

**Mobile Telephone Networks Holdings Limited and its
subsidiaries**

(Registration number: 1993/001411/06)

Annual Financial Statements

for the year ended 31 December 2020

Mobile Telephone Networks Holdings Limited

Annual Financial Statements

for the year ended 31 December 2020

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

The Group and Company Annual Financial Statements have been prepared by the Mobile Telephone Networks Holdings Limited finance staff under the guidance of the Group Finance Operations General Manager, BG Samwell, BCom (Hons), MCom, CA(SA), and were supervised by the Group Finance Executive, S Perumal, CA(SA).

These Annual Financial Statements were authorised on 29 April 2021 by the Board of Directors.

Mobile Telephone Networks Holdings Limited

Statement of directors' responsibility

for the year ended 31 December 2020

The directors are responsible for the integrity, preparation and fair presentation of the annual separate and consolidated financial statements of Mobile Telephone Networks Holdings Limited (the Company), its subsidiaries, joint ventures, associates and structured entities (together, the Group) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008, as amended.

The Company also subscribes in all its activities to principles of best practice and corporate governance, as set out in the King IV Report on Corporate Governance for South Africa 2016 (King IV*).

The preparation of financial statements in conformity with IFRS requires management to consistently apply appropriate accounting policies, supported by reasonable judgements and estimates. The directors are of the opinion that the information contained in the Annual Financial Statements fairly presents the financial position at year-end and the financial performance and cash flows of the Group and the Company for the year then ended.

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

The directors are also responsible for the oversight of the Group's system of internal controls. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The Group operates in an established control environment, which is documented and regularly reviewed. The Group Risk Management and Compliance Committee plays an integral role in risk management. Risk management and internal control procedures are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are controlled.

The internal financial controls are considered adequate and effective and can be relied upon in compiling the Annual Financial Statements. Where deficiencies in the design and operational effectiveness of internal financial controls have been identified, remedial actions have been initiated.

MTN Group Limited's internal audit function (which is the same function for the Group), which operates unimpeded by operational management, and has unrestricted access to the MTN Group Limited's Audit Committee, assesses and, when necessary, recommends improvements in the system of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The directors have reviewed the Group and the Company budgets and cash flow forecasts for the year to 31 December 2021. In light of this review, the current financial position and existing borrowing facilities, the going concern basis has been adopted in preparing the Group and the Company Annual Financial Statements. The directors have no reason to believe that the Company or its subsidiaries will not be going concerns in the year ahead. These financial statements support the viability of the Group and the Company.

The Group's external auditor, SizweNtsalubaGobodo Grant Thornton Inc. (SNG Grant Thornton), audited the Group and the Company Annual Financial Statements and their unqualified audit report is presented on pages 22 to 30.

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

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Mobile Telephone Networks Holdings Limited

Statement of directors' responsibility (continued)

for the year ended 31 December 2020

The Group and the Company Annual Financial Statements which appear on pages 1 to 197 were approved for issue by the Board of Directors on 29 April 2021 and are signed on its behalf by:



RT Mupita

Group President and Chief Executive Officer (CEO)
Fairland



MH Jonas

Chairman of Board of Directors of the Group
Fairland

Mobile Telephone Networks Holdings Limited

Certificate by the Company Secretary

for the year ended 31 December 2020

I certify that, to the best of my knowledge and belief, Mobile Telephone Networks Holdings Limited has filed all its returns and notices with the Registrar of Companies and Intellectual Property Commission for the year ended 31 December 2020, as required of a public company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008, as amended, and that such returns and notices are true, correct and up to date.



PT Sishuba-Bonoyi

Group Secretary

Fairland

29 April 2021

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee

for the year ended 31 December 2020

The MTN Group Limited's Audit Committee (the Committee) performs the duties of the Audit Committee for Mobile Telephone Networks Holdings Limited.

The Committee is pleased to present its report for the 2020 financial year.

The report has been prepared based on the requirements of the Companies Act No 71 of 2008, as amended (the Companies Act), King IV, the JSE Listing Requirements and other applicable regulatory requirements.

TERMS OF REFERENCE

The Audit Committee assists the Board in discharging its duties by independently monitoring the strength of the operational, financial and control processes. These include internal financial controls and ensuring that assurance services and functions enable an effective control environment and that these support the integrity of information produced in compliance with applicable legal and regulatory requirements.

2020 – an unprecedented year of human tragedy that tested business resilience

"During 2020, the resilience of the Group's business continuity and its responsiveness to adapt its processes and controls were tested to an extraordinary level. While evaluating, monitoring and mitigating new risks brought about by the COVID-19 pandemic, the Group Audit Committee continued to drive its key focus areas set for 2020." S Mabaso-Koyana.

S Mabaso-Koyana assumed the chairmanship of the Audit Committee effective 1 October 2020. She is a chartered accountant with extensive experience in the public and private sectors, where she is held in high regard both locally and internationally. She has served as a non-executive director for numerous companies, and her current Board positions include MTN Zakhele Futhi (RF) Limited among others.

FEEDBACK ON KEY FOCUS AREAS FOR THE YEAR UNDER REVIEW

KEY FOCUS AREAS	DEVELOPMENT IN KEY FOCUS AREAS
Reviewed the Group's comprehensive Group-wide project to manage its response to the COVID-19 pandemic.	The Group has been able to navigate through the pandemic with minimal disruptive impact and will continue to adopt a conservative approach to its response. The Group-wide project contains streams to mitigate impact on human resources, supply chain, technology continuity and financial capital. The project also focuses on the impact to external stakeholders such as governments, customers and the wider community. The Group has also made financial contributions to society through its Y'ello Hope Project. On 27 January 2021, the Group announced financial support of US\$25 million to the African Union's COVID-19 Vaccine Project.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2020

FEEDBACK ON KEY FOCUS AREAS FOR THE YEAR UNDER REVIEW (continued)

KEY FOCUS AREAS	DEVELOPMENT IN KEY FOCUS AREAS
Evaluate progress and independent assessment of the implementation of the Group's enterprise resource planning cloud process that is expected to improve the overall internal financial control environment.	The Group continued to strengthen its control environment with the following system enhancement initiatives: • deployment of the Cloud ERP system in MTN Uganda Limited (MTN Uganda), with the implementation in MTN Nigeria Communications Plc (MTN Nigeria) and other head office entities being at an advanced stage and deployment expected in the first half of 2021; • implementation of the Cloud Human Capital Management system in 6 operating companies boasting an excess of 3800 users; • implementation of Trade Management in most operating companies with demand forecasting and planning modules live in Scancom PLC (MTN Ghana), Spacetel Benin S.A (MTN Benin), MTN Cameroon Limited (MTN Cameroon), MTN Uganda and MTN Nigeria; • deployment of the Enterprise Performance Management suite with modules for financial consolidation, business and financial planning, tax reporting, and operational analytics; • implementation of Sourcing & Supplier Management and Analytics modules in most operating companies with enhancements on Working Capital Management and Group Budget Analytics
Evaluate the rollout of enhanced policies, systems and processes on areas of focus across the Group, including areas such as treasury and credit management.	The Group treasury policy has been enhanced to include the operating companies' treasury management with monthly reporting and Mobile Money (MoMo) counterparty risk management. The Group treasury reports now include a consolidated view of positions of holding and operating companies. Furthermore, the Groups' bank counterparty risk is managed through the S&P Global Ratings credit scoring platform and is reviewed semi-annually. The Group's new credit management policy, which includes monitoring mechanisms, is scheduled for implementation in the first six months of 2021.
Monitor the rollout of projects to enhance technology controls across the Group.	The Group prioritises and monitors the implementation of controls in the security environment as part of the Critical Controls Implementation initiative in order to improve the overall information security control environment across the Group. On a quarterly basis, assessments are performed in the Group's operations to track the implementation progress of the critical controls. In addition, independent assessments are performed on a sample-basis to provide assurance on the effectiveness of the controls implemented.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2020

FEEDBACK ON KEY FOCUS AREAS FOR THE YEAR UNDER REVIEW (continued)

KEY FOCUS AREAS	DEVELOPMENT IN KEY FOCUS AREAS
Monitor progress and evaluate findings and action steps from deep-dive process reviews in areas such as procurement and supply chain management; consumer and sales and distribution environments.	Insights from internal audit and forensic services (IAFS) group-wide integrated audit approach, which focused on key processes, were used to provide clear visibility to the nature and impact of control weaknesses. Management advanced interventions in the form of centrally driven remediation projects that incorporates risk management, regulatory and compliance alignment and financial impacts. Project assurance with tailored key performance indicators (KPIs) and time-based milestones enables supervision and guides progress to completion to ensure remediation objectives are achieved. Management accountability is ensured through visibility of recurrent findings, business accountability and consequence management. Monitoring the tone at the top within all management structures ensures sustainable improvements in the control environment.
Review initiatives taken to further enhance the assurance and monitoring capabilities of the IAFS function in the context of the Group's digital strategy and transformation journey.	The Groups' IAFS function continued to tailor and refine their existing audit tools, especially in light of the business impacts of COVID-19. The operational responses brought on by work-from-home interventions, with an unprecedented reliance on systems, digital access and related tools, has prompted a deeper reflection of the IAFS function's digital strategy as well as the skills, talent and training requirements to ensure it is future-fit.
Ensure appropriate planning and transition processes are established for the rotation of audit firms, commencing in 2021.	As part of its audit firm rotation plan, the Group appointed Ernst and Young Inc (EY) at its Annual General Meeting (AGM) on 21 May 2020, replacing SNG Grant Thornton as the Group audit firm with effect from the 2021 financial year.
Enhance the oversights and evaluation of the external audit function by reviewing audit quality related indicators of the external auditors against benchmarks in the market.	The Audit Committee maintains a strong and candid relationship with the auditors and satisfied itself with the performance of the external auditors. Work is progressing in the 2021 year to further strengthen the oversight and evaluation of the Group's external auditors by benchmarking the audit quality related indicators in the market.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued) for the year ended 31 December 2020

MEMBERSHIP, MEETING ATTENDANCE AND EVALUATION

Members of the committee are independent and are nominated annually by the Board for re-election at the AGM. The individual members satisfy the requirements to serve as members of an Audit Committee as provided in section 94 of the Companies Act and have adequate knowledge and experience. The composition of the committee and the attendance at the meetings by its members for the period January to December 2020 are set out below. The committee meets quarterly and held an additional meeting in advance of the interim results to consider and approve the change in accounting policy as set out in note 11 of the Annual Financial Statements.

Members	3 March 2020	19 May 2020	3 July 2020	30 July 2020	26 November 2020
S Mabaso-Koyana*	N/A	N/A	N/A	N/A	√
KC Ramon**	√	√	√	√	N/A
NP Mageza***	√	N/A	N/A	N/A	N/A
S Tshabalala	X	√	√	√	√
P Hanratty	√	√	√	√	√
V Rague	X	√	√	√	√

* Appointed as an independent non-executive director on 1 September 2020, and assumed the chairmanship of the Audit Committee on 1 October 2020.

** Retired from the Board with effect from 30 September 2020.

*** Retired from the Board with effect from 30 April 2020.

N/A Attendance not applicable as it falls outside of the term of appointment.

X An apology was tendered for non-attendance.

√ Attended the meeting.

The committee meets at least four times a year and members' fees are included in the table of directors' emoluments and related payments in note 10 of the financial statements.

The Group President and CEO, the Group Chief Financial Officer (GCFO), the Group Business Risk Officer, the executive: internal audit and forensics, external auditors and other assurance providers attend committee meetings by invitation. The committee also meets separately with the external auditors, internal auditors and senior management before or after every meeting.

After serving as Audit Committee chairman for the last five years, KC Ramon stepped down on 30 September 2020 and S Mabaso-Koyana assumed the chairmanship on 1 October 2020. The committee expressed its appreciation for the valuable input and guidance provided by KC Ramon and NP Mageza during their tenure.

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

EXECUTION OF FUNCTIONS OF THE AUDIT COMMITTEE

The committee is satisfied that, in respect of the period under review, it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference and the Companies Act.

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

EXTERNAL AUDITORS

- Considered and satisfied itself with the independence and objectivity of the external auditors and designated registered auditor and ensured that the scope of non-audit services rendered did not impair their independence.
- Approved the non-audit-related services performed by the external auditors during the year in accordance with the policy established and approved by the Board.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2020

EXTERNAL AUDITORS (continued)

- Fees paid for non-audit services are disclosed in note 2.4 of these Annual Financial Statements and represents 15% of audit fees, which is within the Group's policy of 25%. These comprised:

	2020	2019
	%	%
Assurance related	46	14
Advisory	25	55
Tax	28	29
Other services	1	2
	100	100

- Services assigned to the Group audit firm were pre-approved following an evaluation of the impact on audit independence based on the Group's approved policy.
- Services for larger assignments are individually evaluated by the Group Audit Committee and approved if the committee is satisfied that the independence of the audit firm will not be compromised. Other than for the approved services, no other benefits were provided to the auditors. Larger projects during 2020 included data migration and analytics services and a sustainability assurance project.
- Determined the external auditors' terms of engagement and fees for 2020. Fees paid to the auditors for the year under review are disclosed in note 2.4 of these Annual Financial Statements.
- Satisfied itself with the performance of the external auditors and designated registered auditor and further that they are accredited on the JSE's list of auditors and advisers.
- Satisfied itself that the designated registered auditor is within his tenure and rotation requirements.
- The Group's external auditors are SNG Grant Thornton. SNG Grant Thornton is a local auditing firm and is a level 1 BBBEE contributor.
- SNG Grant Thornton has been auditing the Group for 18 years. Mr DH Manana from SNG Grant Thornton was appointed as the Group engagement partner since the 2017 financial period.
- Assessed the audit firm as well as the engagement partner's suitability for appointment, taking into account the quality of the audit work and related reporting to the Audit Committee, industry expertise of the firm and its designated partners, findings by the Independent Regulatory Board for Auditors (IRBA) and statements relating to independence as well as the representations made by the external auditors to the Audit Committee including those under ISQC 1 *International Standard on Quality Control 1*.
- Considered the practical ability for the external auditors and the Group finance team to work remotely in light of COVID-19 restrictions.
- Executed its stated mandatory audit firm rotation transition plan in accordance with the Group's announcement on 29 November 2019. The shareholder approved the appointment of EY as the new Group audit firm with effect from 2021. In addition, MTN Nigeria appointed EY as its auditors with effect from 2020 in accordance with audit firm rotation requirements in Nigeria.

FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND OTHER FINANCIAL MATTERS

- Reviewed and approved the accounting policies and the Annual Financial Statements of the Group and the Company for the year ended 31 December 2020, and based on the information provided to it, the committee considered that, in all material respects, they are appropriate and comply with the provisions of the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the APC, Financial Reporting Pronouncements as issued by the FRSC, and the JSE Listings Requirements as well as content from the JSE's annual proactive monitoring report.
- Reviewed the processes in place for the reporting of concerns and complaints relating to financial reporting and accounting practices, internal audit, contents of the Group's and the Company's financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.
- Reviewed Group tax exposures and assessed the appropriateness of the Group's tax policies.
- Reviewed Group treasury reports, Group funding requirements, credit ratings and recommended financing proposals to the Board.
- Considered and was satisfied with the appointment of T Shomang as the Debt Officer in line with requirements of paragraph 7.3(g) of the JSE Debt Listing Requirements.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2020

FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND OTHER FINANCIAL MATTERS (continued)

- Reviewed progress on litigation and legal exposures and the related accounting applied and disclosure included in these Annual Financial Statements.
- Received regular updates from management on the repatriation of funds from sanctioned territories.
- Considered the appropriateness of management judgements, estimates made and the accounting treatment of significant transactions.

Significant matters that the Audit Committee has considered in relation to the Annual Financial Statements were:

SIGNIFICANT MATTER CONSIDERED	ACTIONS AND CONCLUSIONS
<i>Fair and balanced financial reporting</i>	The committee considered the appropriateness of the Group's financial reporting to ensure fair and balanced reporting is achieved. The committee reviewed submissions and presentations by management on the financial results, significant transactions, critical accounting judgements and assumptions as well as views by the Group's external auditors on key audit matters and internal auditors on internal financial controls. The committee has recommended that the Board approve both the summary and annual financial results.
<i>Classification and measurement of the investment in a telecommunication infrastructure provider, IHS Holding Limited (IHS Group)</i> The Group's 29% investment in IHS Group is classified as an investment at fair value through other comprehensive income (FVOCI). The calculation of fair value of R27 197 million is based on earnings multiples applied to estimated earnings (note 1.5.2 and note 7.2).	The committee reviewed the appropriateness of the classification of IHS Group as an investment at FVOCI in accordance with IFRS 9 <i>Financial Instruments</i>. It evaluated the methodology followed to estimate earnings and multiples applied against international earnings multiples of similar entities. It evaluated the assessment and views of the Group's external auditors on management's valuation and disclosure. The committee was satisfied that the classification and measurement of the investment in IHS Group was appropriate.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2020

FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND OTHER FINANCIAL MATTERS (continued)

SIGNIFICANT MATTER CONSIDERED	ACTIONS AND CONCLUSIONS
<i>Recognition of the revenue earned from Cell C</i> Cell C Limited (Cell C) and Mobile Telephone Networks Proprietary Limited (MTN SA) entered into a network roaming agreement in 2018. Following delayed payments by Cell C during the first half of 2019, MTN SA did not recognise all revenue accrued on satisfied performance obligations. Revenue was only recognised on completed services based on the non-refundable consideration received. There were no changes in facts and circumstances during 2020 that resulted in a change in the cash basis of accounting (note 1.5.8).	The Audit Committee reviewed the appropriateness of the accounting treatment and reviewed the payments received that were recognised as revenue and considered the impact of the amount not recognised as revenue. The Audit Committee was satisfied that the accounting treatment was appropriate.
<i>Judgement relating to uncertain tax, legal and regulatory matters</i> The Group operates in a number of complex and uncertain regulatory and tax jurisdictions where judgement is required in assessing the regulatory and tax exposures (note 1.5.4, 1.5.6, note 3 and note 6.6). Legal matters considered include a transfer pricing dispute, a complaint for violation of an anti-terrorism act in Afghanistan as well as a claim by Turkcell and East Asian Consortium arising from its unsuccessful bid for a licence in Iran.	The committee reviewed risk, legal, regulatory and tax reports from management and requested opinions from independent specialists where considered appropriate. The committee considered management's assessment of possible, probable and remote exposures and the related provisions and disclosure on tax and regulatory and legal liabilities, provisions and contingent liabilities in the light of the latest correspondence on these matters by the respective authorities. The committee also considered the assessment by the Group's external auditors of the appropriate recognition, measurement and disclosure of uncertain tax, legal and regulatory matters. The committee was satisfied that the recognition, measurement and disclosure of uncertain tax, legal and regulatory matters by management was appropriate and that the claims relating to complaints in respect of the violation of an anti-terrorism act and the Turkcell matter were appropriately assessed by management to be remote.
<i>Classification of the economy of Iran as hyperinflationary</i> The Group has applied IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> to the results of Irancell Telecommunication Company Services (PJSC) (Irancell) effective 1 January 2020 (note 1.5.5).	The committee considered management's assessment and judgements of the classification of the economy as hyperinflationary. The committee reviewed the calculations of the net prior period gains and the disclosures on the impact of the hyperinflation accounting on the statement of comprehensive income. The Audit Committee was satisfied that management has applied the appropriate judgements in classifying the economy as hyperinflationary and that the accounting and disclosures were appropriate.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2020

FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND OTHER FINANCIAL MATTERS (continued)

SIGNIFICANT MATTER CONSIDERED	ACTIONS AND CONCLUSIONS
<i>Judgement applied regarding the impairment of goodwill</i> Acquisitions made in prior years resulted in the recognition of goodwill. Goodwill is tested at least annually for impairment to assess whether the recoverable amounts exceed the carrying amounts. The calculation of the recoverable amounts require judgement relating to future cash flows and discount rates (note 1.5.1 and note 5.2.1). In 2020, the goodwill balances of Lonestar Communications Corporation (MTN Liberia), MTN Yemen and Spacetel Guinea-Bissau S.A.(MTN Guinea-Bissau) were impaired (note 5.2).	The committee reviewed the annual impairment testing performed by management. It evaluated the cash generating units with impairment indicators selected such as the effects of COVID-19 for detailed impairment testing, reviewed the underlying key assumptions supporting the future cash flows in the context of the operations' business plans and considered the reasonableness of discount rates of these operations in the context of their respective operating environments. It also considered the views from the Group's external auditors on the valuation methodology applied, their assessment of the reasonableness of the key assumptions and sensitivities to changes in these assumptions. The committee was satisfied that the analysis and calculations performed by management and the related impairments and disclosure in the Annual Financial Statements were appropriate.
<i>Significant transactions for 2020 included:</i> - the dilution of the Group's interest in MTN Zambia Limited (MTN Zambia) by 8% (note 9.4); - the disposal of the Group's 18,90% interest in Jumia Technologies AG (Jumia) (note 7.1.3); - the disposal of the Group's 49% shareholdings in Uganda Tower InterCo B.V. (Uganda InterCo) and Ghana Tower InterCo B.V. (Ghana InterCo) (note 9.4); - the classification of the 20% interest held in Belgacom International Carrier Services (BICS) to non-current assets held for sale (note 9.4); and - the classification of the Group's shareholding in MTN Syria (JSC) (MTN Syria), to non-current assets held for sale (note 9.4).	The committee considered the accounting treatments and the disclosures of the transactions proposed by management. The committee was satisfied that these transactions were appropriately accounted for and disclosed by management.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2020

FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND OTHER FINANCIAL MATTERS (continued)

SIGNIFICANT MATTER CONSIDERED	ACTIONS AND CONCLUSIONS
<i>Impact of the COVID-19 pandemic</i> The effects of COVID-19 had an impact on the Group's financial risk, including the credit risk relating to its customers and exposure relating to cash and cash equivalents and Mobile Money (MoMo) deposits placed with banks. In addition, dividends declared and paid by MTN Nigeria to MTN International (Mauritius) Limited, being held on behalf of the Group by the Nigerian Registrar, could not be repatriated and has been classified as restricted cash (note 4.3). Further impacts of the pandemic resulted in impairment charges on goodwill and joint venture balances (note 1.6).	The committee reviewed the impact of COVID-19 on the financial risks of the Group and the related impacts on the Annual Financial Statements. The committee also considered management's assessment of: • reduced liquidity in the Nigerian foreign exchange market that impacts the Group's ability to receive dividends from its subsidiary; • expected credit losses (ECLs) on receivables, bank and MoMo deposit balances; • COVID-19 as an impairment trigger for cash-generating units; and • the disclosure of the impact of COVID-19 on the financial statements. The committee was satisfied that the impacts of COVID-19 were appropriately assessed and disclosed and that managements assessments, calculations and disclosures on ECLs and impairments of goodwill and investments in joint ventures was appropriate.
<i>Changes in accounting policies</i> The Group implemented a voluntary accounting policy change relating to the release of foreign currency translation reserve (FCTR) from the step-by-step method to the direct method. IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> (IAS 21) requires that on the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income (OCI) and accumulated in FCTR in equity, shall be reclassified from equity to profit or loss as a reclassification adjustment when the gain or loss on disposal is recognised (note 11.1).	The committee evaluated and approved the change in accounting policy. The committee further reviewed the restatement performed by management and concluded that these were appropriate and in line with IFRS. The committee was satisfied that management applied and disclosed the change in the accounting policy appropriately.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued) for the year ended 31 December 2020

INTERNAL FINANCIAL CONTROLS

- Reviewed the assessment, prepared by internal audit, on the effectiveness of the Group's risk management, governance and system of internal financial controls. This assessment, together with the report on the overall control environment, formed the basis of the committee's recommendation to the board in this regard. The board's report on the effectiveness of the system of internal controls, which the committee fully supports, is included in the directors' report on page 20.
- Reviewed the report from the Group's forensic services function on the result of forensic investigations conducted in the period under review and their financial impact as they pertain to financial reporting.
- Considered the reports from management on fraud and information technology risks as they pertain to financial reporting.
- Reviewed the reports of the external auditors detailing the findings arising from their audit and considered the appropriateness of the responses from management.
- Assessed the revenue assurance control environment and related revenue leakage exposure for the Group.
- Reviewed fraud and whistleblowing reports and that appropriate management action is taken with regards to the control environment and consequence management.

GOING CONCERN STATUS

- The Group's Annual Financial Statements have been prepared on a going concern basis, and the directors are satisfied that the Group is in a sound financial position to meet its foreseeable cash requirements. The Board's statement on the going concern status of the Group and Company is contained on page 18 of the directors' report.

INTERNAL AUDIT AND FORENSIC SERVICES FUNCTION OVERSIGHT

- Considered the effectiveness and independence of the internal audit function, its impact as a third line of assurance and monitored adherence to the annual internal audit plan.
- Reviewed the continued embedment of the third line of defence as a central reporting function and its effective positioning within the organisation's operation.
- Considered the appropriateness of IAFS' KPIs for alignment to the mandate of an independent third line assurance function.
- Reviewed the performance of M Molapo, the executive IAFS, and confirmed that she had the requisite skill, experience, human resources and budgetary support from the organisation in order to successfully execute on her mandate in the year under review.
- The Group Audit Committee obtained appropriate evidence to satisfy themselves that the Group's IAFS function fulfilled its mandate appropriately.
- Reviewed the reported results of internal audit work and forensic investigations in order to be satisfied that they appropriately supported the final annual assessment of governance, risk management and system of internal controls of the Group.
- Reviewed the critical matters raised by the IAFS function, obtained and evaluated management's action plans to address those matters and assessed the adequacy of those actions to appropriately and sustainably resolve those critical matters.
- Reviewed the results of the external quality assurance review performed on the function, to validate that the governance, processes and management thereof, the quality of work delivered by the function is at the requisite level as governed by International Standards for the Professional Practice of Internal Auditing.
- Considered the effectiveness of the combined assurances provided by all the lines of assurance, through a review of management's representations and attestations, reports from the risk and compliance function and other similar second lines of assurance, together with an evaluation of the assurance of third lines, namely external and internal audit functions.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued) for the year ended 31 December 2020

RISK MANAGEMENT

The Audit Committee chairman is a permanent invitee to the Group Risk Committee to ensure the Audit Committee considers holistically the financial risks associated with the risk profile of the Group.

The IAFS performed an audit of the following in respect of the risk function:

- Reviewed the performance of R Wessels, the Group Business Risk and Compliance Officer, to which the risk and compliance function reported to during the year, and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review.
- Reviewed the Group policies on risk assessment and risk management for financial reporting and the going concern assessment.
- Reviewed the matters related to financial reporting presented on the risk registers, its impact and likelihood of occurrence.
- Reviewed the Group's comprehensive groupwide project to manage its response to the COVID-19 pandemic.

FINANCE DIRECTOR AND FINANCE FUNCTION

- Reviewed the performance of the acting GCFO, S Perumal, who has been fulfilling the role of acting GCFO from the 1st of September 2020 and previous GCFO, R Mupita, and was satisfied that they have the necessary expertise and experience to fulfil this role and that they had performed appropriately for the year ended 31 December 2020.
- S Perumal is a chartered accountant with over 15 years extensive experience in finance and accounting. He has served as an external auditor of MTN Group Limited and certain subsidiaries and joint ventures and held various key executive and Board positions within the Group including acting Chief Financial Officer of MTN SA and CFO of Irancell.
- T Molefe joined the Group as the Group Chief Financial Officer on 1 April 2021. She is a qualified chartered accountant, and brings deep financial, risk and telecommunications experience.
- The Audit Committee also considered and has satisfied itself of the appropriateness of the expertise and experience of the finance function and adequacy of resources employed in this function.

SOLVENCY AND LIQUIDITY REVIEW

The committee is satisfied that the Board has performed a solvency and liquidity test on the Company in light of guarantees and letters of support issued on behalf of subsidiaries.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued) for the year ended 31 December 2020

KEY FOCUS AREAS FOR 2021

The committee has set the following key areas of focus for 2021:

- Continue to evaluate progress and independent assessment of the implementation of the Group's enterprise resource planning cloud process that is expected to improve the overall internal financial control environment.
- Monitor the transition processes for the rotation of the audit firm and the effectiveness thereof as well as oversights and evaluation of the external audit function by reviewing audit quality related indicators of the Group's external auditors against benchmarks in the market.
- Evaluate the ongoing operational, financial and control risks posed by the COVID-19 pandemic and the Groups response and mitigation processes in place to ensure business continuity.
- Consider the financial impact and disclosure of corporate transactions in the scope of the Group's Middle East exit strategy.
- Consider the impact of a growing MoMo business on the control environment and monitor the restructure of the Group's MoMo businesses from the telecommunication operations into a separate financial technology (fintech) structure.
- Evaluate the progress on the consolidation and standardisation of key controls to further enhance the overall control environment.
- Maintain focus on the enhancement of controls to reduce cyber risks, fraud risks and revenue leakage.
- Evaluate and consider the compliance programmes on data privacy across the Group.



S Mabaso-Koyana
Group Audit Committee Chairman

29 April 2021

Mobile Telephone Networks Holdings Limited

Directors' report

for the year ended 31 December 2020

NATURE OF BUSINESS

The Company is a wholly owned subsidiary of MTN Group Limited, incorporated in the Republic of South Africa on 17 March 1993 and carries on the business of an investment holding company. The Company's registered address is 216 14th Avenue, Fairland, Roodepoort, Gauteng, 2195.

COMPLIANCE WITH FINANCIAL REPORTING STANDARDS

The Group and the Company Annual Financial Statements were prepared in accordance with IFRS as issued by the IASB and Interpretations as issued by the IFRIC and comply with the SAICA Financial Reporting Guides as issued by the APC and Financial Reporting Pronouncements as issued by the FRSC, the JSE Listings Requirements and the requirements of the Companies Act.

FINANCIAL RESULTS

The Group recorded a profit after tax for the year ended 31 December 2020 of R20 460 million (2019: R11 208 million). Full details of the financial results of the Group and the Company are set out in these Annual Financial Statements and accompanying notes for the year ended 31 December 2020.

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 December 2020 amounted to R32 519 million (2019: R32 456 million), which comprised the following:

	2020 Rm	2019 Rm
PROPERTY, PLANT AND EQUIPMENT	24 102	22 423
Land and buildings	205	183
Leasehold improvements	146	112
Network infrastructure	17 165	9 993
Information systems, furniture and office equipment	1 404	1 284
Capital work-in-progress/other ¹	3 725	6 490
Spare parts ²	1 353	4 274
Vehicles	104	87
INTANGIBLE ASSETS	3 935	3 446
Software	3 152	2 173
Capital work-in-progress	783	1 273
LEASED ASSETS	4 482	6 587
Right-of-use assets	4 482	6 587
	32 519	32 456

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

² Spare parts were aggregated with capital work-in-progress/other in 2019. In 2020, the amounts were disaggregated and separately disclosed. The 2019 year has been re-presented to reflect this disaggregation

Mobile Telephone Networks Holdings Limited

Directors' report (continued) for the year ended 31 December 2020

CAPITAL EXPENDITURE (continued)

Licences and spectrum acquired during the year:

	2020	2019
	Rm	Rm
MTN Yemen	504	-
MTN Zambia	-	31
MTN Benin	-	51
MTN Ghana	1 190	104
MTN Nigeria	32	249
MTN Afghanistan Limited (MTN Afghanistan)	24	-
MTN Uganda	1 774	2
	3 524	437

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 10.1 of these Annual Financial Statements.

YEAR UNDER REVIEW

The results of the Group and Company have been set out in the attached Annual Financial Statements.

LITIGATION

MTN Afghanistan Limited (MTN Afghanistan) Anti-Terrorism complaint

On 27 December 2019 a complaint for violation of the Anti-terrorism Act was filed in the United States District Court for the District of Columbia (the Complaint). The Complaint was filed on behalf of American service members and civilians, and their families, who were killed or wounded in Afghanistan between 2009 and 2017. The Complaint alleges that several Western businesses supported the Taliban by, inter alia, making payments to ensure the protection of their infrastructure. The defendants named in the Complaint are six different groups, one of which is MTN Group Limited (MTN Group) and certain of its subsidiary companies including MTN Afghanistan.

On 5 February 2021, MTN Group filed a reply in support of its request that the court dismiss MTN Group from a civil case in US court. MTN Group filed its reply in order to respond to the plaintiffs' 8 December 2020 opposition to MTN Group's motion to dismiss. MTN Group had filed its initial motion to dismiss on 10 September 2020, wherein MTN Group had asked the United States court to dismiss the case filed against it on 27 December 2019. As stated in its motion to dismiss and in its reply on 5 February 2021, MTN Group Limited has requested that the court end the lawsuit and grant a judgment in MTN Group's favour for two independent reasons: because the court lacks jurisdiction over MTN Group, which does not operate in the United States, and because the complaint does not allege any conduct by MTN Group that violated the Anti-Terrorism Act. The matter is considered remote and as such, no contingent liability has been disclosed.

Turkcell claim

The matter relates to Turkcell and the East Asian Consortium as plaintiffs against MTN Group Limited and certain of its subsidiaries, in terms of which the plaintiffs are allegedly aggrieved by their unsuccessful bid to obtain a mobile licence in Iran, and the awarding of that licence to Irancell in 2005. MTN Group has consistently opposed this claim on the basis that the licence to Irancell was validly issued and that the allegations made by the plaintiffs are without merit. In November 2020, Turkcell formally withdrew as a plaintiff from the case before the High Court, leaving East Asian Consortium as the only plaintiff in the matter. MTN Group Limited maintains that the allegations made by East Asian Consortium are without merit and, as such, no contingent liability has been disclosed.

Mobile Telephone Networks Holdings Limited

Directors' report (continued) for the year ended 31 December 2020

BORROWING POWERS

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

GOING CONCERN

The directors have reviewed the Group's and Company's budget and cash flow forecasts for the year to 31 December 2021. On the basis of this review, the current financial position and existing borrowing facilities, the directors are satisfied that the Company and the Group have access to adequate resources to continue in operational existence for the foreseeable future, are going concerns, and have continued to adopt the going concern basis in preparing the Annual Financial Statements.

SUBSIDIARY COMPANIES AND JOINT VENTURES

Details of subsidiaries and joint ventures in which the Group has a direct or indirect interest are set out in note 9.1 of these Annual Financial Statements.

All Group entities have a year-end consistent to that of the Company with the exception of Irancell, a joint venture of the Group that has a year-end of 21 December for Group reporting purposes and a statutory year-end of 21 March.

DISTRIBUTION TO THE SHAREHOLDER

Before declaring dividends, the Board:

- Applies the solvency and liquidity test; and
- Assesses whether the Company would satisfy the solvency and liquidity test immediately after payment of said dividend.

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

Dividends

No dividends were declared during the 2020 period (2019: R9 970 million).

SHARE CAPITAL

Authorised share capital

There was no change in the authorised share capital of the Company during the year under review. The authorised ordinary share capital of the Company is 1 500 million shares of 1 cent each.

Issued share capital

The issued share capital of the Company is R5 257 577 (2019: R5 257 577) comprising 525 757 682 (2019: 525 757 682) ordinary shares of 1 cent each.

CONTROL OF UNISSUED SHARE CAPITAL

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

The Company did not exercise this authority during the current or prior financial year.

Mobile Telephone Networks Holdings Limited

Directors' report (continued) for the year ended 31 December 2020

RETIREMENT BY ROTATION OF DIRECTORS

In accordance with the Company's MOI, S Kheradpir, PB Hanratty, SP Miller, NL Sowazi, S Mabaso-Koyana, N Molope, N Gosa and T Molefe will retire at the forthcoming AGM. The retiring directors, being eligible, offer themselves for election.

In accordance with the policy adopted by the Board and the MOI of the Company, directors who have been in office for an aggregate period in excess of nine years are required to retire at the next AGM and at each AGM thereafter. Accordingly, A Mikati who has served on the Board for an aggregate period in excess of nine years, will retire at the forthcoming AGM and will step down and offer his resignation. The Board expressed their gratitude for the invaluable contribution A Mikati has made over the years.

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

APPOINTMENTS AND RESIGNATIONS

S Mabaso-Koyana was appointed as an independent non-executive director with effect from 1 September 2020 and Audit Committee chairman with effect from 1 October 2020.

T Molefe was appointed as the Group Chief Financial Officer with effect from 1 April 2021.

N Molope and N Gosa were appointed as independent non-executive directors with effect from 1 April 2021.

RA Shuter resigned from being the Group President and CEO on 31 August 2020.

RT Mupita ceased to be the Group Chief Financial Officer on 31 August 2020 and was appointed as the Group President and CEO on the 1st of September 2020.

KC Ramon resigned from being an independent non-executive director on 30 September 2020 and D Marole and NP Mageza resigned from being independent non-executive directors on 30 April 2020.

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

COMPANY INDEMNITY DISCLOSURE

In accordance with paragraph 166.2 of the Company's MOI, which states that the Company may "advance expenses to a director to defend litigation in any proceedings arising out of the director's service to the Company", the Company has accordingly approved an indemnity for its directors and officers. The extent of the indemnity is stated below:

"The directors of MTN Group Limited and the MTN Group Executive Committee members (who are prescribed officers and fall within the definition of director in terms of Section 78 of the Companies Act) (directors), are hereby indemnified in respect of any liability arising other than contemplated in Section 78(6) of the Companies Act, and the Company will advance the director's reasonable expenses to defend litigation in any proceedings arising out of the director's service to the Company and hereby indemnify the directors in respect of such expenses subject to the provisions of Section 78(8) of the Companies Act."

DIRECTORS AND PRESCRIBED OFFICERS' INTERESTS, SHAREHOLDINGS AND DEALINGS

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

EMPLOYEE SHARE SCHEMES

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

Mobile Telephone Networks Holdings Limited

Directors' report (continued) for the year ended 31 December 2020

CHANGES IN SHAREHOLDING

Disposal of Jumia

During 2020 the Group disposed of its entire shareholding in Jumia through multiple sales transactions with the final sale completed on 8 October 2020. The sales transactions closed for proceeds of US\$138 million (R2.3 billion). The fair value of the investment was determined by reference to published price quotations on the New York Stock Exchange (NYSE) and was categorised within level 1 of the fair value hierarchy. The Group had classified the investment in Jumia as at FVOCI resulting in the disposal having no impact on profit or loss.

Disposal of Uganda Tower Interco B.V. and Ghana Tower Interco B.V.

On 31 December 2019 the Group concluded an agreement to dispose of its 49% equity holdings in Ghana InterCo and Uganda InterCo to AT Sher Netherlands Cooperatief U.A. (ATC). The Uganda InterCo transaction closed on 21 February 2020 for cash proceeds of US\$140 million (R2,2 billion) and realised a profit of R1,3 billion, inclusive of FCTR gains of R112 million reclassified to profit or loss on disposal. The Ghana InterCo transaction closed on 18 March 2020 for cash proceeds of US\$384 million (R6,6 billion) and realised a net profit of R4,8 billion, after inclusion of FCTR losses of R1,8 billion reclassified to profit and loss on disposal.

Disposal of 8% shareholding in MTN Zambia

On 7 October 2020 the Group disposed of 8% shareholding in MTN Zambia taking the Group's effective shareholding for accounting purposes from 97,8% to 89,8%. The proceeds from the disposal amounted to ZMK287 million (R238 million) and realised a net gain of R180 million recognised in equity as a transaction with non-controlling interests.

INTERNAL FINANCIAL CONTROLS

During the year under review, the Board, through the Audit Committee, assessed the results of the formal documented review of the Group's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by internal audit and considered information and explanations given by management and discussions with the external auditors on the results of the audit. Although certain weaknesses in financial controls, whether in design, implementation or execution were identified, the internal financial controls are considered adequate and effective and can be relied upon in compiling the Annual Financial Statements. Where deficiencies in the design and operational effectiveness of internal financial controls have been identified, remedial actions have been initiated.

COVID-19

On 11 March 2020, the World Health Organisation officially declared the novel coronavirus, COVID-19, a pandemic. Governments across the world have taken extreme measures to curb the spread of the virus by introducing various forms of social distancing, lockdown regimes and forms of monetary and fiscal stimulus.

As at 31 December 2020, the MTN footprint had 3 012 582 total cases with 444 744 cases being active.

For the year ended 31 December 2020, there have been direct and indirect financial effects caused by the COVID-19 pandemic. We highlight the impacts to the Annual Financial Statements as a result of the pandemic in note 1.6 of the financial statements.

On 27 January 2021, MTN announced that it will be donating US\$25 million to support the African Union's COVID-19 vaccination programme. The donation will help secure up to 7 million doses of COVID-19 vaccines for health workers across the continent. MTN will recognise an expense and the related cash outflow for the donation in the 2021 financial year.

EVENTS AFTER THE REPORTING PERIOD

Sale of BICS

The Group has been in discussions regarding a potential sale of its shareholding in BICS for some time as the investment in associate was not considered a strategic investment. BICS was accordingly classified as a non-current asset held for sale on 5 August 2020. An impairment loss of R397 million after writing down the carrying amount of the non-current asset held for sale to its fair value less costs to sell has been recognised in profit or loss.

Mobile Telephone Networks Holdings Limited

Directors' report (continued) for the year ended 31 December 2020

EVENTS AFTER THE REPORTING PERIOD (continued)

Sale of BICS (continued)

Following year-end, the Group concluded an agreement to sell, and fully exited, its 20% investment in BICS.

