



MTN Nigeria Communications PLC
Unaudited Condensed Consolidated Interim Financial Statements
For the six months ended 30 June 2020

Condensed consolidated and separate financial statements

For the six months period ended 30 June 2020

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Financial Highlights

For the six months period ended 30 June 2020

	Notes	For the six months ended 30 June 2020 N'000	For the six months ended 30 June 2019 ¹ N'000	% Change
Revenue	5	638,075,230	566,994,101	12.5
Operating profit*		204,535,594	189,399,864	8.0
Profit before tax*		139,569,906	142,403,813	(2.0)
Profit for the period		94,876,949	99,537,389	(4.7)
		As at 30 June 2020 N'000	As at 30 June 2019 N'000	% Change
Share capital		407,090	407,090	-
Total equity		139,343,661	101,908,757	36.7
Basic/ diluted earnings per share (N)	30	4.66	4.89	(4.7)
Net assets per share (N)		6.85	5.01	36.7

Stock Exchange Information

Market price per share as at period end (N)		117.50	129.05
Market capitalisation as at period end		2,391,655,278	2,626,749,903
Number of shares issued and fully paid as at period end (in thousands)	30	20,354,513	20,354,513

*The 8% growth in operating profit was largely impacted by the increase in finance costs as a result of increased borrowings (June 2019: N295 billion, June 2020: N524 billion) leading to a decline of 2% in profit before tax to N139.6 billion.

¹2019 figures have been restated, see Note 4

Condensed consolidated and separate statement of profit or loss

For the six months ended 30 June 2020

In thousands of Nigerian Naira	Notes	Group				Company			
		For the six months ended		For the three months ended		For the six months ended		For the three months ended	
		30 June 2020	30 June 2019 ¹	30 June 2020	30 June 2019 ¹	30 June 2020	30 June 2019 ¹	30 June 2020	30 June 2019 ¹
Revenue	5	638,075,230	566,994,101	308,903,783	284,877,280	638,057,064	565,856,646	308,893,392	284,286,623
Direct network operating costs	9	(148,552,194)	(120,120,568)	(80,088,199)	(59,519,506)	(148,552,194)	(120,349,883)	(80,088,199)	(59,807,765)
Value added services costs		(6,676,260)	(5,997,237)	(2,969,972)	(2,562,532)	(6,676,260)	(5,966,389)	(2,969,972)	(2,532,626)
Cost of handsets and accessories		(9,085,097)	(5,386,940)	(4,835,315)	(2,799,912)	(9,085,097)	(5,386,791)	(4,835,315)	(2,799,763)
Interconnect costs		(53,961,175)	(52,358,155)	(25,942,647)	(26,324,675)	(53,961,175)	(52,342,210)	(25,942,647)	(26,314,979)
Roaming costs		(1,380,903)	(1,732,210)	(512,967)	(975,321)	(1,380,903)	(1,721,645)	(512,967)	(971,896)
Transmission costs		(3,063,468)	(2,821,669)	(1,615,738)	(1,339,742)	(3,063,468)	(2,821,669)	(1,615,738)	(1,339,742)
Employee benefits	7	(19,239,268)	(14,979,586)	(9,976,718)	(8,057,003)	(18,888,558)	(14,979,586)	(9,789,746)	(8,057,003)
Discounts and commissions		(31,461,638)	(27,449,450)	(15,413,619)	(13,583,826)	(31,309,902)	(27,440,891)	(15,289,997)	(13,575,416)
Advertisements, sponsorships and sales promotions		(6,754,724)	(8,514,390)	(2,244,444)	(4,321,100)	(6,384,914)	(8,512,387)	(2,335,505)	(4,319,097)
Other operating expenses	8	(30,839,170)	(25,266,129)	(13,712,007)	(12,207,884)	(29,927,250)	(24,811,523)	(13,224,252)	(11,851,141)
Depreciation of property, plant and equipment	11	(74,463,313)	(72,610,738)	(37,099,957)	(36,825,757)	(74,463,312)	(72,610,738)	(37,099,957)	(36,825,757)
Depreciation of right of use assets	12	(30,657,227)	(25,880,346)	(14,638,261)	(13,166,779)	(30,657,228)	(25,880,346)	(14,638,261)	(13,166,779)
Amortisation of intangible assets	13	(17,405,199)	(14,476,819)	(8,568,647)	(7,160,169)	(14,745,989)	(11,799,883)	(7,239,042)	(5,821,674)
Operating profit		204,535,594	189,399,864	91,285,292	96,033,074	208,960,814	191,232,705	93,311,794	96,902,985
Finance income	6	7,584,681	10,484,838	4,019,784	5,021,640	7,576,486	10,484,840	4,016,342	5,021,643
Finance costs	6	(72,550,369)	(57,480,889)	(32,969,578)	(29,106,524)	(72,550,369)	(57,480,889)	(32,969,578)	(29,106,524)
Profit before tax		139,569,906	142,403,813	62,335,498	71,948,190	143,986,931	144,236,656	64,358,558	72,818,104
Income tax expense	10	(44,692,957)	(42,866,424)	(19,530,527)	(21,211,515)	(46,009,764)	(43,388,571)	(20,129,141)	(21,424,937)
Profit for the period		94,876,949	99,537,389	42,804,971	50,736,675	97,977,167	100,848,085	44,229,417	51,393,167
Attributable to:									
Owners of the parent		94,876,949	99,537,389	42,804,971	50,736,675	97,977,167	100,848,085	44,229,417	51,393,167
		94,876,949	99,537,389	42,804,971	50,736,675	97,977,167	100,848,085	44,229,417	51,393,167
Earnings per share - basic/diluted	30	N 4.66	N 4.89	N 2.10	N 2.49	N 4.81	N 4.95	N 2.17	N 2.52

The accompanying notes on pages 7 - 36 are an integral part of these condensed consolidated financial statements.

¹2019 figures have been restated, see Note 4

Condensed consolidated and separate statement of comprehensive income

For the six months ended 30 June 2020

In thousands of Nigerian Naira	Group				Company			
	For the six months ended		For the three months ended		For the six months ended		For the three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Profit for the period	94,876,949	99,537,389	42,804,971	50,736,675	97,977,167	100,848,085	44,229,417	51,393,167
<i>Items that may be reclassified to profit or loss</i>								
Net fair value loss on financial assets held at FVOCI	(232,465)	(26,649)	(125,336)	(20,580)	(232,465)	(26,650)	(125,336)	(20,580)
Total comprehensive income for the period	94,644,484	99,510,740	42,679,635	50,716,095	97,744,702	100,821,435	44,104,081	51,372,587
Attributable to:								
Owners of the parent	94,644,484	99,510,740	42,679,635	50,716,095	97,744,702	100,821,435	44,104,081	51,372,587
	94,644,484	99,510,740	42,679,635	50,716,095	97,744,702	100,821,435	44,104,081	51,372,587

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

The accompanying notes on pages 7 - 36 are an integral part of these condensed consolidated financial statements.

