             | 232,400 | 480                           | 480 | 201,518               | 138,140 | 1,171,752                              | 868,300 |

The weighted average price of the LAN options granted during the year is N3,820; 571,200 options (2017: N4,207; 362,200 options) while the weighted average price of GAN options granted during the year is N3,619.00; 251,600 options (2017: N2,810.00; 232,400 options)

### 45. Events after the reporting period

On 11 February 2019, the Board authorised an interim dividend of N73 billion for the year ended 31 December 2018.

The Federal Government released the Nigerian Code of Corporate Governance (NCCG) in January 2019. The code seeks to institutionalise corporate governance best practices in Nigerian companies, promote public awareness of essential corporate values and ethical practices that will enhance the integrity of the business environment and rebuild public trust and confidence in the Nigerian economy, thus facilitating increased trade and investment. The NCCG is expected to impact the composition of the Board and External auditors of the Group.

## **MTN Nigeria Communications Limited**

Consolidated and separate financial statements for the year ended 31 December 2018

### **Notes to the consolidated and separate financial statements**

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#### **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\$52.6m (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 \$402,625,419 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.

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Value added statements

|                                                                                 | 2018<br>N '000     | 2018<br>%  | 2017<br>Restated *<br>N '000 | 2017<br>Restated *<br>% |
|---------------------------------------------------------------------------------|--------------------|------------|------------------------------|-------------------------|
| <b>Group</b>                                                                    |                    |            |                              |                         |
| <b>Value added</b>                                                              |                    |            |                              |                         |
| Turnover                                                                        | 1,039,117,810      |            | 887,180,480                  |                         |
| Other income                                                                    | 2,225,066          |            | -                            |                         |
| - Local                                                                         | (523,866,124)      |            | (424,905,953)                |                         |
| - Foreign                                                                       | (41,778,528)       |            | (44,815,082)                 |                         |
| <b>Total value added</b>                                                        | <b>475,698,224</b> | <b>100</b> | <b>417,459,445</b>           | <b>100</b>              |
| <b>Value distributed</b>                                                        |                    |            |                              |                         |
| <b>To pay employees</b>                                                         |                    |            |                              |                         |
| Salaries, wages, medical and other benefits                                     | 27,152,445         |            | 22,683,483                   |                         |
|                                                                                 | <b>27,152,445</b>  | <b>6</b>   | <b>22,683,483</b>            | <b>5</b>                |
| <b>To pay providers of capital</b>                                              |                    |            |                              |                         |
| Finance costs                                                                   | 67,339,468         |            | 131,542,282                  |                         |
|                                                                                 | <b>67,339,468</b>  | <b>14</b>  | <b>131,542,282</b>           | <b>32</b>               |
| <b>To pay government</b>                                                        |                    |            |                              |                         |
| Income tax                                                                      | 53,567,289         |            | 33,725,530                   |                         |
|                                                                                 | <b>53,567,289</b>  | <b>11</b>  | <b>33,725,530</b>            | <b>8</b>                |
| <b>To be retained in the business for expansion and future wealth creation:</b> |                    |            |                              |                         |
| Depreciation and impairments                                                    | 133,163,482        |            | 128,695,353                  |                         |
| Amortisation                                                                    | 26,700,181         |            | 26,648,659                   |                         |
| Deferred tax                                                                    | 22,089,458         |            | (6,906,083)                  |                         |
|                                                                                 | <b>181,953,121</b> | <b>38</b>  | <b>148,437,929</b>           | <b>36</b>               |
| <b>Value retained</b>                                                           |                    |            |                              |                         |
| Retained profit for the year                                                    | 145,685,901        |            | 81,070,221                   |                         |
|                                                                                 | <b>145,685,901</b> | <b>31</b>  | <b>81,070,221</b>            | <b>19</b>               |
| <b>Total value distributed</b>                                                  | <b>475,698,224</b> | <b>100</b> | <b>417,459,445</b>           | <b>100</b>              |

## MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

### Value added statements

|                                                                                 | 2018               | 2018       | 2017                 | 2017            |
|---------------------------------------------------------------------------------|--------------------|------------|----------------------|-----------------|
|                                                                                 | N '000             | %          | Restated *<br>N '000 | Restated *<br>% |
| <b>Company</b>                                                                  |                    |            |                      |                 |
| <b>Value added</b>                                                              |                    |            |                      |                 |
| Turnover                                                                        | 1,037,067,731      |            | 885,807,704          |                 |
| Other operating income                                                          | 2,225,066          |            | -                    |                 |
| - Local                                                                         | (514,933,996)      |            | (426,010,749)        |                 |
| - Foreign                                                                       | (50,036,589)       |            | (44,255,066)         |                 |
| <b>Total value added</b>                                                        | <b>474,322,212</b> | <b>100</b> | <b>415,541,889</b>   | <b>100</b>      |
| <b>Value distributed</b>                                                        |                    |            |                      |                 |
| <b>To pay employees</b>                                                         |                    |            |                      |                 |
| Salaries, wages, medical and other benefits                                     | 27,152,445         |            | 22,683,483           |                 |
|                                                                                 | <b>27,152,445</b>  | <b>6</b>   | <b>22,683,483</b>    | <b>5</b>        |
| <b>To pay providers of capital</b>                                              |                    |            |                      |                 |
| Finance costs                                                                   | 67,339,468         |            | 131,542,057          |                 |
|                                                                                 | <b>67,339,468</b>  | <b>14</b>  | <b>131,542,057</b>   | <b>32</b>       |
| <b>To pay government</b>                                                        |                    |            |                      |                 |
| Income tax                                                                      | 53,295,522         |            | 33,210,342           |                 |
|                                                                                 | <b>53,295,522</b>  | <b>11</b>  | <b>33,210,342</b>    | <b>8</b>        |
| <b>To be retained in the business for expansion and future wealth creation:</b> |                    |            |                      |                 |
| Depreciation and impairment                                                     | 132,958,561        |            | 128,695,353          |                 |
| Amortisation                                                                    | 21,346,862         |            | 21,295,339           |                 |
| Deferred tax                                                                    | 23,598,800         |            | (5,396,741)          |                 |
|                                                                                 | <b>177,904,223</b> | <b>38</b>  | <b>144,593,951</b>   | <b>35</b>       |
| <b>Value retained</b>                                                           |                    |            |                      |                 |
| Retained profit for the year                                                    | 148,630,554        |            | 83,512,056           |                 |
|                                                                                 | <b>148,630,554</b> | <b>31</b>  | <b>83,512,056</b>    | <b>20</b>       |
| <b>Total value distributed</b>                                                  | <b>474,322,212</b> | <b>100</b> | <b>415,541,889</b>   | <b>100</b>      |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Five-year financial summaries

|                                               | 2018               | 2017                 | 1 January 2017       | 2015                | 2014               |
|-----------------------------------------------|--------------------|----------------------|----------------------|---------------------|--------------------|
|                                               | N '000             | Restated *<br>N '000 | Restated *<br>N '000 | N '000              | N '000             |
| <b>Group</b>                                  |                    |                      |                      |                     |                    |
| <b>Statement of financial position</b>        |                    |                      |                      |                     |                    |
| <b>Assets</b>                                 |                    |                      |                      |                     |                    |
| Property, plant and equipment                 | 607,023,544        | 582,438,885          | 494,670,217          | 450,873,469         | 513,908,934        |
| Intangible assets                             | 119,368,123        | 128,602,009          | 141,488,116          | 136,327,243         | 34,348,986         |
| Other non-current assets                      | 19,493,033         | 17,150,457           | 31,177,636           | 26,882,566          | 27,014,374         |
| Net current (liabilities)/assets              | (385,093,140)      | (300,235,897)        | (132,937,960)        | (62,342,053)        | 46,677,503         |
| Assets of disposal groups held for sale       | -                  | 174                  | 7,229                | -                   | -                  |
| Non-current liabilities                       | (141,439,245)      | (315,103,710)        | (452,794,464)        | (562,698,201)       | (450,788,002)      |
| <b>Net assets/(liabilities)</b>               | <b>219,352,315</b> | <b>112,851,918</b>   | <b>81,610,774</b>    | <b>(10,956,976)</b> | <b>171,161,795</b> |
| <b>Equity</b>                                 |                    |                      |                      |                     |                    |
| Share capital                                 | 646,510            | 646,510              | 646,510              | 646,510             | 646,510            |
| Share premium                                 | 64,498,466         | 64,498,466           | 64,498,466           | 64,498,466          | 64,498,466         |
| Reserves available for sale                   | 6,069              | 496,644              | 325,721              | (76,101,952)        | 106,016,819        |
| Retained profit /(loss)                       | 154,201,270        | 47,210,298           | 16,140,077           | -                   | -                  |
| <b>Total equity</b>                           | <b>219,352,315</b> | <b>112,851,918</b>   | <b>81,610,774</b>    | <b>(10,956,976)</b> | <b>171,161,795</b> |
| <b>Statement of profit or loss</b>            |                    |                      |                      |                     |                    |
| Revenue                                       | 1,039,117,810      | 887,180,480          | 793,672,969          | 807,448,831         | 824,806,801        |
| <b>Profit/(loss) before taxation</b>          | <b>221,342,648</b> | <b>107,889,668</b>   | <b>126,651,204</b>   | <b>(12,334,936)</b> | <b>290,606,355</b> |
| Taxation                                      | (75,656,747)       | (26,819,447)         | (37,850,862)         | (67,954,967)        | (81,579,482)       |
| <b>Profit/(loss) for the year</b>             | <b>145,685,901</b> | <b>81,070,221</b>    | <b>88,800,342</b>    | <b>(80,289,903)</b> | <b>209,026,873</b> |
| <b>Per share data</b>                         |                    |                      |                      |                     |                    |
| Earnings/(loss) per share - basic/diluted (N) | 358                | 199                  | 218                  | (197)               | 513                |
| Net assets/(liabilities) per share (N)        | 539                | 277                  | 200                  | (27)                | 420                |