The transaction closed on 24 February 2021 and the Group received net cash proceeds of EUR99,1 million (R1,8 billion, translated at the effective date of sale) and realised a profit of approximately R1,2 billion, mainly comprising of reclassified FCTR gains, which will form part of earnings, with no impact on equity and cash flows.

MTN SYRIA

On 17 February 2021, a lawsuit was filed before the Administrative Court of Damascus (the court) by the Syrian Ministry of Communications and Technology and the Syrian Telecommunications and Post Regulatory Authority (together "the Syrian Telecoms Authorities") seeking interim measures against MTN Syria following certain allegations of mismanagement. The allegations included unsubstantiated claims relating to the licence agreement, MTN Syria's interactions with its service providers, and certain matters relating to the Board and management. On 25 February 2021, the court placed MTN Syria under judicial guardianship, effective immediately. The court has appointed the chairman of TeleInvest, the non-controlling shareholder of MTN Syria, to serve as the judicial guardian.

The Group is reviewing the extent of the judicial guardian's powers; at this time, it appears that the guardian (if his appointment is legally valid), has the power and responsibility to manage MTN Syria's day-to-day operations.

The Group is strongly of the view that the court process followed to place MTN Syria under judicial management within a week of being served with a lawsuit was flawed and that the allegations made are without merit. On 1 March 2021, the Group filed an appeal against the court order appointing the judicial guardian. However, during the appeal process, the guardian's powers remain effective. In addition, the Group is also considering other appropriate steps and is consulting its legal advisers on measures available to it with regards to protecting its rights to its investment in MTN Syria.

At 31 December 2020, the Group was committed to a plan to sell MTN Syria and the sale was considered highly probable; and as a result, the subsidiary was classified as a non-current asset held for sale and measured at its recoverable amount of R1 175 million.

On 25 February 2021, subsequent to the end of the reporting period, the appointment of the judicial guardian has significantly reduced the Group's power to direct MTN Syria's relevant activities and therefore its control over MTN Syria. The Group is still in the process of understanding its rights and obligations under the judicial arrangement but to the extent that control is concluded to have been lost, the Group will derecognise its 75% equity interest in and loans receivable from MTN Syria, amounting to R955 million at 31 December 2020. In addition, the Group will reclassify accumulated foreign currency translation losses of R5,1 billion to profit or loss in line with the accounting policy. On loss of control, the Group will measure its equity interest in and loans receivable from MTN Syria at fair value.

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

AUDITORS

SNG Grant Thornton were auditors in accordance with section 90 of the Companies Act for the 2020 year.

The Audit Committee reviewed the independence of the auditor during the period under review and satisfied itself that the auditor was independent of the Group.

Following the introduction of mandatory audit firm rotation, the shareholder has approved EY as the new audit firm at the AGM on 21 May 2020. EY will replace SNG Grant Thornton for the 2021 financial year as the Group audit firm.

To the Shareholders of Mobile Telephone Networks Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

We have audited the consolidated and separate financial statements of Mobile Telephone Networks Holdings Limited (the Company) and its subsidiaries ((together the Group) set out on pages 31 to 197, which comprise the Group and Company statements of financial position as at 31 December 2020, the Group and Company income statements for the year then ended, the Group and Company statements of comprehensive income for the year then ended, the Group and Company statements of changes in equity, the Group and Company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Mobile Telephone Networks Holdings Limited and its subsidiaries as at 31 December 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

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

Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards).

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

Key Audit Matters

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

The key audit matters discussed in the table below relate to the consolidated financial statements. We have determined that there are no key audit matters with regard to the audit of the separate financial statements of the Company for the current period to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Measurement of the equity investment in IHS Group The confidentiality restrictions written into the shareholders' agreement with IHS Group do not allow for the Group to be granted access to the IHS Group business plans or actual financial information for the 2020 financial year. For the purposes of deriving the fair value of the equity investment, any estimated earnings used to derive the fair value are therefore solely determined by management based on market estimates and assumptions on financial growth, currency movements, costs and performance. At 31 December 2020, the fair value of the equity investment held in IHS Group was calculated using an industry earnings multiple technique based on unobservable market inputs which were applied to management's estimated earnings, less estimated net debt and by also applying a combined liquidity and macro discount. We considered the measurement of the equity investment in IHS Group to be a matter of most significance to the current year's audit due to the significant judgements and estimates made by	We tested the mathematical accuracy of the valuation model and found no material differences. Utilising our valuation expertise, we assessed the approach adopted by management in the valuation model used to value the investment in IHS at year-end against the applicable requirements of IFRS 13 <i>Fair Value Measurement</i> and did not note inconsistencies. We assessed the reasonability of management's estimates of net debt by inspecting information published by a publicly listed investor in IHS Group. We further assessed the reasonability of management's estimates of earnings by performing trend analysis and look-back procedures, by comparing management's estimates to the actual results included in information published by a publicly listed investor in IHS Group. Based on the work that we performed, we accepted management's estimates.

management, the complexity in respect of the valuation of the investment, and the magnitude of the fair value movement recorded through other comprehensive income for the year. Refer to the following notes to the consolidated financial statements for detail: • Note 1.5.2: Critical accounting judgements, estimates and assumptions – IHS Group fair value through other comprehensive income; source of estimation uncertainty- investment measurement; • Note 1.6: Impact of the Covid-19 pandemic; • Note 7.1.3: Fair value estimation; and • Note 7.2: Investments.	We utilised our valuations expertise to assess the reasonability of the earnings multiples used by management. In doing so, we compared these to earnings multiples of comparable entities in the same industry, taking into account recent market transactions. We did not note any aspect requiring further consideration. We assessed the appropriateness of management's combined liquidity and macro discount applied and the increase in the discount when compared to the prior year, by considering published market information, performing trend analysis and look-back procedures, and considering acceptable discounts applied within the same industry taking into account current market conditions. Based on the work that we performed, we accepted the basis on which management determined the combined liquidity and macro discount applied in the valuation. We performed stress testing and sensitivity analyses on the inputs used by management in their valuation model to evaluate the minimum changes in the earnings multiple range, estimates of earnings and liquidity and macro discount that would result in a material change to the fair value calculation for both disclosure and measurement purposes. We did not note any aspect requiring further consideration.
<i>Impairment assessment of goodwill arising from business combinations</i> Due to the number of business combinations that the Group has historically entered into, the Group's net assets include a significant amount of goodwill at the reporting date. Some of the businesses that these balances relate to operate in countries subject to political conflict, worsening economic conditions, hyperinflation and various sanctions. There is a potential risk that these businesses may not trade in line with expectations and forecasts, resulting in a potential impairment of the carrying amount of goodwill allocated to these businesses.	We tested the mathematical accuracy of the valuation models used by management and found no material differences. We also assessed the appropriateness of the valuation model (discounted cash flows model) applied by management, with reference to market practice and the requirements of International Accounting Standard (IAS) 36 <i>Impairment of Assets</i>. We assessed the reliability of the Group's budgets included in the business plans (which form the basis of the cash flow forecasts), by comparing prior period budgets to actual results and evaluating differences noted against

The poor economic environment combined with further impacts of the COVID-19 pandemic in some of the Group's operations in certain regions resulted in decreased forecast cash flows at 31 December 2020 as well as a significant increase in sovereign risk premiums for some entities. Goodwill is tested annually for impairment and whenever there is an impairment indicator identified by management. Such indicators were identified by management related to its operations in Guinea-Bissau, Liberia and Yemen which resulted in an impairment charge of R165 million, R308 million and R525 million, respectively, as at 31 December 2020. We considered the goodwill impairment assessment to be a matter of most significance to the current year audit due to the significant judgement and assumptions made by management in performing the impairment assessments, and in estimating discount rates, terminal growth rates and cash flow forecasts specifically for conflict markets where reliable economic data is not available. Refer to the following notes to the consolidated financial statements for detail: Refer to the following notes to the consolidated financial statements: • Note 1.5.1: Critical accounting judgements, estimates and assumptions - Impairment of goodwill, • Note 1.6: Impact of the COVID-19 pandemic and • Note 5.2.1: Goodwill.	underlying documentation and explanations obtained from management. We also agreed revenue and earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation and amortisation (EBITDA) used to calculate cash flow forecasts to approved budgets and noted no material differences. We enquired from management regarding the adjustments made to the in-country approved budgets by the Group and evaluated management's explanations against our understanding of the specific operational performance and in-country developments in order to assess the reasonability of these adjustments. We did not note any aspect requiring further consideration in respect of these adjustments made. We assessed revenue growth rates and EBITDA margins during the forecast period against the Group's strategic initiatives, taking into account the anticipated future impact of COVID-19, as well as historical growth rates and EBITDA margins achieved. We noted no material differences. We utilised our valuations expertise to independently sourced data such as the terminal growth rates, cost of debt, risk-free rates in the applicable market, market risk premiums, debt/equity ratios, sovereign risk premiums, as well as the beta of comparable companies. We independently calculated a discount rate for each cash generating unit using our independently sourced data. We applied these independently sourced and calculated inputs to management's forecasts and compared management's recoverable amount of each cash-generating unit to the results of our calculations. No material differences were noted. We further performed sensitivity analyses to determine the minimum changes in discount rates, terminal growth rates and forecast cash flows that would result in limited or no headroom being available. We noted that the recoverable amount was not sensitive to
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	the discount and growth rates, which would result in the recoverable amount being less than the carrying amount of the net assets.
Accounting treatment for uncertain tax exposures, regulatory and pending litigation exposures in the various markets that the Group operates in The Group operates across multiple tax and regulatory jurisdictions and due to the inherent nature of exposures, rulings issued, assessments by tax and regulatory authorities and litigation in developing markets, the Group recognised a significant amount of tax and/or legal and regulatory provisions, liabilities and disclosed contingencies at the reporting date. Management applies judgement to estimate: - the potential exposure where the interpretation of the applicable tax laws and regulations could be subjective; and - the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the ranges of potential financial settlement. We considered the accounting treatment for uncertain tax exposures, regulatory and pending litigation exposures in the various markets that the Group operates in to be a matter of most significance to the current year's audit due to the magnitude, complexity and nature of these exposures, coupled with the fact that a significant level of management judgement is required in interpreting specific legislation acts, regulatory provisions or practices in determining the amounts of these liabilities. Refer to the following notes to the consolidated financial statements for detail: - Note 1.5.4: Critical accounting judgements, estimates and assumptions – Income taxes; Source of estimation uncertainty; - Note 1.5.6: Critical accounting judgements, estimates and assumptions – Contingent liabilities; Significant judgement; - Note 3.3: Income tax paid; - Note 4.5: Trade and other payables; - Note 6.3: Provisions; and - Note 6.6: Contingent liabilities.	Uncertain tax exposures Utilising our tax expertise, we held discussions with management to evaluate their assessment of the potential outcome of tax exposures relating to income tax (including transfer pricing and controlled foreign company legislation), withholding tax, VAT and other taxes. We also held discussions with Group and in-country internal tax experts regarding the facts and circumstances surrounding the significant exposures, in order to evaluate the reasonableness of management's conclusions. We evaluated in-country management's tax exposures assessment reports for consistency with reports prepared by Group management and noted no material inconsistencies. Based on our procedures performed above, we independently assessed the appropriateness of conclusions reached by management, and the appropriateness of the accounting treatment and disclosures in the consolidated financial statements. We further inspected correspondence received by management from the tax authorities, external tax advisers and external legal counsel to evaluate the appropriateness of management's conclusions. We did not identify any matters requiring further consideration. Legal and regulatory exposures We held discussions with management to evaluate management's assessment of the potential outcome of regulatory exposures as a result of applicable legislation, regulations and requirements prevalent in the jurisdictions in which the Group operates. We also discussed with management the facts and circumstances surrounding the significant exposures of the Group, in

	order to evaluate the reasonableness of management's conclusions. We evaluated in-country management's exposures assessment reports for consistency with reports prepared by group management and noted no material inconsistencies. Based on our procedures performed above, we independently assessed the appropriateness of conclusions reached by management and the appropriateness of the accounting treatment and disclosures in the consolidated financial statements. We further inspected correspondence received by management from the regulatory authorities and external legal counsel to evaluate the appropriateness of management's conclusions. We did not identify any matters requiring further consideration.
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Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Mobile Telephone Networks Holdings Limited Annual Financial Statements for the year ended 31 December 2020", which includes the Directors' Report, the Report of the Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report. The other information does not include the consolidated or the separate financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial

statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosure in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our

report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Inc. have been the auditors of Mobile Telephone Networks Holdings Limited for 18 years.

SizweNtsalubaGobodo Grant Thornton Inc

SizweNtsalubaGobodo Grant Thornton Inc.

Dumisani Manana

Director

Registered Auditor

29 April 2021

20 Morris Street East

Johannesburg

Mobile Telephone Networks Holdings Limited

Group income statement

for the year ended 31 December 2020

	Note	2020 Rm	2019 Restated ¹ Rm
Revenue	2.1, 2.2	179 462	151 554
Other income	2.3	122	503
Fair value adjustment on MTN Group shares		(204)	(60)
Direct network and technology operating costs		(27 987)	(21 744)
Costs of handsets and other accessories		(11 093)	(11 929)
Interconnect and roaming costs		(10 992)	(9 897)
Staff costs	2.4	(10 481)	(8 846)
Selling, distribution and marketing expenses		(21 005)	(18 466)
Government and regulatory costs		(6 823)	(5 693)
Impairment and write-down of trade receivables and contract assets	2.4	(2 169)	(729)
Other operating expenses		(12 261)	(12 195)
Depreciation of property, plant and equipment	5.1	(22 627)	(21 410)
Depreciation of right-of-use assets	6.5.4	(7 204)	(5 828)
Amortisation of intangible assets	5.2	(5 111)	(4 526)
Impairment of goodwill and investments in joint ventures	5.2, 9.2	(1 065)	(342)
Gain on disposal/dilution of investment in joint ventures and associates ²	9.2, 9.4	6 129	1 039
Impairment loss on remeasurement of non-current assets held for sale	9.4	(1 510)	-
Operating profit	2.4	45 181	31 431
Finance income	2.5	1 544	1 948
Finance costs	2.5	(19 638)	(16 956)
Net monetary gain		1 582	787
Share of results of associates and joint ventures after tax	9.2	1 142	705
Profit before tax		29 811	17 915
Income tax expense	3.1	(9 351)	(6 707)
Profit after tax		20 460	11 208
Attributable to:			
Equity holders of the Company		17 835	9 479
Non-controlling interests		2 625	1 729
		20 460	11 208

¹ Restated for change in accounting policy, refer to note 11 for details of restatements.

² Gain on disposal/dilution of investment in joint ventures and associates was included in other income in 2019 and has been disaggregated in 2020 and comparative numbers have been re-presented accordingly.

Mobile Telephone Networks Holdings Limited

Group statement of comprehensive income

for the year ended 31 December 2020

	2020	2019
	Rm	Restated ¹ Rm
Profit after tax	20 460	11 208
Other comprehensive income after tax:		
Items that may be and/or have been reclassified to profit or loss:	5 252	(3 862)
Net investment hedges	(878)	515
Foreign exchange movement on hedging instruments	(1 219)	715
Deferred and current tax	341	(200)
Exchange differences on translating foreign operations including the effect of hyperinflation²	6 130	(4 377)
Gains/(losses) arising during the year	4 462	(4 415)
Reclassification of foreign currency translation differences on loss of control and joint control	1 668	38
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income^{2,3}	(622)	2 759
(Losses)/gains arising during the year	(622)	2 759
Other comprehensive income for the year	4 630	(1 103)
Attributable to:		
Equity holders of the Company	3 964	(878)
Non-controlling interests	666	(225)
Total comprehensive income for the year	25 090	10 105
Attributable to:		
Equity holders of the Company	21 799	8 601
Non-controlling interests	3 291	1 504
	25 090	10 105

¹ Restated for change in accounting policy, refer to note 11 for details of restatements.

² This component of other comprehensive income (OCI) does not attract any tax.

³ Equity investments at fair value through other comprehensive income (FVOCI) mainly relates to the Group's investment in IHS Holdings Limited (IHS Group) and Jumia Technologies AG (Jumia) (note 7.2).

Mobile Telephone Networks Holdings Limited

Group statement of financial position

at 31 December 2020

		2020	31 December 2019	1 January 2019
	Note	Rm	Restated ¹ Rm	Restated ¹ Rm
ASSETS				
Non-current assets		233 657	224 384	226 209
Property, plant and equipment	5.1	99 993	97 699	99 819
Intangible assets and goodwill	5.2	37 008	34 645	37 831
Right-of-use assets	6.5	46 156	44 984	45 642
Investments	7.2	28 518	28 555	24 025
Investment in associates and joint ventures	9.2	10 306	8 764	11 884
Mobile Money deposits	4.6	329	-	-
Loans and other non-current receivables	7.3	2 707	2 305	1 361
Capitalised contract costs	2.2	1 194	1 192	998
Contract assets	2.2	1 082	1 107	773
Deferred tax assets	3.2	6 364	5 133	3 876
Current assets		111 415	76 949	72 017
Inventories	4.1	1 534	1 717	2 995
Trade and other receivables	4.2	28 760	25 801	27 839
Contract assets	2.2	2 610	2 761	2 698
Taxation assets	3.3	3 034	2 907	2 966
Current investments	7.4	10 299	5 191	5 327
Derivative assets		-	75	265
Restricted cash	4.3	6 888	2 042	2 153
Mobile Money deposits	4.6	27 679	15 315	12 835
Cash and cash equivalents	4.4	30 611	21 140	14 939
Non-current assets held for sale²	9.2, 9.4.3	4 016	838	2 759
Total assets		349 088	302 171	300 985
EQUITY				
Ordinary share capital and share premium	8.1	223	223	223
Shareholder's loan		5 818	5 818	5 818
Retained earnings		94 822	80 733	81 562
Other reserves	8.2	2 090	(2 800)	(2 173)
Attributable to equity holders of the Company		102 953	83 974	85 430
Non-controlling interests	9.5	3 362	2 213	3 436
Total equity		106 315	86 187	88 866
LIABILITIES				
Non-current liabilities		132 248	131 037	123 828
Borrowings	6.1	77 488	77 291	71 121
Lease liabilities	6.5	43 753	42 271	42 052
Deferred tax liabilities	3.2	9 560	10 020	9 409
Other non-current liabilities	6.2	629	993	776
Provisions	6.3	818	462	470
Current liabilities		109 441	84 947	88 291
Trade and other payables	4.5	42 959	37 458	47 634
Mobile Money payables	4.6	28 008	15 315	12 835
Contract liabilities	2.2	6 908	6 412	6 064
Provisions	6.3	2 552	2 447	2 341
Taxation liabilities	3.3	5 487	3 415	3 468
Borrowings	6.1	17 438	15 691	12 183
Lease liabilities	6.5	5 728	4 056	3 303
Derivative liabilities		7	21	208
Bank overdrafts	4.4	354	132	255
Liabilities directly associated with non-current assets held for sale²	9.4.3	1 084	-	-
Total liabilities		242 773	215 984	212 119
Total equity and liabilities		349 088	302 171	300 985

¹ Restated for change in accounting policy, refer to note 11 for details of restatements.

² On 25 February 2021, subsequent to the end of the reporting period, MTN Syria was placed under judicial guardianship. Please refer to note 9.4.3 for further details in relation to this development.

Mobile Telephone Networks Holdings Limited

Group statement of changes in equity

for the year ended 31 December 2020

		Attributable to equity holders of the Company							
	Note	Share capital Rm	Share premium Rm	Shareholder's loan Rm	Retained earnings Rm	Other reserves Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 January 2019 as previously reported									
Adjustment on change in accounting policy	11	5	218	5 818	79 414	(25)	85 430	3 436	88 866
Restated balance at 1 January 2019		-	-	-	2 148	(2 148)	-	-	-
Total comprehensive income (restated)		5	218	5 818	81 562	(2 173)	85 430	3 436	88 866
Profit after tax (restated)		-	-	-	9 479	(878)	8 601	1 504	10 105
Other comprehensive income after tax (restated)		-	-	-	9 479	-	9 479	1 729	11 208
		-	-	-	-	(878)	(878)	(225)	(1 103)
Transactions with owners of the Company:									
Redemption of MTN Nigeria preference shares	9.4	-	-	-	-	-	-	(1 243)	(1 243)
Reclassification of reserves on sale of Amadeus		-	-	-	(268)	268	-	-	-
Share of other reserves of joint ventures		-	-	-	-	(81)	(81)	-	(81)
Dividends declared	8.3	-	-	-	(9 970)	-	(9 970)	(1 477)	(11 447)
Other movements		-	-	-	(70)	64	(6)	(7)	(13)
Restated balance at 31 December 2019		5	218	5 818	80 733	(2 800)	83 974	2 213	86 187
Total comprehensive income		-	-	-	17 835	3 964	21 799	3 291	25 090
Profit after tax		-	-	-	17 835	-	17 835	2 625	20 460
Other comprehensive income after tax		-	-	-	-	3 964	3 964	666	4 630
Opening reserve adjustment for hyperinflation	1.5.5	-	-	-	3 677	-	3 677	-	3 677
Transactions with owners of the Company:							-		
Gain on disposal of shares in MTN Zambia	9.4	-	-	-	-	180	180	29	209
Reclassification of reserves on sale of Jumia		-	-	-	(688)	688	-	-	-
Dividends declared	8.3	-	-	-	(6 540)	-	(6 540)	(2 131)	(8 671)
Other movements		-	-	-	(195)	58	(137)	(40)	(177)
Balance at 31 December 2020		5	218	5 818	94 822	2 090	102 953	3 362	106 315
Note		8.1	8.1			8.2			

* Amount less than R1 million.

Mobile Telephone Networks Holdings Limited

Group statement of cash flows

for the year ended 31 December 2020

	Note	2020 Rm	2019 Rm
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Cash generated from operations	2.6	78 145	54 242
Interest received		1 351	1 263
Interest paid		(13 515)	(12 913)
Income tax paid	3.3	(8 396)	(7 631)
Dividends received from associates		223	227
Dividends received from joint ventures		385	323
Dividends received from MTN Group Limited		25	36
Net cash generated from operating activities		58 218	35 547
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(23 473)	(23 353)
Acquisition of intangible assets		(6 313)	(3 401)
Proceeds from sale of property, plant and equipment and intangible assets		80	62
Increase in non-current investments and joint venture		(212)	(71)
Proceeds from sale of investments in associates	9.2, 9.4.2	8 962	-
Proceeds from sale of subsidiaries, net of cash disposed	2.3	-	1 152
Proceeds from sale of investment in Jumia		2 315	-
Decrease in loan receivables		25	1 422
(Purchase)/realisation of bonds, treasury bills and foreign deposits		(8 116)	396
Increase in restricted cash		(6 392)	(191)
Decrease in restricted cash		107	179
Other investing activities		(53)	29
Net cash used in investing activities		(33 070)	(23 776)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from borrowings	2.7	22 551	35 013
Repayment of borrowings	2.7	(22 443)	(23 386)
Repayment of lease liabilities	2.8	(4 998)	(3 417)
Dividends paid to equity holders of the Company		(6 585)	(9 970)
Dividends paid to non-controlling interests		(2 093)	(1 460)
Redemption of MTN Nigeria preference shares	9.4.1	-	(1 243)
Other financing activities		(63)	(219)
Net cash used in financing activities		(13 631)	(4 682)
Net increase in cash and cash equivalents		11 517	7 089
Net cash and cash equivalents at beginning of the year		21 008	14 684
Exchange losses on cash and cash equivalents		(2 180)	(1 298)
Net monetary gain/(loss) on cash and cash equivalents		36	(82)
(Increase)/decrease in cash classified as held for sale	9.4.3	(124)	615
Net cash and cash equivalents at end of the year	4.4	30 257	21 008

Mobile Telephone Networks Holdings Limited

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Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS

1.1 Basis of preparation

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

The Group financial statements and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the South African Institute of Chartered Accountant (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act). The Group and the Company have adopted all new accounting standards and interpretations that became effective in the current reporting period.

A number of new standards and/or interpretations are effective from 1 January 2020. These had no material effect on the Group's or Company's financial statements. In addition, the Group changed its accounting policy with regards to the method applied in determining the amount of foreign currency translation reserves (FCTR) to be reclassified to profit or loss on the disposal of a foreign operation during the current financial year.

Refer to note 11 for details of the change in accounting policy.

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

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

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 1.5.

1.2 Going concern

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

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

1.3 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out on the following pages and in the related notes to the Group financial statements and should be read in conjunction with the financial definitions disclosed on pages 195 to 197 of the financial statements. Where applicable, the principal accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements. The principal accounting policies applied are consistent with those adopted in the prior year, except as stated above.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.1 Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is obtained by the Group. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. The consideration transferred is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

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

When the Group ceases to have control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests. Any retained interest in the entity is remeasured to its fair value. Any resulting gain or loss is recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss. The remaining other reserves related to that entity are transferred to retained earnings.

Consolidation of subsidiaries

The Group financial statements incorporate the financial statements of Mobile Telephone Networks Holdings Limited and all its subsidiaries and controlled structured entities (SEs) for the reporting date 31 December 2020 on the basis outlined below.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases (disposal date). The Group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether control exists, the Group considers all existing substantive rights that result in the current ability to direct relevant activities.

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.1 Consolidation (continued)

Non-controlling interests

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

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

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

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

1.3.2 Foreign currency

Functional and presentation currency

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

Transactions and balances

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

Translation of foreign operations

The results, cash flows and financial position of Group entities which are not accounted for as entities operating in hyperinflationary economies and that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at rates of exchange ruling at the reporting date;
- Specific transactions in equity are translated at rates of exchange ruling at the transaction dates;
- Income and expenditure and cash flow items are translated at weighted average exchange rates for the period or translated at exchange rates at the date of the transaction, where applicable; and
- Foreign exchange translation differences are recognised as OCI and accumulated in the FCTR, except to the extent the difference is allocated to non-controlling interests.

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

An entity may have a monetary item that is receivable from a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to OCI and accumulated in the FCTR.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.2 Foreign currency (continued)

Translation of foreign operations (continued)

The Group implemented a voluntary accounting policy change relating to the release of FCTR from the step-by-step method to the direct method. Refer to note 11.1 for details.

Disposal of foreign operations

On disposal of a foreign operation, all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Group are reclassified to profit or loss. The amount of FCTR reclassified to profit or loss is calculated based on the appreciation or devaluation in the functional currency of the foreign operation disposed against the functional currency of the Company.

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

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

For more details on judgements applied in the selection of exchange rates in countries operating in dual exchange rate economies please refer to note 1.5.3.

1.3.3 Hyperinflation

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

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

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

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

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

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. If on initial application of hyperinflation accounting, the restated value of the non-monetary assets exceed their recoverable amount, the amount in excess of the recoverable amount is recorded as a reduction in retained earnings. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

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

The Iranian, Sudanese, South Sudanese and Syrian economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiaries, MTN Sudan, MTN South Sudan, MTN Syria and the Group's joint venture, Irancell, have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to note 1.5.5.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.4 New accounting pronouncements

The standards and amendments listed below will be effective in future reporting periods. It is expected that the Group will adopt the pronouncements on their respective effective dates. The adoption of the new accounting standards and amendments is not expected to have a material impact on the Group results.

Standard	Effective date
<i>Covid-19 Related Rent Concessions</i> (Amendments to IFRS 16)	1 June 2020
<i>Interest Rate Benchmark Reform – Phase 2</i> (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
<i>Onerous Contracts – Cost of Fulfilling a Contract</i> (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS 2018 – 2020	1 January 2022
<i>Reference to the Conceptual Framework</i> (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 <i>Insurance Contracts</i> (IFRS 17) The Group has insurance cell captives which meet the definition of insurance contracts and fall under the scope of IFRS 17. In addition to the Group recognising the liability for incurred claims, the Group will measure its insurance contract liabilities for the remaining coverage period at initial recognition as the: • total of the fulfilment cash flows which comprises of: — the estimated future cash flows; — an adjustment to reflect the time value of money; and — an explicit risk adjustment for non-financial risk; as well as • the contractual service margin (unearned profit). The fulfilment cash flows will be remeasured on a current basis each reporting period. The contractual service margin will be recognised over the coverage period. The statement of profit or loss will be impacted as insurance revenue, insurance service expense and insurance finance income are recognised and disclosed. The adoption of this standard will result in greater disclosures within the Group, however, the recognition and measurement of the adoption are not expected to be material.	1 January 2023

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions

The Group makes judgements, estimates and assumptions concerning the future when preparing its financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

This note should be read in conjunction with the 'Principal accounting policies' disclosed in note 1.3.

1.5.1 Impairment of goodwill

The Group tests goodwill for impairment on an annual basis or whenever there is an impairment indicator identified by management, in accordance with the accounting policy disclosed in note 5.2. The recoverable amounts of cash-generating units (CGUs) have been determined based on value in use calculations, being the estimated future cash flows discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These calculations are performed internally by the Group and require the use of estimates and assumptions.

Source of estimation uncertainty

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates, terminal rates and discount rates. Further detail on these assumptions has been disclosed in note 5.2. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to an appropriate CGU being impaired. Goodwill impairment amounted to R998 million in the current year (2019: Rnil), refer to note 5.2.

1.5.2 IHS Group fair value through other comprehensive income

Significant judgement – investment classification

The Group has an economic interest in IHS Group of approximately 29%, comprising class A voting shares and class B non-voting shares. An investor is presumed to have significant influence over an investee when it owns 20% of the investee, unless it can be clearly demonstrated that this is not the case. Per the IHS Group shareholders' agreement, the Group is not entitled to appoint a Board member. In addition, IHS Group has the right to decide what strategic, financial and operational information is shared with the Group.

As a result of these restrictions, the Group's vote is limited to matters which relate to fundamental changes in the business or which apply in exceptional circumstances and are considered to be protective in nature. The Group's rights do not constitute significant influence to participate in the financial and operating policy decisions of IHS Group. Consequently, the Group accounts for its investment in IHS Group as an equity instrument held at FVOCI (note 7.2).

Source of estimation uncertainty – investment measurement

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, the Group does not have access to the IHS Group business plans or 2020 actual financial information. Any estimated earnings used to derive the existing fair value are therefore solely based on the Group's management assumptions and market estimates on financial growth, currency movements, costs and performance. The investment has been classified at level 3 of the fair value hierarchy for the current period in terms of IFRS 13 *Fair Value Measurement* (IFRS 13) (refer to note 7.1.3).

1.5.3 Dual exchange rates

Significant judgement

The Group operates in a number of foreign jurisdictions that have multiple quoted exchange rates. When several quoted exchange rates are available in a foreign jurisdiction, the Group uses judgement to determine the rate at which the future cash flows represented by foreign-denominated transactions or balances could have been settled if those cash flows had occurred at the measurement date in these foreign entities. For the translation of the results, cash flows and financial position of the foreign entities into the presentation currency of the Group,

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions(continued)

1.5.3 Dual exchange rates(continued)

the Group uses the rate at which dividends can be remitted. If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made. In August 2018, the Central Bank of Iran (CBI) clarified that all future dividends and all future loan repayments can be expected to be repatriated at the SANA rate. Judgement was required in determining the quoted foreign exchange rate to be used for translating and recording foreign currency transactions and balances and converting the equity-accounted results of Irancell. Since the introduction of the SANA rate, the Group has equity accounted the results and translated any receivables from Irancell at the SANA rate. However, the Group continues to translate any receivables that have previously been approved by the Iranian government under the Foreign Investment Promotion and Protection Act (FIPPA) at the CBI rate based on confirmation from FIPPA that the CBI rate will continue to apply to these receivables. All receivables that arose after the introduction of the SANA rate are translated at the SANA rate.

Further information on the relevant exchange rates is provided in note 7.6.

1.5.4 Income taxes

Source of estimation uncertainty

The Group is subject to income taxes in numerous jurisdictions. As a result, significant judgement is required in determining the Group's provision for income taxes. There are numerous calculations and transactions for which the ultimate tax position is uncertain during the ordinary course of business.

The Group recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the Group, the Group seeks, where relevant, expert advice to determine whether an unfavourable outcome is probable or possible. Where payment is determined to be possible but not probable the tax exposure is disclosed as a contingent liability, refer to note 6.6.

Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax in the period in which such determination is made.

Deferred tax assets - source of estimation uncertainty

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The Group is required to make significant estimates in assessing whether future taxable profits will be available.

Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. The Group's recognised and unrecognised deferred tax assets for the current year amounted to R6 364 million (2019: R5 133 million) and R5 916 million (2019: R5 489 million) respectively. Refer to note 3.2.

1.5.5 Hyperinflation

Significant judgement

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- Sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.5 Hyperinflation (continued)

Significant judgement (continued)

The analysis of the cumulative inflation rate over three years resulted in the Group considering whether Yemen's economy was hyperinflationary. Based on the available information, the Group concluded that this economy is currently not hyperinflationary.

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary. Following management's assessment, the Group's subsidiaries, MTN Sudan, MTN South Sudan, MTN Syria and the Group's joint venture, Irancell, have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of MTN Sudan, MTN South Sudan, MTN Syria and Irancell have been expressed in terms of the measuring units current at the reporting date.

MTN Sudan

The economy of Sudan was assessed to be hyperinflationary during 2018, and hyperinflation accounting has been applied since.

The general price index used as published by the International Monetary Fund is as follows:

Date	Base year	General price index	Inflation rate (%)
31 December 2020	2007	6 992	199

The cumulative inflation rate over three years as at 31 December 2020 is 712%. The average adjustment factor used for 2020 was 2,1.

MTN South Sudan

The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016, and hyperinflation accounting has been applied since.

The general price index used as published by the International Monetary Fund is as follows:

Date	Base year	General price index	Inflation rate (%)
31 December 2020	2011	9 839	20

The cumulative inflation rate over three years as at 31 December 2020 is 119%. The average adjustment factor used for 2020 was 1,1.

MTN Syria

The economy of Syria was assessed to be hyperinflationary effective 1 January 2014, and hyperinflation accounting has been applied since.

Until 30 June 2017, hyperinflation accounting was applied by estimating Syria's inflation rate using the change in the US\$:SYP exchange rate. The SYP started strengthening against the US\$ from October 2017 onwards. Syria's 2017 to 2020 estimated inflation rate using the change in US\$:SYP exchange rate, after the SYP strengthened, was negative, i.e. there was deflation.

However, the characteristics of Syria's economy continue to indicate that Syria's economy is hyperinflationary. Recognising deflation was not considered appropriate, due to lack of sufficient reliable inflation data. Therefore, a hyperinflation adjustment factor of one was applied from 1 July 2017 to 31 December 2019. In March 2020, the SYP weakened against US\$ by 61% resulting in an average adjustment factor used for the period from 1 January 2020 to 31 May 2020 of 1,1.

On 31 May 2020, MTN Syria was classified as a disposal Group held for sale (note 9.4) and was remeasured to its fair value less cost to sell and the Group has therefore discontinued adjusting MTN Syria's net assets for hyperinflation from this date onwards.

Date	Base year	General price index	Inflation rate (%)
31 December 2020	2014	634	187

The cumulative inflation rate over three years as at 31 December 2020 is 188%.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.5 Hyperinflation (continued)

Irancell

The economy of Iran was assessed to be hyperinflationary effective 1 January 2020, and hyperinflation accounting was applied for the current financial year¹. Upon first application of hyperinflation, net prior period gains of R3 677 million were recognised directly in equity.

¹Hyperinflation accounting was previously applied in Iran, up until 30 June 2015.

The general price index used as published by the International Monetary Fund is as follows:

Date	Base year	General price index	Inflation rate (%)
31 December 2020	2011	301	35

The cumulative inflation rate over three years as at 31 December 2020 is 162%. The average adjustment factor used for 2020 was 1.2.

The cumulative impact of adjusting the Group's results for the effects of hyperinflation is set out below:

	2020	2019
	Rm	Rm
Income statement		
Increase in revenue	2 925	905
Increase/(decrease) in operating profit	418	(316)
Net monetary gain	1 582	787
Decrease in share of results of associates and joint ventures after tax	(69)	(466)
Decrease in profit after tax	869	(251)

1.5.6 Contingent liabilities

Significant judgement

The Group applies judgement in assessing the potential outcome of uncertain legal and regulatory matters. The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision or a taxation liability is recognised. The Group has disclosed contingent liabilities where economic outflows are considered possible but not probable. Refer to note 6.6.

1.5.7 Accounting for MoMo deposits and payables

Significant judgement

Limited accounting guidance exists in IFRS relating to Mobile Money (MoMo) customers' balances held with banks. In the Group's larger MoMo markets, as the MoMo products mature and the regulatory and legal positions are codified, the underlying exposure to its MoMo customers is clarified ultimately resulting in the MoMo balances being recorded on the statement of financial position.

As the Group operates in a number of markets where the legal and regulatory position relating to MoMo has not been clarified, the judgement was made to recognise all MoMo liabilities, representing the obligation which exists in the ordinary course to refund the customer for deposits made, and the related MoMo balances held with the banks on the statement of financial position. For further details of the Group's MoMo policy refer to note 4.6

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.8 MTN SA revenue recognition

Significant judgement

On 1 May 2020, MTN SA's new long-form roaming agreement (phase 2 agreement) with Cell C became effective.

Based on Cell C's liquidity issues, the Group has applied judgement in assessing that it is not probable that it will receive the consideration to which it is entitled under the phase 2 agreement, and therefore the agreement does not meet the definition of a contract for revenue recognition purposes in terms of IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). As a result, MTN SA did not recognise all revenue accrued on satisfied performance obligations during the period under review. Revenue was only recognised on completed services based on the non-refundable consideration received.

MTN SA recorded revenue of R1 992 million from Cell C during the year ended 31 December 2020. As at 31 December 2020, R525 million of revenue in relation to satisfied performance obligations remains unrecognised. Cell C continues to work on its recapitalisation and liquidity challenges. When Cell C has been adequately recapitalised and start paying significantly all the amounts due to MTN, there will be a change in the Group's accounting treatment of Cell C roaming revenues back to an accounting methodology of recognising revenue as performance obligations are satisfied.

1.5.9 Leases

Significant judgement – Renewal and termination options

The Group applies judgement in determining the lease term by considering all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option and whether it is reasonably likely that options will be exercised by considering factors such as how far in the future an option occurs, the Group's business planning cycle and past history of terminating/not renewing leases. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The average lease term for recognised leases is seven to eight years. Refer to note 6.5 for further details.

Significant judgement – Lease and non-lease components

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.6 Impact of the COVID-19 pandemic

On 11 March 2020, the World Health Organization officially declared the novel coronavirus, COVID-19, a pandemic. Governments across the world have taken extreme measures to curb the spread of the virus by introducing various forms of social distancing, lockdown regimes and forms of monetary and fiscal stimulus. These measures impacted the financial position of individuals, small and medium-sized businesses as well as corporates to varying degrees, thereby significantly impacting economies across the Group's footprint.

The effects of COVID-19, and other macro developments, have also increased financial risks such as exchange rate volatility, economic growth and capital flows in the Group's markets. During the past year, credit ratings agencies have downgraded sovereign credit ratings of the two largest markets, South Africa and Nigeria. The Group continues to monitor these developments, assess the implications and manage its responses in order to mitigate the related risks.

Amid the nearer-term risks and uncertainties of the impact of COVID-19 on markets, the Group remains focused on preservation of cash and maintaining a healthy liquidity position and strengthening its operational and financial position. In this regard it has implemented cost control measures, focusing on critical expenses and enhanced oversight of expenditure that support margin management and liquidity across the business.

With the effects of COVID-19 being felt around the globe, there is also an impact on the telecommunications sector. The restrictions placed on movement resulted in people spending more time at home for work and leisure which resulted in the use of higher amounts of data. This has been the impact in all our regions whereby revenue has increased in local currency.

For the year ended 31 December 2020, there has been direct and indirect financial effects caused by the COVID-19 pandemic. We highlight the following relevant disclosures provided in the notes to the Annual Financial Statements which include the effects of the pandemic:

- During the past year, the Group has continued to provide telecommunication services across its footprint as an essential service. The Group's various revenue streams per operation are disclosed in the operating segments (refer to note 2). There has been revenue growth in network services resulting from strong growth in data revenue, digital and financial technology (fintech) services and interconnect. Conversely, revenue from sale of devices and roaming services have slowed due to the economic strain placed on our customers and the lockdown regimes. The resilience of the national networks, the headroom available on the networks and the allocation of temporary additional spectrum enabled the Group to meet the surge in data volume driven by work from home protocols and social distancing.
- The Group's capital expenditure (capex) focus is to ensure the resilience and capacity of its networks, which has been maintained despite disruptions in the supply chain and challenges in rolling out coverage under lockdown rules and the Group's emphasis on liquidity for the period. As lockdown regulations lifted in our markets towards the end of the year, the Group was able to resume a more regular rollout of network investment as restrictions on movement and logistical bottlenecks have eased. This enabled increased headroom in our networks, notably in South Africa and Nigeria among our larger markets.
- Liquidity management remained a focus during this period. As at 31 December 2020 the Group had access to undrawn borrowings of R33,3 billion (December 2019: R33,8 billion) as disclosed in note 6. Holdco¹ cash balances including restricted cash and current investments was R20,2 billion as at 31 December 2020. Year to date we have successfully fast-tracked and closed R18,2 billion in funding to mitigate refinance risk around upcoming maturities. The Group also concluded the sale of its Ghana InterCo and Uganda InterCo tower investments for a consideration of R8,8 billion and continued to pay its final dividend in respect of its 2019 financial year in April 2020.