Condensed consolidated and separate statement of financial position

As at 30 June 2020


In thousands of Nigerian Naira	Notes	Group		Company	
		30 June 2020	31 Dec 2019 ¹	30 June 2020	31 Dec 2019 ¹
ASSETS					
Non-current assets					
Property, plant and equipment	11	619,786,449	625,095,789	619,786,449	625,095,789
Intangible assets	13	108,855,714	120,946,914	74,640,051	84,072,042
Right of use assets	12	503,749,067	476,356,668	503,749,067	476,356,668
Investment in subsidiaries	14	-	-	45,578,000	45,578,000
Other investments	15	22,111,426	-	22,111,426	-
Other non-current assets	16	18,284,678	16,996,726	18,284,678	16,996,726
		1,272,787,334	1,239,396,097	1,284,149,671	1,248,099,225
Current assets					
Inventories	18	1,818,043	909,577	1,818,043	909,577
Trade and other receivables	19	59,314,335	52,825,688	62,243,247	54,019,793
Current investments	17	156,878,298	54,826,569	156,878,298	54,826,569
Restricted cash	20	128,057,570	38,049,589	128,007,569	37,999,589
Cash and cash equivalents	21	120,383,237	116,277,629	118,712,776	114,301,003
		466,451,483	262,889,052	467,659,933	262,056,531
Total assets		1,739,238,817	1,502,285,149	1,751,809,604	1,510,155,756
EQUITY					
Share capital	29	407,090	407,090	407,090	407,090
Share premium	29	17,216,293	17,216,293	17,216,293	17,216,293
Retained profit		121,431,582	127,716,563	141,109,638	144,294,401
Other reserves		288,696	521,161	288,696	521,161
		139,343,661	145,861,107	159,021,717	162,438,945
LIABILITIES					
Non-current					
Borrowings	22	358,051,931	380,088,779	358,051,931	380,088,779
Lease liabilities	26	493,325,163	458,508,923	493,325,163	458,508,923
Deferred tax and other non-current liabilities	25	112,217,481	121,667,164	105,995,112	114,120,456
		963,594,575	960,264,866	957,372,206	952,718,158
Current liabilities					
Trade and other payables	23	302,492,406	190,440,496	302,261,651	189,641,572
Current tax payable	27	59,996,702	65,625,921	59,724,232	65,325,408
Borrowings	22	165,674,159	32,453,044	165,674,159	32,453,044
Lease liabilities	26	42,426,817	33,564,290	42,426,817	33,564,290
Other current liabilities	24	65,710,497	74,075,425	65,328,822	74,014,339
		636,300,581	396,159,176	635,415,681	394,998,653
Total liabilities		1,599,895,156	1,356,424,042	1,592,787,887	1,347,716,811
Total equity and liabilities		1,739,238,817	1,502,285,149	1,751,809,604	1,510,155,756

The accompanying notes on pages 7 - 36 are an integral part of these condensed consolidated financial statements.

The condensed financial statements were approved by the Board of Directors on the 28 July 2020 and signed on behalf of the Board of Directors by:



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



 Modupe Kadri
 Chief Financial Officer
 FRC/2020/001/00000020737

¹2019 figures have been restated, see Note 4

Condensed consolidated and separate statement of changes in equity

For the six months ended 30 June 2020

<i>In thousands of Nigerian Naira</i>	Attributable to owners of the parent					
	Share capital	Share premium	Total share capital	Other reserves	Retained profit	Total Equity
Group						
Balance at 1 January 2019	646,510	64,498,466	65,144,976	6,069	154,201,270	219,352,315
Profit for the period	-	-	-	-	99,537,389	99,537,389
Redemption of preference shares	(239,420)	(47,282,173)	(47,521,593)	-	(96,725,423)	(144,247,016)
Transfer to Capital redemption reserve fund (CRRF)	-	-	-	239,420	-	239,420
Other comprehensive income	-	-	-	26,649	-	26,649
Dividends paid	-	-	-	-	(73,000,000)	(73,000,000)
Balance at 30 June 2019	407,090	17,216,293	17,623,383	272,138	84,013,236	101,908,757
Balance at 1 January 2020	407,090	17,216,293	17,623,383	521,161	126,541,015	144,685,559
Restatement*	-	-	-	-	1,175,548	1,175,548
Restated Opening balance	407,090	17,216,293	17,623,383	521,161	127,716,563	145,861,107
Profit for the period	-	-	-	-	94,876,949	94,876,949
Other comprehensive income	-	-	-	(232,465)	-	(232,465)
Dividends paid	-	-	-	-	(101,161,930)	(101,161,930)
Balance at 30 June 2020	407,090	17,216,293	17,623,383	288,696	121,431,582	139,343,661
Company						
Balance at 1 January 2019	646,510	64,498,466	65,144,976	6,069	154,201,270	219,352,315
Profit for the period	-	-	-	-	100,848,085	100,848,085
Redemption of preference shares	(239,420)	(47,282,173)	(47,521,593)	-	(96,725,423)	(144,247,016)
Transfer to Capital redemption reserve fund (CRRF)	-	-	-	239,420	-	239,420
Other comprehensive income	-	-	-	26,649	-	26,649
Dividends paid	-	-	-	-	(73,000,000)	(73,000,000)
Balance at 30 June 2019	407,090	17,216,293	17,623,383	272,138	85,323,932	103,219,453
Balance at 1 January 2020	407,090	17,216,293	17,623,383	521,161	143,118,853	161,263,397
Restatement*	-	-	-	-	1,175,548	1,175,548
Restated Opening balance	407,090	17,216,293	17,623,383	521,161	144,294,401	162,438,945
Profit for the period	-	-	-	-	97,977,167	97,977,167
Other comprehensive income	-	-	-	(232,465)	-	(232,465)
Dividends paid	-	-	-	-	(101,161,930)	(101,161,930)
Balance at 30 June 2020	407,090	17,216,293	17,623,383	288,696	141,109,638	159,021,717

*Restatement is in respect of impact of reversal of non-recoverable VAT from lease liabilities and ROU assets on retained profit. See Note 4

The accompanying notes on pages 7 - 36 are an integral part of these condensed consolidated financial statements.

Condensed consolidated and separate statement of cash flows

For the six months ended 30 June 2020

<i>In thousands of Nigerian Naira</i>	Notes	Group		Company	
		For the period ended 30 June 2020	30 June 2019 ¹	For the period ended 30 June 2020	30 June 2019 ¹
Cash flows from operating activities:					
Cash generated from operations	28	326,459,120	262,902,835	326,524,709	270,962,671
Finance costs paid		(51,692,998)	(46,840,349)	(49,378,884)	(56,847,062)
Interest received		4,622,288	10,328,590	2,299,975	10,484,840
Dividends paid		(10,010,960)	(73,000,000)	(10,010,960)	(73,000,000)
Regulatory fine paid		-	(110,000,000)	-	(110,000,000)
Tax paid	27	(55,912,116)	(19,726,573)	(55,876,541)	(19,427,421)
Net cash generated from operating activities		213,465,334	23,664,503	213,558,299	22,173,028
Cash flows from investing activities:					
Acquisition of property, plant and equipment		(72,359,901)	(98,808,727)	(72,359,901)	(98,808,727)
Acquisition of right of use assets		(1,855,508)	-	(1,855,508)	-
Proceeds from disposal of property, plant and equipment		190,984	408,828	190,984	408,828
Movement in non-current prepayments		47,767	(3,137,606)	47,767	(3,137,606)
Movement in non-current investment		(22,111,426)	-	(22,111,426)	-
Acquisition of intangible assets		(5,264,829)	(2,783,612)	(5,284,094)	(2,783,612)
Investment in treasury bills, bonds and foreign deposits		(99,690,001)	(36,450,275)	(99,457,536)	(34,882,935)
Movement in restricted cash		(90,007,980)	10,758,605	(90,007,980)	10,758,604
Net cash used in investing activities		(291,050,894)	(130,012,787)	(290,837,694)	(128,445,448)
Cash flows from financing activities:					
Proceeds from borrowings		118,446,310	201,864,436	118,446,310	201,864,436
Repayment of borrowings		(10,413,709)	(81,903,741)	(10,413,709)	(81,903,741)
Repayment of lease liability	26	(26,486,657)	(19,907,913)	(26,486,657)	(19,907,913)
Net cash flow generated from financing activities		81,545,944	100,052,782	81,545,944	100,052,782
Net increase/(decrease) in cash and cash equivalents		3,960,384	(6,295,502)	4,266,549	(6,219,638)
Cash and cash equivalents at beginning of the period		116,277,629	53,011,748	114,301,003	52,806,185
Exchange gain on cash and cash equivalents		145,224	7,789	145,224	7,789
Cash and cash equivalents at end of the period		120,383,237	46,724,035	118,712,776	46,594,336

The accompanying notes on pages 7 - 36 are an integral part of these condensed consolidated financial statements.

¹2019 figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

1 General information

MTN Nigeria Communications Plc formerly MTN Nigeria Communications Limited, (the Company) together with its subsidiaries (the Group) carry on the business of building and operating GSM Cellular Network Systems and other related services nation-wide in Nigeria.