# MTN Nigeria Communications Limited

Consolidated and separate financial statements for the year ended 31 December 2018

## Five-year financial summaries

|                                               | 2018               | 2017                 | 1 January 2017       | 2015                | 2014               |
|-----------------------------------------------|--------------------|----------------------|----------------------|---------------------|--------------------|
|                                               | N '000             | Restated *<br>N '000 | Restated *<br>N '000 | N '000              | N '000             |
| <b>Company</b>                                |                    |                      |                      |                     |                    |
| <b>Statement of financial position</b>        |                    |                      |                      |                     |                    |
| <b>Assets</b>                                 |                    |                      |                      |                     |                    |
| Property, plant and equipment                 | 606,962,868        | 582,378,208          | 494,609,541          | 450,812,792         | 513,848,257        |
| Intangible assets                             | 77,107,651         | 80,988,218           | 88,870,605           | 78,356,414          | 34,312,314         |
| Other non-current assets                      | 63,321,033         | 60,928,457           | 74,955,636           | 70,660,566          | 14,481,239         |
| Net current (liabilities)/assets              | (382,296,025)      | (296,489,455)        | (128,138,976)        | (60,787,324)        | 47,660,149         |
| Non-current liabilities                       | (132,364,622)      | (304,519,747)        | (440,701,159)        | (549,095,554)       | (438,236,294)      |
| Assets of disposal groups held for sale       | -                  | 174                  | 7,229                | -                   | -                  |
| <b>Net assets/(liabilities)</b>               | <b>232,730,905</b> | <b>123,285,855</b>   | <b>89,602,876</b>    | <b>(10,053,106)</b> | <b>172,065,665</b> |
| <b>Equity</b>                                 |                    |                      |                      |                     |                    |
| Share capital                                 | 646,510            | 646,510              | 646,510              | 646,510             | 646,510            |
| Share premium                                 | 64,498,466         | 64,498,466           | 64,498,466           | 64,498,466          | 64,498,466         |
| Reserves available for sale                   | 6,069              | 496,644              | 325,721              | (75,198,082)        | 106,920,689        |
| Retained profit /(loss)                       | 167,579,860        | 57,644,235           | 24,132,179           | -                   | -                  |
| <b>Total equity</b>                           | <b>232,730,905</b> | <b>123,285,855</b>   | <b>89,602,876</b>    | <b>(10,053,106)</b> | <b>172,065,665</b> |
| <b>Statement of profit or loss</b>            |                    |                      |                      |                     |                    |
| Revenue                                       | 1,037,067,731      | 885,807,704          | 789,891,899          | 807,448,831         | 824,806,801        |
| <b>Profit/(loss) for the year</b>             | <b>225,524,876</b> | <b>111,325,657</b>   | <b>135,072,340</b>   | <b>(12,334,936)</b> | <b>290,606,355</b> |
| Taxation                                      | (76,894,322)       | (27,813,601)         | (39,183,768)         | (67,954,967)        | (81,579,482)       |
| <b>Profit/(loss) for the year</b>             | <b>148,630,554</b> | <b>83,512,056</b>    | <b>95,888,572</b>    | <b>(80,289,903)</b> | <b>209,026,873</b> |
| <b>Per share data</b>                         |                    |                      |                      |                     |                    |
| Earnings/(loss) per share - basic/diluted (N) | 365                | 205                  | 236                  | (197)               | 513                |
| Net assets/(liabilities) per share (N)        | 572                | 303                  | 220                  | (25)                | 423                |