¹ Holdco comprises the Group excluding operating segments per note 2.1 and GlobalConnect Solutions Limited.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.6 Impact of the COVID-19 pandemic (continued)

- The financial impact of the crisis has put pressure on post-paid customers and the Group's enterprise business unit. The following table reflects the movements for the period related to credit risk:

	31 December 2020	31 December 2019	Movement
Trade receivables and contract assets gross carrying amount - Mobile Telephone Networks Holdings Limited	R22 666 million	R21 081 million	8%
Expected credit loss (ECL) allowance – Mobile Telephone Networks Holdings Limited	R3 637 million	R2 709 million	34%
Average ECL/ Impairment ratio - Mobile Telephone Networks Holdings Limited	16.0%	12.9%	3.1
	31 December 2020	31 December 2019	Movement
Impairment and write down of trade receivables and contract assets - Mobile Telephone Networks Holdings Limited	R2 169 million	R729,1 million	197%
Impairment and write down of trade receivables - MTN Nigeria	R209 million	R9,7 million	2055%
Impairment and write down of trade receivables and contract assets - MTN South Africa	R1 869,3 million	R629,7 million	197%

The Group's exposure and management of credit risk relating to its customers, as well as its exposure relating to cash and cash equivalents and MoMo deposits placed with banks are provided in note 7. The Group has assessed the potential impairment on cash balances and MoMo deposits due to the negative impact of the pandemic on financial institutions. The nature of the bank balances and MoMo deposits are largely short term in nature comprising mainly of current accounts and call deposits. Given the significant actions taken by central banks to improve liquidity through monetary and fiscal interventions, the Group's expected credit losses (ECLs) on cash balances and MoMo deposits remained immaterial.

- Significant movements in currencies expose the Group to foreign currency gains and losses and also impact the Group's translation of its results into its rand presentation currency. The South African rand weakened against most of the currencies of the Group's foreign entities in the year. The Group recognised net foreign exchange losses of R4,5 billion (December 2019: R2,4 billion). In addition, the Group recognised a foreign currency translation gain in the statement of comprehensive income on converting the net assets of its foreign operations. The Group's foreign exchange gains and losses recognised in the income statement are provided in note 2.5 and the income statement sensitivity to exchange rates is provided in note 7. Exchange rates used in the conversion of the Group's results are provided in note 7.6.
- The severe impact of the pandemic on oil producing economies such as Nigeria resulted in pressure on the availability of foreign currency and limited the Group's ability to repatriate dividends. The Group continued to manage sensitivities of variability in cash flows on its debt gearing at a head office level. Holding company debt gearing levels increased during the year as dividend flows were restricted and the amounts in transit have been disclosed as restricted cash in note 4.3.
- The carrying values in a number of the Group's smaller operations and an investment in a joint venture exceeded the recoverable amounts during 2020, which resulted in impairments recognised against the goodwill of MTN Yemen, MTN Liberia and MTN Guinea-Bissau and an impairment in an investment in joint venture – Middle East Internet Holding S.A.R.L (MEIH). Further details of the entities are provided in the note relating to impairment of goodwill (note 5.2) and investment in joint ventures (note 9.2).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.6 Impact of the COVID-19 pandemic (continued)

- The Group's valuation of its investment in IHS Group is based on international tower industry multiples relevant at 31 December 2020. In February 2020, IHS Group completed the acquisitions of approximately 1 600 towers from Zain in Kuwait and approximately 2 300 towers from Cell Site Solutions in Brazil, Peru and Columbia. For the current period, IHS Group continued to operate under COVID-19 conditions and grew operationally in all markets. However, the macroeconomic environment, particularly in Nigeria, is impacted by the drop in oil prices and devaluation of the Nigerian naira following the effects of COVID-19. Given the market conditions, a combined liquidity and macro discount of 30% (2019: liquidity discount of 10%) has been applied. The fair value was calculated based on unobservable market inputs including tower industry earnings multiples which dropped to between 10x to 13x (December 2019: 10x to 14x). The sensitivities to the fair value estimations are provided in note 7.
- There have been no major impacts on leases and their related accounting impacts as a result of COVID-19. With telecommunications being treated as an essential service in most economies, our operations have continued to provide services to customers. The Group has not been granted rent concessions or COVID-19 related amendments to lease arrangements. Similarly, the increase in teleworking has resulted in an increased demand for network capacity to accommodate traffic.

The Group is not only focused on managing the risks brought about by COVID-19, but also on the opportunities it creates in the accelerated digitalisation it has brought about. The Group is well positioned to benefit from this evolution, especially given its focus on growth in data, digital and financial services businesses in the execution of its strategy.

The Group provided ongoing support through the MTN Global Staff Emergency Fund for employees and Y'ello Hope packages for our customers, communities and other stakeholders. The extensive interventions that have been implemented are expected to continue to safeguard the sustainability of the business, its people and its customers in the prevailing challenging environment. The Group provided government relief funds, personal protective equipment, healthcare support and contributions to food security initiatives through its foundations. Across the footprint numerous websites have been zero-rated to provide access to education portals to enable on-going learning and health related information. In countries like South Africa and Ghana, the Group has also supported contact tracing initiatives to fight the spread of COVID-19.

On 27 January 2021, MTN announced that it will be donating US\$25 million to support the African Union's COVID-19 vaccination programme. The donation will help secure COVID-19 vaccines for health workers across the continent. MTN will recognise an expense and the related cash outflow for the donation in the 2021 financial year.

Details of other events after the reporting period are set out in relevant notes within these Annual Financial Statements.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS

2.1 Operating segments

The Group has identified reportable segments that are used by the Group executive committee (chief operating decision maker (CODM)) to make key operating decisions, allocate resources and assess performance. The reportable segments are largely grouped according to their geographic locations and reporting lines to the CODM.

The Group's underlying operations are clustered as follows:

- South Africa;
- Nigeria;
- South and East Africa and Ghana (SEAGHA);
- West and Central Africa (WECA); and
- Middle East and North Africa (MENA).

South Africa and Nigeria comprise the segment information for the South African and Nigeria-based network services providers respectively.

The SEAGHA, WECA and MENA clusters comprise segment information for operations in those regions which are also network services providers in the Group. Subsequent to year-end, the Group redefined its reporting segments from SEAGHA to SEA with Ghana being included in WECA.

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

A key performance measure of reporting profit for the Group is CODM EBITDA. CODM EBITDA is defined as earnings before finance income and finance costs (which includes gains or losses on foreign exchange transactions and a loss on revision of cash flows from a joint venture), tax, depreciation and amortisation, and is also presented before recognising the following items:

- Impairment of joint venture and goodwill;
- Net monetary gain resulting from the application of hyperinflation;
- Share of results of associates and joint ventures after tax;
- Hyperinflation (note 1.5.5);
- Tower sale profits (note 2.3);
- Gain on disposal/ dilution of investment in associate and joint venture (note 2.3);
- Gain on disposal of subsidiary (note 2.3); and
- Impairment loss on remeasurement of non-current assets held for sale (note 9.4).

These exclusions have remained unchanged from the prior year, apart from the impairment loss on remeasurement of non-current assets held for sale.

Irancell proportionate results are included in the segment analysis as reviewed by the CODM and excluded from reported results for revenue, CODM EBITDA and capex due to equity accounting for joint ventures. The results of Irancell in the segment analysis exclude the impact of hyperinflation accounting.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

Revenue	Network services Rm	Mobile devices Rm	Interconnect and roaming Rm	Digital and fintech Rm	Other Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
2020								
South Africa	29 639	8 449	3 481	2 170	1 331	45 070	403	45 473
Nigeria	49 054	294	5 732	2 341	559	57 980	-	57 980
SEAGHA³	23 485	332	1 659	7 777	781	34 034	-	34 034
Ghana	11 648	120	749	4 487	241	17 245	-	17 245
Uganda	5 570	53	437	2 135	125	8 320	-	8 320
Other SEAGHA	6 267	159	473	1 155	415	8 469	-	8 469
WECA³	20 107	183	2 581	3 921	835	27 627	-	27 627
Cote d'Ivoire	5 697	47	1 101	1 472	459	8 776	-	8 776
Cameroon	5 118	46	459	994	69	6 686	-	6 686
Other WECA	9 292	90	1 021	1 455	307	12 165	-	12 165
MENA	8 568	21	1 228	477	129	10 423	-	10 423
Syria	2 036	1	32	213	13	2 295	-	2 295
Sudan	2 526	11	623	119	27	3 306	-	3 306
Other MENA	4 006	9	573	145	89	4 822	-	4 822
Major joint venture - Irancell¹	6 539	92	414	393	114	7 552	21	7 573
Head office companies^{2, 3}	1 077	-	4 547	30	8 500	14 154	148	14 302
Eliminations³	(166)	(1)	(4 655)	(20)	(8 319)	(13 161)	(141)	(13 302)
Hyperinflation impact	2 169	11	651	66	28	2 925	-	2 925
Irancell revenue exclusion	(6 539)	(92)	(414)	(393)	(114)	(7 552)	(21)	(7 573)
Consolidated revenue	133 933	9 289	15 224	16 762	3 844	179 052	410	179 462

¹ Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.

² Head office companies consist mainly of dividends received, revenue from GlobalConnect Solutions Limited, the Group's central financing activities and management fees from segments.

³ The head office companies and eliminations have been disaggregated in the current year. The 2019 year has been re-presented to reflect this disaggregation.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

Revenue	Network services Rm	Mobile devices Rm	Interconnect and roaming Rm	Digital and fintech Rm	Other Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
2019								
South Africa	27 926	9 017	4 381	2 066	1 635	45 025	422	45 447
Nigeria	39 545	88	4 995	1 584	484	46 696	-	46 696
SEAGHA	18 333	315	1 757	5 983	681	27 069	-	27 069
Ghana	9 275	90	915	3 326	214	13 820	-	13 820
Uganda	4 463	61	409	1 681	86	6 700	-	6 700
Other SEAGHA	4 595	164	433	976	381	6 549	-	6 549
WECA	16 240	171	2 280	2 511	619	21 821	-	21 821
Cote d'Ivoire	4 535	37	899	1 041	405	6 917	-	6 917
Cameroon	4 248	62	457	571	51	5 389	-	5 389
Other WECA	7 457	72	924	899	163	9 515	-	9 515
MENA	7 520	37	1 006	343	71	8 977	-	8 977
Syria	2 745	-	51	167	23	2 986	-	2 986
Sudan	1 335	5	472	69	22	1 903	-	1 903
Other MENA	3 440	32	483	107	26	4 088	-	4 088
Major joint venture - Irancell¹	6 715	104	526	539	106	7 990	24	8 014
Head office companies^{2, 3}	543	-	2 402	40	8 217	11 202	106	11 308
Eliminations³	(328)	1	(2 898)	-	(7 347)	(10 572)	(97)	(10 669)
Hyperinflation impact	679	1	193	23	9	905	-	905
Irancell revenue exclusion	(6 715)	(104)	(526)	(539)	(106)	(7 990)	(24)	(8 014)
Consolidated revenue	110 458	9 630	14 116	12 550	4 369	151 123	431	151 554

¹ Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.

² Head office companies consist mainly of dividends received, revenue from GlobalConnect Solutions Limited, the Group's central financing activities and management fees from segments.

³ The head office companies and eliminations have been disaggregated in the current year. The 2019 year has been re-presented to reflect this disaggregation.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

External vs inter-segment revenue	2020			2019		
	External revenue Rm	Inter-segment revenue Rm	Total revenue Rm	External revenue Rm	Inter-segment revenue Rm	Total revenue Rm
South Africa	45 146	327	45 473	45 237	210	45 447
Nigeria	57 355	625	57 980	46 265	431	46 696
SEAGHA	32 934	1 100	34 034	26 259	810	27 069
Ghana	16 697	548	17 245	13 397	423	13 820
Uganda	7 936	384	8 320	6 471	229	6 700
Other SEAGHA	8 301	168	8 469	6 391	158	6 549
WECA	26 761	866	27 627	21 202	619	21 821
Cote d'Ivoire	8 643	133	8 776	6 835	82	6 917
Cameroon	6 440	246	6 686	5 239	150	5 389
Other WECA	11 678	487	12 165	9 128	387	9 515
MENA	9 781	642	10 423	8 651	326	8 977
Syria	2 295	-	2 295	2 986	-	2 986
Sudan	2 804	502	3 306	1 634	269	1 903
Other MENA	4 682	140	4 822	4 031	57	4 088
Major joint venture - Irancell¹	7 573	-	7 573	8 014	-	8 014
Head office companies^{2, 3}	4 557	9 745	14 302	3 032	8 276	11 308
Eliminations³	-	(13 302)	(13 302)	-	(10 669)	(10 669)
Hyperinflation impact	2 928	(3)	2 925	908	(3)	905
Irancell revenue exclusion	(7 573)	-	(7 573)	(8 014)	-	(8 014)
Consolidated revenue	179 462	-	179 462	151 554	-	151 554

¹ Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.

² Head office companies and eliminations consist mainly of dividends received, revenue from GlobalConnect Solutions Limited, the Group's central financing activities and management fees from segments, as well as inter-segment eliminations.

³ The head office companies and eliminations have been disaggregated in the current year. The prior year has been re-presented to reflect this disaggregation.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

	2020	Restated ¹ 2019
	Rm	Rm
CODM EBITDA		
South Africa	17 742	16 972
Nigeria	29 506	25 149
SEAGHA	16 812	12 136
Ghana	9 097	7 014
Uganda	4 118	3 150
Other SEAGHA	3 597	1 972
WECA	8 620	6 081
Cote d'Ivoire	3 042	1 814
Cameroon	2 149	1 635
Other WECA	3 429	2 632
MENA	3 352	2 836
Syria	574	1 173
Sudan	1 428	677
Other MENA	1 350	986
Head office companies²	2 053	(740)
Eliminations²	(2 681)	(426)
CODM EBITDA	75 404	62 008
Major joint venture - Irancell³	2 818	3 041
Hyperinflation impact	1 369	282
Tower sale profits	-	19
Gain on disposal/dilution of investment in associates and joint ventures	6 129	1 039
Gain on disposal of subsidiary	-	249
Impairment loss on remeasurement of non-current assets held for sale	(1 510)	-
Fair value adjustment on MTN Group shares	(204)	(60)
Irancell CODM EBITDA exclusion	(2 818)	(3 041)
CODM EBITDA before impairment of goodwill	81 188	63 537
Depreciation, amortisation and impairment of goodwill and joint venture	(36 007)	(32 106)
Net finance cost	(18 094)	(15 008)
Net monetary gain	1 582	787
Share of results of joint ventures and associates after tax	1 142	705
Profit before tax	29 811	17 915

¹ Restated due to change in accounting policy, refer to note 11.

² The CODM EBITDA relating to the major joint venture, Irancell, has been presented after the Group CODM EBITDA as Irancell does not form part of CODM EBITDA as it is a joint venture.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

	2020 Rm	2019 Rm
Capital expenditure incurred		
South Africa	7 542	11 295
Nigeria	12 694	9 750
SEAGHA	6 063	5 554
Ghana	3 021	2 850
Uganda	1 328	1 147
Other SEAGHA	1 714	1 557
WECA	3 418	3 231
Cote d'Ivoire	1 064	918
Cameroon	950	573
Other WECA	1 404	1 740
MENA	1 642	1 989
Syria	751	939
Sudan	495	430
Other MENA	396	620
Major joint venture - Irancell¹	1 865	2 568
Head office companies²	766	559
Eliminations²	-	(137)
Hyperinflation impact	394	215
Irancell capex exclusion	(1 865)	(2 568)
	32 519	32 456

¹ Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from capital expenditure incurred due to equity accounting for joint ventures.

² The head office companies and eliminations have been disaggregated in the current year. The 2019 year has been re-presented to reflect this disaggregation.

The impact of hyperinflation on the segment analysis is as follows:

	Revenue Rm	Operating (loss)/profit Rm	Capex Rm
2020			
Syria	(669)	124	(139)
Sudan	3 429	233	507
South Sudan (included in other SEAGHA)	165	61	26
	2 925	418	394
Major joint venture - Irancell	(2 313)	(1 629)	(121)
2019			
Syria	-	(250)	-
Sudan	626	(120)	106
South Sudan (included in other SEAGHA)	279	54	109
	905	(316)	215
Major joint venture - Irancell	-	(621)	-

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue from contracts with customers

The Group principally generates revenue from providing mobile telecommunications services, such as network services (comprising data, voice and SMS), digital and fintech 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. The typical length of a contract for postpaid bundled packages is 24 months.

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.

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

Network services and digital and fintech

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

Digital and fintech services include value-added services, rich media services, MoMo, insurance, airtime lending, e-commerce, etc.

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

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

Mobile devices

The Group sells a range of mobile devices. The Group recognises revenue when customers obtain control of mobile devices, being when the customers take possession of the devices. For mobile devices sold separately, customers pay in full at the point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal instalments over the contract period. Contract assets are recognised when customers take possession of devices for postpaid contracts.

The Group assesses postpaid contracts including handsets to determine if they contain a significant financing component. The Group has elected to apply the practical expedient that allows the Group not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. For contracts containing significant financing components, the Group reduces device revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

The Group bases the subscriber contract period on the contractual term and accounts for early upgrades as contract modifications. The effect of the modification is that the contract asset at modification date is treated as a payment to a customer and results in a reduction of the revenue from the subsequent contract.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued) for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue from contracts with customers (continued)

Interconnect and roaming

The Group provides interconnect and roaming services. The Group recognises interconnect and roaming revenue and a receivable (debtors) as the service is provided unless it is not probable (based on historical information) on transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties in settling amounts.

Payment for interconnect and roaming is generally received on a monthly basis. Some interconnect and roaming debtors have a historical pattern of late payment due to sanctions imposed. The Group has continued to provide services to these debtors (due to regulatory requirements) where the recovery of principal is significantly delayed beyond the contractual terms. The Group has considered historical payment patterns (i.e. customary business practice) in assessing whether the contract contains a significant financing component. For contracts containing a significant financing component, the Group reduces interconnect and roaming revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

Capitalisation of subscriber acquisition costs

The Group expects that incremental subscriber acquisition costs for obtaining and renewing contracts are recoverable. These costs include agent's commission on postpaid contracts and SIM activation costs on prepaid contracts. The Group has therefore capitalised these costs as contract costs. Capitalised contract costs are amortised on a systematic basis over the average customer life and included in selling, distribution and marketing expenses in profit or loss.

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

Contract costs are assessed for impairment in terms of IAS 36 *Impairment of Assets* when there is an indication of impairment.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued) for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue from contracts with customers (continued)

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2020	2019
	Rm	Rm
Contract assets	4 191	4 206
Contract assets - non-current	1 271	1 201
Contract assets - current	2 920	3 005
Loss allowance	(499)	(338)
Total contract assets	3 692	3 868
Capitalised contract costs	1 194	1 192
Contract liabilities	6 908	6 412

Significant changes in contract assets and liabilities

Contract assets have decreased mainly due to a decrease in uptake of contracts. The Group also recognised a loss allowance for contract assets as per IFRS 9 *financial instruments*, see note 7.1.4.

Contract liabilities increased due to an increase in prepaid sales.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2020	2019
	Rm	Rm
Revenue recognised that was included in the contract liability balance at the beginning of the period	4 721	4 852

Unsatisfied performance obligations

	2020	2019
	Rm	Rm
Aggregate amount of transaction price allocated to unsatisfied performance obligations	4 182	3 699

For postpaid contracts that were effective at 31 December 2020 the above amounts reflect the transaction price for services to be provided over the remainder of the contractual periods.

Management expects that 94% (2019: 90%) of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognised as revenue amounting to R3 912 million (2019: R3 329 million) during the next reporting period. The remaining 6% amounting to R270 million (2019: 10% amounting to R370 million) will be recognised in the 2022 financial year.

For contracts with a term of one year or less, the transaction price is not disclosed above as allowed by IFRS 15.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued) for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.3 Other income

In 2011, MTN Ghana disposed of base transceiver stations (BTS) sites to Ghana InterCo. The profit was eliminated to the extent of the Group's interest in the associate at the time and has been realised annually thereafter as the underlying assets were depreciated by the associate. Following the disposal of Ghana InterCo in the current financial year, the remaining deferred gain has now been realised. This gain forms part of the gain on disposal/dilution of investment in joint ventures and associates, as the investment was disposed of prior to the uplift in investment value following future depreciation. In 2019, R19 million of the deferred gain on this tower sale was realised.

Other income in 2019 also included a gain on disposal of subsidiary of R249 million¹. The gain resulted from the disposal of Amadeus, a subsidiary of the Group that held various unlisted equity investments and a 43,67% interest in the joint venture Travelstart. The disposal of the investments was concluded on 26 June 2019 for proceeds, net of cash disposed of, amounting to R1 152 million.

¹ Restated due to change in accounting policy, refer to note 11.

2.4 Operating profit

Employee benefits

Short-term employee benefits

Salaries and wages, including non-monetary benefits and accumulated leave pay (remuneration), that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised as a liability and are measured at the amounts expected to be paid when the liabilities are settled.

A liability for bonuses is recognised when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- There is a formal plan and the amounts to be paid can be reliably estimated; or
- Achievement of previously agreed bonus criteria has created a valid expectation by employees that they will receive a bonus and the amount can be reliably estimated.

Long-term employee benefits.

Long-term service awards

Salaries and wages includes long-term service awards which employees become entitled to after having been in the employ of the Group for a continuous period of between 3 and 30 years depending on the specific Group entity with whom they are employed. Long-term service awards are recognised as a liability and are measured at the amount of the benefit attributable to the years of service rendered to date in comparison to the total years of continuous service required to qualify for the long-term employee benefit.

For both short-term and long-term employee benefits, remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period.

Share-based payment transactions

As part of long-term employee benefits, the Group operates a number of share incentive schemes. For further details, refer to note 8.4.

Post-employment benefits

Group companies operate various defined contribution plans. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued) for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.4 Operating profit (continued)

Employee benefits (continued)

Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date due to retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits; or
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* that includes the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

	2020 Rm	2019 Rm
Staff costs	(10 481)	(8 846)
Salaries and wages ¹	(8 877)	(6 872)
Post-employment benefits	(446)	(434)
Share options granted to directors and employees (note 8.4)	(165)	(163)
Training	(120)	(245)
Other ¹	(873)	(1 132)
The following disclosable items have been included in arriving at operating profit:		
Auditors' remuneration	(161)	(125)
Audit fees	(140)	(114)
Fees for other services	(17)	(6)
Expenses	(4)	(5)
Research and development costs	(15)	(19)
Gain on disposal of property, plant and equipment and intangible assets	22	64
Net impairment loss on property, plant and equipment (note 5.1)	(42)	(330)
Net write-down of inventories to net realisable value (note 4.1)	(136)	(4)
Impairment of trade receivables and contract assets ²	(2 169)	(729)
Impairment of cash balances	(76)	-
Impairment of current and non-current investments	(13)	-
Amortisation of capitalised contract costs	(547)	(359)
Professional and consulting fees	(2 063)	(1 912)

¹ Salaries and wages include medical insurance contribution which was previously included in other, represented in 2019 to show disaggregated amount.

² The impairment of trade receivables and contract assets includes amounts disclosed in note 4.2 and R161 million (2019: R137 million) relating to impairment of contract assets.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.5 Finance income and finance costs

Finance income

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss (FVTPL), net foreign exchange gains and any gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs

Finance costs comprise interest expenses on borrowings, lease liability interest expense, unwinding of the discount on provisions, fair value movements, net foreign exchange losses, unwind of/loss on revision of cash flows and any losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

	2020 Rm	2019 Rm
Interest income on loans and receivables	677	1 026
Interest income on bank deposits	867	922
Finance income	1 544	1 948
Interest expense on financial liabilities measured at amortised cost ¹	(8 756)	(8 663)
Net foreign exchange losses	(4 509)	(2 367)
Unwind of /(loss on) revision of cash flows ²	174	(217)
Lease liability interest expense	(6 547)	(5 709)
Finance costs	(19 638)	(16 956)
Net finance costs recognised in profit or loss	(18 094)	(15 008)

¹ Included in 2019 is an amount of R189 million which relates to the discount unwind on the MTN Nigeria regulatory fine liability.

² Refer to note 4.2 for details on the balance with Irancell.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.6 Cash generated from operations

	2020	2019
	Rm	Restated ¹ Rm
Profit before tax	29 811	17 915
<i>Adjusted for:</i>		
Finance costs (note 2.5)	19 638	16 956
Finance income (note 2.5)	(1 544)	(1 948)
Fair value loss on MTN Group shares	204	60
Dividends received on MTN Group shares	(25)	(36)
Depreciation of property, plant and equipment and right-of-use assets (notes 5.1 and 6.5)	29 831	27 238
Amortisation of intangible assets (note 5.2)	5 111	4 526
Gain on disposal of property, plant and equipment and intangible assets (note 2.4)	(22)	(64)
Impairment loss on remeasurement of non-current assets held for sale	1 510	-
Gain on disposal of subsidiary (note 2.3)	-	(249)
Gain on disposal/dilution of investment in joint ventures and associates (note 9.2)	(6 129)	(1 039)
Amortisation of contract costs (note 2.4)	547	359
Share of results of associates and joint ventures after tax (note 9.2)	(1 142)	(705)
Increase in provisions (note 6.3)	1 873	1 281
Net write-down of inventories (note 4.1)	136	4
Impairment of goodwill and investments in joint ventures (note 5.2 and 9.2)	1 065	342
Net impairment loss on property, plant and equipment (note 5.1)	42	330
Impairment of trade receivables and contract assets (note 2.4)	2 169	729
Realisation of deferred gain on tower sale (note 2.3)	-	(19)
Share based-payment transactions (note 8.4)	165	163
Net monetary gain	(1 582)	(787)
Other	184	(70)
	81 842	64 986
Changes in working capital	(3 697)	(10 744)
Decrease in inventories	77	1 255
Increase in contract assets and capitalised contract costs	(541)	(976)
Increase in contract liabilities	35	43
Net increase in receivables and prepayments	(5 693)	(2 252)
Net increase/(decrease) in trade and other payables	2 425	(8 814)
Cash generated from operations	78 145	54 242

¹ Restated for change in accounting policy, refer to note 11 for details of restatements.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

2 RESULTS OF OPERATIONS (continued)

2.7 Reconciliation of cash flows arising from financing activities related to borrowings

	2020 Rm	2019 Rm
Borrowings at the beginning of the year	92 982	83 304
Current	15 691	12 183
Non-current	77 291	71 121
Cash flows	108	11 627
Proceeds from borrowings	22 551	35 013
Repayment of borrowings	(22 443)	(23 386)
Other movements	1 836	(1 949)
Effects of changes in foreign exchange rates and interest accrued	9 650	5 142
Interest paid ¹	(7 814)	(7 091)
Borrowings at the end of the year	94 926	92 982
Comprising:		
- Current	17 438	15 691
- Non-current	77 488	77 291

¹ Presented as part of cash generated from operating activities.

2.8 Reconciliation of cash flows arising from financing activities related to lease liabilities

	2020 Rm	2019 Rm
Leases at the beginning of the year	46 327	45 355
Current	4 056	3 303
Non-current	42 271	42 052
Cash flows	(4 998)	(3 417)
Repayment of lease liabilities	(4 998)	(3 417)
Other movements	8 152	4 389
Additions	4 482	6 587
Interest paid ¹	(5 560)	(5 271)
Modifications ²	5 304	324
Other ³	3 926	2 749
Leases at the end of the year	49 481	46 327
Comprising:		
- Current	5 728	4 056
- Non-current	43 753	42 271

¹ Presented as part of cash generated from operating activities.

² Modifications were aggregated with other in 2019. In 2020, the amounts were disaggregated and separately disclosed. The 2019 year has been re-presented to reflect this disaggregation.

³ Other includes foreign exchange movements and interest accrued.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

3 TAXATION

3.1 Income tax expense

The income tax expense for the period comprises current, deferred and withholding tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. For these items the tax is also recognised in OCI or directly in equity, respectively.

Current tax

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

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements for financial reporting purposes. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

Deferred tax is not provided on temporary differences arising on investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

As the functional currencies of MTN Sudan, MTN South Sudan, MTN Syria and Irancell are currencies of hyperinflationary economies, deferred tax relating to these subsidiaries and joint venture is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

Withholding tax

Withholding tax is payable at different rates varying between 0% and 25% on amounts paid to the Group companies by certain of their subsidiaries as dividends, interest and management fees.

	2020	2019
	Rm	Rm
Analysis of income tax expense for the year		
Normal tax	(9 316)	(5 969)
Current year	(9 304)	(5 879)
Adjustments in respect of the prior year	(12)	(90)
Deferred tax (note 3.2)	1 385	320
Current year	1 357	243
Adjustments in respect of the prior year	28	77
Withholding taxes on foreign income	(1 420)	(1 058)
	(9 351)	(6 707)

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

3 TAXATION (continued)

3.1 Income tax expense (continued)

The table below explains the differences between the expected tax expense on continuing operations, at the South African statutory rate of 28% and the Group's total tax expense for each year.

The reconciliation of taxation has been performed using the statutory tax rate of Mobile Telephone Networks Holdings Limited of 28% (2019: 28%). The impact of different corporate tax rates applied to the various jurisdictions in which the Group operates has been incorporated in the "Effect of different tax rates in other countries" line below.

The Group's effective tax rate is reconciled to the South African statutory rate as follows:

	2020	2019
	%	Restated ¹
Tax rate reconciliation	%	%
Tax at statutory tax rate	28	28
Expenses not allowed	11.13	9.63
Nigeria regulatory fine and related expenses ²	-	0.31
Sudan non-deductible expenses	4.28	2.28
Assessed loss and other balances on which deferred tax was not recognised	1.87	2.88
Disallowed interest expenses	1.02	1.82
Impairment of goodwill and investment in joint ventures	1.00	-
Controlled foreign company legislation imputation	0.44	0.45
Impairment loss on remeasurement of non-current assets held for sale	1.42	-
Other	1.10	1.89
Effect of different tax rates in other countries	(3.74)	(0.75)
Income not subject to tax	(6.10)	(3.07)
Exempt income	(0.34)	(1.21)
Non-taxable gains on disposal/dilution of investment in joint ventures and associates and disposal of subsidiaries	(5.76)	(1.86)
Share of results of associates and joint ventures	(1.07)	(1.10)
Foreign income and withholding taxes	4.76	5.90
Other	(1.61)	(1.17)
Effective tax rate	31.37	37.44

¹ Restated for change in accounting policy, refer to note 11 for details of restatement.

² In 2019, this line item includes unwinding interest on the Nigeria fine liability and the amortisation of fees related to the listing of MTN Nigeria (note 2.5).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

3 TAXATION (continued)

3.1 Income tax expense (continued)

The following are the corporate tax rates applicable to the various jurisdictions in which the Group operates:

Country	Corporate tax rate	
	2020 %	2019 %
Afghanistan	20	20
Benin	30	30
Cameroon	33	33
Congo-Brazzaville ¹	22.5	22,5
Cote d'Ivoire S.A	30	30
Ethiopia	30	30
Ghana	25	25
Guinea-Bissau	25	25
Guinea-Conakry	35	35
Kenya	30	30
Liberia	25	25
Namibia	32	32
Netherlands	25	25
Nigeria	30	30
Rwanda	30	30
South Africa ²	28	28
South Sudan	20	25
Sudan	7	7
Syria	14	14
Uganda	30	30
Yemen	50	50
Zambia	40	40

¹ Effective April 2016 MTN Congo S.A. (MTN Congo-Brazzaville) was granted a five-year 50% reduction on its corporate tax rate as a result of its investment agreement with the government. In the 2019 financial year, following the enactment of new local legislation, the tax incentive granted was reduced to a 25% reduction for the remainder of the agreement.

² In the budget speech read in Parliament on 24 February 2021, South Africa's finance minister proposed that the corporate tax rate be reduced from 28% to 27% for years of assessment commencing on or after 1 April 2022.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

3 TAXATION (continued)

3.2 Deferred taxes

Deferred tax is accounted for in accordance with the accounting policy disclosed in note 3.1.

	1 January 2019 Rm	Recognised in profit or loss Rm	Recognised in other comprehensive income Rm	Exchange and other movements ¹ Rm	31 December 2019 Rm	Recognised in profit or loss Rm	Exchange and other movements ¹ Rm	31 December 2020 Rm
Provisions and tax losses carried forward ²	4 448	1 320	-	(15)	5 753	2 138	209	8 100
Working capital allowances	(49)	(610)	-	8	(651)	16	2	(633)
Tax allowances in excess of depreciation	(8 992)	(405)	-	352	(9 045)	(759)	236	(9 568)
Other temporary differences	(940)	15	3	(22)	(944)	(10)	(141)	(1 095)
Net deferred tax liability	(5 533)	320	3	323	(4 887)	1 385	306	(3 196)
Comprising:								
Deferred tax assets	3 876				5 133			6 364
Deferred tax liabilities	(9 409)				(10 020)			(9 560)
	(5 533)				(4 887)			(3 196)

¹ Including the effect of hyperinflation.

² The Group has taken note of South Africa's finance minister's announcement in the budget speech on 26 February 2020 relating to the future limitation on the utilisation of assessed losses to 80% of taxable income. Due to the devastating effects of the COVID-19 pandemic, it has been indicated in the 2021 budget speech that the effective date of the amendment, in respect of which the use of carried forward assessed losses will be limited, will be postponed until 2022. This postponement will come into effect for years of assessment commencing on or after 1 April 2022.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

3 TAXATION (continued)

3.2 Deferred taxes (continued)

There were deductible temporary differences and unused tax losses of R5 916 million (2019: R5 489 million) for which no deferred tax asset had been recognised in the statement of financial position at year-end.

2020

Year of expiry	2021	2022	2023	2024	2025	2026	Total
Amount (Rm)	1 759	656	787	770	1 041	170	5 183
No expiry (Rm)	-	-	-	-	-	-	733
Total	1 759	656	787	770	1 041	170	5 916

2019

Year of expiry	2020	2021	2022	2023	2024	2025	Total
Amount (Rm)	1 561	1 759	656	216	770	408	5 370
No expiry (Rm)	-	-	-	-	-	-	119
Total	1 561	1 759	656	216	770	408	5 489

3.3 Income tax paid

	2020 Rm	2019 Rm
At the beginning of the year	(508)	(502)
Amount recognised in profit or loss (note 3.1)	(9 351)	(6 707)
Deferred tax charge (note 3.1)	(1 385)	(320)
Effect of movements in exchange rates	618	(92)
Current tax recognised in OCI	341	(197)
Withholding tax credits	524	111
Other ¹	(1 088)	(432)
At the end of the year	2 453	508
Taxation assets	(3 034)	(2 907)
Taxation liabilities	5 487	3 415
Total tax paid	(8 396)	(7 631)

¹ In the current year, MTN Ghana utilised R1,1 billion of taxation assets to extinguish VAT obligations in accordance with the Revenue Administration Act, 2016 (Act 915).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

4 WORKING CAPITAL

4.1 Inventories

Inventories mainly comprise of handsets, SIM cards, accessories held for sale and consumable items.

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

As the functional currencies of MTN South Sudan, MTN Sudan and MTN Syria are the currencies of hyperinflationary economies, inventories relating to these subsidiaries are measured at the lower of the restated cost and net realisable value.

	2020 Rm	2019 Rm
Finished goods – at cost	2 226	2 318
Handsets	1 404	1 652
SIM cards and accessories	822	666
Consumables	204	173
Less : Write-down to net realisable value ¹	(896)	(774)
	1 534	1 717

¹ The write-down of inventories to net realisable value mainly relates to handsets.

MTN Ghana has secured facilities through the pledge of its inventories amounting to R136 million (2019: R38 million) (note 6.1).

Reconciliation of write-down of finished goods

	At the beginning of the year Rm	Additions ¹ Rm	Reversals ¹ Rm	Utilised Rm	Exchange and other movements Rm	At end of the year Rm
2020						
Movement in write-down	(774)	(215)	79	91	(77)	(896)
2019						
Movement in write-down	(853)	(103)	99	83	-	(774)

¹ A net write-down on inventories of R136 million (2019: R4 million net write-down) was recognised in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).

4.2 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business and are accounted for at amortised cost in accordance with the accounting policy disclosed in note 7.1.

Prepayments and other receivables are stated at their nominal values.

As the functional currencies of MTN South Sudan, MTN Sudan and MTN Syria are currencies of hyperinflationary economies, prepayments relating to these subsidiaries are restated by applying the change in the general price indices from the date of payment to the current reporting date.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

4 WORKING CAPITAL (continued)

4.2 Trade and other receivables (continued)

	2020 Rm	2019 Rm
Trade receivables (note 7.1.4)	18 266	16 875
Less: Allowance for impairment of trade receivables (note 7.1.4)	(3 008)	(2 371)
Net trade receivables	15 258	14 504
Loan to Irancell ¹	1 733	1 516
Receivable from Irancell ²	1 037	1 237
Prepayments and other receivables	2 325	2 201
Sundry debtors and advances ³	8 407	6 343
	28 760	25 801

¹ This balance relates to a loan receivable from Irancell and was due on 30 September 2017 but remains outstanding at year-end. The amount outstanding was translated at the CBI rate (note 1.5.3 and note 7.6).

² R840 million of the amount outstanding at year-end was translated at the SANA rate (note 1.5.3 and note 7.6) and R197 million was translated at the CBI rate.

³ Sundry debtors and advances include advances to suppliers and receivables from related parties (note 10.1).

Impairment of trade receivables

An allowance for impairment of R1 009 million (2019: R245 million) was incurred in the current year. This amount is included in impairment of trade receivables and contract assets in profit or loss (note 2.4). Additionally, R999 million was written-off directly to profit or loss in 2020 (2019: R347 million).

The Group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 7.1.

Secured facilities and collateral

MTN Ghana has secured facilities through the pledge of its trade and other receivables amounting to R1 514 million (2019: R1 044 million) (note 6.1).

Irancell loan and receivable

On 20 September 2019, the US Treasury Department's Office of Foreign Assets Control (OFAC) designated the CBI as being subject to sanctions. Sanctions imposed on the CBI creates a secondary sanctions risk if the CBI allocates foreign currency to an MTN entity for the purpose of repatriating the receivable and/or loan. As at 31 December 2020, Iranian rial denominated receivables amounted to R1 037 million (2019: R1 319 million) and the Iranian rial denominated loan amounted to R1 733 million (2019: R1 651 million).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

4 WORKING CAPITAL (continued)

4.3 Restricted cash

Restricted cash comprises of short-term deposits that are not highly liquid and are accounted for at amortised cost in accordance with the accounting policy disclosed in note 7.1.

Restricted cash balance includes amounts of R1 757 million (2019: R1 459 million) related to MTN Nigeria operations. This is cash deposits with banks to secure Letters of Credit, collateral against repayment on borrowings, bank guarantee on Garnishees against court judgments, and retention fee on purchase of Visafone Communications Limited. Furthermore, the restricted cash balance includes both dividends paid between MTN Mauritius and MTN Nigeria being held on behalf of the Group by the Nigeria Registrar (R4 197 million) and net proceeds on disposal of shares in MTN Zambia held in escrow (R226 million), both awaiting availability of foreign currency (US\$) in the market.

4.4 Cash and cash equivalents

Cash and cash equivalents are accounted for at amortised cost and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Cash and cash equivalents comprise of cash on hand and deposits held on call, all of which are available for use by the Group. Bank overdrafts are included within current liabilities on the statement of financial position, unless the Group has a current legally enforceable right to set off the amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously, in which case it is netted off against cash and cash equivalents on the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents comprise of the following:

	2020 Rm	2019 Rm
Cash at bank and on hand	30 611	21 140
Bank overdrafts	(354)	(132)
Net cash and cash equivalents	30 257	21 008

MTN Ghana has secured facilities through the pledge of its cash and cash equivalents amounting to R1 288 million (2019: R1 113 million) (refer to note 6.1).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

4 WORKING CAPITAL (continued)

4.5 Trade and other payables

Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Other payables are stated at their nominal values.

	2020 Rm	2019 Rm
Trade payables	13 021	10 174
Sundry creditors	2 142	2 394
Accrued expenses ¹	20 212	18 193
Other payables ²	7 584	6 697
	42 959	37 458

¹ Includes accruals for operating expenses, inventories and capital expenditure for which supplier invoices are outstanding at year-end.

² Includes dealer commissions, withholding taxes and VAT payable.

4.6 MoMo deposits and payables

MoMo deposits are balances that are held with banks for and on behalf of MoMo customers. MoMo regulations in most of the Group's markets require that these balances with banks are held in a manner to ensure that these balances are not co-mingled with MTN's cash and cash equivalents and that these are ring-fenced to settle MoMo customers' obligations. Regulations in certain jurisdictions specify the types of permissible liquid instruments that these deposits may be invested in. The deposits held are accounted for at amortised cost in accordance with the Group's accounting policy disclosed in note 7.1.

Upon recognition of the MoMo financial asset, the Group recognises a corresponding current liability, in the ordinary course, to refund MoMo customers for the deposits made.

MTN earns transactional fees and also earns interest on these MoMo balances and recognises the interest and transactional fees as part of revenue. Transactional fees are recognised over time as the transactions occur. MTN accounts for fees paid to agents as a commission expense as part of selling, distribution and marketing expenses and interest paid to customers in other operating expenses.