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

2 Basis of preparation

These condensed consolidated and company interim financial statements for the six months period ended 30 June 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 31 December 2019 which has been prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those of the previous financial year except for the adoption of new accounting standards set out below.

3 Segment reporting

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

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

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

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

Customer segments	Description
Consumer Business Unit (CBU)	It consists of subscribers sitting in value propositions and tariff plans dedicated to three sub segments: Youth, High Value and Mass segments. All MTN customers are assumed to fall within CBU except where otherwise stated.
Enterprise Business Unit (EBU)	Enterprise customers are mostly corporate and small medium organisations whose business requires our products, services and solutions to serve their everyday business needs.
Wholesale Business Unit (WBU)	The Wholesale business, serves customers who buy MTN telecom products in bulk with the intention to re-sell these products (mobile or fixed) to their external clients.

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

3 Segment reporting (continued)

A key performance measure of the Group is gross margin. This is defined as revenue less direct costs. The table below presents revenue, direct costs and gross margin for the Group's operating segments for the three months ended 30 June 2020 and 30 June 2019.

Information about reportable segments

For the six months period ended

	CBU N'000	EBU N'000	WBU N'000	TOTAL N'000
30 June 2020				
Segment revenue	550,008,025	66,667,650	21,399,555	638,075,230
Direct costs	(106,864,218)	(7,674,828)	(546,591)	(115,085,637)
Gross margin	443,143,807	58,992,822	20,852,964	522,989,593
30 June 2019				
Segment revenue	479,844,424	64,018,723	23,130,954	566,994,101
Direct costs	(100,109,209)	(6,144,143)	(489,485)	(106,742,837)
Gross margin	379,735,215	57,874,580	22,641,469	460,251,264

Reconciliation of reportable segment revenue and profit or loss

Revenues

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

Profit or loss

<i>In thousands of Nigerian Naira</i>	For the period ended	
	30 June 2020	30 June 2019
Segment gross margin	522,989,593	460,251,264
Unallocated items:		
- Operating expenses	(195,928,260)	(157,883,497)
- Depreciation & amortisation	(122,525,739)	(112,967,903)
- Finance income	7,584,681	10,484,838
- Finance expense	(72,550,369)	(57,480,889)
Profit before taxation	139,569,906	142,403,813

Segment assets and liabilities

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

4 IFRS 16 - Prior year restatement

The Group adopted IFRS 16 retrospectively from 1 January 2019 and made a number of judgements, estimates and accounting policy choices. As part of the application on adoption, the Group included non-recoverable VAT on lease payments in the measurement of the lease liability and the right of use asset that is depreciated over the lease term.

As practice has developed, the Group has amended its policy to exclude non-recoverable VAT from the measurement of the lease liability and right of use asset and account for the non-recoverable VAT as an expense over the lease period when the obligating event that gives rise to the liability to pay VAT is triggered, that is when payment is made to the lessor. The revised policy will ensure comparability of its financial statements in accordance with the wider industry practice.

The Group has applied the accounting policy change retrospectively from the date of adopting IFRS 16.

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

4 IFRS 16 - Prior year restatement (continued)

The impact of this change in accounting policy had the following effect on the prior period results:

Statement of financial position – 1 January 2019 <i>in thousands of naira</i>	As previously reported	Adjustment	Restated
Right of use assets	513,281,713	(24,616,156)	488,665,557
Lease liabilities	506,000,514	(24,119,440)	481,881,074
Retained profit	154,201,270	-	154,201,270

Statement of profit or loss – 30 June 2019 <i>in thousands of naira</i>	As previously reported	Adjustment	Restated
Depreciation of right of use assets	(27,377,827)	1,497,481	(25,880,346)
Finance costs	(59,090,621)	1,609,732	(57,480,889)
Direct network operating costs	(117,877,009)	(2,243,559)	(120,120,568)
Other operating expenses	(28,017,254)	(257,223)	(28,274,477)
Profit before taxation	141,797,382	606,431	142,403,813
EPS (basic and diluted)	N 4.86		N 4.89

Statement of financial position – 30 June 2019 <i>in thousands of naira</i>	As previously reported	Adjustment	Restated
Right of use assets	495,510,300	(23,775,422)	471,734,878
Lease liabilities	498,887,445	(24,063,806)	474,823,639
Trade and other receivables	50,859,383	318,048	51,177,431
Retained profit	83,406,805	606,431	84,013,236

Statement of cash flows – 30 June 2019 <i>in thousands of naira</i>	As previously reported	Adjustment	Restated
Finance costs paid- lease liability	(49,083,908)	2,243,559	(46,840,349)
Cash generated from operations	265,146,394	(2,243,559)	262,902,835
Net cash generated from operating activities	23,664,503	-	23,664,503

Statement of profit or loss – 31 December 2019 <i>in thousands of naira</i>	As previously reported	Adjustment	Restated
Depreciation of right of use assets	(56,817,341)	2,815,178	(54,002,163)
Finance costs	(125,325,277)	3,245,819	(122,079,458)
Direct network operating costs	(242,012,147)	(4,591,487)	(246,603,634)
Other operating expenses	(50,182,898)	(293,961)	(50,476,859)
Profit before taxation	290,104,033	1,175,548	291,279,581
EPS (basic and diluted)	N 9.93		N 9.99

Statement of financial position – 31 Decemeber 2019 <i>in thousands of naira</i>	As previously reported	Adjustment	Restated
Right of use assets	500,067,655	(23,710,987)	476,356,668
Lease liabilities	516,534,156	(24,460,943)	492,073,213
Trade and other receivables	52,400,096	425,592	52,825,688
Retained profit	126,541,015	1,175,548	127,716,563

Statement of cash flows – 31 December 2019 <i>in thousands of naira</i>	As previously reported	Adjustment	Restated
Finance costs paid	(62,858,726)	4,591,487	(58,267,239)
Cash generated from operations	604,904,165	(4,591,487)	600,312,678
Net cash generated from operating activities	205,979,639	-	205,979,639

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

	Group				Company			
	For the six months ended		For the three months ended		For the six months ended		For the three months ended	
	30 June 2020	30 June 2019 ¹	30 June 2020	30 June 2019 ¹	30 June 2020	30 June 2019 ¹	30 June 2020	30 June 2019 ¹
<i>In thousands of Nigerian Naira</i>								
5. Revenue								
Voice	368,641,251	359,033,758	174,603,234	176,216,131	368,641,251	358,265,183	174,603,234	175,824,567
Data	153,988,967	103,321,974	79,979,861	56,758,687	153,988,967	102,993,662	79,979,861	56,587,146
SMS	4,347,806	7,058,642	1,010,800	3,389,941	4,347,806	7,058,642	1,010,800	3,399,495
Interconnect and roaming	64,567,614	62,056,127	30,967,233	33,200,025	64,567,614	62,046,306	30,967,233	33,190,228
Handset and accessories	1,083,956	533,438	452,165	(27,458)	1,083,956	533,438	452,165	(27,424)
Digital	17,842,953	16,988,920	8,548,154	8,697,941	17,842,953	16,988,920	8,548,154	8,701,000
Value added service	21,947,186	16,436,536	10,565,991	7,938,782	21,947,186	16,428,454	10,565,991	7,930,775
Other revenues	5,655,497	1,564,706	2,776,345	(1,296,769)	5,637,331	1,542,041	2,765,954	(1,319,164)
	638,075,230	566,994,101	308,903,783	284,877,280	638,057,064	565,856,646	308,893,392	284,286,623

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

SMS revenue excludes inbound roaming SMS.

Digital revenue includes Bulk SMS and USSD services.

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

Other revenue comprises revenue from cloud and infrastructure services, information and communication technology (ICT) revenue. Lease rental income from sites leased to other telecom operators is now reported as part of Other revenue. 2019 comparatives have been updated to reflect this reclassification.