Cash flows that relate to interest received, transaction fees earned and operating expenses incurred are classified as operational cash flows. Cash flows that relate to the principal MoMo deposit balances and corresponding liabilities are reflective of customer transactions and, consequently, are not recorded on MTN's statement of cash flows.

MoMo involves the issuing of electronic money in return for cash. MoMo enables an active mobile phone subscriber to load a MoMo wallet, with a balance which is recorded electronically for immediate or later use. MTN utilises MoMo agents to facilitate customer activities i.e. depositing cash and loading and storing the MoMo in wallets. MTN also performs the activities of a MoMo agent through MTN branches. Any monetary value stored on a MoMo wallet is supported by an equivalent MoMo deposit held with a bank or multiple banks.

MTN provides the platform to administer the MoMo wallet and the MoMo service generally. MTN opens bank accounts in which the MoMo deposits and interest earned on the cash balances is held.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

4 WORKING CAPITAL (continued)

4.6 MoMo deposits and payables (continued)

MoMo is a regulated service offering. These regulations govern the manner in which MoMo services are conducted as well as the rights and obligations of all parties to the MoMo service offering. These regulations and rights and obligations differ from market to market.

The treatment of MoMo in the financial statements is not, and should not be construed as a waiver by members of the Group of any legal, contractual or statutory rights, remedies and defences they may have, or as an admission of liability enforceable against any of them in law or otherwise. The legal, contractual and statutory rights, remedies and defences of members of the Group are reserved.

	2020 Rm	2019 Rm
Non-current Mobile Money deposit	329	-
WECA	329	-
Côte d'Ivoire	329	-
Current Mobile Money deposits	27 679	15 315
South Africa	28	6
Nigeria	85	31
SEAGHA	20 600	10 907
Ghana	16 290	8 266
Uganda	2 630	1 824
Other SEAGHA	1 680	817
WECA	6 961	4 371
Côte d'Ivoire	2 286	1 863
Cameroon	2 302	1 512
Other WECA	2 373	996
MENA	5	*
Sudan	*	*
Afghanistan	5	-
	28 008	15 315

*Amounts below R1 million

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS

5.1 Property, plant and equipment

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

Property, plant and equipment under construction (capital work-in-progress) are measured at initial cost and depreciation commences from the date the assets are transferred to an appropriate category of property, plant and equipment, i.e. when commissioned and ready for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment. The Group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are expensed in profit or loss.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to provisions (note 6.3) for further information about the recognised decommissioning provision and the accounting judgements, estimates and assumptions made.

In circumstances whereby the Group enters into an exchange transaction, the Group determines whether such an exchange has commercial substance. Property, plant and equipment acquired in an exchange transaction are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. Any consideration paid or payable is included in the cost of the asset received. Property, plant and equipment received for no consideration are accounted for at zero value.

As the functional currencies of MTN South Sudan, MTN Sudan and MTN Syria are currencies of hyperinflationary economies, property, plant and equipment relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

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

Depreciation is calculated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation relating to the property, plant and equipment of MTN South Sudan, MTN Sudan and MTN Syria is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

Useful lives and residual values are reviewed on an annual basis and the effect of any changes in estimate is accounted for on a prospective basis.

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items.

Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets.

Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

	2020 Years	2019 Years
Buildings	5 - 50	5 - 50
Buildings – leased	1 - 20	1 - 20
Network infrastructure	2 - 25	2 - 25
Information systems equipment	1 - 15	1 - 15
Furniture and fittings	3 - 15	3 - 15
Leasehold improvements	2 - 20	2 - 20
Office equipment	2 - 13	2 - 13
Vehicles	3 - 13	3 - 13

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

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

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use and fair value less costs of disposal, the estimated future cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Goodwill arising from business combinations is allocated to CGUs or the group of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is subsequently reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

The Group annually reviews the carrying amounts of its property, plant and equipment in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

	Land and buildings Rm	Leasehold improve- ments Rm	Network infra- structure Rm	Information systems, furniture and office equipment Rm	Capital work-in- progress /other Rm	Spare parts ¹ Rm	Vehicles Rm	Total Rm
Carrying amount at								
1 January 2019	6 086	1 392	80 667	3 945	4 949	2 579	350	99 968
Reallocations to right-of-use assets	(111)	-	-	-	-	-	(38)	(149)
Additions	183	112	9 993	1 284	6 490	4 274	87	22 423
Disposals	-	-	(42)	(1)	-	-	(5)	(48)
Reallocations	(555)	738	9 754	793	(5 457)	(5 361)	13	(75)
Depreciation for the year	(269)	(593)	(18 302)	(1 817)	(321)	-	(108)	(21 410)
Impairment reversal/(loss)	-	-	120	-	(454)	4	-	(330)
Other movements	-	-	(386)	(4)	(31)	(3)	9	(415)
Effect of movements in exchange rates ²	(117)	(52)	(1 745)	(198)	(115)	(18)	(20)	(2 265)
Carrying amount at 31 December 2019	5 217	1 597	80 059	4 002	5 061	1 475	288	97 699
Comprising:								
Cost	8 643	4 684	193 085	14 985	8 026	1 475	984	231 882
Accumulated depreciation and impairment losses	(3 426)	(3 087)	(113 026)	(10 983)	(2 965)	-	(696)	(134 183)
	5 217	1 597	80 059	4 002	5 061	1 475	288	97 699
Carrying amount at								
1 January 2020	5 217	1 597	80 059	4 002	5 061	1 475	288	97 699
Additions	205	146	17 165	1 404	3 725	1 353	104	24 102
Disposals	(1)	(3)	(169)	(5)	(14)	(20)	(3)	(215)
Reallocations	187	70	2 930	668	(3 501)	(664)	11	(299)
Depreciation for the year	(249)	(259)	(19 850)	(1 858)	(287)	-	(124)	(22 627)
Impairment loss	-	-	(5)	-	(3)	(34)	-	(42)
Reclassified to held for sale	(30)	(15)	(1 565)	(82)	(109)	(150)	-	(1 951)
Other movements	2	(1)	(63)	(6)	42	(4)	(9)	(39)
Effect of movements in exchange rates ²	128	21	2 829	150	354	(136)	19	3 365
Carrying amount at 31 December 2020	5 459	1 556	81 331	4 273	5 268	1 820	286	99 993
Comprising:								
Cost	9 186	4 749	200 721	16 092	7 963	1 854	1 000	241 565
Accumulated depreciation and impairment losses	(3 727)	(3 193)	(119 390)	(11 819)	(2 695)	(34)	(714)	(141 572)
	5 459	1 556	81 331	4 273	5 268	1 820	286	99 993

¹ Spare parts were aggregated with capital work-in-progress/other in 2019. In 2020, the amounts were disaggregated and separately disclosed. The 2019 year has been re-presented to reflect this disaggregation.

² Includes the effect of hyperinflation.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.1 Impairment reversal/(losses)

The following entities recognised impairment (losses)/reversals in other operating expenses in profit or loss:

	2020 Rm	2019 Rm
MTN Nigeria	(39)	120
MTN South Sudan	(3)	(454)
Other	-	4
	(42)	(330)

5.1.2 Capital work-in-progress

There are various capital work-in-progress projects under way within the Group, a summary of which is set out below:

	2020 Rm	2019 Rm
MTN SA	309	647
MTN Ghana	245	151
MTN Sudan	469	392
MTN Nigeria	238	255
Areeba Guinea S.A. (MTN Guinea-Conakry)	178	61
MTN Côte d'Ivoire S.A. (MTN Côte d'Ivoire)	372	293
MTN Benin	10	157
MTN Yemen	472	479
MTN South Sudan ¹	84	-
MTN Syria	-	213
MTN Congo-Brazzaville	120	48
MTN Cameroon	390	109
MTN Liberia	24	-
MTN Uganda	159	-
MTN Guinea-Bissau	182	136
GlobalConnect Solutions Limited	574	401
Other	24	110
	3 850	3 452

¹ Included in other in 2019.

5.1.3 Changes in estimates

There were no material changes in the depreciation method, residual values or useful lives for any of the categories of property, plant and equipment during the current or prior year.

5.1.4 Encumbrances

Borrowings (note 6.1) for MTN Ghana are secured by various categories of property, plant and equipment with the carrying amounts of R 7 910 million (2019: 7 326 million).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill

Goodwill

Goodwill is measured at cost less accumulated impairment losses and is not amortised but tested for impairment annually.

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill arising on the acquisition of an associate or joint venture is included in 'Investment in associates and joint ventures' and is tested for impairment as part of the overall balance.

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

The Group annually reviews the carrying amounts of intangible assets and goodwill with indefinite useful lives for impairments. The recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Intangible assets with finite useful lives

The Group's intangible assets with finite useful lives are as follows:

- Licences;
- Customer relationships;
- Computer software; and
- Other intangible assets.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses. The initial cost incurred in respect of licences is capitalised. Contingent licence fees are expensed as they are incurred.

As the functional currencies of MTN South Sudan, MTN Sudan and MTN Syria are currencies of hyperinflationary economies, intangible assets relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. Amortisation relating to MTN South Sudan, MTN Sudan and MTN Syria is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

Intangible assets with finite useful lives (continued)

The basis for determining the useful lives for the various categories of intangible assets is as follows:

Basis for determining useful lives		2020 Years	2019 Years
Licences	The useful lives are determined primarily with reference to the unexpired licence period.	2 - 30	2 - 30
Customer relationships	The useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to factors such as customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life.	4 - 6	4 - 6
Software	The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the Group, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful life.	3 - 6	3 - 6
Other intangible assets	Useful lives are based on management's estimate and take into account historical experience as well as future events which may impact the useful lives.	3 - 10	3 - 10

The gain or loss arising on the disposal or retirement of an intangible asset is included in profit or loss.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Costs associated with maintaining software programs are recognised as an expense as incurred. Research and development expenditure that does not meet the criteria above is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Expenditure that enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and capitalised to the original cost of the assets. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs of disposal. In assessing value in use and fair value less costs of disposal, the estimated future cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

An impairment loss is subsequently reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

An impairment loss in respect of goodwill is not reversed.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

	Goodwill Rm	Licences Rm	Customer relationships Rm	Software Rm	Other intangible assets Rm	Capital work-in- progress Rm	Total Rm
Carrying amount at 1 January 2019	16 842	13 582	476	6 818	-	113	37 831
Additions	-	437	-	2 173	15	1 273	3 898
Reallocations	-	8	-	(52)	-	(425)	(469)
Amortisation for the year	-	(1 667)	(198)	(2 659)	(2)	-	(4 526)
Reclassified from held for sale	-	-	-	-	302	-	302
Other movements	-	1	-	118	(297)	(4)	(182)
Effect of movements in exchange rates ¹	(1 530)	(515)	-	(146)	(5)	(13)	(2 209)
Carrying amount at 31 December 2019	15 312	11 846	278	6 252	13	944	34 645
Comprising:							
Cost	21 637	24 344	1 306	19 405	5 475	944	73 111
Accumulated amortisation and impairment losses	(6 325)	(12 498)	(1 028)	(13 153)	(5 462)	-	(38 466)
	15 312	11 846	278	6 252	13	944	34 645
Carrying amount at 1 January 2020	15 312	11 846	278	6 252	13	944	34 645
Additions	-	3 524	-	3 152	2	783	7 461
Disposals	-	-	-	(7)	-	-	(7)
Reallocations	-	39	-	1 280	-	(1 010)	309
Reclassified to held for sale	-	(575)	-	(135)	-	-	(710)
Amortisation for the year	-	(1 974)	(177)	(2 958)	(2)	-	(5 111)
Impairment loss	(998)	-	-	-	-	-	(998)
Other movements	-	(249)	-	1	111	23	(114)
Effect of movements in exchange rates ¹	1 021	447	1	101	45	(82)	1 533
Carrying amount at 31 December 2020	15 335	13 058	102	7 686	169	658	37 008
Comprising:							
Cost	21 637	27 826	1 314	22 605	5 288	658	79 328
Accumulated amortisation and impairment losses	(6 302)	(14 768)	(1 212)	(14 919)	(5 119)	-	(42 320)
	15 335	13 058	102	7 686	169	658	37 008

¹ Includes the effect of hyperinflation.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill

A summary of the goodwill allocation and related assumptions applied for impairment testing purposes is presented below:

	2020			2019		
	Growth rate	Discount rate	Goodwill carrying amount	Growth rate	Discount rate	Goodwill carrying amount
	%	%	Rm	%	%	Rm
MTN Côte d'Ivoire	1.4	6.6	3 345	2.0	8.3	2 920
MTN Ghana	8.7	16.5	3 830	8.0	17.5	3 722
MTN Yemen	8.0	28.5	564	5.0	18.5	1 092
MTN Afghanistan	9.7	20.5	524	5.0	15.3	497
MTN Uganda	4.8	11.8	649	5.0	13.2	617
MTN Congo-Brazzaville	2.6	13.2	1 109	3.0	14.1	967
MTN Benin	6.3	13.2	1 532	2.0	9.9	1 314
MTN SA	3.9	8.8	2 584	5.3	10.5	2 584
MTN Liberia	2.8	19.0	124	2.3	21.0	357
MTN Rwandacell Limited (MTN Rwanda)	6.3	13.1	315	5.0	13.2	320
MTN Nigeria	12.7	19.8	367	11.0	19.6	384
MTN Zambia	13.3	30.9	114	8.0	19.3	163
MTN Guinea-Bissau	6.3	17.0	265	2.5	11.7	355
Other			13			20
Total			15 335			15 312

Goodwill is tested annually for impairment. The recoverable amounts of CGUs were determined based on value in use calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a three to five-year period. Management is confident that projections covering periods longer than three years are appropriate in order for terminal values to be determined using steady-state cash flows. Cash flows beyond the above period were extrapolated using the estimated growth rates as mentioned above. These growth rates are in line with industry norms.

The following key assumptions were used for the value in use (2019: fair value less costs of disposal) calculations:

- Growth rates: the Group used steady growth rates to extrapolate revenues beyond the budget period cash flows. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGU operated. The average growth rates used ranged from 1,4% to 13,3% (2019: 2% to 74,7%); and
- Discount rates: discount rates used reflect both time value of money and other specific risks relating to the relevant CGU. The Group experienced a decline in these specific risks, as a result, the discount rates ranged from 6,6% to 30,9% (2019: 8,3% to 106,1%).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill (continued)

Goodwill impairment

The poor economic environment combined with further impacts of the COVID-19 pandemic in a number of the Group's operations in the WECA and MENA regions resulted in suppressed revenue growth and lower operating margins being experienced, which decreased forecast cash flows at 31 December 2020. In addition, sovereign risk premiums have increased significantly for MTN Guinea-Bissau and MTN Yemen given the macroeconomic environment in these countries.

An impairment charge amounting to R525 million was recognised against the goodwill of MTN Yemen. The operational and economic outlook in MTN Yemen remains negative due to political instability and subdued economic conditions. This has an impact across all industries in-country. As at 31 December 2020, the carrying value of this CGU exceeded its recoverable amount, necessitating an impairment. The remaining goodwill balance for MTN Yemen at 31 December 2020 amounts to R564 million, after recognising the impairment charge.

An impairment charge amounting to R308 million was recognised against the goodwill of MTN Liberia. The operational and economic outlook in MTN Liberia remains negative due to the government struggling with its budget deficit and rising inflation rates. This has an impact across all industries in-country. During the year, the carrying value of this CGU exceeded its recoverable amount, necessitating an impairment. The remaining goodwill balance for MTN Liberia at 31 December 2020 amounts to R124 million, after recognising the impairment charge.

An impairment charge amounting to R165 million was recognised against the goodwill of MTN Guinea-Bissau. The operational and economic outlook in MTN Guinea-Bissau remains uncertain due to political instability and volatile agricultural prices, which has resulted in more conservative budgets being planned. During the year, the carrying value of this CGU exceeded its recoverable amount, necessitating an impairment. The remaining goodwill balance for MTN Guinea-Bissau at 31 December 2020 amounts to R265 million, after recognising the impairment charge.

Recoverable amounts are represented by a CGU's value in use. Specific changes to discount and growth rates that would result in the recoverable amount exceeding the carrying amount of the net assets are not considered to be sensitive.

5.2.2 Encumbrances

Borrowings are secured by various categories of intangible assets of MTN Ghana with a carrying amount of R487 million (2019: R259¹ million), refer to note 6.1.

¹Included in encumbrances for 31 December 2019 was an amount of R829 million relating to licences that is now excluded in accordance with the facility security agreement existing as at 31 December 2019.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences

Licence agreements	Type	Granted/renewed	Term
MTN SA	ECS licence	15/01/2009	20 years
	ECNS licence	15/01/2009	20 years
	900MHz	29/01/2003	Renewable annually
	1 800MHz	29/10/2004	Renewable annually
	2 100MHz	02/02/2005	Renewable annually
	6GHz	30/08/2015	Renewable annually
	7GHz	14/06/2010	Renewable annually
	8GHz	14/06/2010	Renewable annually
	10.5GHz	07/02/2006	Renewable annually
	11GHz	23/03/2009	Renewable annually
	13GHz	06/04/2009	Renewable annually
	15GHz	21/10/2005	Renewable annually
	18GHz	14/06/2010	Renewable annually
	23GHz	14/06/2010	Renewable annually
	26GHz Sub 17	21/10/2005	Renewable annually
	26GHz Sub 18	07/02/2006	Renewable annually
	28GHz	12/04/2012	Renewable annually
	38GHz	07/10/2005	Renewable annually
	Kuband (12-18GHz)	02/10/2012	Renewable annually
	Eband (60-90GHz)	13/12/2007	Renewable annually
MTN Uganda	National Operator Telecom Licence	01/07/2020	12 years
MTN Rwanda	GSM	01/07/2008	13 years
	SNO	30/06/2006	15 years
MTN Nigeria	1 800MHz ²	01/09/2016	5 years
	900MHz ²	01/09/2016	5 years
	3G spectrum	01/05/2007	15 years
	Universal Access Licence ²	01/09/2006	15 years
	WACS	01/01/2010	20 years
	WiMax 3.5GHz spectrum	2007	Renewable annually
	Microwave spectrum		
	8GHz - 26GHz	2001	Renewable annually
	800MHz spectrum (Visafone)	01/01/2015	10 years
	2.6GHz spectrum	01/01/2018	10 years
	700MHz spectrum ¹	16/01/2018	TBC

¹The Nigerian Communications Commission suspended the effective date (16 January 2018) of the licence until all encumbrances (interferences on the network) have been cleared.

²In February 2021, the Nigerian Communications Commission approved the early renewal of these licences, which were to expire on 31 August 2021, for a further 10-year period.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences (continued)

Licence agreements	Type	Granted/renewed	Term
MTN Zambia	National Service Licence	23/09/2010	15 years
	International Network Licence	23/09/2010	15 years
MTN Ghana	4G (LTE) Spectrum (800MHz Spectrum (2x10MHz))	21/06/2016	15 years
	BroadBand Wireless Access (2 600MHz radio access)	01/12/2018	15 years
	2G (900MHz & 1 800MHz)	02/12/2019	15 years
	International gateway	11/08/2019	5 years
	Fixed access service of united access	23/03/2020	15 years
	3G	23/01/2009	15 years
	800MHz Spectrum (2x5MHz)	10/01/2020	15 years
	2G (900MHz & 1800MHz)	12/02/2019	15 years
MTN Cameroon	2G	15/02/2015	15 years
	3G	15/02/2015	15 years
	4G	15/02/2015	15 years
MTN Côte d'Ivoire	3G/UMTS 1,9/2,1GHz	31/05/2012	10 years
	Universal networks	04/01/2016	17 years
MTN Benin	900MHz	19/10/2007	30 years
	1 800 MHz	19/10/2007	30 years
	Universal licence	19/03/2012	25 years
MTN Guinea-Conakry ¹	900MHz	31/08/2005	13 years
	1 800MHz	31/08/2005	13 years
	3G	14/08/2013	6 years
MTN Congo-Brazzaville	900MHz	25/11/2011	15 years
	1 800MHz	25/11/2011	15 years
	Optical fibre licence	02/04/2010	15 years
	3G	25/11/2011	17 years
	2G	25/11/2011	15 years
	International gateway by optical fibre	03/06/2013	10 years
	LTE Spectrum	12/09/2016	15 years
MTN Liberia	WiMax	24/03/2009	15 years
	3G	19/02/2013	10 years
	Universal Telecommunication Licence	04/08/2015	15 years

¹The licences have expired. The Regulatory Telecommunications Ministry has granted use of the licences pending the conclusion of the negotiations.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences (continued)

Licence agreements	Type	Granted/renewed	Term
MTN Guinea-Bissau	900MHz	23/05/2014	10 years
	1800MHz	23/05/2014	10 years
	3G	17/07/2015	10 years
	4G	17/07/2015	10 years
MTN Syria	Freehold Licence	01/01/2015	20 years
	900MHz	01/01/2016	19 years
	1 800MHz	01/01/2016	19 years
	2 000MHz	01/01/2016	19 years
	Additional Frequency 1 800MHz	07/01/2017	17,5 years
MTN Sudan	2G + 3G	25/10/2003	20 years
	Transmission	25/10/2003	20 years
	VSAT gateway	25/10/2003	20 years
	VSAT hub	25/10/2003	20 years
	VSAT terminal	25/10/2003	20 years
	Frequency 4G	25/10/2017	7 years
MTN Afghanistan	3G unified licence	01/07/2012	15 years
	New number range RTU	31/10/2012	15 years
	New number range RTU	25/08/2013	14 years
	New number range RTU	31/10/2014	13 years
	New number range RTU	31/05/2015	12 years
	New number range RTU	31/12/2018	9 years
	2G Spectrum Licence	28/10/2020	10 years
MTN Yemen	900MHz	01/01/2020	2 years
	1 800MHz	01/01/2020	2 years

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS

6.1 Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facility will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Details of the Group's significant unsecured borrowings are provided below:

	2020 Rm	2019 Rm	Denomi- nated currency	Nominal interest (%)*	Interest payment	Final maturity
Unsecured						
MTN Holdings	34 746	36 777				
	251	252	ZAR ^{2,4}	5.0	Quarterly	June 2021
	602	604	ZAR ^{2,4}	5.3	Quarterly	June 2023
	904	906	ZAR ^{2,4}	5.6	Quarterly	June 2025
	1 000	1 000	ZAR ^{2,5}	5.8	Quarterly	March 2023
	1 002	1 002	ZAR ^{2,5}	5.8	Quarterly	December 2022
	-	1 503	ZAR ^{2,5}	8.9	Quarterly	December 2020
	4 530	5 553	ZAR ^{1,2}	6.2	Quarterly	June 2025
	2 168	4 132	US\$ ^{1,2}	2.4	Quarterly	August 2021
	1 512	1 518	ZAR ^{2,5}	5.6	Quarterly	October 2022
	1 257	1 320	ZAR ^{2,5}	5.9	Quarterly	August 2021
	2 501	2 515	ZAR ^{2,3}	6.0	Quarterly	February 2023
	1 999	2 060	ZAR ^{2,3}	5.6	Quarterly	February 2023
	-	1 528	ZAR ^{2,4}	8.6	Quarterly	July 2020
	1 012	1 019	ZAR ^{2,4}	5.4	Quarterly	July 2022
	-	473	ZAR ^{2,4}	8.5	Quarterly	October 2020
	534	540	ZAR ^{2,4}	5.3	Quarterly	October 2022
	401	391	ZAR ^{2,4}	5.2	Quarterly	March 2025
	1 205	1 200	ZAR ^{2,4}	5.5	Quarterly	September 2026
	302	303	ZAR ^{2,4}	4.8	Quarterly	May 2022
	504	506	ZAR ^{2,4}	5.0	Quarterly	May 2024
	182	186	ZAR ^{2,4}	4.9	Quarterly	May 2022
	502	514	ZAR ^{2,4}	5.2	Quarterly	May 2024
	572	585	ZAR ^{2,4}	5.4	Quarterly	May 2026
	-	208	ZAR ^{2,4}	7.9	Quarterly	May 2020
	-	401	ZAR ^{2,4}	8.8	Quarterly	September 2020
	2 006	2 011	ZAR ^{2,5}	5.6	Quarterly	June 2024
	1 993	1 991	ZAR ^{2,5}	6.1	Quarterly	June 2024
	1 510	1 518	ZAR ^{2,5}	5.6	Quarterly	June 2024
	1 030	1 038	ZAR ^{2,4}	5.6	Quarterly	October 2024
	850	-	ZAR ^{2,4}	4.9	Quarterly	June 2023
	1 007	-	ZAR ^{2,4}	5.3	Quarterly	May 2021
	859	-	ZAR ^{2,4}	5.3	Quarterly	July 2021
	162	-	ZAR ^{2,4}	6.3	Quarterly	January 2026
	932	-	ZAR ^{2,4}	8.3	Semi-annual	January 2026
	444	-	ZAR ^{2,4}	5.8	Quarterly	July 2023
	1 013	-	ZAR ^{2,3}	6.1	Quarterly	June 2025

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

⁴ Domestic medium-term notes

⁵ Fixed interest rate

⁶ Bilateral term loan facility

* Contractual interest rates on loans as at 31 December 2020.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

Details of the Group's significant unsecured borrowings are provided below:

	2020 Rm	2019 Rm	Denomi- nated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN Nigeria	19 107	15 815				
	309	491	US\$ ^{1,2,8}	5.8	Semi-annual	June 2022
	343	551	US\$ ^{2,8}	1.4	Semi-annual	March 2022
	6 638	7 636	NGN ^{1,2}	3.5	Quarterly	August 2025
	7 307	6 879	NGN ^{1,2}	3.5	Quarterly	May 2026
	167	258	US\$ ^{2,6}	5.8	Semi-annual	February 2022
	712	-	US\$ ^{1,2}	5.8	Semi-annual	December 2023
	2 904	-	NGN ^{2,13}	5.7	Quarterly	March 2021
	727	-	NGN ^{2,14}	1.4	Monthly	December 2021
MTN International (Mauritius) Limited	2 202	3 775				
	-	699	US\$ ^{1,2,15}	1.9	Quarterly	August 2021
	2 202	3 076	US\$ ^{2,3}	2.0	Quarterly	September 2023
MTN (Mauritius) Investments Limited	25 987	24 706				
	11 072	10 534	US\$ ^{5,10}	4.8	Semi-annual	November 2024
	7 441	7 074	US\$ ^{5,10}	6.5	Semi-annual	October 2026
	7 474	7 098	US\$ ^{5,10}	5.4	Semi-annual	February 2022
MTN Zambia	820	1 092				
	111	142	US\$ ^{1,2}	3.8	Semi-annual	September 2023
	268	362	ZAR ^{1,2}	7.7	Semi-annual	September 2023
	154	588	ZMK ^{1,2}	22.0	Semi-annual	September 2023
	287	-	ZAR ^{1,2}	7.6	Semi-annual	July 2024
MTN Uganda	1 558	733				
	438	-	UGX ^{1,2}	13.5	Quarterly	February 2025
	151	197	UGX ^{2,6}	12.5	Quarterly	December 2023
	138	185	US\$ ^{2,6}	5.1	Quarterly	December 2023
	-	171	UGX ^{1,2}	11.2	Quarterly	February 2021
	-	180	US\$ ^{1,2}	2.5	Quarterly	February 2021
	589	-	US\$ ^{1,2}	3.5	Quarterly	February 2025
	242	-	UGX ^{1,2}	13.8	Quarterly	February 2025

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

⁴ Domestic medium-term notes

⁵ Fixed interest rate

⁶ Bilateral term loan facility

⁷ General bank facility

⁸ Export credit facility

⁹ Vendor finance facility

¹⁰ Senior unsecured notes

¹¹ Bank borrowings

¹² Preference shares

¹³ Commercial paper

¹⁴ Credit letter

¹⁵ The Group early settled this facility with the aim of reducing US dollar denominated borrowings and improving Holdco leverage.

* Contractual interest rates on loans as at 31 December 2020.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

Details of the Group's significant unsecured borrowings are provided below:

	2020 Rm	2019 Rm	Denomi- nated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN Benin	2 006	1 907				
	36	32	CFA ^{5,9}	2.0	Semi-annual	April 2029
	197	172	CFA ^{5,11}	7.2	Semi-annual	May 2024
	1 773	1 703	CFA ^{1,5}	6.8	Semi-annual	November 2025
MTN Côte d'Ivoire	3 423	3 559				
	1 051	1 197	CFA ^{1,5}	7.0	Quarterly	January 2026
	2 372	2 362	CFA ^{1,5}	6.0	Quarterly	June 2023
MTN Cameroon	1 586	1 987				
	-	90	XAF ^{1,5}	4.3	Semi-annual	June 2020
	252	359	XAF ^{1,3,5}	6.0	Monthly	December 2021
	252	359	XAF ^{1,3,5}	6.0	Monthly	December 2021
	189	329	XAF ^{1,5}	5.0	Monthly	December 2021
	783	682	XAF ^{1,3,5}	6.0	Monthly	May 2023
	110	96	XAF ^{1,3,5}	6.0	Monthly	May 2023
	-	72	XAF ^{5,11}	4.5	Monthly	March 2020
MTN Rwanda	434	531	RWF ^{1,2}	15.0	Semi-annual	November 2025
MTN Congo-Brazzaville	769	533				
	-	449	CFA CB ^{1,5}	4.8	Quarterly	March 2021
	-	84	CFA CB ^{5,7}	5.0	Quarterly	December 2020
	769	-	CFA CB ^{1,5}	6.0	Quarterly	June 2025
Other unsecured borrowings	67	141				
Total unsecured borrowings	92 705	91 556				

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

⁴ Domestic medium-term notes

⁵ Fixed interest rate

⁶ Bilateral term loan facility

⁷ General bank facility

⁸ Export credit facility

⁹ Vendor finance facility

¹⁰ Senior unsecured notes

¹¹ Bank borrowings

¹² Preference shares

¹³ Commercial paper

¹⁴ Credit letter

* Contractual interest rates on loans as at 31 December 2020.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

Details of the Group's significant secured borrowings are provided below:

	2020 Rm	2019 Rm	Denomi- nated currency	Nominal interest (%)*	Interest payment	Final maturity	Security/collateral
Secured							
MTN Ghana	2 079	1 227					
	566	826	GHS ^{1,2}	17.1	Semi-annual	December 2022	Floating charge on company assets
	406	401	GHS ^{1,2,3}	17.1	Quarterly	December 2022	Floating charge on company assets
	1 107	-	GHS ^{1,2}	17.1	Semi-annual	June 2025	Floating charge on company assets
Other secured borrowings	142	199					
Total secured borrowings	2 221	1 426					
Total unsecured borrowings	92 705	91 556					
Total borrowings	94 926	92 982					

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

* Contractual interest rates on loans as at 31 December 2020.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

	2020 Rm	2019 Rm
The classification of the Group's borrowings is as follows:		
Current	17 438	15 691
Non-current	77 488	77 291
	94 926	92 982
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
Nigerian naira	17 576	14 515
United States dollar	32 726	34 420
South African rand	33 133	33 007
Benin Communauté Financière Africaine franc	2 006	1 907
Côte d'Ivoire Communauté Financière Africaine franc	3 423	3 559
Zambian kwacha	154	588
Congo-Brazzaville Communauté Financière Africaine franc	769	533
Ugandan shilling	831	368
Cameroon Communauté Financière Africaine franc	1 586	1 987
Ghanaian Cedi	2 079	1 227
Other currencies	643	871
	94 926	92 982

The Group has undrawn variable rate facilities of R33 297 million (2019: R33 790 million).

6.2 Other non-current liabilities

Deferred income is accounted for in accordance with the policy disclosed in note 2.2 and other liabilities are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2020 Rm	2019 Rm
Deferred income ¹	322	319
Other	307	674
	629	993

¹ Includes deferred income relating to indefeasible right of use assets over capacity on international telecommunication cables which are amortised to the income statement on a monthly basis.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision to pay a levy is not recognised until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation. Provisions are not recognised for future operating losses.

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

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

	At the beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange and other movements ¹ Rm	At the end of the year Rm
2020						
Non-current						
Decommissioning provision	276	23	(4)	(22)	17	290
Other provisions	186	346	(32)	(39)	67	528
	462	369	(36)	(61)	84	818
Current						
Bonus and other employee benefit provisions ²	1 188	1 265	(58)	(1 053)	66	1 408
Licence obligations	58	132	-	-	-	190
Other provisions ²	1 201	672	(471)	(435)	(13)	954
	2 447	2 069	(529)	(1 488)	53	2 552

¹ Includes the effect of hyperinflation.

² Long term service awards and other employee benefit provisions were included in other provisions in 2019 and have been aggregated with bonus provisions in 2020 and comparative numbers have been re-presented accordingly.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

	At the beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange and other movements ¹ Rm	At the end of the year Rm
2019						
Non-current						
Decommissioning provision	276	21	-	(13)	(8)	276
Other provisions	194	36	(16)	(14)	(14)	186
	470	57	(16)	(27)	(22)	462
Current						
Bonus and other employee benefit provisions ²	1 119	1 028	(71)	(881)	(7)	1 188
Decommissioning provision	1	-	-	(1)	-	-
Licence obligations	86	-	-	(28)	-	58
Other provisions ²	1 135	639	(242)	(246)	(85)	1 201
	2 341	1 667	(313)	(1 156)	(92)	2 447

¹ Includes the effect of hyperinflation.

² Long term service awards and other employee benefit provisions were included in other provisions in 2019 and have been aggregated with bonus provisions in 2020 and comparative numbers have been re-presented accordingly.

Bonus and other employee benefit provisions

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall Group entity's performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the Group annual results have been approved. Other employee benefit provisions include long-term service awards. This provision relates to the estimated staff cost associated with employees becoming entitled to a long-term service award after having been in the employ of the Group for a continuous period of between 3 and 30 years depending on the specific Group entity with whom they are employed.

Decommissioning provision

This provision relates to the estimate of the cost of dismantling and removing either an item of property, plant and equipment or a right-of-use asset and restoring the site on which the item was located to its original condition. The Group also provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in property, plant and equipment or right-of-use assets that are erected on leased land.

The Group only recognises these decommissioning costs for the proportion of its overall number of sites for which it expects decommissioning to take place. The expected percentage has been based on actual experience in the respective operations.

Licence obligations

The licence obligations provision represents the estimated costs to be incurred in fulfilling the Universal Services Obligation (USO) in South Africa. USOs are governed by the Electronic Communications Act.

Other provisions

The Group is involved in various regulatory and indirect tax matters specific to the respective jurisdictions in which the Group operates. These matters may not necessarily be resolved in a manner that is favourable to the Group. The Group has therefore recognised provisions in respect of these matters based on estimates and the probability of an outflow of economic benefits and should not be construed as an admission of legal liability.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.4 Capital commitments

Commitments for the acquisition of property, plant and equipment and software:

	2020 Rm	2019 Rm
Capital expenditure authorised not yet incurred at the reporting date is as follows:		
Contracted	6 814	6 548
- Property, plant and equipment	5 995	5 809
- Software	819	739
Not contracted	21 568	24 264
- Property, plant and equipment	18 253	21 558
- Software	3 315	2 706
Total commitments for property, plant and equipment and software	28 382	30 812

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases

6.5.1 The Group's leasing activities and significant accounting policies

The Group's leases include network infrastructure (including tower space and land), retail stores, vehicles, licences and office equipment. Rental contracts are typically made for fixed periods varying between two to fifteen years but may have renewal periods as described below.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment) and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The Group defines low-value leases as leases of assets for which the value of the underlying asset when it is new is US\$5 000 or less and is not considered fundamental to its network. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), including non-recoverable payments that do not transfer a separate service, less any incentives receivable.
- Variable lease payments that are based on an index or rate, measured using the index or rate as at the lease commencement date.
- Amounts that are expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments specific to the lease, e.g. term, country, currency and security.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Decommissioning costs.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. Refer to note 5.1 for the accounting policy on impairment. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases (continued)

6.5.1 The Group's leasing activities and significant accounting policies (continued)

6.5.1.1 *Renewal and termination options*

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

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

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

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

As at 31 December 2020, a number of lease contracts relating to network infrastructure, include renewal options for an unlimited number of renewal periods. Due to the judgement exercised in relation to the determination of the lease term as outlined above, the Group is exposed to potential future cash outflows relating to an indefinite period which have not been included in the lease liability because it is not reasonably certain that the leases will be extended beyond the estimated lease term.

6.5.1.2 *Lease and non-lease components*

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

6.5.2 Revisions of MTN Nigeria lease agreement

On 30 July 2020, MTN Nigeria and Global Independent Connect Limited, INT Towers Limited, IHS (Nigeria) Limited and IHS Towers NG Limited, the affiliates of IHS Group reached an agreement to expand the scope of their current service agreements, and amend the currency conversion for tower services. MTN Nigeria leases the majority of the tower/site space required for its network equipment from IHS Group.

In the new agreement, the reference rates for conversions to Nigerian Naira changes from the Central Bank of Nigeria's official rate (CBN) at N360 to the Nigerian Autonomous Foreign Exchange Rate (NAFEX) at N385. This change will bring about improved cost for future technology evolution, increased focus on rural connectivity and backhaul in the network. This resulted in an increase to lease liabilities and right-of-use assets of R4 093 million.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases (continued)

6.5.3 Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2020 Rm	2019 Rm
Network infrastructure	33 928	32 907
Land and buildings	10 185	10 254
Licences	1 615	1 737
Other	428	86
Total right-of-use assets	46 156	44 984
Current	5 728	4 056
Non-current	43 753	42 271
Total lease liabilities	49 481	46 327

Additions to right-of-use assets during the current financial year were R4 482 million (2019: R6 587 million).

6.5.4 Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020 Rm	2019 Rm
Network infrastructure	5 549	4 349
Land and buildings	1 471	1 315
Licences	122	91
Other	62	73
Depreciation charge of right-of-use assets	7 204	5 828
Interest expense (included in finance costs)	6 547	5 709
Expense relating to short-term leases (included in other operating expenses)	121	85
Expense relating to leases of low-value assets (included in other operating expenses)	39	-

Foreign exchange losses of R53 million (2019: R80 million) were recognised on foreign denominated lease liabilities included in finance costs.

6.5.5 Amounts recognised in the statement of cash flows

The statement of cash flows shows the following amounts relating to leases:

	2020 Rm	2019 Rm
Interest paid	5 560	5 271
Repayment of lease liabilities	4 998	3 417
Total cash outflow	10 558	8 688

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.6 Contingent liabilities

The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recognised.

	2020 Rm	2019 Rm
Contingent liabilities	3 831	4 239
Uncertain tax exposures	1 796	1 959
Legal and regulatory matters	2 035	2 280

Uncertain tax exposures

The Group operates in numerous tax jurisdictions and the Group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the Group and the relevant tax authority. The outcome of such disputes may not be favourable to the Group. At 31 December 2020, there were a number of tax disputes ongoing in various of the Group's operating entities. The most significant matter relates to a transfer pricing dispute which the Group is contesting with the South African Revenue Service that relates to the 2009 to 2012 tax years. Based on internal and external legal and technical advice obtained, the Group remains confident that it has a robust legal case to contest the exposure.

Legal and regulatory matters

The Group is involved in various legal and regulatory matters, the outcome of which may not be favourable to the Group and none of which are considered individually material.

The Group has applied its judgement and has recognised liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK

7.1 Financial risk management and financial instruments

Accounting for financial instruments

Financial instruments comprise investments in equity and debt securities, loans receivable, trade and other receivables (excluding prepayments), investments in self-insurance cell captives (insurance cell captives), cash and cash equivalents, restricted cash, Mobile Money deposits, borrowings, other non-current liabilities (excluding provisions), bank overdrafts, derivatives, trade and other payables and Mobile Money payables.

Recognition

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Financial assets are recognised on the date the Group commits to purchase the instruments (trade date accounting).

Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not, they are classified as non-current. Financial liabilities are classified as non-current if the Group has an unconditional right to defer payment for more than 12 months from the reporting date.

Classification

The Group classifies financial assets on initial recognition as measured at amortised cost, FVOCI or FVTPL on the basis of the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial assets are classified as follows:

Measurement category	Criteria
FVTPL	Debt investments that do not qualify for measurement at amortised cost or FVOCI; equity investments that are held for trading; and equity investments designated as at FVTPL.
Amortised cost	The asset is held within a business model with the objective to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Equity investments at FVOCI	The asset is not held for trading and the Group has irrevocably elected on initial recognition to recognise the asset as at FVOCI.
Debt investments at FVOCI	The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding however, the Group's business model is to both collect the contractual cash flows and sell the financial asset.

Financial assets are not reclassified unless the Group changes its business model. In rare circumstances where the Group does change its business model, reclassifications are done prospectively from the date that the Group changes its business model.

Financial liabilities are classified as measured at amortised cost except for those derivative liabilities that are measured at FVTPL.

Measurement on initial recognition

All financial assets (unless it is a trade receivable without a significant financing component) and liabilities are initially measured at fair value, including transaction costs, except for those classified as at FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss. A trade receivable without a significant financing component is initially recognised at the transaction price.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued) 7.1 Financial risk management and financial instruments (continued)

Subsequent measurement: Financial assets

Subsequent to initial recognition, financial assets are measured as described below.

Category	Subsequent measurement
FVTPL	These financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other net gains and losses are recognised in OCI and never reclassified to profit or loss.
Debt investments at FVOCI	These financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Subsequent measurement: Financial liabilities

All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Modification of financial liabilities

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument.

Gains or losses arising from the modification of the terms of a debt instrument are recognised immediately in profit or loss where the modification does not result in the derecognition of the existing instrument.

Offsetting financial instruments

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

Impairment

Under IFRS 9 the Group calculates its allowance for credit losses as ECLs for financial assets measured at amortised cost, debt investments at FVOCI and contract assets (unbilled handset component for contract). ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the original effective interest rate (EIR) of the financial asset.

To calculate ECLs the Group segments/groups trade receivables by customer type i.e. interconnect, Enterprise Business Unit (EBU), mobile (billed handset and network services component for contracts) etc. The Group applies the simplified approach to determine the ECL for trade receivables and contract assets. This results in calculating lifetime ECLs for trade receivables and contract assets. ECLs for trade receivables is calculated using a provision matrix. For contract assets and mobile trade receivables relating to the South African operation, ECLs are determined using a simplified parameter-based approach. Refer to note 7.1.4 for more detail about ECLs and how these are calculated.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Risk management

Introduction

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange, interest rate and price risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. While MTN Syria has been classified as a disposal group held for sale, the entity still exposes the Group to risks relating to financial instruments. Accordingly, MTN Syria has been included in the financial risk management and financial instruments disclosure.

Risk profile

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group considers natural hedges that may exist and, in addition, where possible, uses derivative financial instruments such as forward exchange contracts to hedge exposures. As a matter of principle, the Group does not enter into derivative contracts for speculative purposes. The Group applies hedge accounting to manage its risk of currency exchange rate volatility associated with certain of its investments in foreign operations.

Risk management is carried out under policies approved by the Board of Directors of the Group and of relevant subsidiaries. The MTN Group Treasury Committee identifies, evaluates and hedges financial risks in cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and investing cash. Group treasury is responsible for managing the Group's exposure to financial risk within the policies set by the Board of Directors, under the guidance of the Group CFO, Group Audit Committee and Group Risk Management and Compliance Committee.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments

	Assets			Liabilities		Total carrying amount Rm
	Amortised cost Rm	Fair value through profit or loss Rm	FVOCI Rm	Amortised cost Rm	Fair value through profit or loss Rm	
2020						
Non-current financial assets						
Loans and other non-current receivables	1 608	-	-	-	-	1 608
Investments	948	-	27 570	-	-	28 518
Mobile Money deposits	329	-	-	-	-	329
Current financial assets						
Trade and other receivables ¹	25 607	-	-	-	-	25 607
Current investments ¹	7 871	2 544	-	-	-	10 415
Restricted cash ¹	6 894	-	-	-	-	6 894
Mobile Money deposits	27 679	-	-	-	-	27 679
Cash and cash equivalents ¹	30 735	-	-	-	-	30 735
	101 671	2 544	27 570	-	-	131 785
Non-current financial liabilities						
Borrowings	-	-	-	77 488	-	77 488
Other non-current liabilities ¹	-	-	-	149	-	149
Lease liabilities ^{1,2}	-	-	-	43 871	-	43 871
Current financial liabilities						
Trade and other payables ¹	-	-	-	39 764	-	39 764
Mobile Money payables	-	-	-	28 008	-	28 008
Lease liabilities ^{1,2}	-	-	-	5 766	-	5 766
Borrowings	-	-	-	17 438	-	17 438
Derivative liabilities	-	-	-	-	7	7
Bank overdrafts	-	-	-	354	-	354
	-	-	-	212 838	7	212 845

¹ Includes non-current assets held for sale and directly associated liabilities relating to MTN Syria.

² Lease liabilities are measured in accordance with IFRS 16, refer to note 6.5.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments (continued)

	Assets			Liabilities		Total carrying amount Rm
	Amortised cost Rm	Fair value through profit or loss Rm	FVOCI Rm	Amortised cost Rm	Fair value through profit or loss Rm	
2019						
Non-current financial assets						
Loans and other non-current receivables	1 590	-	-	-	-	1 590
Investments	-	-	28 555	-	-	28 555
Current financial assets						
Trade and other receivables	22 884	-	-	-	-	22 884
Current investments	2 221	2 751	219	-	-	5 191
Derivative assets	-	75	-	-	-	75
Restricted cash	2 042	-	-	-	-	2 042
Mobile Money deposits	15 315	-	-	-	-	15 315
Cash and cash equivalents	21 140	-	-	-	-	21 140
	65 192	2 826	28 774	-	-	96 792
Non-current financial liabilities						
Borrowings	-	-	-	77 291	-	77 291
Other non-current liabilities	-	-	-	383	-	383
Lease liabilities ¹	-	-	-	42 271	-	42 271
Current financial liabilities						
Trade and other payables	-	-	-	34 620	-	34 620
Mobile Money payables	-	-	-	15 315	-	15 315
Lease liabilities ¹	-	-	-	4 056	-	4 056
Borrowings	-	-	-	15 691	-	15 691
Derivative liabilities	-	-	-	-	21	21
Bank overdraft	-	-	-	132	-	132
	-	-	-	189 759	21	189 780

¹ Lease liabilities are measured in accordance with IFRS 16, refer to note 6.5.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.2 Financial assets and liabilities subject to offsetting

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

	Gross amount	Amount offset	Net amount
	Rm	Rm	Rm
2020			
Current financial assets			
Trade and other receivables	4 500	(2 118)	2 382
Current financial liabilities			
Trade and other payables	2 587	(2 118)	469
2019			
Current financial assets			
Trade and other receivables	2 141	(962)	1 179
Current financial liabilities			
Trade and other payables	1 164	(962)	202

The amounts subject to offsetting include interconnect receivables and payables. The Group has entered into agreements with the respective counterparties which permit it to offset any payables owing to the counterparty against receivables owing to the Group. This right to offset exists in all circumstances and the Group intends to settle on a net basis.

7.1.3 Fair value estimation

A number of the Group's accounting policies and disclosures require the measurement of fair values. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The table on the next page presents the Group's assets and liabilities that are measured at fair value. The classification into different levels is based on the extent that quoted prices are used in the calculation of fair value and the levels have been defined as follows:

- Level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- Level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

The following table presents the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2020				
Financial assets				
Investment in IHS Group	-	-	27 197	27 197
Investment in bonds (debt instruments) classified as at fair value through profit of loss	916	-	-	916
Unlisted equity investments	-	-	373	373
Investment in cell captives	-	-	1 138	1 138
Investment in MTN Group Limited shares classified as fair value through profit and loss	490	-	-	490
Total assets	1 406	-	28 708	30 114
Financial liabilities				
Cross-currency swaps	-	7	-	7
Total liabilities	-	7	-	7
2019				
Financial assets				
Investment in IHS Group	-	-	27 000	27 000
Investment in Jumia	1 397	-	-	1 397
Unlisted equity investments	-	-	158	158
Investment in treasury bills classified at fair value through profit or loss	139	-	-	139
Investment in treasury bills classified at fair value through other comprehensive income	219	-	-	219
Investment in cell captives	-	-	1 812	1 812
Investment in MTN Group Limited shares classified as fair value through profit and loss	800	-	-	800
Forward exchange contracts	-	75	-	75
Total assets	2 555	75	28 970	31 600
Financial liabilities				
Forward exchange contracts	-	21	-	21
Total liabilities	-	21	-	21

Valuation methods and assumptions

The following methods and assumptions were used to estimate the respective fair values:

IHS Group unlisted equity investment – The fair value is determined using models considered to be appropriate by management, due to the absence of transactions between market participants. The fair value was calculated using an earnings multiple technique and was based on unobservable market inputs including international tower industry earnings multiples of between 10x to 13x (2019: 10x to 14x) applied to MTN management's estimates of earnings, less estimated net debt of R23 330 million (2019: R20 217 million). In addition, the Group has applied a combined liquidity and macro discount of 30% (2019: liquidity discount of 10%).

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, MTN does not have access to the IHS Group business plans or actual financial information. Any estimated earnings used to derive the existing fair value are therefore solely based on MTN management assumptions and market estimates on financial growth, currency movements, costs and performance. The investment has therefore been classified as level 3 on the fair value hierarchy. An increase of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in an increase in the fair value of R2 700 million (2019: R2 813 million) and a decrease of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in a decrease in the fair value by R2 700 million (2019: R2 813 million).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Valuation methods and assumptions (continued)

IHS Group unlisted equity investment (continued)

An increase of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in an increase in the fair value of R3 019 million (2019: R3 228 million) and a decrease of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in a decrease in the fair value of R3 019 million (2019: R3 228 million).

An increase of 1% to the combined liquidity and macro discount (2019: liquidity discount), keeping other inputs constant, would have resulted in a decrease in the fair value of R389 million (2019: R300 million) and a decrease of 1% to the combined liquidity and macro discount (2019: liquidity discount), keeping other inputs constant, would have resulted in an increase in the fair value by R389 million (2019: R300 million).

A fair value decrease of R1 151 million (2019: increase of R4 297 million) translated at the closing US dollar exchange rate has been recognised for the year.

Other unlisted equity investments – Fair values have been estimated using the discounted cash flow model. The discounted cash flow model requires management to make assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

Jumia listed equity investment – In 2020 the Group disposed of its entire shareholding in Jumia through multiple sales transactions with the final sale completed on 8 October 2020. The sales transactions closed for proceeds of US\$138 million (R2,3 billion). The Group had classified the investment in Jumia as at FVOCI resulting in the disposal having no impact on profit or loss.

In 2019 the American Depository Share (ADS) price of Jumia was US\$6,73 on the last trading day of the year resulting in a fair value decrease of R1 651 million being recognised in OCI as at 31 December 2019. In 2020, a fair value increase of R962 million has been recognised for the year.

Derivatives – The Group enters into derivative financial instruments with various counterparties. Interest rate swaps, cross-currency swaps, foreign exchange contracts and equity derivatives are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

Investment in insurance cell captives – The fair value of the investment in insurance cell captives is determined based on the net asset value of the insurance cell captive at the reporting date. The net asset value is determined from statements received from the insurer in respect of the net assets of the cell.

Investment in treasury bills – The fair value of these investments is determined by reference to published price quotations in an active market.

Fair value measurements for financial instruments not measured at fair value

Financial assets and financial liabilities at amortised cost – The carrying value of current receivables and liabilities measured at amortised cost approximates their fair value.

The fair values of the majority of the non-current receivables and liabilities measured at amortised cost, other than for the instruments listed below, are also not significantly different to their carrying values.

The Group has listed long-term fixed interest rate senior unsecured notes in issue which were issued in prior years, with a carrying amount of R11 072 million (2019: R10 534 million) and a fair value of R11 692 million (2019: R10 777 million). The notes are listed on the Irish bond market and the fair values of these instruments are determined by reference to quoted prices in this market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Valuation methods and assumptions (continued)

Fair value measurements for financial instruments not measured at fair value (continued)

Financial assets and financial liabilities at amortised cost (continued)

In 2016, the Group issued US\$1 billion listed long-term fixed interest rate unsecured notes. Notes with a face value of US\$500 million are redeemable in 2022 (the 2022 notes), with the remaining US\$500 million redeemable in 2026 (the 2026 notes). At 31 December 2020, the carrying amount of the 2022 notes is R7 474 million (2019: R7 098 million) and the fair value is R7 588 million (2019: R7 252 million); and the carrying amount of the 2026 notes is R7 441 million (2019: R7 074 million) and the fair value is R8 411 million (2019: R7 746 million). The notes are listed on the Irish bond market and the fair value of these instruments is determined by reference to quoted prices in this market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Insurance cell captives
	Rm
Balance at 1 January 2019	1 597
Contributions paid to insurance cell captives	469
Claims received by insurance cell captives	(123)
Loss recognised in profit or loss	(131)
Balance at 1 January 2020	1 812
Contributions paid to insurance cell captives	605
Claims received by insurance cell captives	(869)
Loss recognised in profit or loss	(410)
Balance at 31 December 2020	1 138
	Investments
	Rm
Balance at 1 January 2019	24 025
Disposal of the underlying equity investments of Amadeus	(592)
Acquisitions	75
Gain on equity investments at FVOCI	4 401
Foreign exchange differences	(751)
Balance at 1 January 2020	27 158
Acquisitions	158
Loss on equity investments at FVOCI	(1 575)
Foreign exchange differences	1 829
Balance at 31 December 2020	27 570

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk

Credit risk, or the risk of financial loss to the Group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures. The Group's maximum exposure to credit risk is represented by the carrying amount of the financial assets and contract assets that are exposed to credit risk.

The Group considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2020 Rm	2019 Rm
Investments	948	-
Loans and other non-current receivables	1 608	1 590
Trade and other receivables ¹	25 607	22 884
Trade receivables ¹	15 337	14 504
Other receivables ¹	10 270	8 380
Contract assets	3 692	3 868
Current investments ^{1,2}	9 925	4 391
Derivative assets	-	75
Restricted cash ¹	6 894	2 042
Mobile Money deposits	28 008	15 315
Cash and cash equivalents ¹	30 735	21 140
	107 417	71 305

¹ 2020 includes non-current assets held for sale relating to MTN Syria.

² Included in current investments for 31 December 2019 was an amount of R800 million relating to an investment in MTN Group Limited shares that is now excluded as this investment does not expose the Group to credit risk.

The risk rating grade of cash and cash equivalents and restricted cash are set out below. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

	Credit ratings of financial institution	Cash and cash equivalents ¹ Rm	Restricted cash ¹ Rm
2020			
South Africa (including head office entities) ²	AA+ to B-	12 071	4 605
MTN Nigeria	B to B-	10 090	1 757
MTN (Dubai) Limited (MTN Dubai) and GlobalConnect Solutions Limited ³	A+ to A-	2 165	137
MTN Rwanda	AA to B	328	-
Other	Various	6 081	395
		30 735	6 894

¹ 2020 includes non-current assets held for sale relating to MTN Syria.

² The 2020 credit ratings comprise national scale long-term ratings.

³ Included in the cash and cash equivalents balance is R138 million that is held with a financial institution that is not rated in 2020 which contributed a risk rating grade of B- in 2019.

	Credit ratings of financial institution	Cash and cash equivalents Rm	Restricted cash Rm
2019			
South Africa (including head office entities)	AA- to BBB-	7 762	-
MTN Nigeria	B+ to B-	4 458	1 459
MTN Dubai	A+ to B-	1 746	119
Other	Various	7 174	464
		21 140	2 042

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

The credit risk rating grade of the Group's treasury bills denominated in Nigerian naira range from B- to B (2019: B- to B).

Cash and cash equivalents, restricted cash and current investments

The Group determines appropriate internal credit limits for each counterparty. In determining these limits, the Group considers the counterparty's credit rating established by an accredited ratings agency and performs internal risk assessments. The Group manages its exposure to a single counterparty by spreading transactions among approved financial institutions. The Group Treasury Committee regularly reviews and monitors the Group's credit exposure.

Investment in insurance cell captives

The Group has exposure to the credit risk of the insurance company through its investment in preference shares in its cell captive arrangements.

Mobile Money deposits

MoMo deposits are balances that are held with banks for and on behalf of MoMo customers. Regulations in certain jurisdictions specify the types of permissible liquid instruments that these deposits may be invested in. MoMo deposits are spread among approved, reputable financial institutions based on internal risk assessments or guidance provided by regulators, to manage the concentration of credit risk to a single counterparty. Many risk mitigations are in place and banks are also obliged to pay insurance premiums to protect MoMo customer deposits (or a portion thereof) in the event of bank failure.

As a result of the uncertain and evolving legal and regulatory environment, the assessment of which party in a MoMo arrangement is exposed to a bank credit risk event has become increasingly complex and dependent on legal interpretations that are largely untested in the respective markets in which the Group operates. Consequently, the assessment of the Group's credit risk exposure with regards to MoMo remains subject to legal and regulatory developments.

The treatment of MoMo in the financial statements is not, and should not be construed as a waiver by members of the Group of any legal, contractual or statutory rights, remedies and defences they may have, or as an admission of liability enforceable against any of them in law or otherwise. The legal, contractual and statutory rights, remedies and defences of members of the group are reserved.

Trade receivables and contract assets (unbilled handset component)

A large portion of the Group's postpaid market revenues are generated in South Africa. There are no other significant concentrations of credit risk, since the other operations within the Group operate largely within the prepaid market. The Group has policies in place to ensure that retail sales of products and services are made to customers with an appropriate credit history. Before credit is granted to a customer, the Group performs credit risk assessments through credit bureaus. The Group insures some of its trade receivables in its South African operation, in which instance the credit risk assessments are performed by the credit insurer prior to the granting of credit by the Group. In terms of this arrangement R6,3 billion (2019: R6,5 billion) has been insured, for which the Group's risk is limited to R1,1 billion (2019: R1 billion). In addition, some entities within the Group require potential customers to obtain guarantees from banks before credit is granted. During the current year the Group did not recognise ECLs amounting to R33,7 million (2019: R97 million) as a result of collateral held.

The recoverability of interconnect receivables in certain international operations is uncertain; however, this is actively managed within acceptable limits and has been incorporated in the assessment of an appropriate revenue recognition policy (note 2.2) and the ECL of trade receivables where applicable. In addition, in certain countries there exists a right of set-off with interconnect parties to enable collection of outstanding amounts.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Ageing and impairment analysis

	2020			2019		
	Gross Rm	Impairment Rm	Net Rm	Gross Rm	Impairment Rm	Net Rm
Fully performing trade receivables	8 745	(103)	8 642	9 077	(253)	8 824
Interconnect receivables	707	(24)	683	675	(72)	603
Contract receivables	1 029	(32)	997	987	(64)	923
Retail receivables	6 258	(1)	6 257	5 839	(41)	5 798
EBU receivables	460	(41)	419	1 049	(45)	1 004
Other receivables ¹	291	(5)	286	527	(31)	496
Past due trade receivables	9 730	(3 035)	6 695	7 798	(2 118)	5 680
<i>Interconnect receivables</i>	1 929	(492)	1 437	2 399	(386)	2 013
0 to 3 months	571	(30)	541	566	(73)	493
3 to 6 months	331	(149)	182	676	(104)	572
6 to 9 months	83	(12)	71	152	(14)	138
9 to 12 months	944	(301)	643	1 005	(195)	810
<i>Contract receivables</i>	1 462	(740)	722	1 567	(786)	781
0 to 3 months	800	(281)	519	752	(235)	517
3 to 6 months	150	(57)	93	438	(279)	159
6 to 9 months	85	(48)	37	55	(35)	20
9 to 12 months	427	(354)	73	322	(237)	85
<i>Retail receivables</i>	1 415	(434)	981	1 187	(362)	825
0 to 3 months	612	(77)	535	412	(4)	408
3 to 6 months	331	(95)	236	485	(164)	321
6 to 9 months	112	(23)	89	34	(11)	23
9 to 12 months	360	(239)	121	256	(183)	73
<i>EBU receivables</i>	2 028	(905)	1 123	1 116	(428)	688
0 to 3 months	607	(43)	564	260	(38)	222
3 to 6 months	681	(492)	189	247	(83)	164
6 to 9 months	48	(30)	18	59	(12)	47
9 to 12 months	692	(340)	352	550	(295)	255
<i>Other receivables¹</i>	2 896	(464)	2 432	1 529	(156)	1 373
0 to 3 months	683	(54)	629	479	(3)	476
3 to 6 months	1 633	(159)	1 474	658	(65)	593
6 to 9 months	73	(30)	43	104	(3)	101
9 to 12 months	507	(221)	286	288	(85)	203
Total	18 475	(3 138)	15 337	16 875	(2 371)	14 504

¹ Other receivables includes both national and international roaming receivables.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Total past due per significant operation

	Interconnect receivables	Contract receivables	Retail receivables	EBU receivables	Other receivables ¹	Total
	Rm	Rm	Rm	Rm	Rm	Rm
2020						
MTN SA	266	523	613	679	1 116	3 197
MTN Nigeria	87	241	-	-	332	660
MTN Côte d'Ivoire	114	286	175	-	130	705
MTN Yemen	510	83	-	-	109	702
MTN Cameroon	11	24	51	311	28	425
MTN Benin	106	-	-	-	642	748
MTN Guinea-Conakry	189	82	247	44	15	577
MTN Congo-Brazzaville	250	-	-	473	-	723
Other operations	396	223	329	521	524	1 993
	1 929	1 462	1 415	2 028	2 896	9 730
2019						
MTN SA	479	669	665	189	74	2 076
MTN Nigeria	114	114	-	-	255	483
MTN Côte d'Ivoire	56	314	161	-	92	623
MTN Yemen	524	86	-	-	66	676
MTN Cameroon	69	43	85	247	29	473
MTN Benin	142	-	-	-	412	554
MTN Guinea-Conakry	171	79	87	164	18	519
MTN Congo-Brazzaville	175	-	-	323	-	498
Other operations	669	262	189	193	583	1 896
	2 399	1 567	1 187	1 116	1 529	7 798

¹ Other receivables includes both national and international roaming receivables.

Expected credit losses

The Group has the following financial assets subject to the ECL model:

- Trade and other receivables;
- Contract assets;
- Loans and other non-current receivables;
- Debt investments carried at amortised cost;
- Treasury bills and foreign deposits carried at amortised cost;
- Cash and cash equivalents;
- Restricted cash; and
- MoMo deposits.

Application of the ECL model had an immaterial impact on all financial assets except for contract assets and trade receivables.

Included in other receivables are amounts receivable from related parties (note 10.1) to which the Group has applied the general impairment model. The Group has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables is limited and consequently the probability of default relating to these balances is low.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

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 historical/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 (including forecast economic indicators, as affected by the COVID-19 pandemic) to determine the ECL for the portfolio of trade receivables at the reporting date to the extent that there is a strong correlation between the forward-looking information, and the ECL.

The Group used 12 - 36 months sales data to determine the payment profile of the sales. Where the Group has information about actual historical write-offs, actual write-offs have been used to determine a historic loss ratio. Alternatively, management has used a proxy write-off based on management's best estimate. The Group has considered quantitative forward-looking information such as the core inflation rate. Qualitative assessments have also been performed, of which the impact was found to be immaterial.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

Provision matrix (continued)

The loss allowance for trade receivables to which the provision matrix has been applied is determined as follows:

	Gross carrying amount	Impairment	Average ECL/ Impairment ratio
2020	Rm	Rm	%
Interconnect receivables	2 636	(516)	19.58
Fully performing	707	(24)	3.39
Up to 90 days past due	571	(30)	5.25
120 days and above past due	1 358	(462)	34.02
Contract receivables	1 418	(504)	35.54
Fully performing	479	(28)	5.85
Up to 90 days past due	277	(17)	6.14
120 days and above past due	662	(459)	69.34
Retail receivables	7 673	(435)	5.67
Fully performing	6 258	(1)	0.02
Up to 90 days past due	612	(77)	12.58
120 days and above past due	803	(357)	44.46
EBU receivables	2 488	(946)	38.02
Fully performing	460	(41)	8.91
Up to 90 days past due	607	(43)	7.08
120 days and above past due	1 421	(862)	60.66
Other receivables¹	3 187	(469)	14.72
Fully performing	291	(5)	1.72
Up to 90 days past due	683	(54)	7.91
120 days and above past due	2 213	(410)	18.53
Total	17 402	(2 870)	16.49
2019			
Interconnect receivables	3 074	(458)	14.90
Fully performing	675	(72)	10.67
Up to 90 days past due	566	(73)	12.90
120 days and above past due	1 833	(313)	17.08
Contract receivables	1 262	(453)	35.90
Fully performing	364	(16)	4.40
Up to 90 days past due	295	(98)	33.22
120 days and above past due	603	(339)	56.22
Retail receivables	7 026	(403)	5.74
Fully performing	5 839	(41)	0.70
Up to 90 days past due	412	(4)	0.97
120 days and above past due	775	(358)	46.19
EBU receivables	2 165	(473)	21.85
Fully performing	1 049	(45)	4.29
Up to 90 days past due	260	(38)	14.62
120 days and above past due	856	(390)	45.56
Other receivables¹	2 056	(187)	9.10
Fully performing	527	(31)	5.88
Up to 90 days past due	479	(3)	0.63
120 days and above past due	1 050	(153)	14.57
Total	15 583	(1 974)	12.67

¹ Other receivables includes both national and international roaming receivables.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

Simplified parameter-based approach – ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD) discounted using the Effective Interest Rate (EIR) (i.e. $PD \times LGD \times EAD = ECL$). The probability of default has been increased for the estimated deteriorated gross domestic product growth in South Africa. Exposures are mainly segmented by customer type i.e. corporate, consumer etc, ageing, device vs. SIM only contracts and months in contract. This is done to allow for risk differentiation. The probability of a customer defaulting as well as the realised loss with defaulted accounts has been determined using historical data of 12 months. The EIR represents a weighted average rate which is representative of the portfolio of customers and incorporates a risk-free rate plus a risk premium on initial recognition of the trade receivables. A qualitative assessment of the impact of forward-looking information has been performed and found to be immaterial.

For corporate customers, management rebutted the presumption that a customer is in default when 90 days past due and have determined default as 180 days past due. This is on the basis of billing disputes taking time to resolve resulting in a high cure rate.

The balance of trade receivables and contract assets to which the simplified parameter-based approach has been applied is as follows:

	Total Rm	Trade receivables Rm	Contract assets ¹ Rm
2020			
Gross balance	5 264	1 073	4 191
Expected credit loss allowance	(767)	(268)	(499)
	4 497	805	3 692
2019			
Gross balance	5 498	1 292	4 206
Expected credit loss allowance	(735)	(397)	(338)
	4 763	895	3 868

¹ Contract assets mainly relate to the South African operation.

Trade receivables are written off when there is no reasonable expectation of recovery. This is assessed individually by each operation and includes for example where the trade receivables have been handed over for collection and remain outstanding or the debtor has entered bankruptcy.

	2020 Trade receivables Rm	2019 Trade receivables Rm	2020 Contract assets Rm	2019 Contract assets Rm
Reconciliation of allowance for credit losses				
At the beginning of the year	(2 371)	(3 035)	(338)	(388)
Additions ¹	(1 215)	(939)	(161)	(137)
Reversals ¹	206	694	-	-
Utilised ¹	486	531	-	187
Exchange differences and other movements ²	(244)	378	-	-
At the end of the year	(3 138)	(2 371)	(499)	(338)

¹ A net impairment loss of R1 009 million (2019: R245 million) was recognised during the year. In addition to the R486 million (2019: R531 million) provision utilised, R999 million (2019: R347 million) was written off directly to profit or loss during the year.

² Including the effect of hyperinflation.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.5 Liquidity risk

Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due.

The Group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Group treasury develops strategies to ensure that the Group has sufficient cash on demand or access to facilities to meet expected operational expenses, and to service financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Group treasury performs regular cash flow forecasts, monitors cash holdings of the Group, negotiates lines of credit and sets policies for maturity profiles of loans.

The following liquid resources are available:

	2020 ¹ Rm	2019 Rm
Trade and other receivables	25 607	22 884
Current investments	10 415	5 191
Mobile Money deposits ²	28 008	15 315
Cash and cash equivalents	30 735	21 140
	94 765	64 530

¹ Includes non-current assets held for sale relating to MTN Syria.

² Mobile Money deposits are utilised to settle the corresponding Mobile Money payable which gives rise to liquidity risk for the Group.

Although cash held by MTN Syria and MTN Guinea-Conakry is available to settle liabilities denominated in the local currency in the respective country of operation, access to foreign currency in the country is constrained.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.5 Liquidity risk (continued)

The following are the undiscounted contractual cash flows of financial liabilities:

	Carrying amount	Total	Payable within one month or on demand	More than one month but not exceeding three months	More than three months but not exceeding one year	More than one year but not exceeding two years	More than two years but not exceeding five years	More than five years
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2020								
Borrowings	94 926	110 485	1 634	6 316	13 275	22 580	54 791	11 889
Other non-current liabilities ¹	149	149	-	-	-	6	7	136
Lease liabilities ¹	49 637	81 161	839	2 701	6 813	8 780	25 525	36 503
Trade and other payables ¹	39 764	39 865	27 108	3 897	8 860	-	-	-
Mobile Money payables	28 008	28 008	28 008	-	-	-	-	-
Derivative liabilities	7	7	-	-	7	-	-	-
Bank overdrafts	354	355	176	77	102	-	-	-
	212 845	260 030	57 765	12 991	29 057	31 366	80 323	48 528
2019								
Borrowings	92 982	103 260	8 178	1 301	4 831	27 908	47 435	13 607
Other non-current liabilities	383	383	5	3	4	-	-	371
Lease liabilities	46 327	90 789	786	2 061	7 340	7 802	25 539	47 261
Trade and other payables	34 620	35 104	23 567	6 291	5 246	-	-	-
Mobile Money payables	15 315	15 315	15 315	-	-	-	-	-
Derivative liabilities	21	21	21	-	-	-	-	-
Bank overdrafts	132	132	128	-	4	-	-	-
	189 780	245 004	48 000	9 656	17 425	35 710	72 974	61 239

¹ Includes liabilities directly associated with non-current assets held for sale relating to MTN Syria.

The Group has sufficient undrawn facilities to manage shortfalls in operational cash flows. Refer to note 6.1 for details of the Group's undrawn facilities. Holdco cash balances including restricted cash and current investments was R20,2 billion as at 31 December 2020 (2019: R11,0 billion).

7.1.6 Market risk

Market risk is the risk that changes in market prices (such as interest rates, foreign currencies and equity prices) will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Derivatives are entered into solely for risk management purposes and not as speculative investments. The Group treasury policy specifies approved instruments which may be used to economically hedge the Group's exposure to variability in interest rates and foreign currency and to manage and maintain market risk exposures within the parameters set by the Group's Board of Directors.

7.1.6.1 Interest rate risk

Interest rate risk is the risk that arises on an interest-bearing asset or liability, due to variability of interest rates.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, restricted cash, Mobile Money deposits/payables, trade and other receivables/payables, loans receivable/payable, debt investments carried at amortised cost, treasury bills and foreign deposits carried at amortised cost, borrowings, bank overdrafts and other non-current assets/liabilities. The interest rates applicable to these financial instruments are a combination of floating and fixed rates in line with those currently available in the market.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.1 Interest rate risk (continued)

The Group aims to maintain its mix of fixed and floating rate debt within internally determined parameters, however, this depends on the market conditions in the geographies where the Group operates.

Holding companies' (as disclosed in note 9.1) (including MTN (Mauritius) Investments Limited) debt is managed on an optimal fixed versus floating interest rate basis, in line with the approved Group treasury policy.

Debt in the majority of the Group's non-South African operations is mainly at floating interest rates. This is due to the environment and availability of funding in the market in which the entity operates. The Group continues to monitor developments which may create opportunities as these markets evolve in order to align each underlying operation with the Group treasury policy. Group treasury reports on the interest rate profile, in particular that of the holding companies, to the Board of Directors, Group Audit Committee and Group Risk Management and Compliance Committee on a regular basis.

Where appropriate, the Group uses interest rate derivatives and other suitable hedging tools as a way to manage interest rate risk. The Group does not apply hedge accounting to these derivatives.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2020		Restated ^{1,2} 2019	
	Fixed rate instruments Rm	Variable rate instruments Rm	Fixed rate instruments Rm	Variable rate instruments Rm
Non-current financial assets				
Loans and other non-current receivables	29	1 386	99	1 491
Investments	948	-	-	-
Mobile Money deposits	329	-	-	-
Current financial assets				
Trade and other receivables ¹	-	1 810	137	2 239
Current investments	8 787	-	2 579	-
Restricted cash	87	33	170	-
Mobile Money deposits ²	5 307	16 319	3 236	8 266
Cash and cash equivalents	4 475	12 287	4 565	10 466
	19 962	31 835	10 786	22 462
Non-current financial liabilities				
Borrowings	31 353	46 135	27 291	50 000
Other non-current liabilities	13	136	-	373
Current financial liabilities				
Trade and other payables	139	1 723	225	1 285
Mobile Money payables ²	1 765	16 290	3 236	8 266
Borrowings	2 622	14 816	5 716	9 975
Bank overdrafts	173	176	75	57
	36 065	79 276	36 543	69 956

¹ Included in variable rate trade and other receivables for 31 December 2019 was an amount of R1 651 million relating to a loan that has now been restated as a non-interest bearing instrument based on the interest rate position existing at 31 December 2019.

² Included in both variable rate MoMo deposits and payables for 31 December 2019 was an amount of R1 863 million that has now been restated as fixed rate instruments based on the interest rate position existing at 31 December 2019.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.2 Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in the following market interest rates: JIBAR, LIBOR, NIBOR, Money Market and Prime rates. Changes in market interest rates affect the interest income or expense of floating rate financial instruments.

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as was used for 2019.

	2020 (Decrease)/increase in profit before tax			Restated ¹ 2019 (Decrease)/increase 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
	%	Rm	Rm	%	Rm	Rm
JIBAR	1	(328.1)	328.1	1	(328.7)	328.7
LIBOR and associated rates	1	(54.6)	54.6	1	(17.9)	17.9
NIBOR	1	(176.5)	176.5	1	(144.0)	144.0
Money market	1	(20.8)	20.8	1	75.3	(75.3)
Prime	1	107.9	(107.9)	1	28.0	(28.0)
Other ¹	1	(2.3)	2.3	1	(0.4)	0.4

¹ Included in variable rate trade and other receivables for 31 December 2019 was an amount of R1 651 million relating to a loan that has now been restated as a non-interest bearing instrument based on the interest rate position existing at 31 December 2019.

7.1.6.3 Currency risk

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

Currency risk arises on recognised financial assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group aims to maintain its foreign currency exposure within internally determined parameters, however, this depends on the market conditions in the geographies where the Group operates. Group treasury reports on the status of foreign currency positions or derivatives to the Group Treasury Committee on a regular basis.

Where possible, entities in the Group use forward contracts to hedge their actual exposure to foreign currency. Refer to note 7.5 for the Group's outstanding foreign exchange contracts.

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss and to OCI, of an instantaneous 10% strengthening or weakening in the rand against other currencies, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.3 Currency risk (continued)

Sensitivity analysis (continued)

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the US dollar, euro, Nigerian naira and Iranian rial. This analysis considers the impact of changes in foreign exchange rates on profit or loss and OCI.

The analysis excludes foreign exchange translation differences resulting from the translation of Group entities that have functional currencies different from the presentation currency, into the Group's presentation currency, which are recognised in the FCTR.

The analysis has been performed on the basis of the change occurring at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

Intercompany balances that are denominated in a currency other than the functional currency of the entity are reflected as either impacting profit or loss before tax, or equity in the case of loans for which settlement is neither planned nor likely to occur in the foreseeable future.

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/(decreased) profit before tax or equity by the amounts shown below.

Denominated: Functional currency	Increase/(decrease) in profit before tax				Increase/(decrease) in OCI		
	Net assets / (liabilities) denominated in foreign currency	Change in exchange rate	Weakening in functional currency	Strength- ening in functional currency	Change in exchange rate	Weakening in functional currency	Strength- ening in functional currency
	Rm	%	Rm	Rm	%	Rm	Rm
2020							
US\$:ZAR ¹	8 578	10	857.8	(857.8)	10	-	-
US\$:SYP	(418)	10	(12.4)	12.4	10	(29.4)	29.4
US\$:SDG	(1 172)	10	(28.5)	28.5	10	(88.7)	88.7
US\$:SSP	(6 365)	10	(48.4)	48.4	10	(588.1)	588.1
US\$:NGN	(19 309)	10	(1 930.9)	1 930.9	10	-	-
EUR:SDG	(2 100)	10	(1.3)	1.3	10	(208.7)	208.7
EUR:US\$	3 167	10	316.7	(316.7)	10	-	-
US\$:GNF	(4 561)	10	(176.9)	176.9	10	(279.2)	279.2
US\$:ZMK	(439)	10	(43.9)	43.9	10	-	-
IRR:ZAR	2 815	10	281.5	(281.5)	10	-	-
EUR:ZAR	(170)	10	(17.0)	17.0	10	-	-
NGN:ZAR	4 197	10	419.7	(419.7)	10	-	-
2019							
US\$:ZAR ^{1,2}	14 465	10	1 446.5	(1 446.5)	10	-	-
US\$:SYP	(516)	10	(31.9)	31.9	10	(19.7)	19.7
US\$:SDG	(1 344)	10	(40.8)	40.8	10	(93.6)	93.6
US\$:SSP	(5 809)	10	(45.9)	45.9	10	(535.0)	535.0
US\$:NGN	(8 522)	10	(852.2)	852.2	10	-	-
EUR:SDG	(1 668)	10	(1.1)	1.1	10	(165.7)	165.7
EUR:US\$	2 509	10	250.9	(250.9)	10	-	-
US\$:GNF	(4 092)	10	(143.2)	143.2	10	(266.0)	266.0
US\$:ZMK	(104)	10	(10.4)	10.4	10	-	-
IRR:ZAR	2 753	10	275.3	(275.3)	10	-	-
EUR:ZAR	220	10	22.0	(22.0)	10	-	-

¹ Reduced by the impact of the net investment hedge as disclosed in note 7.5.

² US\$:ZAR net assets have been restated for balances denominated and presented in different currency denominations based on the currency exposure existing at 31 December 2019.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.4 Price risk

The Group is exposed to equity price risk, which arises from equity investments at FVOCI (see note 7.2).

Refer to note 7.1.3 for disclosure of the sensitivity of the fair values of the investments to a change in the inputs used to determine their fair values. OCI (before tax) will be affected by the amounts disclosed in respect of these investments in note 7.1.3.

7.1.7 Capital management

The Group's policy is to borrow using a mixture of long-term and short-term borrowing facilities to meet anticipated funding requirements. Borrowings are managed within the Group's established debt: equity ratios. The Group seeks to maximise borrowings at an operating company level, on a non-recourse basis, within an acceptable level of debt for the maturity of the local company.

Management regularly monitors compliance with its financial covenants. In terms of most of the banking facilities, the Group is required to comply with financial covenants. These financial covenants differ based on the contractual terms of each facility and incorporate both IFRS and non-IFRS financial measures. With the exception of MTN Zambia and MTN Côte d'Ivoire, the Group has complied with its financial covenants during the current and prior year. For the year ended 31 December 2020, MTN Zambia breached its debt service cover ratio covenant. As a result, the full related borrowings of R820 million have been classified as current as at 31 December 2020 within the Group statement of financial position. On 9 March 2021, the lenders granted MTN Zambia a waiver of the debt service cover ratio breach, thereby remedying the breach. For the year ended 31 December 2019, MTN Côte d'Ivoire breached its net debt: EBITDA covenant. As a result, the full related borrowings of R3 559 million were classified as current as at 31 December 2019 within the Group statement of financial position. As at 31 December 2019, the Group had met interest-related covenants, and these have improved further in the current period. Holdco leverage has increased since December 2019 due to the weakening of the rand on US dollar denominated borrowings and cash upstreaming challenges from MTN Nigeria due to limited availability of foreign currency.

MTN Cameroon, with the support of MTN Group, had been in discussions with its lenders since the beginning of 2020 to restructure a syndicated revolving credit facility of CFA30 billion (US\$56 million) initially maturing on 8 June 2020. Due to not having concluded the restructuring by the maturity date, MTN Cameroon was in technical default in respect of the repayment provisions. This default was subsequently remedied by a waiver from the affected lenders. MTN Cameroon successfully concluded the restructuring by 31 December 2020. The maturity date of the CFA30 billion syndicated revolving credit facility was extended to 8 December 2021 and another of MTN Cameroon's syndicated revolving credit facilities of CFA32,5 billion (US\$61 million) initially due on 15 December 2021 was extended to 16 May 2023. Under the amended facility agreements, MTN Cameroon will repay each of the facilities through equal monthly repayments.

The Group's net debt: capital management EBITDA, net debt: total equity and net interest: capital management EBITDA at the end of the year are set out on the next page. Net debt is defined as borrowings and bank overdrafts less cash and cash equivalents, restricted cash and current investments (excluding investment in insurance cell captives). Total equity is as per the Group statement of financial position. Net interest comprises finance costs less finance income and an add back of lease liability finance costs per notes 2.5 and 6.5. CODM EBITDA as defined in note 2.1, is reduced by an approximation of lease expenses which would have been recognised had the lease liabilities not been capitalised, to arrive at capital management EBITDA.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.7 Capital management (continued)

	2020	2019
Net debt: Capital management EBITDA		
Borrowings and bank overdrafts (Rm)	95 280	93 114
Less: Cash and cash equivalents, restricted cash and current investments (Rm)	(46 906)	(26 561)
Net debt (Rm)	48 374	66 553
CODM EBITDA before impairment of goodwill ^{1,2} (Rm)	81 188	63 537
Less: Repayment and interest paid on lease liabilities (Rm) (Note 6.5)	(10 558)	(8 688)
Capital management EBITDA (Rm)	70 630	54 849
Net debt/Capital management EBITDA ratio	0,7	1,2
Net debt: total equity		
Net debt (Rm)	48 374	66 553
Total equity (Rm)	106 315	86 187
Net debt/total equity (%)	45,5	77,2
Net interest: Capital management EBITDA		
Net finance costs (Rm)	18 094	15 008
Less: Lease liability finance costs (Rm) (Note 2.5 and 6.5)	(6 547)	(5 709)
Net interest (Rm)	11 547	9 299
Capital management EBITDA (Rm)	70 630	54 712
Net interest/Capital management EBITDA (%)	16,3	17,0

¹ CODM EBITDA is defined in note 2.1

² Restated for change in accounting policy, refer to note 11 for details of restatements.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.2 Investments

Investments consist of equity investments at FVOCI and financial assets at amortised cost, that are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2020 Rm	2019 Rm
Financial assets at amortised cost		
Bonds (debt instruments) held with fixed interest rates of 5% - 7,3% and maturing in January 2026 ¹	948	-
Financial assets at fair value through other comprehensive income		
Investment in IHS Group (note 7.1.3)	27 197	27 000
Investment in Jumia ²	-	1 397
Unlisted equity investments (note 7.1.3)	373	158
	28 518	28 555

¹ Denominated in Nigerian naira.