6. Finance income and finance costs

Recognised in profit or loss

Finance income

Interest income on bank deposits	2,491,155	3,502,836	935,232	2,111,273	2,482,959	3,502,838	931,790	2,111,276
Interest income on amortised cost investments	2,181,945	4,998,757	1,054,972	2,444,043	2,181,945	4,998,757	1,054,972	2,444,043
Net gain on FVTPL investments	813,844	269,803	1,228,583	205,867	813,844	269,803	1,228,583	205,867
Net gain on FVOCI investments	586,803	109,994	213,323	82,612	586,804	109,994	213,323	82,612
Interest income on related parties receivables	3,025	9,413	1,432	4,607	3,025	9,413	1,432	4,607
Currency swap gain	-	-	84,818	-	-	-	84,818	-
Foreign exchange gain	1,507,909	1,594,035	501,424	173,238	1,507,909	1,594,035	501,424	173,238
	7,584,681	10,484,838	4,019,784	5,021,640	7,576,486	10,484,840	4,016,342	5,021,643

Finance costs

Interest expense - borrowings	30,348,305	18,835,626	14,238,977	10,885,647	30,348,305	18,835,626	14,238,977	10,885,647
Interest expense - leases	36,972,114	31,849,914	17,294,294	15,942,752	36,972,113	31,849,914	17,294,294	15,942,752
Interest expense - others	1,103,446	1,379,838	629,513	694,854	1,103,446	1,379,838	629,513	694,854
Time value accretion on regulatory fine	-	4,872,217	-	1,254,578	-	4,872,217	-	1,254,578
Foreign exchange loss	3,963,457	540,892	806,794	223,291	3,963,458	540,892	806,794	223,291
Currency swap loss	163,047	2,402	-	105,402	163,047	2,402	-	105,402
	72,550,369	57,480,889	32,969,578	29,106,524	72,550,369	57,480,889	32,969,578	29,106,524

¹2019 figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

In thousands of Nigerian Naira	Group				Company			
	For the six months ended 30 June 2020	For the six months ended 30 June 2019 ¹	For the three months ended 30 June 2020	For the three months ended 30 June 2019 ¹	For the six months ended 30 June 2020	For the six months ended 30 June 2019 ¹	For the three months ended 30 June 2020	For the three months ended 30 June 2019 ¹
7 Employee benefits								
Salaries and wages	14,832,579	12,970,545	7,596,699	6,973,489	14,481,869	12,970,545	7,409,727	6,973,489
Post-employment benefits - pension - defined contribution plan	939,533	813,592	496,171	420,042	939,533	813,592	496,171	420,042
Other staff costs	3,467,156	1,195,449	1,883,848	663,472	3,467,156	1,195,449	1,883,848	663,472
	19,239,268	14,979,586	9,976,718	8,057,003	18,888,558	14,979,586	9,789,746	8,057,003
Other staff costs comprises of mortgage subsidy, long service award, termination benefits, reward and recognition, Group life insurance, medical expenses.								
8 Other operating expenses								
Directors' emoluments	206,438	117,060	103,696	56,690	206,438	117,060	103,696	56,690
Fixed assets written off	418	2,992,220	-	2,992,220	418	2,992,220	-	2,992,220
Impairment/(reversal) of property, plant and equipment	1,045,314	(3,008,348)	-	(3,008,348)	1,045,314	(3,008,348)	-	(3,008,348)
Impairment/(reversal) losses on contract with customers	2,502,666	604,996	1,910,165	(112,939)	2,502,666	413,890	1,910,165	(276,848)
Information technology development levy and MTN Foundation	2,422,506	2,438,285	1,106,842	1,236,867	2,419,932	2,438,285	1,104,268	1,236,867
Business continuity expenses	1,602,193	-	1,577,428	-	1,602,193	-	1,577,428	-
Insurance cost	719,532	735,046	359,765	379,099	719,532	735,045	359,765	379,099
Professional fees	12,082,418	11,132,907	6,420,215	5,587,630	11,281,941	10,890,759	6,017,138	5,401,035
Maintenance cost	7,552,049	6,333,415	3,903,554	3,139,748	7,552,049	6,334,197	3,903,554	3,140,998
Rent, rates, utilities and other office running cost	479,226	1,507,803	(2,493,669)	999,782	424,179	1,489,112	(2,548,716)	984,008
Trainings, travels and entertainment cost	936,500	1,218,867	335,631	426,300	882,784	1,218,539	308,596	425,972
Audit fees	154,671	142,001	77,336	59,701	154,671	142,001	77,336	71,001
Loss/(profit) on disposal of property, plant and equipment	315,448	(93,087)	(39,018)	(169,357)	315,448	(93,087)	(39,018)	(169,357)
Other expenses*	819,791	1,144,964	450,062	620,491	819,685	1,141,850	450,040	617,804
	30,839,170	25,266,129	13,712,007	12,207,884	29,927,250	24,811,523	13,224,252	11,851,141
*Other expenses include bank charges, subscriptions, office refreshments and security costs.								
9 Direct network operating costs								
Regulatory fees	16,375,828	14,520,120	8,176,819	7,134,437	16,375,828	14,520,120	8,176,819	7,147,718
Annual numbering plan	582,055	563,202	291,028	281,601	582,055	488,513	291,028	244,257
BTS leases**	107,181,875	81,983,648	59,318,259	41,161,310	107,181,875	81,983,688	59,318,259	41,161,350
Network maintenance	24,412,436	23,053,598	12,302,093	10,942,158	24,412,436	23,357,562	12,302,093	11,254,440
	148,552,194	120,120,568	80,088,199	59,519,506	148,552,194	120,349,883	80,088,199	59,807,765

**Following the adoption of IFRS 16 Leases, BTS lease expense relates to the non-lease components (power and maintenance) of the tower lease contracts which are recognised as an expense in profit or loss as they are incurred.

¹2019 figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

In thousands of Nigerian Naira	Group				Company			
	For the period ended		For the three months ended		For the period ended		For the three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
10 Income tax expense								
Current tax								
Company income tax	48,961,374	35,106,499	19,434,709	22,839,258	48,959,014	34,873,975	19,432,349	22,675,344
Education tax	4,836,469	4,255,233	2,134,852	2,434,845	4,831,297	4,255,233	2,129,680	2,434,845
Nigerian Police Trust Fund*	7,199	-	3,264	-	7,199	-	3,264	-
	53,805,042	39,361,732	21,572,825	25,274,103	53,797,510	39,129,208	21,565,293	25,110,189
Deferred tax								
Deferred tax (credit)/charge	(9,112,085)	3,504,692	(2,042,298)	(4,062,588)	(7,787,746)	4,259,363	(1,436,152)	(3,685,252)
	(9,112,085)	3,504,692	(2,042,298)	(4,062,588)	(7,787,746)	4,259,363	(1,436,152)	(3,685,252)
Tax expense for the period	44,692,957	42,866,424	19,530,527	21,211,515	46,009,764	43,388,571	20,129,141	21,424,937

*The Nigeria Police Trust Fund Act 2019 was introduced in 2019. The Act imposes a levy of 0.005% on the “net profit” of companies operating business in Nigeria. The levy is calculated based on the 0.005% of profit before tax.

10 Tax rate reconciliation

The table below explains the differences between the expected tax expense on continuing operations, at the Nigerian statutory tax rate of 30% (2019: 30%) and the Company's total tax expense for each year. The income tax charge for the period is reconciled to the effective rate of taxation in Nigeria as follows:

In thousands of Nigerian Naira	Group		Company	
	For the period ended		For the period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Profit before tax	139,569,906	142,403,813	143,986,931	144,236,656
Tax charge	44,692,957	42,866,424	46,009,764	43,388,571
Effective tax rate ^a	32.02%	30.32%	31.95%	30.21%
	%	%	%	%
Tax at standard rate	30.00	30.00	30.00	30.00
Expenses not allowed	(0.47)	0.39	(0.45)	0.39
Prior year tax under/(over) provision	0.31	(0.20)	0.30	(0.20)
Investment allowance**	(1.30)	(2.00)	(1.28)	(1.99)
Exempt income***	0.22	(1.05)	0.22	(1.04)
Education tax	3.25	3.18	3.15	3.05
Minimum tax/Capital Gain Tax/Police Trust Fund	0.01	-	0.01	-
Effective tax rate	32.02	30.32	31.95	30.21

^aEffective tax rate increased by 1.7pp Year on Year (YoY) largely due to reduction in tax exempt income and increase in deferred tax liability as a result of Right of Use (ROU) assets opening balance restatement.

**Investment allowance are allowances in respect of Network and IS Equipment additions during the period.

***Exempt income represents income from FGN Bonds and Treasury Bills not taxable.

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

11 Property, plant and equipment

Group	Land and buildings	Leasehold improvements	Network infrastructure	Information systems, furniture and office equipment	Capital work-in-progress	Motor vehicles	Total
<i>In thousands of Nigerian Naira</i>							
Balance at 31 December 2019							
Cost	31,643,553	21,841,122	1,202,250,583	44,930,722	36,857,308	5,961,797	1,343,485,085
Accumulated depreciation and impairment	(20,069,087)	(7,082,744)	(658,695,118)	(28,533,820)	-	(4,008,527)	(718,389,296)
Net book value	11,574,466	14,758,378	543,555,465	16,396,902	36,857,308	1,953,270	625,095,789
Cost							
Balance at 1 January 2020	31,643,553	21,841,122	1,202,250,583	44,930,722	36,857,308	5,961,797	1,343,485,085
Additions	89,631	97,274	1,139,240	4,330,364	65,100,937	-	70,757,446
Reallocation	403,698	118,810	54,350,640	626,346	(55,531,918)	-	(32,424)
Disposals	-	-	(133,957,826)	(3,226,591)	(454,686)	-	(137,639,103)
Balance at 30 June 2020	32,136,882	22,057,206	1,123,782,637	46,660,841	45,971,641	5,961,797	1,276,571,004
Balance at 1 January 2020	(20,069,087)	(7,082,744)	(658,695,118)	(28,533,820)	-	(4,008,527)	(718,389,296)
Depreciation for the period	(589,443)	(754,521)	(67,951,136)	(4,914,683)	-	(253,530)	(74,463,313)
Impairment	-	-	(1,045,314)	-	-	-	(1,045,314)
Disposals	-	-	133,900,086	3,213,282	-	-	137,113,368
Balance at 30 June 2020	(20,658,530)	(7,837,265)	(593,791,482)	(30,235,221)	-	(4,262,057)	(656,784,555)
Carrying amounts							
At 31 December 2019	11,574,466	14,758,378	543,555,465	16,396,902	36,857,308	1,953,270	625,095,789
At 30 June 2020	11,478,352	14,219,941	529,991,155	16,425,620	45,971,641	1,699,740	619,786,449

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

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

11 Property, plant and equipment

Company	Land and buildings	Leasehold improvements	Network infrastructure	Information systems, furniture and office equipment	Capital work -in-progress	Motor vehicles	Total
<i>In thousands of Nigerian Naira</i>							
Balance at 31 December 2019							
Cost	31,643,553	21,841,122	1,202,250,583	44,930,722	36,857,308	5,961,797	1,343,485,085
Accumulated depreciation and impairment	(20,069,087)	(7,082,744)	(658,695,118)	(28,533,820)	-	(4,008,527)	(718,389,296)
Net book value	11,574,466	14,758,378	543,555,465	16,396,902	36,857,308	1,953,270	625,095,789
Cost							
Balance at 1 January 2020	31,643,553	21,841,122	1,202,250,583	44,930,722	36,857,308	5,961,797	1,343,485,085
Additions	89,631	97,274	1,139,240	4,330,364	65,100,937	-	70,757,446
Reallocation	403,698	118,810	54,350,640	626,346	(55,531,918)	-	(32,424)
Disposals	-	-	(133,957,826)	(3,226,591)	(454,686)	-	(137,639,103)
Balance at 30 June 2020	32,136,882	22,057,206	1,123,782,637	46,660,841	45,971,641	5,961,797	1,276,571,004
Balance at 1 January 2020	(20,069,087)	(7,082,744)	(658,695,118)	(28,533,820)	-	(4,008,527)	(718,389,296)
Depreciation for the period	(589,443)	(754,521)	(67,951,136)	(4,914,683)	-	(253,530)	(74,463,313)
Impairment	-	-	(1,045,314)	-	-	-	(1,045,314)
Disposals	-	-	133,900,086	3,213,282	-	-	137,113,368
Balance at 30 June 2020	(20,658,530)	(7,837,265)	(593,791,482)	(30,235,221)	-	(4,262,057)	(656,784,555)
Carrying amounts							
At 31 December 2019	11,574,466	14,758,378	543,555,465	16,396,902	36,857,308	1,953,270	625,095,789
At 30 June 2020	11,478,352	14,219,941	529,991,155	16,425,620	45,971,641	1,699,740	619,786,449

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

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

12 Right of use assets

Group and Company	Network infrastructure	Base station land	Buildings	Office equipment	Motor vehicles	Total
<i>In thousands of Nigerian Naira</i>						
Balance at 31 December 2019						
Cost	541,457,408	8,417,420	6,528,732	417,388	64,048	556,884,996
Accumulated depreciation and impairment	(52,693,900)	(2,543,847)	(1,425,827)	(139,115)	(14,652)	(56,817,341)
Net book value	488,763,508	5,873,573	5,102,905	278,273	49,396	500,067,655
Cost						
Balance at 31 December 2019	541,457,408	8,417,420	6,528,732	417,388	64,048	556,884,996
Restatement*	(25,783,686)	(408,747)	(310,806)	(19,876)	(3,050)	(26,526,165)
Restated balance as at 31 December 2019	515,673,722	8,008,673	6,217,926	397,512	60,998	530,358,831
Additions	55,566,183	1,576,054	85,689	-	821,700	58,049,626
Balance as at 30 June 2020	571,239,905	9,584,727	6,303,615	397,512	882,698	588,408,457
Depreciation						
Balance at 31 December 2019	(52,693,900)	(2,543,847)	(1,425,827)	(139,115)	(14,652)	(56,817,341)
Restatement*	2,510,221	184,455	109,506	9,919	1,077	2,815,178
Restated balance as at 31 December 2019	(50,183,679)	(2,359,392)	(1,316,321)	(129,196)	(13,575)	(54,002,163)
Depreciation for the period	(28,042,742)	(1,608,148)	(888,660)	(69,177)	(48,500)	(30,657,227)
Balance as at 30 June 2020	(78,226,421)	(3,967,540)	(2,204,981)	(198,373)	(62,075)	(84,659,390)
Carrying amounts						
At 31 December 2019*	465,490,043	5,649,281	4,901,605	268,316	47,423	476,356,668
At 30 June 2020	493,013,484	5,617,187	4,098,634	199,139	820,623	503,749,067

*These figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

13 Intangible assets

Group	Goodwill	Licences	Software	Capital work - in-progress	Total
<i>In thousands of Nigerian Naira</i>					
Balance at 31 December 2019					
Cost	10,016,039	184,423,724	62,051,240	5,197,207	261,688,210
Accumulated amortisation and impairment	-	(109,323,646)	(31,417,650)	-	(140,741,296)
Net book value	10,016,039	75,100,078	30,633,590	5,197,207	120,946,914
Cost					
Balance at 1 January 2020	10,016,039	184,423,724	62,051,240	5,197,207	261,688,210
Additions	-	-	1,154,335	4,107,976	5,262,311
Reallocation	-	-	2,254,606	(2,222,182)	32,424
Disposals	-	-	(10,105,148)	-	(10,105,148)
Balance at 30 June 2020	10,016,039	184,423,724	55,355,033	7,083,001	256,877,797
Accumulated amortisation and impairment					
Balance at 1 January 2020	-	(109,323,646)	(31,417,650)	-	(140,741,296)
Amortisation for the period	-	(7,979,535)	(9,425,664)	-	(17,405,199)
Disposals	-	-	10,124,412	-	10,124,412
Balance at 30 June 2020	-	(117,303,181)	(30,718,902)	-	(148,022,083)
Carrying amounts					
At 31 December 2019	10,016,039	75,100,078	30,633,590	5,197,207	120,946,914
At 30 June 2020	10,016,039	67,120,543	24,636,131	7,083,001	108,855,714
Company					
Balance at 31 December 2019					
Cost	-	135,667,646	62,186,335	5,197,207	203,051,188
Accumulated amortisation and impairment	-	(87,458,072)	(31,521,074)	-	(118,979,146)
Net book value	-	48,209,574	30,665,261	5,197,207	84,072,042
Cost					
Balance at 1 January 2020	-	135,667,646	62,186,335	5,197,207	203,051,188
Additions	-	-	1,173,600	4,107,976	5,281,576
Reallocation	-	-	2,254,607	(2,222,183)	32,424
Disposals	-	-	(9,856,978)	-	(9,856,978)
Balance at 30 June 2020	-	135,667,646	55,757,564	7,083,000	198,508,210
Accumulated amortisation and impairment					
Balance at 1 January 2020	-	(87,458,072)	(31,521,074)	-	(118,979,146)
Amortisation for the year	-	(5,320,325)	(9,425,664)	-	(14,745,989)
Disposals	-	-	9,856,976	-	9,856,976
Balance at 30 June 2020	-	(92,778,397)	(31,089,762)	-	(123,868,159)
Carrying amounts					
At 31 December 2019	-	48,209,574	30,665,261	5,197,207	84,072,042
At 30 June 2020	-	42,889,249	24,667,802	7,083,000	74,640,051