² The Group disposed of its investment in Jumia during the current financial year (refer note 7.1.3).

7.3 Loans and other non-current receivables

Loans and other non-current receivables are measured at amortised cost in accordance with the accounting policy disclosed in note 7.1.

Prepayments include costs paid relating to subsequent financial years and are stated at nominal value.

	2020 Rm	2019 Rm
Non-current interconnect receivables	64	38
Other non-current receivables ¹	1 748	1 692
Non-current prepayments ²	895	575
	2 707	2 305

¹ Includes a loan to MTN Group Management Services Proprietary Limited which bears interest at JIBAR plus 1.6% per annum. The interest on the loan is repayable quarterly and the loan has a final maturity of 30 November 2024. The loan is unsecured.

² Includes prepayments relating to indefeasible right of use assets of R580 million (2019: R519 million) over capacity on international telecommunication cables.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.4 Current investments

Current investments consist of financial assets at amortised cost, financial assets at FVOCI and financial assets held at FVTPL, that are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2020 Rm	2019 Rm
Financial assets held at fair value through profit or loss		
Investment in insurance cell captives (note 7.1.3)	1 138	1 812
Investment in MTN Group Limited shares held 8 139 971 (2019: 9 279 753)	490	800
Treasury bills with fixed interest rates of 11,9% to 12,5% and maturity dates between January and November 2020 ¹	-	139
Bonds (debt instruments) held with a fixed interest rate of 0,5% and maturing in March 2021 ¹	916	-
	2 544	2 751
Amortised cost		
Foreign currency deposits with fixed interest rates of 0,1% to 5% and maturity dates between January and April 2021 ²	3 747	537
Treasury bills with fixed interest rates of 0,5% to 5% and maturity dates between January and December 2021 ¹	3 760	1 392
Foreign currency deposits with a fixed interest rate of 3,25% ³	-	97
Treasury bills with a fixed interest rate of 16,1% and maturing in September 2021 ⁴	33	-
Foreign currency deposits with a fixed interest rate of 9% ⁵	-	3
Foreign currency deposits with a fixed interest rate of 9,5% and maturing in March 2021 ⁶	50	48
Treasury bills and bonds (debt instruments) with a fixed interest rate of 4,25% ⁷	165	144
	7 755	2 221
Financial assets held at fair value through other comprehensive income		
Treasury bills with fixed interest rates of 4% to 12,4% and maturity dates between January and October 2020 ¹	-	219
Total current investments	10 299	5 191

¹ Denominated in Nigerian naira.

² Denominated in United States dollar.

³ Denominated in euro.

⁴ Denominated in Ghana cedis.

⁵ Denominated in Lebanese pound.

⁶ Denominated in Rwandan franc.

⁷ Denominated in CFA franc.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.5 Net investment hedges

The Group hedges a designated portion of its US dollar net assets in MTN Dubai for forex exposure arising between the US\$ and ZAR as part of the Group's risk management objectives. The Group designated external borrowings (Eurobonds) denominated in US\$ held by MTN (Mauritius) Investments Limited. For the period of the hedge relationship, foreign exchange movements on these hedging instruments are recognised in OCI as part of the FCTR, offsetting the exchange differences recognised in OCI, arising on translation of the designated US dollar net assets of MTN Dubai to ZAR. The cumulative forex movement recognised in OCI will only be reclassified to profit or loss upon loss of control of MTN Dubai.

To assess hedge effectiveness the Group performs hedge effectiveness testing by comparing the changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the net assets designated in MTN Dubai. There was no hedge ineffectiveness recognised in profit or loss during the current or prior year.

The fair value of the financial liabilities (included in borrowings) designated as net investment hedges are:

	2020 Rm	2019 Rm
US\$ denominated bonds held by MTN (Mauritius) Investments Limited	27 691	25 775

The determination of fair value of these liabilities is disclosed in note 7.1.3.

The following information also relates to the hedge of the net investment:

	2020 Rm	2019 Rm
Carrying value of US\$ denominated bonds held by MTN (Mauritius) Investments Limited	25 987	24 706
Nominal value of US\$ denominated bonds held by MTN (Mauritius) Investments Limited ¹	1 750	1 750
Change in carrying amount of loans as a result of foreign currency movements	(1 219)	715
Change in value of the hedged item used to determine hedge effectiveness	1 219	(715)
Hedge ratio	100%	100%
Foreign currency translation reserve		
Opening balance 1 January	2 468	2 983
Change in fair value of hedging instrument recognised in OCI for the year - after tax	878	(515)
Closing balance	3 346	2 468

¹ Amount presented in United States dollar.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued) 7.6 Exchange rates to South African rand

		Closing rates		Average rates	
		2020	2019	2020	2019
Foreign currency to South African rand:					
United States dollar	US\$	14.68	13.98	16.50	14.44
Euro	EUR	17.94	15.70	18.62	15.96
South African rand to foreign currency:					
Ugandan shilling	UGX	249.19	262.14	225.45	256.68
Rwanda franc	RWF	67.79	66.80	57.91	62.59
Cameroon Communauté Financière Africaine franc	XAF	36.42	41.78	34.69	40.57
Nigerian naira	NGN	27.28	26.09	23.24	25.05
Iranian rial ^{1,2}	IRR	17 458.88	8 120.61	10 117.96	7 013.39
Botswana pula	BWP	0.74	0.76	0.70	0.73
Côte d'Ivoire Communauté Financière Africaine franc	CFA	36.47	41.78	34.76	40.57
Congo-Brazzaville Communauté Financière Africaine franc	XAF	36.42	41.78	34.66	40.59
Zambian kwacha	ZMK	1.44	1.01	1.09	0.90
eSwatini lilangeni	SZL	1.00	1.00	1.00	1.00
Afghanistan afghani	AFN	5.26	5.54	4.62	5.35
Ghanaian cedi	GHS	0.40	0.41	0.35	0.38
Benin Communauté Financière Africaine franc	XOF	36.47	41.78	34.69	40.58
Guinean franc	GNF	680.64	672.40	575.66	634.98
Sudanese pound ²	SDG	3.76	3.23	3.32	3.14
Syrian pound ²	SYP	85.57	31.33	50.53	30.27
Guinea-Bissau Communauté Financière Africaine franc	XOF	36.47	41.78	34.87	40.58
Yemen rial	YER	27.25	27.18	23.87	26.36
Ethiopian birr	ETB	2.68	2.27	2.18	2.01
South Sudanese pound ²	SSP	12.08	11.47	10.07	10.91

¹ SANA rate.

² The financial results, positions and cash flows of foreign operations trading in hyperinflationary economies are translated as set out in note 1.3.2.

Events after reporting period

MTN Sudan

On 21 February 2021, the Central Bank of Sudan devalued the official Sudanese exchange rate to US\$ 1: SDG 375,08, which translates to an exchange rate of approximately ZAR 1: SDG 25,57. The devaluation brought the official rates in line with parallel market rates and is an effort to eliminate parallel market activity.

As Sudan is a hyperinflationary economy, the Group translates MTN Sudan's results at the closing exchange rate. The devaluation of the Sudanese Pound will result in lower earnings consolidated from MTN Sudan based on the closing rate, a reduction in net assets consolidated and a resulting lower equity in the form of higher foreign currency translation losses.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

7 FINANCIAL RISK (continued)

7.6 Exchange rates to South African rand (continued)

Subsidiaries and joint ventures operating in dual exchange rate economies

Irancell

During the 2018 financial year the CBI clarified that all future dividends can be expected to be repatriated at the SANA rate. Consequently, the Group equity accounts the results and translates any receivables from Irancell at the SANA rate from August 2018.

However, the Group continues to translate any receivables that have been approved by the Iranian government under the FIPPA at the CBI rate on the basis that management expects these balances to be settled at the CBI rate (note 4.2). At 31 December 2020 the ZAR to IRR exchange rate based on the CBI rate was 1 ZAR = 2 889 IRR (2019: 1 ZAR = 3 004,06 IRR).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

8 EQUITY STRUCTURE (continued)

8.1 Ordinary share capital and share premium

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs (net of tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

	2020 Number of shares	2019 Number of shares
Ordinary share capital (par value of 0,01 cents)		
Authorised	1 500 000 000	1 500 000 000
Issued (<i>fully paid up</i>)	525 757 682	525 757 682

	2020 Rm	2019 Rm
Share capital		
Balance at the beginning of the year	5	5
Shares issued or bought back	*	*
Balance at the end of the year	5	5
Share premium		
Balance at the beginning of the year	218	218
Shares issued or bought back	-	-
Balance at the end of the year	218	218
Shareholder loan classified as equity		
Balance at the beginning of the year	5 818	5 818
Advanced or repaid	-	-
Balance at the end of the year	5 818	5 818

* Amounts less than R1 million.

The loan is unsecured and interest-free and repayable at the election of the Company. As a result, the shareholder's loan is classified as equity.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

8 EQUITY STRUCTURE (continued)

8.2 Other reserves

	2020	2019
	Rm	Restated ¹ Rm
Balance at beginning of the year	(2 800)	(2 173)
Transactions with non-controlling interests	180	-
Transfer to retained earnings, contingency and statutory reserves ²	746	310
Share of other reserves of joint ventures	-	(81)
Exchange differences on translating foreign operations ³	5 455	(4 152)
Foreign exchange movement on hedging instruments ³	(878)	515
Net change in fair value of debt and equity instruments through other comprehensive income reserve	(622)	2 759
Other	9	22
Balance at end of the year	2 090	(2 800)
Consisting of:		
Contingency reserve (as required by insurance regulations) ⁴	36	4
Statutory reserve (as required by Rwanda, Congo-Brazzaville and other joint venture legislation) ⁵	279	253
Transactions with non-controlling interests ⁶	1 934	1 754
Share-based payment transactions	1 862	1 862
Foreign currency translation reserve ³	(4 506)	(9 083)
Equity instruments at fair value through other comprehensive income ⁷	1 908	1 842
Share of other reserves of joint ventures	(81)	(81)
Other	658	649
	2 090	(2 800)

¹ Restated for change in accounting policy, refer to note 11.

² Following the sale of Amadeus, reserves worth R268 million were transferred to retained earnings in 2019. In 2020, an amount of R688 million was transferred to retained earnings in respect of the Jumia investment.

³ Refer to the translation and disposal of foreign operations sections in accounting policy 1.3.2 foreign currency. The Group's presentation currency is rand. The weakening of the closing rate of the rand against the functional currencies of the Group's largest operations and hyperinflationary impacts contributed to a decreased in assets and liabilities and the resulting FCTR increase of R5 455 million (2019: decrease of R4 152 million) since 31 December 2019. The amount also comprises foreign currency losses arising on the translation of financial liabilities designated as net investment hedges in a foreign operation of R878 million (2019: R515 million gains).

⁴ A contingency reserve has been created in terms of the Short-term Insurance Act, 1988. Transfers to the contingency reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of shareholders' funds. On dissolution of the structured entities to which the reserve relates, they will become available for distribution.

⁵ A statutory reserve has been created in terms of local legislation. Transfers to the statutory reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of the shareholders' funds.

⁶ Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiary companies where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased is recorded in equity. All profits or losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders, where control is maintained subsequent to the disposal, are also recorded in equity. Following the dilution of the 8% interest held in MTN Zambia, a gain of R180 million was included in equity.

⁷ This comprises all fair value adjustments on all equity and debt investments that have been classified as FVOCI. On the disposal of the FVOCI equity investments, the cumulative gains recognised on these investments are not reclassified to profit or loss.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

8 EQUITY STRUCTURE (continued)

8.3 Dividends

Dividends declared to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

Dividends declared during the year	2020		2019	
	Cents per share	Rm	Cents per share	Rm
Final dividend declared in respect of the prior year	1 244	6 540	1 198	6 300
Interim dividend declared in respect of the current year	-	-	698	3 670
		6 540		9 970
Dividends declared after year end				
Approved after the reporting date and not recognised as a liability	-	-	1 244	6 540

8.4 Share-based payments

MTN Holdings Limited is directly held by MTN Group Limited. MTN Group Limited operates the MTN Group performance share plan (PSP) which replaced the share options, share rights scheme and share appreciation rights scheme (SARS). The superseded schemes will be wound up once all unvested and/or unexercised awards previously made have run their remaining course. Under these schemes the Group receives services from employees as consideration for the equity instruments of MTN Group Limited.

Cash-settled share-based payments

The fair value of the amount payable to employees in respect of cash-settled share-based payments is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured to fair value at each reporting date and at settlement date. Any changes in the liability are recognised in profit or loss.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

The MTN Group share rights schemes and performance share plan

The Group operates a number of cash-settled share-based payment schemes for the benefit of eligible employees, including executive directors, in accordance with the schemes' rules. The schemes are designed to retain and recognise the contributions of executive directors and eligible employees and to provide additional incentives to contribute to the Group's continued growth.

The PSP is the active scheme, which superseded the share rights scheme. The superseded scheme will be wound up once all unvested and/or unexercised awards previously made have run their remaining course.

The vesting periods under the share rights scheme are as follows: 20%, 20%, 30% and 30% on the anniversary of the second, third, fourth and fifth years, respectively, after the grant date. The strike price for this scheme is determined as the closing market price for the MTN Group Limited shares on the day prior to the date of allocation. Unexercised rights lapse 10 years from the date of grant and are forfeited if the employee leaves the Group before they vest.

The vesting period for the PSP is three years and the awards vest in full based on set performance targets. Employees are not entitled to receive dividends on the shares during the vesting period.

The total number of shares which may be allocated for the purposes of the schemes shall not exceed 5% of the total issued ordinary share capital of the Company, being 94 213 488 shares as approved by shareholders in 2001.

Share Rights Scheme

Share rights under the rights schemes are granted to eligible employees by the relevant employer subsidiary company.

Exercised rights are cash-settled whereby the relevant subsidiary purchases the required MTN shares in the open market.

Details of the outstanding share rights are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2019	Forfeited during 2020	Exercised during 2020	Number outstanding at 31 December 2020
28 June 2010	107.49	119 740	(119 740)	-	-
Total		119 740	(119 740)	-	-

There were no new grants during the current and prior year.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN PSP

During prior financial years the Group granted eligible employees share rights under the PSP, established in 2010. The rights were granted to employees on levels 3, 4, 5 and 6. The PSP was established in order to attract, retain and reward selected employees who are able to contribute to the business of the employer companies and to stimulate their personal involvement, thereby encouraging their continued service and encouraging them to advance the interests of the relevant employer Company and the Group in general.

The share rights vest after three years from date of grant. For the grants made between 2014 and 2016, the following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

	Proportion of grant	
	Employee level	Employee level
	3-4	5-6
	%	%
Vesting conditions for shares granted		
Total shareholder return	25,0	25,0-33,3
Adjusted free cash flow growth	25,0	25,0-33,3
Return on average capital employed	25,0	25,0-33,3
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0	25,0

For the total shareholder return vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at the median to 100% vesting at the 75th percentile of the performance of a comparable group of companies listed on the JSE. For the adjusted free cash flow vesting condition, vesting is based on a sliding scale between 6% and 10% compound annual growth in the adjusted free cash flow for the three years before the grant date compared to the three years after the grant date, for all grants made in 2014 and thereafter. The individual return retention condition is guaranteed subject to the employee remaining employed by the Group for the duration of the vesting period.

The performance conditions were revised during 2017 and apply to new grants issued on and after 29 September 2017. The following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

	Proportion of grant	
	Employee level	Employee level
	3-4	5-6
	%	%
Vesting conditions for shares granted		
Total shareholder return	25,0	25,0
Cumulative operating free cash flow	25,0	25,0
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0	25,0
Return on average capital employed	25,0	8,33 - 25,0
Compliance to dtic and ICASA	-	8,33 - 25,0
Black Economic Empowerment	-	8,33

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN PSP (continued)

The performance conditions were reviewed in 2020. For grants issued from 2020, the following conditions apply:

	Proportion of grant	
	Employee level 3-4	Employee level 5-6
	%	%
Vesting conditions for shares granted		
Total shareholder return	25,0	25,0 - 33,3
Cumulative operating free cash flow	25,0	25,0 - 33,3
Individual retention	25,0	0,0 - 25,0
Return on equity	25,0	25,0 - 33,3
Compliance to dtic and ICASA	-	5,0
Black Economic Empowerment	-	5,0

For the total shareholder return vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at the median to 100% vesting at the 75th percentile of the performance of the MSCI Emerging Markets Telecoms Index comparator group. In November 2018 the MSCI Emerging Markets Telecoms Index was re-constituted and now consists of the MSCI Emerging Markets Communications Index. This has been used since the 2018 grants. For the cumulative operating free cash flow vesting condition for grants up to 2019, vesting is based on a sliding scale that ranges from 25% vesting at 90% of the target to 100% vesting at 110% of the target cumulative operating free cash flow over the measurement period. The individual return retention condition for grants up to 2019, is guaranteed subject to the employee remaining employed by the Group for the duration of the vesting period. The return on average capital employed for grants up to 2019 and the return on equity for grants from 2020 onwards, is based on a sliding scale that ranges from 25% vesting at 90% of the budget to 100% vesting at 100% of the budgeted return on average capital employed and budgeted return on equity respectively. The vesting conditions with regards to compliance to the dtic and ICASA are based on reasonable efforts made to ensure compliance with the relevant targets and codes. For the black economic empowerment vesting condition, vesting is based on the achievement of previously agreed upon deliverables as applicable in South Africa.

Details of the outstanding cash-settled performance share plan rights are as follows:

Offer date	Number outstanding at 31 December 2019	Number outstanding at		
		Offered	Forfeited	31 December 2020
28 December 2016	2 796 741	-	(2 477 869)	(318 872)
18 December 2017	3 032 021	-	(205 164)	-
28 December 2018	6 693 953	-	(632 719)	-
20 December 2019	8 032 382	-	(779 663)	-
21 December 2020	-	11 680 400	(39 014)	-
Total	20 555 097	11 680 400	(4 134 429)	(318 872)
				27 782 196

A valuation has been prepared using a stochastic model to determine the fair value of the performance share plan and the expense to be recognised for share rights granted during the current and prior year.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN PSP (continued)

The range of inputs into the stochastic model used for rights granted during the year was as follows:

	December 2020
Share price (R)	61,44
Expected life	3 years
Risk-free rate	4,40%-4,88%
Expected volatility	35,13% - 45,46%
Dividend yield	7,92%
	December 2019
Share price (R)	85,65
Expected life	1-3 years
Risk-free rate	7,06% - 7,44%
Expected volatility	27,25% - 29,74%
Dividend yield	5,58%

The risk-free rate was estimated using the nominal bond curve as compiled by the JSE of South Africa and obtained from I-Net Bridge for the share rights granted from 2017 onwards.

Volatility was estimated using the weekly closing share price as provided by I-Net Bridge. An annualised standard deviation of the continuously compounded rates of return of the share and the daily dividend yield was used for the share rights granted from 2017 onwards.

Employee share ownership programme (ESOP)

During 2020, 123 605 (2019: 277 620) shares were granted to qualifying employees for no consideration and subject to a service condition. The shares will vest in three tranches, i.e. a third will vest on the third, fourth and fifth anniversary of the grant date respectively. The plan is facilitated through a structured entity (the 2016 MTN ESOP Trust). MTN provides shares and funding to the 2016 MTN ESOP Trust to enable the trust to satisfy its objectives.

Cash-settled share-based payment transactions

During the prior years, the Group granted newly appointed executives' cash-settled onboarding incentives to compensate the executives in respect of the actualised pre-tax amount of stocks or equity relinquished by the executives with their previous employers. The value of each incentive was determined based on the market value of the specified number of ordinary listed shares in MTN Group Limited at the end of the incentive period for each respective executive. The total number of Group shares on which the incentives were based was 837 664. The fair value of these incentives, before vesting date, was determined using a Black-Scholes valuation methodology. A cash-settled share-based payment gain of R7 million (2019: expense of R27 million) was recognised on settlement. In 2020, the incentives based on 391 637 (2019: 446 027) shares vested. In addition, throughout the Group there are various notional share schemes. The total expense recorded for these schemes in the current year is R172 million (2019: R15 million).

	2020 Rm	2019 Rm
Expense/(income) arising from cash-settled share-based payment transactions	165	163

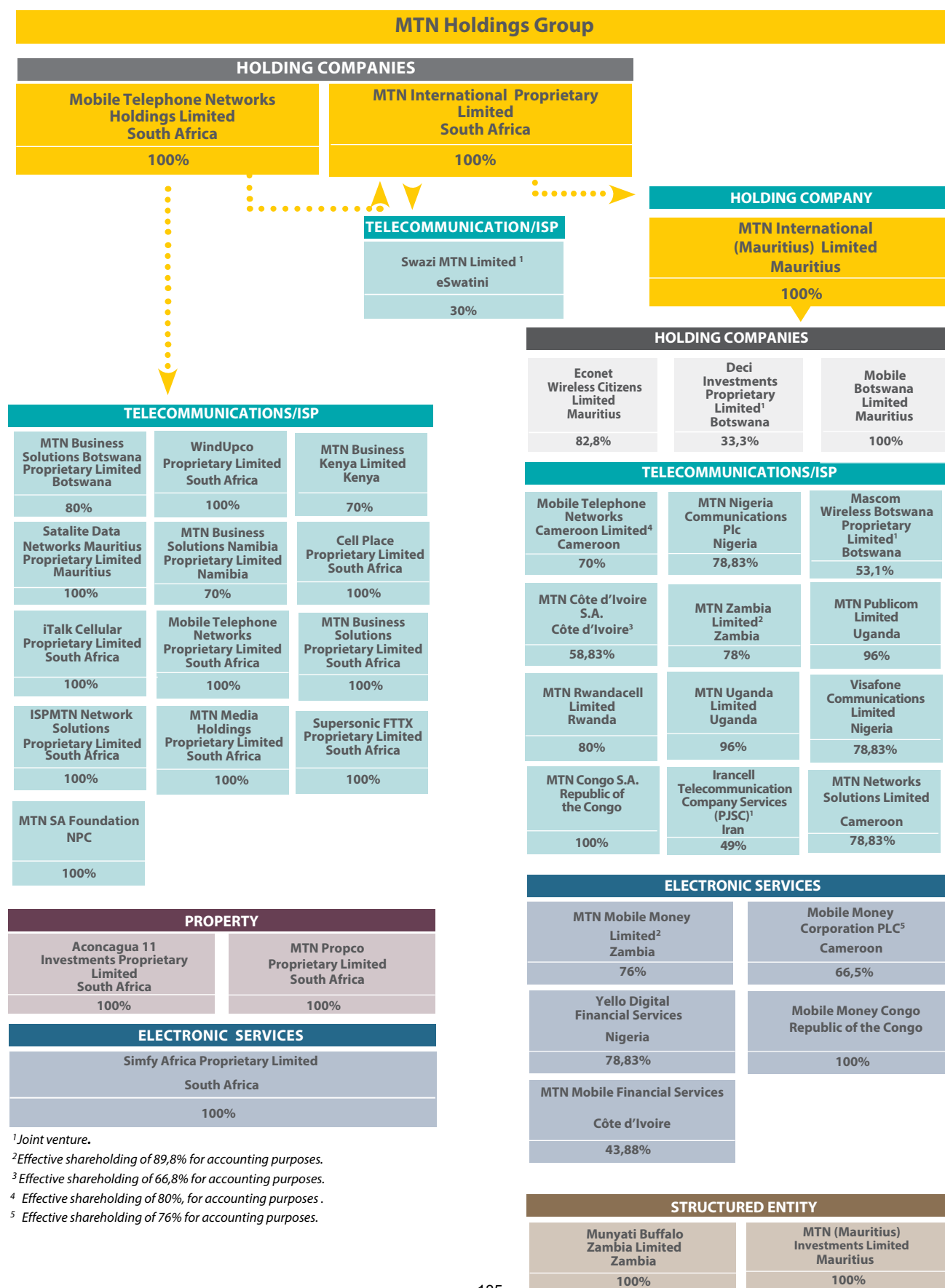
Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION

9.1 Interest in subsidiaries and joint ventures



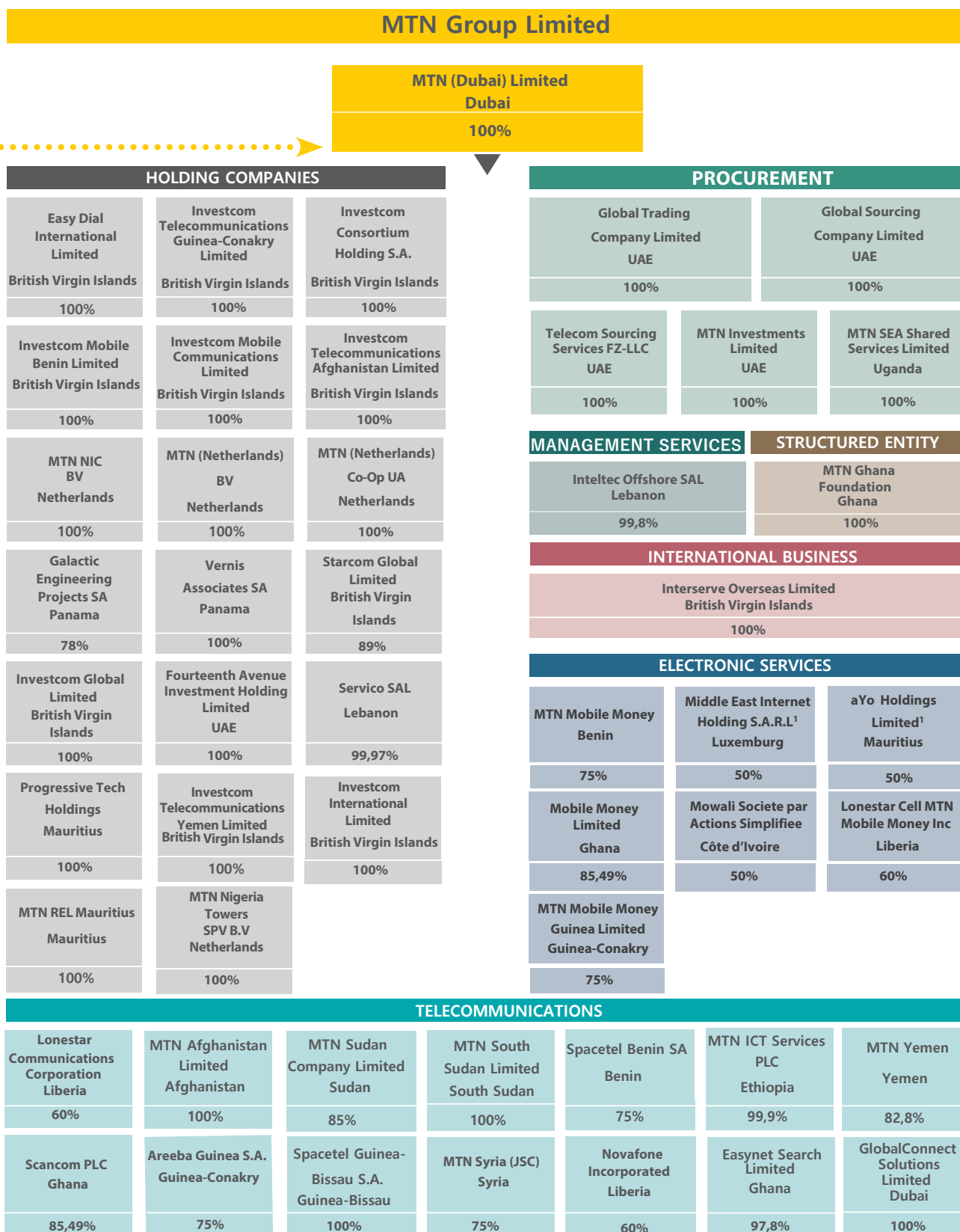
Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.1 Interest in subsidiaries and joint ventures (continued)



¹ Joint venture.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures

Associates and joint ventures are accounted for using the equity method and are recognised initially at cost.

The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post-acquisition accumulated profits or losses of associated companies and joint ventures in the carrying amount of the investments, which are generally determined from their latest audited Annual Financial Statements or management accounts and the annual profit attributable to the Group is recognised in profit or loss. The Group's share of any post-acquisition movement in reserves is recognised in OCI. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

Dilution gains or losses arising on investments in associates and joint ventures are recognised in profit or loss. If the ownership interest in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI is reclassified to profit or loss. Profits or losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments have been made where necessary to bring the accounting policies of the associates and joint ventures in line with those of the Group.

The Group applies equity accounting up until the date the investment meets the requirements to be classified as held for sale. Thereafter it is measured at the lower of carrying value and fair value less cost to sell in accordance with IFRS 5.

	2020	2019
	Rm	Rm
Investment in associates	324	2 234
Investment in joint ventures	9 982	6 530
Total investment in associates and joint ventures	10 306	8 764
Share of results of associates after tax	123	142
Share of results of joint ventures after tax	1 019	563
Total share of results of associates and joint ventures after tax	1 142	705

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates

Unless otherwise stated, the Group's associates' countries of incorporation are also their principal place of operation.

The Group has the following effective interests in associates:

Associate	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital	
			2020	2019
Belgacom International Carrier Services SA (BICS) ¹	Telecommunications	Belgium	20	20
Uganda InterCo ²	Management of telecommunication infrastructure	Netherlands	-	49
Ghana InterCo ³	Management of telecommunication infrastructure	Netherlands	-	49
Number Portability Proprietary Limited	Porting	South Africa	20	20
Content Connect Africa Proprietary Limited ⁴	Telecommunications	South Africa	-	36
International Digital Services Middle East Limited (IME)	Telecommunications	United Arab Emirates	29.5	29.5

¹ Held for sale as at 31 December 2020.

² Disposed of in February 2020, refer to note 9.4.2 for details.

³ Disposed of in March 2020, refer to note 9.4.2 for details.

⁴ Disposed of in September 2020 for cash proceeds of R3,3 million and realised a loss of R7,0 million.

Associate held for sale

Non-current assets (or disposal groups) are classified as non-current assets held for sale and are stated at the lower of their carrying amounts 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.

The Group's interest in BICS was classified as held for sale on 5 August 2020. Subsequent to year-end, a disposal transaction closed on 24 February 2021. Refer to note 9.4.3 for further details.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)
9.2 Investment in associates and joint ventures (continued)
Investment in associates (continued)

	BICS Rm	Uganda InterCo Rm	Ghana InterCo Rm	iME Rm	Other Rm	Total Rm
2019						
Balance at the beginning of the year	2 022	853	-	474	13	3 362
Other income (note 2.3)	-	-	19	-	-	19
Share of results after tax	226	3	78	(165)	-	142
Dividend income	(227)	-	-	-	-	(227)
Reclassification to assets held for sale	-	(894)	-	-	-	(894)
Effect of movements in exchange rates	(92)	38	(97)	(17)	-	(168)
Balance at the end of the year	1 929	-	-	292	13	2 234
2020						
Balance at the beginning of the year	1 929	-	-	292	13	2 234
Share of results after tax	158	-	-	(35)	-	123
Share of other reserves	-	-	-	2	-	2
Dividend income	(223)	-	-	-	-	(223)
Loss of significant influence on disposal	-	-	-	-	(10)	(10)
Reclassification to assets held for sale ¹	(2 385)	-	-	-	-	(2 385)
Effect of movements in exchange rates	521	-	-	62	-	583
Balance at the end of the year	-	-	-	321	3	324

¹ Subsequent to classification as a non-current asset held for sale foreign exchange losses of R241 million were recognised up to 31 December 2020.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

Summarised financial information of associates

Set out below is the summarised financial information of an associate that is material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method, including fair value adjustments at acquisition and modifications for differences in accounting policy.

	iME	
	2020	2019
	Rm	Rm
Summarised statement of financial position		
Total assets	491	810
Non-current assets	53	58
Current assets	438	752
Total liabilities	315	492
Non-current liabilities	19	15
Current liabilities	296	477
Net assets	176	318
% ownership interest held	29.5	29.5
Interest in associate	52	94
Adjustment up to 31 December ¹	42	-
Goodwill	227	198
Balance at the end of the year	321	292
Summarised income statement		
Revenue	1 380	1 997
Loss before tax	(48)	(418)
Income tax expense	(70)	(141)
Loss after tax	(118)	(559)
% ownership interest held	29.5	29.5
Share of results after tax	(35)	(165)

¹Summarised financial information presented with regard to the Group's interest in iME is as per the latest available management accounts at 30 November 2020. Preparation of financial statements at 31 December 2020 by iME was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the one month up to the reporting date.

There are no significant contingent liabilities relating to the Group's interests in these associates at the end of the current or prior year.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures

Classification of significant joint arrangements

Joint arrangements are all arrangements where two or more parties contractually agree to share control of the arrangement, which only exists when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group exercises judgement in determining the classification of its joint arrangements. The Group's joint arrangements provide the Group and the other parties to the agreements with rights to the net assets of the entities. The Group has joint control over these arrangements as, under the contractual arrangements, unanimous consent is required for all decisions made with regards to the relevant activities. Judgement has been applied in determining that the following entities should be classified as joint ventures of the Group:

- Irancell Telecommunication Company Services (PJSC) (49%);
- Mascom Wireless Botswana Proprietary Limited (Mascom) (53,1%); and
- Middle East Internet Holding S.A.R.L (MEIH) (50%).

The Group has the following effective interests in joint ventures:

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital	
			2020	2019
Irancell	Network operator	Iran	49	49
Mascom Wireless Botswana Proprietary Limited (Mascom)	Network operator	Botswana	53,1	53,1
Swazi MTN Limited	Network operator	eSwatini	30	30
Deci Investments Proprietary Limited (Deci Investments)	Holding company	Botswana	33,3	33,3
Middle East Internet Holding S.A.R.L (MEIH) ¹	Telecommunications	Luxembourg	50	50
aYo Holdings Limited	Mobile insurance	Mauritius	50	50
Mowali Societe par Actions Simplifiee (Mowali)	Telecommunications	Côte d'Ivoire	50	50

¹ The entity operates in various countries across the Middle East.

The joint ventures listed above are unlisted and their countries of incorporation are also their principal place of operation unless otherwise indicated.

All joint ventures have a year-end consistent with that of the Company with the exception of Irancell that has a year-end of 21 December, for Group reporting purposes.

MEIH impairment of joint venture

The Group tested its investment in its equity-accounted e-commerce joint venture, MEIH, for impairment. MEIH experienced decreasing results in the current year due to the impact of COVID-19 on the transportation and online booking platform for household services business. In the prior year, MEIH was impacted by the disposal of Wadi, an online shopping portal, together with increasing competitive pressure. The recoverable amount was determined as the fair value less cost of disposal. The fair value represents a value determined from unobservable inputs. This was based on comparable company and transaction average net merchandise value multiples of 0,9x (2019: 1,3x) and revenue multiples of 4,4x for its transportation business, and merchandise value multiples of 0,6x (2019: 1,4x) for its on-demand cleaning marketplace business. The carrying value of the equity-accounted net assets exceeded the recoverable amount of R575 million (2019: R572 million) by R67 million (2019: R342 million) and the Group recognised the resulting impairment in profit or loss.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

	Irancell Rm	Mascom Rm	Jumia Rm	MEIH Rm	Travelstart Rm	Other Rm	Total Rm
2019							
Balance at the beginning of the year	4 547	-	2 195	963	581	236	8,522
Additions	-	-	-	-	-	90	90
Transfer from held for sale	-	1 639	-	-	-	193	1,832
Share of results after tax	441	401	(226)	(10)	(91)	48	563
Dividend income	(562)	(252)	-	-	-	(71)	(885)
Loss of joint control on dilution/disposal	-	-	(1 790)	-	(452)	-	(2,242)
Impairment of investment	-	-	-	(342)	-	-	(342)
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation ¹	(726)	(23)	(179)	(39)	(38)	(3)	(1,008)
Balance at the end of the year	3 700	1 765	-	572	-	493	6 530
2020							
Balance at the beginning of the year	3,700	1,765	-	572	-	493	6,530
Opening balance adjustment for hyperinflation	3,677	-	-	-	-	-	3 677
Additions ²	-	-	-	-	-	102	102
Share of results after tax	538	436	-	(30)	-	75	1 019
Dividend income	(510)	(310)	-	-	-	(75)	(895)
Impairment of investment	-	-	-	(67)	-	-	(67)
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation ¹	(469)	(12)	-	100	-	(3)	(384)
Balance at the end of the year	6 936	1 879	-	575	-	592	9 982

¹ Refer to note 1.3.3 for the Group's accounting policy with regard to those entities whose functional currency is the currency of a hyperinflationary economy.

² The Group invested additional contributions in Mowali in accordance with the funding requirements of the entity. The contributions are on a pro rata basis in accordance with existing shareholding, resulting in no change in the Group's effective interest.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures

Set out below is the summarised financial information of each joint venture that is material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method including fair value adjustments at acquisition and modifications for differences in accounting policy.

	Irrancell		Mascom	
	2020	2019	2020	2019
	Rm	Rm	Rm	Rm
Summarised statement of financial position				
ASSETS				
Non-current assets	23 429	18 920	2 518	1 528
Property, plant and equipment ¹	20 596	16 042	1 468	1 345
Intangible assets	1 874	1 306	200	168
Right-of-use assets ¹	422	647	834	-
Investment property	46	102	16	15
Loans and other non-current receivables	24	40	-	-
Investment in associate	230	123	-	-
Capitalised contract costs	237	179	-	-
Deferred tax assets	-	481	-	-
Current assets	4 428	6 843	1 077	827
Inventories	86	151	8	18
Trade and other receivables	2 576	3 332	99	69
Taxation assets	-	-	25	14
Current investments	7	-	-	-
Restricted cash	161	546	-	-
Cash and cash equivalents	1 598	2 814	910	685
Contract assets	-	-	35	41
Total assets	27 857	25 763	3 595	2 355
LIABILITIES				
Non-current liabilities	2 548	1 091	1 071	133
Deferred tax liabilities	2 276	587	137	121
Provisions	138	132	-	9
Other non-current liabilities	2	2	25	-
Lease liabilities	132	370	909	3
Current liabilities	11 178	17 174	534	542
Trade and other payables	8 932	12 725	534	527
Provisions	167	165	-	-
Taxation liabilities	322	505	-	15
Borrowings	906	2 724	-	-
Lease liabilities	94	194	-	-
Dividends payable	757	861	-	-
Total liabilities	13 726	18 265	1 605	675
Total net assets	14 131	7 498	1 990	1 680
% ownership interest held	49	49	53.1	53.1
Interest in joint venture excluding goodwill	6 924	3 674	1 057	892
Adjustment up to 31 December ²	-	-	(39)	-
Goodwill	12	26	861	873
Balance at the end of the year	6 936	3 700	1 879	1 765

¹ Irrancell right-of-use assets were disclosed as part of property, plant and equipment in 2019 and have been disaggregated in 2020 with comparative numbers re-presented accordingly.

² Summarised financial information presented with regard to the Group's interest in Mascom is as per the latest available management accounts at 30 September 2020. Preparation of financial statements at 31 December 2020 by Mascom was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

- 9 **GROUP COMPOSITION** (continued)
- 9.2 **Investment in associates and joint ventures** (continued)
- Investment in joint ventures** (continued)
- Summarised financial information of joint ventures** (continued)

	Irandell		Mascom	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Summarised income statement				
Revenue	10 736	16 355	2 339	2 090
Other income	1	1	22	-
Operating expenses	(6 797)	(10 150)	(831)	(1 023)
Depreciation of property, plant and equipment	(3 662)	(4 297)	(238)	(169)
Amortisation of intangible assets	(642)	(523)	(126)	(124)
Operating (loss)/profit	(364)	1 386	1 166	774
Finance income	260	154	19	34
Finance costs	(1 163)	(157)	(149)	-
Net monetary gain ¹	2 175	-	-	-
Share of results of associate after tax	(30)	(148)	-	-
Profit before tax	878	1 235	1 036	808
Income tax income/ (expense)	220	(335)	(215)	(205)
Profit after tax	1 098	900	821	603
% ownership interest held	49	49	53,1	53,1
Share of results after tax²	538	441	436	320
Previously unrecognised share of profit	-	-	-	81
Total share of results after tax	538	441	436	401

¹ The economy of Iran was assessed to be hyperinflationary effective 1 January, and hyperinflation accounting was applied for the current financial year. Upon first application of hyperinflation, net prior period gains were recognised directly in equity.

² Summarised financial information presented with regard to the Group's interest in Mascom is as per the latest available management accounts at 30 September 2020. Preparation of financial statements at 31 December 2020 by Mascom was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

- 9 **GROUP COMPOSITION** (continued)
- 9.2 **Investment in associates and joint ventures** (continued)
- Investment in joint ventures** (continued)
- Summarised financial information of joint ventures** (continued)

	MEIH	
	2020	2019
	Rm	Rm
Summarised statement of financial position		
ASSETS		
Non-current assets	1	1
Property, plant and equipment	1	1
Current assets	493	464
Trade and other receivables	14	14
Other current receivables	30	25
Cash and cash equivalents	449	425
Total assets	494	465
LIABILITIES		
Non-current liabilities	19	16
Borrowings	13	11
Other current liabilities	6	5
Current liabilities	97	116
Trade and other payables	12	59
Unearned income	-	7
Provisions	37	27
Other current liabilities	48	23
Total liabilities	116	132
Net assets	378	333
Non-controlling interest	66	54
Attributable to equity holders of the company	444	387
% ownership interest held	50	50
Interest in joint venture excluding goodwill	222	194
Adjustment up to 31 December ¹	152	117
Goodwill	201	261
Balance at end of the year	575	572
Summarised income statement		
Revenue	130	192
Other income	1	56
Operating expenses	(189)	(265)
Operating loss	(58)	(17)
Finance costs	(1)	(1)
Loss before tax	(59)	(18)
Income tax expense	(1)	(2)
Loss after tax	(60)	(20)
% ownership interest held	50	50
Share of results after tax	(30)	(10)

¹ Summarised financial information presented with regard to the Group's interest in MEIH is as per the latest available management accounts at 30 November 2020 (2019: 30 November 2019). Preparation of financial statements at 31 December 2020 by MEIH was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the one month up to the reporting date.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Commitments relating to joint ventures

Commercial commitments

Irancell

The investment in Irancell is subject to a number of sovereign, regulatory and commercial risks, which could result in the Group failing to realise full market value of its investment should it be required to dispose of any portion thereof. In this regard, 21% of Irancell is required to be offered to members of the Iranian public within approximately three years from the date of the licence. Such offering could have a proportional dilutionary effect on the Group's 49% shareholding, effectively reducing its shareholding by 10,3% to 38,7%. Local management together with the shareholders continue to engage the regulator on this matter.

	2020 Rm	2019 Rm
Capital commitments		
Share of capital commitments of joint ventures not yet incurred at the reporting date:		
Contracted	814	954
- Property, plant and equipment	743	903
- Software	71	51
Authorised but not contracted	925	958
- Property, plant and equipment	845	862
- Software	80	96
	1 739	1 912

Contingent liabilities relating to joint ventures

There are no material contingent liabilities relating to the Group's interests in its joint ventures during the current or prior year.

Licences

Licences awarded to the joint ventures are set out below:

Licence agreements	Type	Granted/ renewed	Term
Irancell Telecommunication Company Services (PJSC)	2G	09/07/2006	15 years
	3G	17/08/2014	7 years
	LTE	23/08/2015	6 years
Mascom Wireless Botswana Proprietary Limited	900MHz	01/09/2018	15 years
	1 800MHz	01/09/2018	15 years
	2 100MHz	01/09/2018	15 years
	2 600MHz	01/09/2018	15 years
Swazi MTN Limited	Electronic Communications Network Licence	28/11/2018	10 years
	Electronic Communications Service Licence	28/11/2018	10 years
	800MHz	01/04/2020	Renewable annually
	900MHz	01/04/2020	Renewable annually
	1800MHz	01/04/2020	Renewable annually
	2100MHz	01/04/2020	Renewable annually

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.3 Joint operations

In respect of its interest in joint operations, the Group recognises in its financial statements its share of the assets jointly held, classified according to the nature of the assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other joint operators in relation to the joint operation, any income from the sale or use of its share of the output of the joint operation, together with its share of any expenses incurred by the joint operation and any expenses that it has incurred in respect of its interest in the joint operation.

When the Group acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised in profit or loss. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

When the Group increases its interest in a joint operation in which the activity of the joint operation constitutes a business, by acquiring an additional interest in the joint operation, the Group's previously held interests in the joint operation are not remeasured if the joint operator retains joint control.

The Group has entered into agreements with several other companies to construct high-capacity fibre-optic submarine cable systems.

The Group has the following interests in jointly controlled operations:

	Ownership interest held	
	2020	2019
	%	%
Joint operation		
Europe India Gateway Submarine Cable System	6,84	6,84
West Africa Cable System	11,14	11,14
Eassy Cable System	16,13	16,13
Africa Coast to Europe Cable system	8,86	8,86

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.4 Changes in shareholding

9.4.1 Prior year changes in shareholding

Redemption of MTN Nigeria preference shares

On 24 April 2019 the MTN Nigeria board approved the redemption of all the US dollar denominated preference shares previously issued by MTN Nigeria. MTN Nigeria redeemed the preference shares on 30 December 2019. The proceeds from the redemption amounted to US\$314 million for the Group's 78,59% interest in MTN Nigeria's preference shares. The Group recognised a cash payment of R1 243 million representing the rand equivalent of the non-controlling interest share of the preference shares of US\$85,5 million.

9.4.2 Current year changes in shareholding

Disposal of Uganda Tower Interco B.V. and Ghana Tower Interco B.V.

On 31 December 2019 the Group concluded an agreement to dispose of its 49% equity holdings in Ghana InterCo and Uganda InterCo to AT Sher Netherlands Cooperatief U.A. (ATC). The Uganda Interco transaction closed on 21 February 2020 for cash proceeds of US\$140 million (R2,2 billion¹) and realised a profit of R1,3 billion, inclusive of FCTR gains of R112 million reclassified to profit or loss on disposal. The Ghana InterCo transaction closed on 18 March 2020 for cash proceeds of US\$384 million (R6,6 billion¹) and realised a net profit of R4,8 billion, after inclusion of FCTR losses of R1,8 billion reclassified to profit and loss on disposal.

Disposal of 8% shareholding in MTN Zambia

On 7 October 2020 the Group disposed of 8% shareholding in MTN Zambia taking the Group's effective shareholding for accounting purposes from 97,8% to 89,8%. The proceeds from the disposal amounted to ZMK287 million (R238 million) and realised a net gain of R180 million recognised in equity as a transaction with non-controlling interests.

¹ Translated at the effective date of the sale. Cash proceeds per the statement of cash flows are translated at the spot rate on the date of receipt of the proceeds.

9.4.3 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as non-current assets held for sale and are stated at the lower of their carrying amounts 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.

MTN Syria

In May 2020, the Group committed to a plan to sell MTN Syria to Teleinvest Limited (TeleInvest), which is the 25% non-controlling shareholder in MTN Syria. Accordingly, as at 31 December 2020, MTN Syria's assets and liabilities have been presented as held for sale due to the Group concluding that the sale was considered to be highly probable. At 31 December 2020, the Group expected the sale to be concluded within 2021. An impairment loss of R1,1 billion was recognised in profit or loss for the period due to writing down the carrying amount of the disposal group to its fair value less costs to sell. MTN Syria was presented as part of the MENA cluster in the segment information (note 2.1).

Subsequent to the end of the reporting period, on 25 February 2021, the appointment of the judicial guardian has significantly reduced the Group's power to direct MTN Syria's relevant activities and therefore, its control over MTN Syria. The Group is still in the process of understanding its rights and obligations under the judicial arrangement but to the extent that control is concluded to have been lost, the Group will derecognise its 75% equity interest in and loans receivable from MTN Syria, amounting to R955 million at 31 December 2020. In addition, the Group will reclassify accumulated foreign currency translation losses of R5,1 billion to profit or loss in line with the accounting policy. On loss of control, the Group will measure its equity interest in and loans receivable from MTN Syria at fair value.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.4 Changes in shareholding (continued)

9.4.3 Non-current assets held for sale (continued)

MTN Syria (continued)

Included in the 2020 Group results is R2 295 million revenue (1,3% of the Group's total revenue) and R574 million CODM EBITDA¹ (0,8% of Group's total CODM EBITDA) relating to MTN Syria. These amounts exclude the impact of hyperinflation.

BICS

The Group has been in discussions regarding a potential sale of its shareholding in BICS for some time as the investment in associate was not considered a strategic investment. BICS was accordingly classified as a non-current asset held for sale on 5 August 2020. An impairment loss of R397 million after writing down the carrying amount of the non-current asset held for sale to its fair value less costs to sell has been recognised in profit or loss.

Following year-end, the Group concluded an agreement to sell, and fully exited, its 20% investment in BICS. The transaction closed on 24 February 2021 and the Group received net cash proceeds of EUR99,1 million (R1,8 billion²) and realised a profit of approximately R1,2 billion, mainly comprising of reclassified FCTR gains, which will have no impact on equity and cash flows.

The Group recognised revenue to the amount of R1,4 billion (2019: R1,4 billion) from transactions with BICS and incurred expenses to the amount of R368 million (2019: R526 million) for interconnect, roaming and other services received from the associate.

¹ CODM EBITDA is defined in note 2.1.

² Translated at the effective date of the sale.

The carrying amounts of assets and liabilities that have been reclassified to non-current assets held for sale as at 31 December 2020 were:

	31 December 2020 Rm
MTN Syria	
Property, plant and equipment	1 036
Right-of-use assets	131
Intangible assets	380
Trade receivables and other current assets	588
Cash and cash equivalents	124
Total assets	2 259
BICS	
Interest in associate	1 747
Other	10
Non-current assets held for sale	4 016
MTN Syria	
Deferred tax and other non-current liabilities	346
Current liabilities	738
Liabilities directly associated with non-current assets held for sale	1 084

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries

The subsidiaries in which MTN Group Limited has direct and indirect interests are set out in note 9.1. A summary of the Group's subsidiaries with material non-controlling interests is presented below.

Subsidiary	Principal place of business	Non-controlling interests	
		2020 Rm	2019 Rm
MTN Nigeria	Nigeria	1 385	1 174
MTN Côte d'Ivoire	Côte d'Ivoire	946	721
MTN Ghana	Ghana	1 669	1 440
MTN Sudan	Sudan	(144)	(746)
MTN Guinea-Conakry	Guinea-Conakry	(1 120)	(979)
MTN Syria ¹	Syria	220	230
Other		406	373
		3 362	2 213

¹MTN Syria is held for sale in the 2020 year (see note 9.4.3).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below and on the next page is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. Unless otherwise stated, the Group's subsidiaries' countries of incorporation are also their principal places of operation. The summarised financial information presented is before intercompany eliminations.

	MTN Nigeria		MTN Côte d'Ivoire	
	2020	2019	2020	2019
	Rm	Rm	Rm	Rm
% ownership interest held by non-controlling interests	21.17	21.17	33,17¹	33,17 ¹
Summarised statement of financial position				
Non-current assets ²	52 953	48 499	10 381	9 810
Current assets	19 254	10 062	4 093	1 427
Total assets	72 207	58 561	14 474	11 237
Non-current liabilities	37 881	37 698	3 450	1 288
Current liabilities	27 785	15 316	8 172	7 775
Total liabilities	65 666	53 014	11 622	9 063
Summarised income statement				
Revenue	57 980	46 696	8 776	6 917
Profit/(loss) before tax	12 810	11 575	499	(486)
Income tax (expense)/income	(4 022)	(3 513)	(124)	103
Profit/(loss) after tax	8 788	8 062	375	(383)
Profit/(loss) attributable to non-controlling interests	1 860	1 707	124	(127)
Dividends attributable to non-controlling interests	1 665	1 099	-	-
Summarised statement of cash flows				
Net cash generated from operating activities	19 716	8 343	1 683	578
Net cash used in investing activities	(16 735)	(7 821)	(910)	(640)
Net cash generated from/(used in) financing activities	3 234	2 183	(1 096)	521
Net increase/(decrease) in cash and cash equivalents	6 215	2 705	(323)	459
Net cash and cash equivalents at beginning of the year	4 457	2 093	549	154
Exchange (losses)/gains on cash and cash equivalents	(560)	(341)	165	(64)
Net cash and cash equivalents at end of the year	10 112	4 457	391	549

¹ The non-controlling interests hold 41,17% of the issued ordinary share capital of MTN Côte d'Ivoire. However, the effective ownership for accounting purposes is 33,17% due to outstanding funding provided by the Group to the non-controlling interests to acquire ordinary share capital in MTN Côte d'Ivoire.

² In addition to the assets included in the summarised financial information, R2 698 million (2019: R2 355 million) of goodwill is recognised in the Group statement of financial position in relation to MTN Côte d'Ivoire.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)
9.5 Interest in subsidiaries (continued)
Summarised financial information of subsidiaries with material non-controlling interests (continued)

	MTN Sudan		MTN Guinea-Conakry	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
% ownership interest held by non-controlling interests	15	15	25	25
Summarised statement of financial position				
Non-current assets	7 644	3 070	981	1 074
Current assets	1 387	898	1 033	920
Total assets	9 031	3 968	2 014	1 994
Non-current liabilities	3 141	2 654	3 259	3 095
Current liabilities	2 692	2 328	3 236	2 814
Total liabilities	5 833	4 982	6 495	5 909
Summarised income statement				
Revenue	6 735	2 536	1 498	1 188
Profit/(loss) before tax	1 055	368	(342)	(451)
Income tax expense	(391)	(145)	-	(33)
Profit/(loss) after tax	664	223	(342)	(484)
Profit/(loss) attributable to non-controlling interests	100	33	(86)	(121)
Dividends attributable to non-controlling interests	-	-	-	-
Summarised statement of cash flows				
Net cash generated from operating activities	1 217	600	442	45
Net cash used in investing activities	(971)	(375)	(453)	(316)
Net cash (used in)/generated from financing activities	(66)	(256)	(9)	285
Net increase/(decrease) in cash and cash equivalents	180	(31)	(20)	14
Net cash and cash equivalents at beginning of the year	377	278	19	6
Exchange (losses)/gains on cash and cash equivalents	(56)	130	15	(1)
Net cash and cash equivalents at end of the year	501	377	14	19

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

9 GROUP COMPOSITION (continued)
9.5 Interest in subsidiaries (continued)
Summarised financial information of subsidiaries with material non-controlling interests (continued)

	MTN Ghana	
	2020 Rm	2019 Rm
% ownership interest held by non-controlling interests	14.51	14.51
Summarised statement of financial position		
Non-current assets ¹	14 347	12 532
Current assets	20 960	11 149
Total assets	35 307	23 681
Non-current liabilities	5 248	5 179
Current liabilities	21 765	11 695
Total liabilities	27 013	16 874
Summarised income statement		
Revenue	17 245	13 820
Profit before tax	5 638	3 849
Income tax expense	(1 652)	(1 160)
Profit after tax	3 986	2 689
Profit attributable to non-controlling interests	578	390
Dividends attributable to non-controlling interests	373	242
Summarised statement of cash flows		
Net cash generated from operating activities	2 892	2 613
Net cash used in investing activities	(1 798)	(2 225)
Net cash generated used in financing activities	(344)	(144)
Net increase in cash and cash equivalents	750	244
Net cash and cash equivalents at beginning of the year	1 113	1 097
Exchange losses on cash and cash equivalents	(195)	(228)
Net cash and cash equivalents at end of the year	1 668	1 113

¹ In addition to the assets included in the summarised financial information, R3 830 million (2019: R3 722 million) of goodwill is recognised in the Group statement of financial position in relation to MTN Ghana.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's Executive Committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

	2020 Rm	2019 Rm
Key management compensation		
Salaries and other short-term employee benefits	123	130
Post-employment benefits	9	9
Share gains	6	-
Other benefits	42	69
Bonuses	116	107
Total	296	315

Details of directors' remuneration are disclosed in note 10.2 of the financial statements. These amounts include amounts paid by all subsidiaries within MTN Group Limited.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 9.1 of the financial statements.

Changes in shareholding

Details of changes in shareholding are disclosed in note 9.4 of the financial statements.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.1 Related party transactions (continued)

Joint ventures and associates

Details of the Group's investments in and share of results and dividend income from its joint ventures and associates are disclosed in note 9.2 of the financial statements.

Details of transactions and balances with joint ventures and associates are set out below:

	Joint ventures		Associates	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Balances outstanding at 31 December				
Trade and other payables owing to joint ventures/associates	284	265	31	131
Loans receivable from joint ventures	2 770	2 753	-	-
Trade and other receivables from joint ventures/associates	1 150	1 009	97	361
Transactions for the year ended 31 December				
Dividends declared by joint ventures/associates	895	885	223	227
Interest income	170	119	-	89
Operating expenses	29	30	368	526
Capital call notices paid	-	103	-	-

	2020		2019	
	MTN Group Limited ¹	MTN Group Management Services Pty Ltd ²	MTN Group Limited ¹	MTN Group Management Services Pty Ltd ²
Balances with other related parties				
Trade and other payables owing to other related parties	179	1 508	348	1 263
Loans receivable from other related parties	-	1 100	-	1 100
Trade and other receivables from other related parties	148	1 106	85	957
Transactions with other related parties				
Management fee income	-	40	-	54
Other income	-	63	-	44
Finance income	-	72	-	106
Finance costs	-	*	-	1
Management fee expense	215	2 996	272	3 538
Dividends received	25	-	36	-
Dividends paid	6 540	-	9 970	-

¹ Holding Company.

² Fellow subsidiary.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.1 Related party transactions (continued)

Transactions between members of the Group

MTN Ghana entered into lease agreements with Ghana InterCo in prior years. The Group disposed of its 49% interest in Ghana InterCo on 18 March 2020, at which point Ghana InterCo ceased to be a related party. In the period until 18 March 2020, the lease payments amounted to R40 million and the interest charge recognised under IFRS 16 was R127 million.

MTN Uganda entered into lease agreements with Uganda InterCo in prior years. The Group disposed of its 49% interest in Uganda InterCo on 21 February 2020, at which point Uganda InterCo ceased to be a related party. In the period up until 21 February 2020, the lease payments amounted to R126 million and the interest charge recognised under IFRS 16 was R54 million.

Shareholder

The shareholder of the Company is MTN Group Limited.

10.2 Emoluments, equity compensation and dealings in ordinary shares

Directors' emoluments and related payments

			Post-employment	Other		Sub-	Share	
	Date	Salaries	benefits	benefits*	Bonuses	total	gains**	Total
2020	appointed	R000	R000	R000	R000	R000	R000	R000
Executive directors								
RA Shuter ^{1, 2}	13/03/2017	18 154	1 997	17 807	30 104	68 062	5 713	73 775
RT Mupita ³	03/04/2017	11 970	441	680	17 736	30 827	-	30 827
Total		30 124	2 438	18 487	47 840	98 889	5 713	104 602

*Includes medical aid, expense allowances and unemployment insurance fund.

**Pre-tax gains on equity-settled share-based payments.

¹ Resigned from being Group President and CEO on 31 August 2020.

² Other benefits include payments of cash-settled share-based incentives.

³ Ceased to be GCFO on 31 August 2020. Appointed as Group President and CEO on 1 September 2020.

			Post-employment	Other		Subtotal	Share	
	Date	Salaries	benefits	benefits*	Bonuses	R000	gains	Total
2019	appointed	R000	R000	R000	R000		R000	R000
Executive directors								
RA Shuter	13/03/2017	17 305	1 822	1 118	27 584	47 829	-	47 829
RT Mupita**	03/04/2017	9 152	1 059	42 658	13 433	66 302	-	66 302
Total		26 457	2 881	43 776	41 017	114 131	-	114 131

* Includes medical aid, expense allowances and unemployment insurance fund.

**Other benefits include payment of cash-settled share-based incentives.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors' emoluments and related payments (continued)

2020	Date appointed	Retainer [#] R000	Attendance [#] R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
Non-executive directors							
MH Jonas	01/06/2018	3 190	1 078	686	174	-	5 128
S Mabaso-Koyana [^]	01/09/2020	136	173	59	-	9	377
PB Hanratty ⁺	01/08/2016	518	403	148	59	54	1 182
S Kheradpir ⁺	08/07/2015	1 572	317	172	132	-	2 193
NP Mageza ^{^^}	01/01/2010	163	234	26	59	25	507
MLD Marole ^{^^}	01/01/2010	252	540	26	118	25	961
AT Mikati ⁺	18/07/2006	1 678	986	717	152	235	3 768
SP Miller ⁺	01/08/2016	1 441	904	816	132	-	3 293
KDK Mokhele	01/07/2018	578	706	310	114	152	1 860
V Rague ⁺	01/07/2019	1 497	1 050	831	132	293	3 803
KC Ramon ^{@^^}	01/06/2014	268	354	203	59	47	931
SLA Sanusi ⁺	01/07/2019	1 471	371	420	132	204	2 598
NL Sowazi	01/08/2016	434	578	320	59	44	1 435
BS Tshabalala	01/06/2018	445	414	249	59	-	1 167
Total		13 643	8 108	4 983	1 381	1 088	29 203

[#] Retainer and attendance fees include fees for Board and committee representation and meetings.

[@] Fees paid to AngloGold Ashanti Limited.

[^] Appointed 1 September 2020.

⁺ Fees have been paid in euros.

^{^^} Resigned on 30 April 2020.

^{^^^} Resigned on 30 September 2020.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors' emoluments and related payments (continued)

2019	Date appointed	Retainer [#] R000	Attendance [#] R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
Non-executive directors							
M Jonas ***	01/06/2018	441	498	25	203	115	1 282
PF Nhleko+ ^^^ **	28/05/2013	3 480	1 110	35	599	115	5 339
PB Hanratty	01/08/2016	1 323	806	30	376	34	2 569
A Harper **	01/01/2010	1 343	868	21	376	231	2 839
KP Kalyan **	13/06/2006	437	695	35	203	-	1 370
S Kheradpir	08/07/2015	1 328	911	30	376	-	2 645
NP Mageza	01/01/2010	564	631	35	203	20	1 453
MLD Marole	01/01/2010	498	923	35	203	-	1 659
AT Mikati	18/07/2006	1 472	744	31	389	27	2 663
SP Miller	01/08/2016	1 347	892	26	376	-	2 641
KDK Mokhele	01/07/2018	331	463	25	203	-	1 022
V Rague	01/07/2019	691	614	9	251	17	1 582
KC Ramon@	01/06/2014	441	553	35	203	40	1 272
SLA Sanusi	01/07/2019	681	590	9	251	9	1 540
NL Sowazi	01/08/2016	404	578	35	203	-	1 220
BS Tshabalala	01/06/2018	331	361	15	136	-	843
J van Rooyen **	18/07/2006	462	774	35	203	76	1 550
Total		15 574	12 011	466	4 754	684	33 489

* Received fees of R873 799 for services rendered on the International Advisory Board.

Retainer and attendance fees include fees for Board and committee representation and meetings.

@ Fees paid to AngloGold Ashanti Limited.

** Resigned on 15 December 2019.

*** Appointed as Chairman on 15 December 2019.

^^^ Fees paid to Captrust Investments Proprietary Limited.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Prescribed officers' emoluments and related payments

	Salaries	Post-employment benefits	Other benefits [#]	Bonuses	Sub-total	Share gains	Total
	R000	R000	R000	R000	R000	R000	R000
2020							
Prescribed officers							
E Asante	10 115	809	4 885	9 969	25 778	-	25 778
I Jaroudi	11 644	953	616	8 396	21 609	-	21 609
F Moolman	8 227	1 633	5 794	7 203	22 857	-	22 857
G Motsa	7 421	816	607	8 435	17 279	-	17 279
P Norman	6 138	675	820	8 044	15 677	-	15 677
S Perumal [^]	1 759	160	307	4 135	6 361	-	6 361
J Schulte-Bockum [@]	9 648	1 012	6 078	14 576	31 314	-	31 314
K Toriola	8 474	847	4 871	7 279	21 471	-	21 471
Total	63 426	6 905	23 978	68 037	162 346	-	162 346

[#] Includes medical aid and unemployment insurance fund.

[^] Appointed as acting GCFO on 1 September 2020

[@] Other benefits includes payment of cash-settled share-based incentives.

	Salaries	Post-employment benefits	Other benefits [#]	Bonuses	Sub-total	Share gains	Total
	R000	R000	R000	R000	R000	R000	R000
2019							
Prescribed officers							
E Asante	9 039	723	4 400	8 858	23 020	-	23 020
M Fleischer ¹	4 271	493	2 351	-	7 115	-	7 115
I Jaroudi	10 080	-	6 892 [@]	8 027	24 999	-	24 999
L Modise ²	2 240	246	3 318 ⁺	2 456	8 260	-	8 260
F Moolman	9 615	496	2 878 [@]	8 104	21 093	-	21 093
G Motsa	7 323	805	703	6 823	15 654	-	15 654
P Norman	6 057	699	532	6 850	14 138	-	14 138
J Schulte-Bockum	9 398	986	497	13 019	23 900	-	23 900
F Sekha	4 254	468	591	5 082	10 395	-	10 395
K Toriola	8 151	815	3 160	6 984	19 110	-	19 110
Total	70 428	5 731	25 322	66 203	167 684	-	167 684

¹ Early retirement on 31 July 2019.

⁺ Other benefits include an amount paid in lieu of forfeited benefits from previous employer.

² Appointed on 12 August 2019.

[#] Includes medical aid and unemployment insurance fund.

[@] Compensation for loss of office comprises of severance, restraint of trade and gratuity pay.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors, prescribed officers, Company Secretary of the Mobile Telephone Networks Holdings Group Limited and of major subsidiaries' shareholding and dealings in ordinary shares of MTN Group Limited

	December 2020	December 2019	Beneficial
RA Shuter ¹	-	200 000	Indirect
RT Mupita ²	93 598	93 598	Direct
RT Mupita	680	680	Indirect
TS Sishubu-Bonoyi	2 201	-	Direct
KP Kalyan ³	-	1 373	Direct
S Miller	7 500	-	Direct
NP Mageza ⁴	-	400	Indirect
G Motsa [#]	24 911	161	Direct
SB Mtshali ⁵	-	5 867	Direct
PD Norman [#]	10 000	10 000	Indirect
KC Ramon ⁶	-	3 244	Direct
KC Ramon ⁶	-	9 901	Indirect
BS Tshabalala	1 004	1 004	Indirect
J Schulte-Bockum [#]	50 000	50 000	Direct
S Perumal ⁷	2 425	457	Direct
J van Rooyen ⁸	-	32 700	Direct
S Mabaso-Koyana ⁹	744	-	Direct
Total	193 063	409 385	

[#] Major subsidiary director.

¹ Resigned from being Group President and CEO on 31 August 2020.

² Holds 246 000 shares in ADR.

³ Resigned on 15 December 2019.

⁴ Resigned on 30 April 2020.

⁵ Retired on 31 March 2019.

⁶ Resigned on 30 September 2020.

⁷ Appointed as acting GCFO on 1 September 2020.

⁸ Resigned effective 15 December 2019.

⁹ Appointed 1 September 2020.

Subsequent to year-end, up to and including xx April 2021, there were no changes in the directors' beneficial interest in MTN Group.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors, prescribed officers, Company Secretary of the Mobile Telephone Networks Holdings Group Limited and directors and directors of major subsidiaries' shareholding relating to MTN Zakhele Futhi

The following persons, being directors of MTN Group Limited and its major subsidiaries and the Company secretary, hold the following number of MTN Zakhele Futhi shares which has a shareholding in MTN Group Limited shares:

Beneficiary	December 2020	December 2019	Beneficial
RT Mupita	33 562	33 562	Indirect
SA Fakie	-	6 061	Direct
SA Fakie	-	13 031	Indirect
KP Kalyan ¹	-	83 967	Direct
NP Mageza ²	-	155 870	Indirect
SB Mtshali ³	-	39 703	Indirect
KC Ramon ⁴	-	23 500	Direct
J van Rooyen ¹	-	500	Indirect
Total	33 562	356 194	

¹ Resigned effective 15 December 2019.

² Resigned on 30 April 2020

³ Retired on 31 March 2019.

⁴ Resigned on 30 September 2020.

Subsequent to year-end, up to and including xx April 2021, there were no changes in the directors' beneficial interest in MTN Zakhele Futhi.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company Secretary of the Mobile Telephone Networks Holdings Group and directors of major subsidiaries in respect of the performance share plan

Award date	Vesting date	Number outstanding as at 31 December 2019	Awarded	Accrued/ settled	Forfeited	Settlement date	Exercise price R	Number outstanding as at 31 December 2020
RA Shuter¹								
29/09/2017	31/12/2019	213 600	-	(160 200)	(53 400)	27/03/2020	35.66	-
18/12/2017	18/12/2020	200 200	-	-	-	-	-	200 200
28/12/2018	29/12/2021	436 600	-	-	-	-	-	436 600
20/12/2019	20/12/2022	457 100	-	-	-	-	-	457 100
Total		1307 500	-	(160 200)	(53 400)	-	35.66	1 093 900
RT Mupita²								
18/12/2017	18/12/2020	118 300	-	-	-	-	-	118 300
28/12/2018	29/12/2021	190 200	-	-	-	-	-	190 200
20/12/2019	20/12/2022	223 300	-	-	-	-	-	223 300
21/12/2020	21/12/2023	-	530 800	-	-	-	-	530 800
Total		531 800	530 800	-	-	-	-	1 062 600
PD Norman								
28/12/2016	28/12/2019	56 300	-	-	(56 300)	-	-	-
18/12/2017	18/12/2020	57 700	-	-	-	-	-	57 700
28/12/2018	29/12/2021	94 600	-	-	-	-	-	94 600
20/12/2019	20/12/2022	100 900	-	-	-	-	-	100 900
21/12/2020	21/12/2023	-	139 100	-	-	-	-	139 100
Total		309 500	139 100	-	(56 300)	-	-	392 300
G Motsa								
09/03/2017	28/12/2019	66 500	-	-	(66 500)	-	-	-
18/12/2017	18/12/2020	69 700	-	-	-	-	-	69 700
28/12/2018	29/12/2021	114 100	-	-	-	-	-	114 100
20/12/2019	20/12/2022	121 800	-	-	-	-	-	121 800
21/12/2020	21/12/2023	-	167 800	-	-	-	-	167 800
Total		372 100	167 800	-	(66 500)	-	-	473 400
J Schulte-Bockum⁺⁺⁺								
18/12/2017	18/12/2020	125 500	-	-	-	-	-	125 500
28/12/2018	29/12/2021	205 500	-	-	-	-	-	205 500
20/12/2019	20/12/2022	216 400	-	-	-	-	-	216 400
21/12/2020	21/12/2023	-	315 800	-	-	-	-	315 800
Total		547 400	315 800	-	-	-	-	863 200

¹ Resigned from being Group President and CEO on 31 August 2020.

² Ceased to be GCFO on 31 August 2020. Appointed as Group President and CEO on 1 September 2020.

⁺ Appointed on 13/03/2017. On appointment, RA Shuter was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive was determined based on the market value of 327 214 ordinary listed shares in MTN Group Limited. The incentive was paid on 12/03/2020.

⁺⁺ Appointed on 03/04/2017. On appointment, RT Mupita was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive was based on the market value of 446 027 ordinary listed shares in MTN Group Limited. The incentive was paid on 28/10/2019.

⁺⁺⁺ Appointed on 16/01/2017. On appointment, J Schulte-Bockum was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive was determined based on the market value of 64 423 ordinary listed shares in MTN Group Limited. The incentive was paid on 15/01/2020.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company Secretary of the Mobile Telephone Networks Holdings Group and directors of major subsidiaries in respect of the performance share plan (continued)

Award date	Vesting date	Number outstanding as at 31 December 2019	Awarded	Accrued/ settled	Forfeited	Settlement date	Exercise price R	Number outstanding as at 31 December 2020
F Moolman								
28/12/2016	28/12/2019	66 400	-	-	(66 400)	-	-	-
18/12/2017	18/12/2020	66 100	-	-	-	-	-	66 100
28/12/2018	29/12/2021	112 900	-	-	-	-	-	112 900
20/12/2019	20/12/2022	117 300	-	-	-	-	-	117 300
21/12/2020	21/12/2023	-	180 700	-	-	-	-	180 700
Total		362 700	180 700	-	(66 400)	-	-	477 000
PT Sishuba-Bonoyi								
20/12/2019	20/12/2022	36 800	-	-	-	-	-	36 800
21/12/2020	21/12/2023	-	52 100	-	-	-	-	52 100
Total		36 800	52 100	-	-	-	-	88 900
D Molefe[#]								
21/12/2020	21/12/2023	-	71 300	-	-	-	-	71 300
Total		-	71 300	-	-	-	-	71 300

[#]Appointed as a director of a major subsidiary on 1 November 2020.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

10 RELATED PARTIES

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company Secretary of the Mobile Telephone Networks Holdings Group and directors of major subsidiaries in respect of the performance share plan (continued)

Award date	Vesting Date	Number outstanding as at 31 December 2019	Awarded	Accrued/ settled	Forfeited	Settlement date	Exercise price R	Number outstanding as at 31 December 2020
I Jaroudi								
28/12/2016	28/12/2019	89 000	-	-	(89 000)	-	-	-
18/12/2017	18/12/2020	77 600	-	-	-	-	-	77 600
28/12/2018	29/12/2021	133 700	-	-	-	-	-	133 700
20/12/2019	20/12/2022	135 900	-	-	-	-	-	135 900
21/12/2020	21/12/2023	-	209 300	-	-	-	-	209 300
Total		436 200	209 300	-	(89 000)	-	-	556 500
E Asante								
28/12/2016	28/12/2019	55 900	-	-	(55 900)	-	-	-
18/12/2017	18/12/2020	78 000	-	-	-	-	-	78 000
28/12/2018	29/12/2021	137 500	-	-	-	-	-	137 500
20/12/2019	20/12/2022	143 200	-	-	-	-	-	143 200
21/12/2020	21/12/2023	-	221 600	-	-	-	-	221 600
Total		414 600	221 600	-	(55 900)	-	-	580 300
K Toriola								
28/12/2016	28/12/2019	55 900	-	-	(55 900)	-	-	-
18/12/2017	18/12/2020	69 100	-	-	-	-	-	69 100
28/12/2018	29/12/2021	114 000	-	-	-	-	-	114 000
20/12/2019	20/12/2022	120 800	-	-	-	-	-	120 800
21/12/2020	21/12/2023	-	186 200	-	-	-	-	186 200
Total		359 800	186 200	-	(55 900)	-	-	490 100
S Perumal¹								
20/12/2019	20/12/2022	56 200	-	-	-	-	-	56 200
21/12/2020	21/12/2023	-	79 400	-	-	-	-	79 400
Total		56 200	79 400	-	-	-	-	135 600

¹Appointed as acting GCFO on 1 September 2020

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

11 CHANGE IN ACCOUNTING POLICIES

11.1 Release of foreign currency translation reserves

The Group implemented a voluntary accounting policy change relating to the release of FCTR.

In the first quarter of 2019, the Group announced that it will be optimising its portfolio through an asset realisation programme aimed at simplifying the Group, reducing risk and improving shareholder returns and in March 2020 the Group announced that this programme has been further expanded. The strategic intent to dispose of certain investments in subsidiaries and associates over the medium term has resulted in a review of the most appropriate approach in accounting for these disposals.

IAS 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21) requires that on the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in OCI and accumulated in FCTR in equity, shall be reclassified from equity to profit or loss as a reclassification adjustment when the gain or loss on disposal is recognised. Two accepted methods exist for recycling FCTR where the investments are held by an intermediate parent with a different functional currency than the entity disposed of and the ultimate parent. These methods, that are referred to as part of the basis for conclusions (BC 35 – BC 39) in IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*, are as follows:

- Step-by-step method – FCTR is recycled based on the appreciation or devaluation in the functional currency of the investment disposed of against the functional currency of the intermediate parent and translated into the functional currency of the ultimate parent.
- Direct method – FCTR is recycled based on the appreciation or devaluation in the functional currency of the investment disposed of against the functional currency of the ultimate reporting entity.

The Group has historically applied the step-by-step method on disposals to date. The functional currencies of some of the Group's intermediate holding companies are US\$ and, as a result, the FCTR reclassified on the step-by-step approach is determined based on the appreciation or devaluation of the currencies of the entities disposed of against the US\$ and translated into the functional currency of the ultimate parent. As the Group's functional and presentation currency is ZAR and the FCTR is based on the appreciation or devaluation of the ZAR against the equity of the underlying operations in the Group, the direct method provides a more reliable and relevant view of the gain or loss realised in the context of the Group's ZAR functional currency. The Group has accordingly changed its accounting policy on the reclassification of FCTR on disposal of foreign operations held by an intermediate parent where the functional currency of the foreign operation and intermediate parent is different to that of the ultimate parent from the step-by-step method to the direct method.

This change in accounting policy impacted the FCTR gains and losses reclassified to profit or loss in the current period on disposal of the Group's investments in associates, Ghana InterCo and Uganda InterCo, and in the prior periods on disposal of the Group's interest in foreign operations, as disclosed in the following tables.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2020

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.1 Release of foreign currency translation reserves (continued)

11.1.1 Impact on financial statements

11.1.1.1 Consolidated income statement (extract)

	2020 Rm	2019 Rm
Gain on disposal/dilution of investment in joint ventures and associates	831	-
Other income	-	137
Operating profit	831	137
Profit before tax	831	137
Income tax expense	-	-
Profit after tax	831	137
Attributable to:		
Equity holders of the Company	831	137
Non-controlling interests	-	-

11.1.1.2 Consolidated statement of comprehensive income (extract)

	Rm	Rm
Items that may be and/or have been reclassified to profit or loss:		
Exchange differences on translating foreign operations including the effect of hyperinflation	(831)	(137)
Reclassification of foreign currency translation differences on loss of control and joint control	(831)	(137)
Total comprehensive income for the year	-	-

11.1.1.3 Consolidated statement of financial position (extract)

	31 December 2020 Rm	31 December 2019 Rm	1 January 2019 Rm
Retained earnings	3 116	2 285	2 148
Other reserves	(3 116)	(2 285)	(2 148)
Total equity	-	-	-

The change in accounting policy had no impact on cash flows in the current or prior comparative period.

Mobile Telephone Networks Holdings Limited

Company income statement

for the year ended 31 December 2020

	Note	2020 Rm	2019 Rm
Revenue	1	12 088	11 504
Other (expenses)/income	2	(584)	168
Other operating expenses		(101)	(39)
Loss on disposal/ dilution of investment		(1)	(1 683)
Interest expense		(2 504)	(3 251)
Operating profit	3	8 898	6 699
Finance income	4	771	844
Finance cost	4	(819)	(2)
Fair value adjustment to current investment	12	(163)	(41)
Profit before tax		8 687	7 500
Income tax expense	5	7	(196)
Profit after tax		8 694	7 304

Company statement of comprehensive income

for the year ended 31 December 2020

	2020 Rm	2019 Rm
Profit after tax	8 694	7 304
Other comprehensive income after tax:		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income	918	(1 651)
Gains/(losses) arising during the year ¹	918	(1 651)
Other comprehensive income for the year	918	(1 651)
Total comprehensive income	9 612	5 653

¹ Equity investments at fair value through other comprehensive income relates to the investment in Jumia.

Mobile Telephone Networks Holdings Limited

Company statement of financial position

as at 31 December 2020

	Note	2020 Rm	2019 Rm
ASSETS			
Non-current assets		37 274	40 309
Investment in subsidiaries and associate	6	8 190	8 195
Investments	7	-	1 397
Deferred tax assets		8	-
Loans receivable	8	29 076	30 717
Current assets		8 524	5 465
Loans receivable		30	-
Trade and other receivables	9	1 937	1 895
Insurance receivable	10	429	1 013
Taxation prepaid	18	-	72
Derivative assets	11	-	11
Current investment	12	379	579
Cash and cash equivalents	13	5 749	1 895
Total assets		45 798	45 774
EQUITY			
Ordinary share capital and share premium	14	223	223
Retained earnings		3 586	2 165
Shareholder's loan	15	5 818	5 818
Other reserves		-	(1 651)
Total equity		9 627	6 555
LIABILITIES			
Non-current liabilities		29 044	32 665
Borrowings	16	29 044	32 665
Current liabilities		7 127	6 554
Payables	17	170	545
Derivative liabilities	11	-	11
Financial guarantee contracts	22	1 235	1 886
Taxation liability	18	20	-
Borrowings	16	5 702	4 112
Total liabilities		36 171	39 219
Total equity and liabilities		45 798	45 774

Mobile Telephone Networks Holdings Limited

Company statement of changes in equity

For the year ended 31 December 2020

	Ordinary share capital	Share premium	Retained earnings	Other reserves	Shareholder's loan	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 1 January 2019	5	218	4 831	-	5 818	10 872
Profit and total comprehensive income for the year	-	-	7 304	(1 651)	-	5 653
Dividends declared	-	-	(9 970)	-	-	(9 970)
Balance at 1 January 2020	5	218	2 165	(1 651)	5 818	6 555
Profit for the year	-	-	8 694	-	-	8 694
Other comprehensive income for the year	-	-	-	918	-	918
Transfer to reserves	-	-	(733)	733	-	-
Dividends declared	-	-	(6 540)	-	-	(6 540)
Balance at 31 December 2020	5	218	3 586	-	5 818	9 627

Mobile Telephone Networks Holdings Limited

Company statement of cash flows

for the year ended 31 December 2020

	Note	2020 Rm	2019 Rm
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Cash generated from operations	18	(1 820)	2 525
Interest paid		(2 626)	(3 105)
Interest received		3 204	3 251
Income tax refunded/ (paid)	19	91	(239)
Dividends received	1	9 525	8 236
Net cash generated from operating activities		8 374	10 668
CASH FLOWS UTILISED IN INVESTING ACTIVITIES			
Proceeds on disposal of investment in associate		4	-
Proceeds on disposal of investment	7	2 315	-
Proceeds from disposal of current investments		-	13
Net cash utilised in investing activities		2 319	13
CASH FLOWS UTILISED IN FINANCING ACTIVITIES			
Dividends paid		(6 540)	(9 970)
Net cash utilised in financing activities		(6 540)	(9 970)
Net increase in cash and cash equivalents		4 153	711
Exchange losses on cash and cash equivalents		(299)	-
Cash and cash equivalents at beginning of the year		1 895	1 184
Cash and cash equivalents at end of the year	13	5 749	1 895

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements

for the year ended 31 December 2020

1 Revenue

Revenue comprises dividend income and interest income on funds invested and on loans receivable. Dividend income is recognised when the right to receive payment is established. Interest income is recognised as it accrues using the effective interest method. Facility fee income forms an integral part of the effective interest rate of a financial instrument and is recognised as an adjustment to the effective interest rate and recorded in interest income.