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

Goodwill relates to the acquisition of Visafone Communications Limited.

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019 ¹	30 June 2020	31 Dec 2019 ¹
14 Investment in subsidiaries				
Visafone Communications Limited	-		43,778,000	43,778,000
XS Broadband Limited	-		500,000	500,000
Yello Digital Financial Services Limited	-		1,800,000	1,800,000
Total investment	-		46,078,000	46,078,000
Impairment (XS Broadband Ltd)	-		(500,000)	(500,000)
	-		45,578,000	45,578,000
15 Other investments				
Treasury bonds held at amortised cost	22,111,426	-	22,111,426	-
	22,111,426	-	22,111,426	-
16 Other non current assets				
Contract acquisition costs	6,203,241	4,851,490	6,203,241	4,851,490
Non current prepayments	12,081,437	12,145,236	12,081,437	12,145,236
	18,284,678	16,996,726	18,284,678	16,996,726
17 Current investments				
US Dollar deposits held at amortised cost	17,101,017	11,852,750	17,101,017	11,852,750
NGN deposits held at amortised cost	88,900,000	-	88,900,000	-
Treasury bills held at amortised cost	35,419,627	33,204,013	35,419,627	33,204,013
Treasury bills and bonds held at FVOCI	7,885,439	6,135,782	7,885,439	6,135,782
Treasury bills and bonds held at FVTPL	7,311,619	3,634,024	7,311,619	3,634,024
Treasury bonds held at FVTPL	260,596	-	260,596	-
	156,878,298	54,826,569	156,878,298	54,826,569
18 Inventories				
Handsets and accessories	1,651,994	658,172	1,651,994	658,172
Starter packs	2,372,807	436,140	2,372,807	436,140
	4,024,801	1,094,312	4,024,801	1,094,312
Inventory write-down	(2,206,758)	(184,735)	(2,206,758)	(184,735)
	1,818,043	909,577	1,818,043	909,577
There was an inventory write down of N2.02 billion recognised in the cost of handsets and accessories in the statement of profit and loss.				
19 Trade and other receivables				
Trade receivables	32,958,993	30,813,196	32,029,515	29,663,338
Trade receivables - related parties	16,111,546	12,490,278	19,520,314	14,384,864
Allowance for expected credit losses	(8,775,172)	(6,272,506)	(8,357,385)	(5,854,719)
Net trade receivables	40,295,367	37,030,968	43,192,444	38,193,483
Sundry receivables and advances	106,098	217,438	106,098	217,438
Other receivables	11,078,406	10,421,180	11,112,087	10,454,616
Non-financial instruments				
Prepayments	19,915,901	17,301,338	19,914,055	17,299,492
Less: non current prepayments	(12,081,437)	(12,145,236)	(12,081,437)	(12,145,236)
Trade and other receivables	59,314,335	52,825,688	62,243,247	54,019,793
20 Restricted cash				
Restricted cash deposits	128,057,570	38,049,589	128,007,569	37,999,589

Restricted cash represents deposits with banks to secure Letters of Credit and collateral against repayment on borrowings. Also included in restricted cash is the retention fee on purchase of Visafone Communications Limited.

¹2019 figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
21 Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	50,483,237	40,477,629	48,812,776	38,501,003
Short-term deposits	69,900,000	75,800,000	69,900,000	75,800,000
	120,383,237	116,277,629	118,712,776	114,301,003

22 Borrowings

The maturity of the loans is as follows:

Payable within one year (included in current liabilities)	165,674,159	32,453,044	165,674,159	32,453,044
More than one year but not exceeding two years	86,516,208	82,210,969	86,516,208	82,210,969
More than two years but not exceeding five years	216,897,986	212,666,964	216,897,986	212,666,964
More than five years	54,637,737	85,210,846	54,637,737	85,210,846
Amounts included in non-current liabilities	358,051,931	380,088,779	358,051,931	380,088,779

22.1 Summary of borrowing arrangements

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

Facility	Type	Outstanding balance as at 30 June 2020
Local facility M	N200 billion local currency term loan maturing in 2025, variable interest loan, linked to average 3-Month NIBOR plus a margin of 1.75%.	N200 billion
Local facility N	N200 billion local currency term loan maturing in 2026, variable interest loan, linked to average 3-Month NIBOR plus a margin of 1.75%.	N180 billion
Foreign facility H	USD 329 million Export Credit Agency backed Facility from KfW-IPEX Bank and Citibank. The first tranche (H1) of the loan totalling \$87m has been drawn while the remaining tranches (H2 and H3) expired undrawn. H1 and H3 are variable interest loan facilities linked to the 6-Month LIBOR plus a 1.15% margin, while H2 is a fixed interest rate loan at 2.18% p.a.	USD 34.1 million
Foreign facility J	Syndicated Buyer's Credit Facility with floating interest rate Facilities at 6-Month LIBOR plus a margin of 5.5%.	USD 50.8 million
Commercial Paper	Under the N100 billion Commercial paper Issuance Programme, two series were issued on June 8, 2020 comprising of: Series I: With a Face value of N20 billion for 182 days at discount rate of 4.78%. Series II: With a face value of N80 billion for 270 days at discount rate of 5.70%	N100 billion

<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
23 Trade and other payables				
Trade payables	40,341,208	27,462,995	40,100,233	27,293,296
Trade payables - related parties	24,489,211	16,383,547	24,807,095	16,383,546
Sundry payables	903,775	1,092,159	903,775	1,092,159
Accrued expenses	130,418,287	132,960,026	130,114,757	132,352,060
Other payables	106,339,925	12,541,769	106,335,791	12,520,511
	302,492,406	190,440,496	302,261,651	189,641,572

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For the six months ended 30 June 2020

<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
24 Other current liabilities				
Contract liabilities	44,813,672	46,806,355	44,431,997	46,745,269
Provisions	20,896,825	27,269,070	20,896,825	27,269,070
Total other current liabilities	65,710,497	74,075,425	65,328,822	74,014,339
25 Deferred tax and other non-current liabilities				
25.1 Deferred tax				
Opening balance	120,586,576	109,266,019	113,039,867	100,191,396
Additional tax	(8,297,808)	12,829,899	(7,787,746)	12,848,471
Adjustment on consolidation	(814,278)	(1,509,342)	-	-
	111,474,490	120,586,576	105,252,121	113,039,867

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

<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
25.2 Provisions				
At beginning of period	27,340,493	21,425,130	27,340,493	21,425,130
Additions	9,415,670	21,144,958	9,415,670	21,144,958
Unused amounts reversed	(4,314,473)	(6,818,000)	(4,314,473)	(6,818,000)
Utilised	(11,509,464)	(8,411,595)	(11,509,464)	(8,411,595)
At end of period	20,932,226	27,340,493	20,932,226	27,340,493
Current	20,896,825	27,269,070	20,896,825	27,269,070
Non-current	35,402	71,424	35,402	71,424
25.3 Other non-current liabilities				
Share based payment liability	260,851	744,591	260,851	744,591
Derivatives	446,738	264,573	446,738	264,573
	707,589	1,009,164	707,589	1,009,164
Total deferred tax and other non-current liabilities	112,217,481	121,667,164	105,995,112	114,120,455