	2020 Rm	2019 Rm
Dividend income - other revenue	9 525	8 236
Interest income	2 563	3 268
	12 088	11 504

2 Other expenses/income

Other expenses/income comprises changes in amounts recoverable under insurance contracts (note 10).

	2020 Rm	2019 Rm
(Decrease)/increase in insurance receivable	(584)	168
	(584)	168

3 Operating profit

The following disclosable items have been included in arriving at operating profit:

	2020 Rm	2019 Rm
Auditor's remuneration	3	2
Audit fees	3	2
Audit expenses	*	*

*Amounts less than R1 million.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued) for the year ended 31 December 2020

4 Finance income and finance cost

Finance income

Finance income comprises amortisation of financial guarantee contracts, net gain on remeasurement of financial guarantee contracts and net foreign exchange gains that are recognised in profit or loss.

Finance cost

Finance costs comprise net foreign exchange losses and net losses on remeasurement of financial guarantees.

	2020 Rm	2019 Rm
Finance income		
Amortisation of financial guarantee contracts	680	595
Gain on remeasurement of financial guarantees	91	76
Foreign exchange gain on financial guarantees	-	173
	771	844
Finance cost		
Net foreign exchange loss	(701)	(2)
Net foreign exchange loss on financial guarantees	(118)	-
	(819)	(2)

5 Income tax expense

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

	2020 Rm	2019 Rm
Income tax expense		
Current tax - current year	(1)	(196)
Deferred tax - current year	8	-
	7	(196)

Tax rate reconciliation

The charge for the year can be reconciled to the effective rate of taxation in South Africa as follows:

	2020 %	2019 %
Statutory tax rate	28	28,0
Income not subject to tax ¹	(33,0)	(34,3)
Expense not tax deductible	4,9	8,9
Effective tax rate	0,1	2,6

¹ The majority of the exempt income relates to dividend received.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

6 Investment in subsidiaries and associate

Subsidiaries are all entities (including structured entities) controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from the involvement with the entity and has the ability to affect those returns through its power over the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities that significantly affect the entity's returns. The Company accounts for investments in subsidiaries at cost less accumulated impairment losses. Interest free loans owing to the Company by its subsidiaries, with no payment terms are included in the cost of the investment.

Associates are entities over which the Company has significant influence, but not control, over the financial and operational policies. The Company's investment in associates and joint ventures includes goodwill identified on acquisition net of any accumulated impairment loss and is accounted for at cost, less accumulated impairment loss.

	Country of incorporation	2020 Rm	2019 Rm
Subsidiaries			
10 000 shares (100%) in Mobile Telephone Networks Proprietary Limited- at cost	South Africa	121	121
61 000 shares (100%) in MTN Business Solutions Proprietary Limited- at cost	South Africa	2 372	2 372
100 000 shares (100%) in iTalk Cellular Proprietary Limited - at cost		360	360
Share incentive loan ¹		59	59
Net interest in subsidiary		2 912	2 912
1 000 shares (100%) in MTN International Proprietary Limited - at cost ²	South Africa	3 873	3 873
Loan owing by subsidiary ¹		1 379	1 379
Net interest in subsidiary		5 252	5 252
1 000 shares (100%) in MTN Network Solutions Proprietary Limited - at cost	South Africa	*	*
Loan owing by subsidiary ²		25	25
Net interest in subsidiary		25	25
1 share (100%) in Windup Co Proprietary Limited – at cost	South Africa	*	*
1 share (100%) in MTN Propco Proprietary Limited- at cost	South Africa	*	*
100% Investment in Simfy Africa (Pty) Limited- at cost	South Africa	1	1
Total interest in subsidiary companies		8 190	8 190
Associate			
36 shares (36%) in Content Connect Africa Proprietary Limited ³	South Africa	-	5
Total interest in subsidiary companies and associates		8 190	8 195

¹ These loans are interest free, South African rand denominated and have no fixed repayment terms.

² The cost of the investment includes a capital contribution relating to the company providing a financial guarantee for the subsidiary without charging a guarantee fee, refer to note 22 for details of financial guarantees.

³ Disposed in September 2020.

* Amounts less than R1 million.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

7

Non-current investments

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

	2020 Rm	2019 Rm
Financial assets at fair value through other comprehensive income		
Investment in Jumia	-	1 397
	-	1 397

Africa Internet Holding GmbH (AIH) changed its name to Jumia Technologies AG (Jumia) in January 2019.

At 31 December 2018, the Company equity accounted its 29,69% interest in Jumia. On 12 April 2019, Jumia listed on the New York Stock Exchange and MTN's interest was diluted from 29,69% to 18,90% following the issue of shares by Jumia as part of the initial public offering (IPO). The shareholder agreement that gave the Group the right to appoint a director and joint control over Jumia terminated on listing. The Group applied judgement in concluding that it did not have significant influence over Jumia subsequent to the listing and consequently discontinued equity accounting on the date of listing and recognised the retained interest at its fair value.

During 2020 the Company disposed of its entire shareholding in Jumia through multiple sale transactions with the final sale completed on 8 October 2020. The sale transactions closed for proceeds of US\$138 million (R2,3 billion).

The fair value of the investment was determined by reference to published price quotations on the New York Stock Exchange (NYSE) and was categorised within level 1 of the fair value hierarchy. The Company had classified the investment in Jumia Technologies AG as at fair value through other comprehensive income resulting in the disposal having no impact on profit or loss.

	2020 Rm	2019 Rm
Balance at initial recognition of the investment	-	3 048
Balance at the beginning of the year	1 397	-
Fair value gain/(loss)	918	(1 651)
Disposal of investment	(2 315)	-
Balance at the end of the year	-	1 397

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

8 Loans receivable

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

	2020 Rm	2019 Rm
Non-current portion	29 076	30 717
Current portion	30	-
	29 106	30 717

Loan receivables consist of loans to Mobile Telephone Networks Proprietary Limited and MTN Group Management Services Proprietary Limited.

The loan to Mobile Telephone Networks Proprietary Limited consists of three (2019: two) facilities to the amount of R36 billion (2019: R36 billion). Facility A consists of a loan of R17,5 billion (2019: R18 billion), bearing interest at a fixed rate of 9,7% (2019: variable rate of JIBAR plus 2,3%). Facility B consists of a loan of R17,5 billion (2019: R18 billion) bearing interest at a variable rate of JIBAR plus 2,4% (2019: fixed rate of 10,1%). Facility C consists of a loan of R1 billion, bearing interest at a variable rate of JIBAR plus 2,45%. These facilities have a final maturity of 31 July 2026. The loan is unsecured. The amount undrawn for Facility A and Facility B as at 31 December 2020 is R500 million (2019: R1 billion) and R8,44 billion (2019: R5,4 billion) respectively and Facility C remains undrawn.

The loan to MTN Group Management Services Proprietary Limited of R2,1 billion (2019: R1,1 billion) bears interest at JIBAR plus 1,6% payable quarterly and has a final maturity of 30 November 2024. The loan is unsecured. The amount undrawn as at 31 December 2020 is R1 billion (2019: Rnil).

Refer to note 21 for details of outstanding balances from related parties.

The recoverability of the loans was assessed at the reporting date, refer to note 23.3 for expected credit losses. In 2020, expected credit losses amounting to R54 million were recognised in profit and loss (2019: Rnil).

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

9 Trade and other receivables

Refer to note 4.2 of the Group financial statements for the applicable accounting policy.

	2020 Rm	2019 Rm
Amounts due from related parties	1 738	1 604
Sundry debtors	199	291
	1 937	1 895

The Company does not hold any collateral for receivables. The Company's exposure to credit and currency risk relating to receivables is disclosed in note 23.

10 Insurance receivable

The Company accounts for its investment in Cell no. 79 of Guardrisk Insurance Company Limited as an insurance receivable in terms of IFRS 4 Insurance contracts. The insurance receivable is measured at the amount recoverable or due in terms of the shareholder's agreement.

	2020 Rm	2019 Rm
Investment in cell captive		
Opening balance	1 013	845
(Decrease)/ increase in insurance receivable (note 2)	(584)	168
Closing balance	429	1 013

The Company has subscribed for 25 "A" ordinary shares of R1 each equal to 100% of the shareholding in Cell no. 79 of Guardrisk Insurance Company Limited (Guardrisk) for an amount of R25. Guardrisk is a specialised short-term insurance business. It provides its shareholders with the opportunity to be members of a licensed insurance company on the basis that each member owns a specific class of shares in Guardrisk. This entitles each shareholder to participate in the profit or loss from the insurance business conducted by Guardrisk in respect of risks each shareholder requires to be insured and Guardrisk has agreed to insure. The Company is obliged to maintain a solvency ratio of 25%. The solvency ratio is the gross premium income less premiums in respect of approved reinsurance of the cell expressed as a percentage of shareholders' funds of the cell. The Company maintained a solvency ratio in the current year of 315:429 (73%) (2019: 465:1013 (46%)).

Mobile Telephone Network Proprietary Limited insures its corporate trade receivables in Cell no. 79. The maximum amount which could be claimed from Cell no. 79 is limited to shareholder's funds plus the amount of any payments actually received by Guardrisk from any reinsurance contract.

Risk management is carried out under policies approved by the Board of Directors of the Company. The Board provides written principles for overall risk management. The Company's maximum exposure to credit risk is represented by the carrying amount of the insurance receivable. Guardrisk has a Ba2 (2019: BAA3) claims paying ability rating.

There was no impairment loss recognised in the current and prior year relating to the insurance receivable.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

10 Insurance receivable (continued)

Summarised statement of financial position of Cell no. 79

	2020 Rm	2019 Rm
Assets		
Non-current assets	15	19
Investments	15	19
Current assets	992	1 233
Trade and other receivables	84	112
Cash and cash equivalents	895	1 121
Taxation asset	13	-
Total assets	1 007	1 252
Equity		
Ordinary share capital and share premium	*	*
Retained earnings	429	1 013
Total shareholder's equity	429	1 013
Liabilities		
Current liabilities	578	239
Trade and other payables	502	103
Provisions	76	97
Taxation liability	-	38
Deferred tax liability	-	1
Total liabilities	578	239
Total equity and liabilities	1 007	1 252

*Amounts less than R1 million.

Summarised statement of comprehensive income

	2020 Rm	2019 Rm
Insurance premiums	374	510
Reinsurance premiums	(59)	(45)
Net insurance premiums	315	465
Investment income	59	77
Total revenue	374	542
Claims under insurance contracts	(968)	(302)
Decrease in provision	(7)	(8)
(Loss)/ profit before tax	(601)	232
Income tax expense	17	(64)
(Loss)/ profit and total comprehensive income	(584)	168

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued) for the year ended 31 December 2020

11 Derivatives

The Company uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

All gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

	2020 Rm	2019 Rm
Derivatives held for trading		
Current assets		
Forward exchange options/contracts	-	11
Current liabilities		
Forward exchange options/contracts	-	(11)

¹The forward exchange options/contracts were all settled in 2020.

12 Current investment

Current investments consist of financial assets held at fair value through profit or loss that are accounted for in accordance with the accounting policy disclosed in note 7.1 of the Group financial statements.

	2020 Rm	2019 Rm
6 292 691 (2019: 7 023 616) shares in MTN Group Limited	379	579

MTN Holdings Limited is directly held by MTN Group Limited. The Company sold 730 925 shares in 2020 (2019: 582 818 shares) to MTN Group Limited to settle employee share rights.

The MTN Group Limited's share price at the reporting date was R60.19 (2019: R82.49).

Reconciliation of current investment at fair value:

	2020 Rm	2019 Rm
Balance at the beginning of the year	579	677
Shares sold	(37)	(57)
Fair value losses	(163)	(41)
Balance at the end of the year	379	579

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

13 Cash and cash equivalents

Refer to note 4.4 of the Group financial statements for the applicable accounting policy.

For purpose of the statement of cash flows, cash and cash equivalents comprises the following:

	2020 Rm	2019 Rm
Cash at bank	5 749	1 895

The Company's exposure to interest rate risk, credit risk and foreign currency risk for the related cash and cash equivalents is disclosed in note 23.

14 Ordinary share capital and share premium

Refer to note 8.1 of the Group financial statements for the applicable accounting policy.

	2020 Rm	2019 Rm
Ordinary share capital		
<i>Authorised share capital</i>		
1 500 million ordinary shares of 1 cent each	15	15
<i>Issued share capital</i>		
Issued and fully paid-up share capital		
525 757 682 (2016: 525 757 682) ordinary shares of 1 cent each	5	5
<i>Share premium</i>		
Balance at beginning and end of the year	218	218
Total ordinary shares and share premium	223	223

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act until the forthcoming annual general meeting.

15 Shareholder's loan

	2020 Rm	2019 Rm
MTN Group Limited	5 818	5 818

The loan is unsecured and interest-free and repayable at the election of the Company. As a result, the shareholder's loan is classified as equity.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued) for the year ended 31 December 2020

16 Borrowings

Refer to note 6.1 of the Group financial statements for the applicable accounting policy.

Details of the Company's significant borrowings are provided below:

Denominated currency	Nominal interest (%)*	Interest payment	Final maturity	2020 Rm	2019 Rm
				34 746	36 777
ZAR ^{2,4}	5,0	Quarterly	June 2021	251	252
ZAR ^{2,4}	5,3	Quarterly	June 2023	602	604
ZAR ^{2,4}	5,6	Quarterly	June 2025	904	906
ZAR ^{2,5}	5,8	Quarterly	March 2023	1 000	1 000
ZAR ^{2,5}	5,8	Quarterly	December 2022	1 002	1 002
ZAR ^{2,5}	8,9	Quarterly	December 2020	-	1 503
ZAR ^{1,2}	6,2	Quarterly	June 2025	4 530	5 553
US\$ ^{1,2}	2,4	Quarterly	August 2021	2 168	4 132
ZAR ^{2,5}	5,6	Quarterly	October 2022	1 512	1 518
ZAR ^{2,5}	5,9	Quarterly	August 2021	1 257	1 320
ZAR ^{2,3}	6,0	Quarterly	February 2023	2 501	2 515
ZAR ^{2,3}	5,6	Quarterly	February 2023	1 999	2 060
ZAR ^{2,4}	8,6	Quarterly	July 2020	-	1 528
ZAR ^{2,4}	5,4	Quarterly	July 2022	1 012	1 019
ZAR ^{2,4}	8,5	Quarterly	October 2020	-	473
ZAR ^{2,4}	5,3	Quarterly	October 2022	534	540
ZAR ^{2,4}	5,2	Quarterly	March 2025	401	391
ZAR ^{2,4}	5,5	Quarterly	September 2026	1 205	1 200
ZAR ^{2,4}	4,8	Quarterly	May 2022	302	303
ZAR ^{2,4}	5,0	Quarterly	May 2024	504	506
ZAR ^{2,4}	4,9	Quarterly	May 2022	182	186
ZAR ^{2,4}	5,2	Quarterly	May 2024	502	514
ZAR ^{2,4}	5,4	Quarterly	May 2026	572	585
ZAR ^{2,4}	7,9	Quarterly	May 2020	-	208
ZAR ^{2,4}	8,8	Quarterly	September 2020	-	401
ZAR ^{2,5}	5,6	Quarterly	June 2024	2 006	2 011
ZAR ^{2,5}	6,1	Quarterly	June 2024	1 993	1 991
ZAR ^{2,5}	5,6	Quarterly	June 2024	1 510	1 518
ZAR ^{2,4}	5,6	Quarterly	October 2024	1 030	1 038
ZAR ^{2,4}	4,9	Quarterly	June 2023	850	-
ZAR ^{2,4}	5,3	Quarterly	May 2021	1 007	-
ZAR ^{2,4}	5,3	Quarterly	July 2021	859	-
ZAR ^{2,4}	6,3	Quarterly	January 2026	162	-
ZAR ^{2,4}	8,3	Semi-annual	January 2026	932	-
ZAR ^{2,4}	5,8	Quarterly	July 2023	444	-
ZAR ^{2,3}	6,1	Quarterly	June 2025	1 013	-

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

⁴ Domestic medium-term notes

⁵ Bilateral term loan facility

* Contractual interest rates on loans as at 31 December 2020.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

16 Borrowings (continued)

The maturity of the above loans is as follows:

	2020 Rm	2019 Rm
Current	5 702	4 112
Non-current	29 044	32 665
	34 746	36 777

MTN Group along with certain of its subsidiaries have provided cross guarantees for the borrowings of the Company.

An amount of R33,3 billion (2019: R34 billion) undrawn debt facilities is available for use by others (including MTN Holdings) in the MTN Group.

MTN Holdings is entitled to R27 billion (2019: R18 billion) of the total undrawn debt facilities as the sole principal borrower in the MTN Group structure with regards to all the debt facilities that have been made available to the MTN Group by the financial institutions.

17 Payables

Refer to notes 4.5 of the Group financial statements for the applicable accounting policy.

	2020 Rm	2019 Rm
Amounts due to related parties	168	447
Accrued expenses and other payables	2	98
	170	545

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

18 Cash generated from operations

	2020 Rm	2019 Rm
Profit before tax	8 687	7 500
<i>Adjusted for:</i>		
Finance income (note 4)	(771)	(844)
Interest income (note 1)	(2 563)	(3 268)
Interest expense	2 504	3 251
Fair value adjustment (note 11)	163	41
Finance cost (note 4)	819	2
Insurance receivable (note 2)	584	(168)
Loss on disposal of investment	1	1 683
Dividends received (note 1)	(9 525)	(8 236)
	(101)	(39)
Changes in capital:	(1 719)	2 564
Decrease/(increase) in receivables	31	(1 196)
(Decrease)/increase in payables	(871)	375
Decrease in loans receivable	1 436	1 481
(Decrease)/increase in borrowings	(2 315)	1 904
	(1 820)	2 525

19 Income tax paid

	2020 Rm	2019 Rm
Opening balance	72	30
Amounts recognised in profit or loss (note 5)	(1)	(196)
Taxation prepaid	-	(1)
Closing balance	20	(72)
Total tax refunded/ (paid)	91	(239)

20 Commitments

The Company does not have any commitments as at December 2020 (2019: Rnil).

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

21 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Company and a related party of the Company, regardless of whether a price is charged.

The Company is controlled by MTN Group Limited which owns 100% of the Company's shares. The Company has related party relationships with subsidiaries, associates and joint ventures of MTN Group Limited.

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

	2020 Rm	2019 Rm
Interest income	2 477	3 164
Mobile Telephone Networks Proprietary Limited ¹	2 406	3 049
Content Connect Africa Proprietary Limited ²	-	1
MTN Group Management Services Proprietary Limited ³	71	114
Facility fees income		
Mobile Telephone Networks Proprietary Limited ¹	10	10
Dividend income	9 525	8 236
Mobile Telephone Networks Proprietary Limited ¹	3 000	2 000
MTN Group Limited ⁴	25	36
MTN International Proprietary Limited ¹	6 500	6 200
Dividends paid		
MTN Group Limited ⁴	6 540	9 970
Share incentive loans		
Mobile Telephone Networks Proprietary Limited ¹	59	59
Shareholders loans	1 404	1 404
MTN International Proprietary Limited ¹	1 379	1 379
MTN Network Solutions Proprietary Limited ¹	25	25
Long-term loans to related parties	29 160	30 717
Mobile Telephone Networks Proprietary Limited ¹	28 060	29 617
MTN Group Management Services Proprietary Limited ³	1 100	1 100

¹ Subsidiary of the Company.

² Associate of the Company.

³ Fellow subsidiary of MTN Group.

⁴ Holding Company.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

21 Related party transactions (continued)

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

	2020 Rm	2019 Rm
Long-term loans from related parties, classified as part of equity		
MTN Group Limited ³	5 818	5 818
Intercompany receivables	1 738	1 604
MTN Telephone Networks Proprietary Limited ¹	1 601	1 496
MTN Group Management Services Proprietary Limited ²	21	24
Simfy Africa ¹	114	80
Other	2	4
Intercompany payables	168	447
MTN International (Mauritius) Ltd ¹	76	175
MTN Group Limited ³	92	272

¹ Subsidiary of the Company.

² Fellow subsidiary of MTN Group.

³ Holding Company.

22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and are subsequently measured at the higher of:

- The expected credit loss (ECL) in accordance with IFRS 9; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15.

The ECLs are a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, debtor or any other party.

Where guarantees in relation to loans to related parties are provided for no compensation, the fair values are accounted for as capital contributions and recognised as part of the cost of the investment.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

22 Financial guarantee contracts (continued)

	Face value		Drawn down balance ¹	
	2020	2019 ²	2020	2019 ²
	Rm	Rm	Rm	Rm
Bond guarantees				
US\$ senior unsecured notes	25 685	24 467	25 987	24 706
Syndicated and other loan facilities				
US\$ revolving-credit-facility	18 347	17 476	2 204	3 081
US\$ long-term loan	2 202	4 893	-	698
	46 234	46 836	28 191	28 485

¹ Includes interest accrued.

² Restated to only reflect guarantees to which the Company is not a party to the underlying liability and to incorporate exposures that were previously separately disclosed.

The Company along with other subsidiaries have guaranteed the bonds, revolving credit facilities, long-term loans and general banking facilities of MTN (Mauritius) Investments Limited. Under the terms of the guarantee, the Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

The Company, together with other subsidiaries in the Group guaranteed senior unsecured notes issued by MTN (Mauritius) Investment Limited on the Irish Stock Exchange amounting to US\$1 750 million (2019: US\$1 750 million). A financial liability was recognised at the fair value of the guarantees issued. A fee was not charged by the Company providing the guarantee and therefore the benefit provided by the Company to its subsidiaries was recognised as a capital contribution.

The Company, together with other subsidiaries in the Group guaranteed US\$ syndicated loan facilities with Citibank amounting to US\$1 billion (2019: US\$1 billion). The drawn down balance remained consistent with that of the prior year at US\$50 million. A financial liability was initially recognised at the fair value of the guarantee issued. A fee was not charged by the company providing the guarantee and therefore the benefit provided by the Company to its subsidiaries was recognised as a capital contribution.

The Company's financial liability relating to financial guarantee contracts amounts to R1 235 million (2019: R1 886 million) and R680 million (2019: R595 million) was amortised to profit or loss for the year.

MTN Group's credit rating as determined by Standard and Poor (S&P) have been used to assess whether there has been a significant increase in credit risk. Following the downgrade in MTN Group's credit rating by S&P during the current financial year (BB+ to BB-), it was determined that use of lifetime ECL for all term loans within the portfolio was most appropriate. The use of 12 months ECL for banking facilities remained consistent as these are typically renegotiated on an annual basis.

The following formula was used to determine the ECL: Exposure at Default x Probability of Default (PD) x Loss Given Default (LGD) x discount rate. PDs have been determined with reference to S&P's published historical PD experience by credit rating category. The LGD specific to MTN has been determined by Moody's Investor Services (Moody's) at 35% (2019: S&P at 51%) and the original effective interest rate of the underlying borrowing is used as the discount rate.

In the current year, the carrying amount of the financial guarantees exceeded the ECL of the guarantees and as a result, no ECL was recognised.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued) for the year ended 31 December 2020

23 Financial risk management and financial instruments

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

23.1 Categories of financial instruments

	Assets at amortised cost Rm	Fair value through other comprehensive income Rm	Fair value through profit or loss ¹ Rm	Liabilities at amortised cost Rm	Total carrying amount Rm	Fair value ² Rm
2020						
Non-current financial assets						
Loans receivable	29 076	-	-	-	29 076	33 061
Current financial assets						
Trade and other receivables	1 937	-	-	-	1 937	1 937
Loans receivable	30	-	-	-	30	30
Current investments	-	-	379	-	379	379
Bank and cash	5 749	-	-	-	5 749	5 749
	36 792	-	379	-	37 171	41 156
Non-current financial liabilities						
Borrowings	-	-	-	29 044	29 044	28 361
Current financial liabilities						
Payables	-	-	-	170	170	170
Financial guarantee	-	-	-	1 235	1 235	50
Borrowings	-	-	-	5 702	5 702	5 460
	-	-	-	36 151	36 151	34 041
2019						
Non-current financial assets						
Loans receivable	30 717	-	-	-	30 717	30 745
Non-current investments	-	1 397	-	-	1 397	1 397
Current financial assets						
Trade and other receivables	1 895	-	-	-	1 895	1 895
Derivative assets	-	-	11	-	11	11
Current investments	-	-	579	-	579	579
Bank and cash	1 895	-	-	-	1 895	1 895
	34 507	1 397	590	-	36 494	36 522
Non-current financial liabilities						
Borrowings	-	-	-	32 665	32 665	32 665
Current financial liabilities						
Payables	-	-	-	545	545	545
Financial guarantee contracts	-	-	-	1 886	1 886	257
Borrowings	-	-	-	4 112	4 112	4 112
Derivative liability	-	-	11	-	11	11
	-	-	11	39 208	39 219	37 590

¹ All financial instruments at fair value through profit or loss are held for trading.

² Where a financial instrument's carrying amount is the same as its fair value, the carrying amount approximates its fair value.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

23 Financial risk management and financial instruments (continued)

23.2 Fair value estimation

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

The following table represents the Company's fair value measurement hierarchy of the Company's assets and liabilities:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2020				
Assets				
Loans receivable	-	-	33 061	33 061
Current investments	379	-	-	379
	379	-	33 061	33 440
Liabilities				
Financial guarantee contracts	-	-	50	50
Listed borrowings	-	11 982	-	11 982
Unlisted borrowings	-	-	21 839	21 839
	-	11 982	21 889	33 871
2019				
Assets				
Loans receivable	-	-	30 745	30 745
Non-current investments	1 397	-	-	1 397
Current investments	579	-	-	579
Derivative assets	11	-	-	11
	1 987	-	30 745	32 732
Liabilities				
Financial guarantee contracts	-	-	257	257
Listed borrowings	-	10 548	-	10 548
Unlisted borrowings	-	-	26 229	26 229
Derivative liability	11	-	-	11
	11	10 548	26 486	37 045

¹The fair value of the financial guarantees were restated. Refer to note 22.

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Quoted ordinary shares - The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

23 Financial risk management and financial instruments (continued)

23.2 Fair value estimation (continued)

Valuation methods and assumptions (continued)

Derivatives – The Company enters into derivative financial instruments with various counterparties. Interest rate swaps and foreign exchange contracts are valued using valuation techniques which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

Financial guarantee contracts: The fair value of the financial guarantee contract is determined using the discounted cash flow method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default and the maximum recovery amount and interest rate curve.

Loans receivable – The fair value of loans receivable is determined using the discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, which include the interest rate curves.

Financial liabilities at amortised cost – The listed long-term variable interest rate senior unsecured notes in issue with a carrying amount of R12 146 million (2019: R10 500 million) have a fair value of R11 972 million (2018: R10 548 million) at 31 December 2020. The fair value of this instrument is determined by reference to published market values on the relevant exchange. This instrument is classified as level two of the fair value hierarchy due to lack of sufficient trade activity in the bond market. The fair value of the remaining borrowings is determined using the discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, which include the interest rate curves.

23.3 Credit risk

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

Exposure to credit risk

The Company considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2020 Rm	2019 Rm
Financial guarantee contracts ¹	28 191	28 485
Loans receivable	29 106	30 717
Trade and other receivables	1 937	1 895
Cash and cash equivalents	5 749	1 895
	64 983	62 992

¹Restated, refer to note 22.

The following instruments give rise to credit risk:

Loan receivables

Loan receivable and receivables are mostly due from entities within the Group. The aging of the receivables is predominantly current. Loan receivables are within terms and conditions.

Details of the loan receivable balances are included in note 8. Details of the expected credit losses on the loan receivable balances have been determined as follows:

	2020 Rm	2019 Rm
Gross balance	29 160	30 717
Expected credit loss allowance	(54)	-
	29 106	30 717

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

23 Financial risk management and financial instruments (continued)

23.3 Credit risk (continued)

Loan receivables

Simplified parameter-based approach

The ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD) discounted using the Effective Interest Rate (EIR) (i.e. $PD \times LGD \times EAD = ECL$). The Exposures are separated by the related party to which the loan receivable balance relates to. This is done to allow for risk differentiation.

The loan receivable balances were considered to have low credit risk because the related parties have strong financial positions and performances and have been able to maintain all repayments in addition to paying dividends, where applicable. This indicates that the related parties have strong capacity to meet their contractual cash flow obligations. This is despite any adverse changes in the economy such as the deteriorated gross domestic product growth and credit downgrades in South Africa. Management has thus considered these factors and have not noted a significant increase in credit risk since the inception of the contracts and as such, 12-month expected credit losses were recognised.

A qualitative assessment of the impact of forward-looking information has been performed and it was noted that the related party's are considered essential services in the economies they operate in and are expected to continue performing well regardless of the Covid-19 restrictions and the associated economic impacts.

Cash and cash equivalents

MTN Group Treasury Committee determines appropriate internal credit limits for each counterparty. In determining these limits, MTN Group considers the counterparty's credit rating established by an accredited ratings agency and performs internal risk assessments. MTN Group manages the Company's exposure to a single counterparty by spreading transactions among approved financial institutions. The Group Treasury Committee regularly reviews and monitors the Company's credit exposure.

The Company holds its cash balances in financial institutions with a rating range of A+ to Ba3. Given this credit rating, management does not expect any counterparty to fail to meet its obligations.

Financial guarantees

Details of the financial guarantees are included in note 22; the probability of default based on management's estimate is low.

Receivables

Ageing and impairment analysis

	2020	2020	2020	2019	2019	2019
	Rm	Rm	Rm	Rm	Rm	Rm
	Gross	Impaired	Net	Gross	Impaired	Net
Fully performing receivables	378	-	378	-	-	-
Sundry debtors	1	-	1	-	-	-
Other receivables	377	-	377	-	-	-
Past due other receivables	1 559	-	1 559	1 895	-	1 895
Sundry debtors	198	-	198	291	-	291
0 to 3 months	-	-	-	20	-	20
3 to 6 months	-	-	-	14	-	14
6 to 9 months	25	-	25	1	-	1
9 to 12 months	173	-	173	256	-	256
Other receivables	1 361	-	1 361	1 604	-	1 604
0 to 3 months	9	-	9	666	-	666
3 to 6 months	4	-	4	603	-	603
6 to 9 months	7	-	7	51	-	51
9 to 12 months	1 341	-	1 341	284	-	284
	1 937	-	1 937	1 895	-	1 895

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

23 Financial risk management and financial instruments (continued)

23.4 Liquidity risk

Refer to note 7.1 of the Group financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2020 Rm	2019 Rm
Other receivables	1 937	1 895
Current investments	379	579
Cash and cash equivalents	5 749	1 895
	8 065	4 369

The Company's undrawn borrowing facilities are disclosed in note 16.

The operations of the entity will be funded from operating cash flows, the existing borrowing facilities, and where necessary by raising additional borrowings.

Liquidity risk disclosure above excludes financial guarantees. Details of financial guarantee contracts are provided in note 22.

The following are the undiscounted contractual cash flows of financial liabilities:

2020	Carrying amount Rm	Total Rm	Within 1 year Rm	More than 1 year not exceeding 2 years Rm	More than 2 years not exceeding 5 years Rm	More than 5 years Rm
Non-current liabilities						
Borrowings	29 044	34 783	1 700	6 147	24 043	2 894
Current liabilities						
Payables	170	170	170	-	-	-
Borrowings	5 702	5 734	5 734	-	-	-
Financial guarantee contracts	1 235	28 191	28 191	-	-	-
	36 151	68 878	35 795	6 147	24 043	2 894

2019	Carrying amount Rm	Total Rm	Within 1 year Rm	More than 1 year not exceeding 2 years Rm	More than 2 years not exceeding 5 years Rm	More than 5 years Rm
Non-current liabilities						
Borrowings	32 665	37 571	2 263	21 099	12 740	1 469
Current liabilities						
Payables	1 886	545	545	-	-	-
Derivative liability	11	11	11	-	-	-
Borrowings	4 112	4 112	4 395	-	-	-
Financial guarantee contracts ¹	1 886	28 485	28 485	-	-	-
	40 560	70 724	35 699	21 099	12 740	1 469

¹Restated, refer to note 22.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

23 Financial risk management and financial instruments (continued)

23.5 Market risk

23.5.1 Interest rate risk

Refer to note 7.1 of the Group financial statements for an explanation on interest rate risk and how it is managed.

Profile

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Fixed rate Rm	2020 Variable rate Rm	No interest Rm	Fixed rate Rm	2019 Variable rate Rm	No interest Rm
Financial assets						
Non-current financial assets						
Loans receivable	11 189	17 887	-	12 600	18 117	-
Investments	-	-	-	-	-	1 397
Current financial assets						
Loans receivable	12	18	-	-	-	-
Trade and other receivables	-	1 738	199	-	1 604	291
Cash and cash equivalents	-	5 749	-	-	1 895	-
Current investments	-	-	379	-	-	579
Derivative asset	-	-	-	-	-	11
	11 201	25 392	578	12 600	21 616	2 278
Non-current financial liabilities						
Borrowings	-	29 044	-	-	32 665	-
Current financial Liabilities						
Payables	-	170	-	-	450	95
Borrowings	-	5 702	-	-	4 112	-
Derivative liability	-	-	-	-	-	11
	-	34 916	-	-	37 227	106

Sensitivity analysis

The Company has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The Company is mainly exposed to fluctuations in the following market interest rates: JIBAR, prime and LIBOR rates. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are subsequently measured at their fair value. A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

23 Financial risk management and financial instruments (continued)

23.5 Market risk (continued)

23.5.1 Interest rate risk (continued)

Sensitivity analysis (continued)

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as was used for 2019.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis performed applies an instantaneous increase or decrease of 1%.

	2020			2019		
	Increase/(decrease) in profit before tax			Increase/(decrease) in profit before tax		
	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	1	(130)	130	1	107	(107)
Prime	1	57	(57)	1	12	(12)
Libor	1	(22)	22	1	(47)	47

23.5.2 Currency risk

Refer to note 7.1 of the Group financial statements for an explanation on currency risk and how it is managed.

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

	2020 Rm	2019 Rm
Assets		
Current		
United States dollar	2 030	1 478
Euro	2	-
Liabilities		
Current		
United States dollar	3 402	1 881
Non-current		
United States dollar	-	4 132

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

23 Financial risk management and financial instruments (continued)

23.5 Market risk (continued)

23.5.2 Currency risk (continued)

Sensitivity analysis

The Company has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous 10% strengthening or weakening in the rand against all other currencies, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Company is mainly exposed to fluctuations in foreign exchange rates in respect of the US dollar, pound and the euro. This analysis considers the impact of changes in foreign exchange rates on profit. A change in the foreign exchange rates to which the Company is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed at 10% in the current year, to be indicative of the current economic conditions under which the Company operates.

23.5.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company's exposure to price risk is currently limited to its investment in the MTN Group shares (current investments) and the investment in Jumia (non-current investments), which has been sold as at 31 December 2020.

Sensitivity analysis

The Company has used a sensitivity analysis technique that measures the estimated change to profit or loss and equity of an instantaneous 10% appreciation or depreciation of the share price of its held for trading financial assets applicable at 31 December, with all other variables remaining constant.

A change in the shares price to which the Company is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

Denominated: functional currency	Increase/(decrease) in profit before tax		
	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm
2020			
USD:ZAR	10	(137)	137
2019			
USD:ZAR	10	(454)	454

	2020 (Decrease)/increase in profit before tax		2019 (Decrease)/increase in profit before tax	
	Depreciation in share price Rm	Appreciation in share price Rm	Depreciation in share price Rm	Appreciation in share price Rm
Current investments	(38)	38	(58)	58
Non-current investments	-	-	(140)	140

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2020

23 Financial risk management and financial instruments (continued)

23.6 Capital risk management

Capital comprises ordinary share capital and share premium and equity attributable to the equity holders of the Company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Equity funding for the Company is raised centrally by MTN Group, first from excess cash and then from new borrowings while retaining an acceptable level of debt for the consolidated group. Where funding is not available to the Company locally or in specific circumstances where it is more efficient to do so, funding is sourced centrally.

24 Events after reporting period

24.1 Borrowings

On 25 February 2021, the Company settled US\$150 million (R2 245 million, translated at the effective date of the transaction) of the US\$1 000 million banking facility that it had with Citibank. The early settlement is a result of MTN Holdings Group's strategy to deleverage its operations and free up capital.

Mobile Telephone Networks Holdings Limited

Financial definitions

for the year ended 31 December 2020

The following financial terms are used in the Annual Financial Statements with the meanings specified:

Amortised cost	The asset is held within a business model with the objective to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Asset exchange transactions	Transactions where one or more items of property, plant and equipment are acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets.
Associates	All entities over which the Group has significant influence, but not control, over the financial and operational policies.
Capital management EBITDA	CODM EBITDA before impairment of goodwill less repayments and interest paid on lease liabilities.
Carrying amount	Is the amount at which the asset is recognised after deducting any accumulated depreciation/amortisation and accumulated impairment losses there on.
Cash-generating unit	The smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets.
CODM EBITDA	Earnings before interest (which includes gains and losses on foreign exchange transactions and a loss on revision of cash flows from a joint venture), tax, depreciation and amortisation and is also presented before recognising the following items: • Impairment of joint venture and goodwill; • Net monetary gain resulting from the application of hyperinflation; • Share of results of associates and joint venture after tax; • Hyperinflation; • Tower sale profits; • Gain on disposal/dilution of investment in associate and joint venture; • Gain on disposal of subsidiary; and • Impairment loss on remeasurement of non-current assets held for sale.
Commercial substance	A transaction has commercial substance if the difference in either of the points below is significant relative to the fair value of the assets exchanged: • the configuration of the cash flows of the asset received differs from the configuration of the cash flows of the asset given up; or • the entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.
Contingent liabilities	Represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities also represent present obligations that arise from past events but are not recognised because an outflow of resources is not probable or a reliable estimate cannot be made.

Mobile Telephone Networks Holdings Limited

Financial definitions (continued)

for the year ended 31 December 2020

Control	When the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when it has existing rights that gives it the current ability to direct the relevant activities that significantly affect the entity's returns.
Defined contribution plan	A post-employment benefit plan (such as a pension plan) under which the Group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
dtic	Department of Trade, Industry and Competition.
Equity investments at fair value through other comprehensive income (FVOCI)	The asset is not held for trading and the Group has irrevocably elected on initial recognition to recognise the asset as at FVOCI.
Financial assets at fair value through profit or loss (FVTPL)	Debt investments that do not qualify for measurement at amortised cost or FVOCI; equity investments that are held for trading; and equity investments designated as at FVTPL.
Functional currency	The currency that best reflects the primary economic environment in which the entity operates.
Gain or loss on disposal of an asset	The difference between the proceeds from the disposal and the carrying amount of the asset.
Goodwill	The excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.
ICASA	Independent Communications Authority of South Africa.
Interconnect revenue	Revenue derived from other operators for local and international incoming voice minutes, short messaging (SMS) and multimedia services (MMS).
Joint arrangement	A contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control.
Joint operation	Joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.
Joint ventures	Joint arrangements whereby the parties that have joint control of the arrangement by unanimous consent have rights to the net assets of the arrangement.
Measurement period adjustments	Adjustments that arise from additional information obtained during the "measurement period" about facts and circumstances that existed at the acquisition date. The measurement period constitutes the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. This period shall not exceed one year from the acquisition date.
Net debt	Borrowings and bank overdrafts less cash and cash equivalents, restricted cash and current investments (excluding investment in insurance cell captives).
Net debt to capital management EBITDA ratio	Net debt divided by capital management EBITDA.

Mobile Telephone Networks Holdings Limited

Financial definitions (continued)

for the year ended 31 December 2020

Net interest	Finance costs less finance income and add back lease liability finance costs.
Net interest to capital management EBITDA	Net interest divided by capital management EBITDA.
Non-controlling interests	The amount of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since the acquisition date.
Postpaid product	Products and services provided on the MTN network which customers pay for subsequent to the usage.
Prepaid product	Products and services provided on the MTN network which customers pay for in advance of usage.
Presentation currency	The currency in which the financial statements are presented.
Qualifying asset	An asset which takes more than 12 months to acquire, construct or produce.
Recoverable amount	The greater of an asset's value in use and its fair value less costs of disposal.
Revenue	Income arising in the course of an entity's ordinary activities. Income is an increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decrease of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.
Roaming revenue	Revenue generated from subscribers making calls when using other networks, including MTN networks outside the country of operation.
Significant influence	The power to participate in the financial and operating policy decisions of an entity. It is presumed to exist when the Group holds between 20% and 50% of the voting power of an entity.
Structured entities (SEs)	Entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
Subsidiaries	Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.
Termination benefits	Benefits that may be payable when an employee's employment is terminated before the normal retirement date due to death or retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits.
Value in use	The present value of the future cash flows expected to be derived from an asset or cash-generating unit.