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019 ¹	30 June 2020	31 Dec 2019 ¹
26 Lease liabilities				
The statement of financial position shows the following amounts relating to leases:				
Current	42,426,817	33,564,290	42,426,817	33,564,290
Non-current	493,325,163	458,508,923	493,325,163	458,508,923
	535,751,980	492,073,213	535,751,980	492,073,213
27 Current tax payable				
Opening balance	65,625,921	54,131,436	65,325,408	53,667,534
Provision for the period/year				
- company income tax	48,961,374	67,813,183	48,959,014	67,677,420
Provision for the period/year				
- education tax	4,836,469	8,844,585	4,831,297	8,844,585
Provision for the year/ period				
- Nigerian Police Trust Fund	7,199	14,734	7,199	14,734
Tax paid	(55,912,115)	(44,068,636)	(55,876,540)	(43,769,484)
Income tax on dividends	-	(18,013,744)	-	(18,013,744)
Withholding tax credit	(1,883,734)	(3,095,637)	(1,883,734)	(3,095,637)
Reclassification	(1,638,412)	-	(1,638,412)	-
Closing balance	59,996,702	65,625,921	59,724,232	65,325,408

¹2019 figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

<i>In thousands of Nigerian Naira</i>	Group		Company	
	For the period ended 30 June 2020	30 June 2019 ¹	For the period ended 30 June 2020	30 June 2019 ¹
28 Cash generated from operations				
Profit before tax	139,569,906	142,403,813	143,986,931	144,236,656
<i>Adjustments for non cash items:</i>				
Finance income	(7,584,681)	(10,484,838)	(7,576,486)	(10,484,840)
Finance cost	72,550,369	57,480,889	72,550,369	57,480,889
Depreciation of property, plant and equipment	74,463,313	72,610,738	74,463,313	72,610,738
Impairment of property, plant and equipment	1,045,314	(3,008,348)	1,045,314	(3,008,348)
Depreciation of right of use assets	30,657,227	25,880,346	30,657,227	25,880,346
Amortisation of intangible assets	17,405,199	14,476,819	14,745,989	11,799,883
Loss/(gain) on disposal of property, plant and equipment	315,866	(93,087)	315,448	(93,087)
Impairment and write-down of trade receivables	2,502,666	604,996	2,502,666	413,890
Impairment/(reversal of impairment) of trading inventory	2,022,023	(1,009,460)	2,022,023	(1,009,460)
PPE expensed	-	549,087	-	549,087
Fixed assets written off	-	2,992,220	-	2,992,220
	332,947,202	302,403,175	334,712,794	301,367,974
Changes in working capital:				
Movement in inventories	(2,930,488)	1,381,948	(2,930,488)	1,381,950
Movement in trade and other receivables	(11,362,519)	(15,567,076)	(13,097,326)	(13,225,060)
Movement in trade and other payables	16,812,025	(26,204,781)	17,167,420	(20,368,509)
Movement in contract acquisition cost	(1,351,751)	(669,040)	(1,351,751)	(669,040)
Movement in provisions	(6,436,653)	(1,107,618)	(6,436,653)	(1,107,618)
Movement in contract liabilities	(1,400,861)	2,666,227	(1,721,452)	3,582,974
Movement in derivatives	182,165	-	182,165	-
	(6,488,082)	(39,500,340)	(8,188,085)	(30,405,303)
Cash generated from operations	326,459,120	262,902,835	326,524,709	270,962,671

<i>In thousands of Nigerian Naira</i>	Company	
	30 June 2020	31 Dec 2019
29 Equity		
29.1 Authorised:		
27,850,000,000 ordinary shares of N0.02 each	557,000	557,000
	557,000	557,000
29.2 Issued and fully paid:		
20,354,513,050 ordinary shares of N0.02 each	407,090	407,090
	407,090	407,090
29.3 Share premium		
4,500,000 ordinary shares of N 3,779.89 each	17,009,500	17,009,500
138,960 ordinary shares of N 1,488.15 each	206,793	206,793
	17,216,293	17,216,293

¹2019 figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

30 Earnings per share (EPS)

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

<i>In thousands of Nigerian Naira</i>	Group		Company	
	For the period ended 30 June 2020	30 June 2019¹	For the period ended 30 June 2020	30 June 2019¹
Profit attributable to equity holders	94,876,949	99,537,389	97,977,167	100,848,085
Weighted average number of ordinary shares (in thousands)	20,354,513	20,354,513	20,354,513	20,354,513
Basic/diluted EPS (N)	4.66	4.89	4.81	4.95

Dividend per share

The Board of MTN Nigeria Communications PLC has approved the payment of an Interim Dividend of N3.50 kobo per 2 kobo ordinary share (June 2019: N2.95 per 2 kobo ordinary share), subject to appropriate deductions of withholding tax; payable to shareholders whose names appear on the Register of Members as at the close of business on August 14, 2020.

31 Foreign exchange exposure

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

Group 30 June 2020	United States Dollar	Euro	British Pound Sterling	South African Rand	Total
<i>In thousands of Naira</i>					
Assets					
<i>Current assets</i>					
Trade and other receivables	17,680,653	-	-	-	17,680,653
Current investments	17,365,075	-	-	-	17,365,075
Restricted cash	5,366,410	-	-	-	5,366,410
Cash and cash equivalents	5,048,649	537	7,385	5	5,056,576
	45,460,787	537	7,385	5	45,468,714
<i>Liabilities</i>					
<i>Current liabilities</i>					
Trade payables	42,852,856	124,893	16,744	1,378	42,995,871
Borrowings	30,096,998	-	-	-	30,096,998
Other payables	49,155,149	593,861	27,135	30,395	49,806,540
Intercompany payable	11,071,506	-	-	29,992	11,101,499
	133,176,510	718,754	43,879	61,765	134,000,908
<i>Non-current liabilities</i>					
Borrowings	16,926,384	-	-	-	16,926,384
Lease liabilities	348,624,572	-	-	-	348,624,572
	365,550,956	-	-	-	365,550,956
Total liabilities	498,727,465	718,754	43,879	61,765	499,551,863

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

32 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged.

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

Holding and ultimate holding companies

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

<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
The following is a summary of transactions between the Group and its related parties during the year and balances due at year end:				
Parent company: MTN International (Mauritius) Limited				
Dividends paid (excluding withholding tax):	71,190,917	93,628,636	71,190,917	93,628,636
Redemption of preference shares	-	112,345,104	-	112,345,104
Subsidiaries				
Visafone Communications Limited Purchases	-	-	-	33,860
Cost charged for hosting its customers on the network	-	-	-	704,355
Intercompany receivable/(payable)	-	-	(317,885)	178,813
Yello Digital Financial Services Limited Transactions				
Intercompany receivable	-	-	2,770,471	1,102,719
XS Broadband Limited Transactions				
Intercompany receivable	-	-	638,297	613,054

Related party balances

The Group is related to other entities in the MTN Group by virtue of common shareholding. The transactions with related parties during the year are as follows:

Amounts due to related parties

MTN Sudan	95,552	76,121	95,552	76,121
MTN Uganda	4,250	1,824	4,250	1,824
MTN Zambia	6,490	5,473	6,490	5,473
MTN Dubai	-	361,547	-	361,547
Global Trading Company	-	371,308	-	371,308
MTN Management Services Co	1,207,336	1,064,037	1,207,336	1,064,037
MTN Benin	1,347,524	1,194,963	1,347,524	1,194,963
MTN (Dubai) Limited	1,270,580	-	1,270,580	-
MTN Procurement Global Trading Company	785,510	-	785,510	-
Mobile Telephone Networks (Pty) Limited	999,282	-	999,282	-
MTN Cameroon	555,059	627,568	555,059	627,568
MTN Congo	11,171	8,690	11,171	8,690
MTN Cote d'Ivoire	50,119	168,431	50,119	168,431
MTN Ghana	282,546	770,212	282,546	770,212
MTN Guinea Bissau	1,678	262	1,678	262
MTN Namibia	21	87	21	87
MTN Rwanda	1,608	2,220	1,608	2,220
MTN South Africa	-	588,751	-	588,751
Interserve Overseas Ltd	3,251,361	2,023,424	3,251,361	2,023,424
MTN Global Connect	2,333,254	613,240	2,333,254	613,240
MTN International (Mauritius) Limited	12,285,870	8,491,775	12,285,870	8,491,775
MTN Holdings	-	13,612	-	13,612

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<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
32 Related party transactions (continued)				
Amounts due from related parties				
MTN Sudan	92,673	87,377	92,673	87,377
MTN Zambia	28,564	17,593	28,564	17,593
MTN Global Connect	11,054,939	6,292,182	11,054,939	6,292,182
Lonestar Communications Corporations (Liberia)	28,259	15,720	28,259	15,720
MTN (Dubai) Limited	-	-	-	-
MTN Management Services Co	2,626,834	-	2,626,834	-
MTN Afghanistan	-	259	-	259
MTN Benin	40,000	274,404	40,000	274,404
MTN Cameroon	1,304,879	1,688,173	1,304,879	1,688,173
MTN Congo	33,918	18,724	33,918	18,724
MTN Cote d'Ivoire	72,012	339,711	72,012	339,711
MTN Ghana	19,501	719,235	19,501	719,235
MTN Guinea Bissau	22,600	8,769	22,600	8,769
MTN Guinea Conakry	14,431	13,576	14,431	13,576
MTN South Africa	-	749,613	-	749,613
MTN Group Management Services	-	2,264,945	-	2,264,945
Mobile Telephone Networks (Pty) Ltd	772,936	-	772,936	-
Purchases from related parties				
MTN Sudan	14,818	3,500	14,818	3,500
MTN Swaziland	90	324	90	324
MTN Syria	128	472	128	472
MTN Uganda	10,933	4,387	10,933	4,387
MTN Yemen	21	51	21	51
MTN Zambia	3,355	799	3,355	799
MTN (Dubai) Limited	1,589,186	2,388,054	1,589,186	2,388,054
MTN South Sudan	2,862	708	2,862	708
Global Trading Company	396,622	1,106,047	396,622	1,106,047
MTN Global Connect	18,607	17,144	18,607	17,144
Lonestar Communications Corporations (Liberia)	1,391	4,236	1,391	4,236
MTN Namibia	127	401	127	401
MTN Benin	878,193	48,146	878,193	48,146
MTN Cameroon	142,620	35,133	142,620	35,133
MTN Congo	2,250	1,045	2,250	1,045
MTN Cote d'Ivoire	39,827	9,968	39,827	9,968
MTN Cyprus	1,443	1,645	1,443	1,645
MTN Ghana	427,792	96,111	427,792	96,111
MTN Guinea Bissau	438	813	438	813
MTN Guinea Conakry	372	912	372	912
MTN Irancell	470	339	470	339
MTN Rwanda	804	5,449	804	5,449
Mobile Telephone Networks (Pty) Ltd	382,421	35,156	382,421	35,156

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<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
32 Related party transactions (continued)				
Sales to related parties				
MTN Sudan	1,708	34,828	1,708	34,828
MTN Swaziland	286	264	286	264
MTN Syria	35	57	35	57
MTN Uganda	1,153	12,693	1,153	12,693
MTN Yemen	58	11	58	11
MTN Zambia	6,960	17,410	6,960	17,410
MTN South Sudan	2,891	3,176	2,891	3,176
MTN Namibia	531	1,230	531	1,230
MTN Global Connect	7,877,564	6,292,182	7,877,564	6,292,182
Lonestar Communications Corporations (Liberia)	1,315	2,753	1,315	2,753
MTN Benin	3,370	926,984	3,370	926,984
MTN Cameroon	10,828	518,852	10,828	518,852
MTN Congo	12,834	9,655	12,834	9,655
MTN Cote d'Ivoire	1,399	168,799	1,399	168,799
MTN Cyprus	115	369	115	369
MTN Ghana	1,171	4,000,391	1,171	4,000,391
MTN Guinea Bissau	85	364	85	364
MTN Guinea Conakry	876	5,748	876	5,748
MTN Irancell	167	29	167	29
MTN Rwanda	2,910	1,340	2,910	1,340
Mobile Telephone Networks (Pty) Ltd	997	516,972	997	516,972

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

Trade payables to related parties arise mainly from professional fees, roaming, Application to Person (A2P) SMS, and interconnect services rendered on MTN Nigeria's behalf by other operations within the MTN Group and are due one month after the date of purchase.

Notes to the condensed consolidated and separate financial statements

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33 Financial instruments and risk management

33.1 Accounting classes and fair values

Group and Company	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive income	Total Carrying Amount
<i>In thousands of Nigerian Naira</i>				
30 June 2020				
Non-Current financial assets				
Other investments	22,111,426	-	-	22,111,426
	22,111,426	-	-	22,111,426
Current financial assets				
Trade and other receivables	34,851,116	-	-	34,851,116
Current investments	53,045,298	8,517,114	6,415,886	67,978,298
Cash at bank and on hand	209,283,237	-	-	209,283,237
Restricted cash	128,057,570	-	-	128,057,570
	425,237,221	8,517,114	6,415,886	440,170,221
	447,348,647	8,517,114	6,415,886	462,281,647
Non-current financial liabilities				
Borrowings	358,051,931	-	-	358,051,931
Derivative	-	446,738	-	446,738
Lease liabilities	493,325,163	-	-	493,325,163
	851,377,094	446,738	-	851,823,832
Current financial liabilities				
Trade and other payables	92,363,378	-	-	92,363,378
Current borrowings	165,674,159	-	-	165,674,159
Accrued expenses	126,272,401	-	-	126,272,401
Lease liabilities	17,456,425	-	-	17,456,425
	401,766,362	-	-	401,766,362
	1,253,143,456	446,738	-	1,253,590,194
31 December 2019¹				
Current financial assets				
Trade and other receivables	47,243,994	-	-	47,243,994
Current investments	45,056,763	3,634,024	6,135,782	54,826,569
Cash and cash equivalents	116,277,629	-	-	116,277,629
Restricted cash	38,049,589	-	-	38,049,589
	246,627,975	3,634,024	6,135,782	256,397,781
Non-current financial liabilities				
Borrowings	380,088,779	-	-	380,088,779
Derivatives	-	264,573	-	264,573
Lease liabilities	481,434,369	-	-	481,434,369
	861,523,148	264,573	-	861,787,721
Current financial liabilities				
Trade and other payables	27,462,995	-	-	27,462,995
Borrowings	32,453,044	-	-	32,453,044
Accrued expenses	113,411,051	-	-	113,411,051
Other payables	428,660	-	-	428,660
Amount due to related parties	16,383,546	-	-	16,383,546
Lease liabilities	33,564,290	-	-	33,564,290
	223,703,586	-	-	223,703,586
	1,085,226,734	264,573	-	1,085,491,307

¹2019 figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

33 Financial instruments and risk management (continued)

33.2 Fair value estimation

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

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

Level 2: Valuation techniques with inputs other than quoted prices (included within level 1) that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (e.g. a valuation that uses observable interest rates or foreign exchange rates as inputs),

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

The Group's financial instruments measured at fair value are presented below.

Group and Company <i>In thousands of Nigerian Naira</i>	Level 1	Level 2	Level 3	Total
30 June 2020				
Assets				
Treasury bills and bonds at FVTPL	8,517,114	-	-	8,517,114
Treasury bills and bonds at FVOCI	6,415,886	-	-	6,415,886
	15,193,596	-	-	15,193,596
Liabilities				
Derivatives	-	446,738	-	446,738
	-	446,738	-	446,738
31 December 2019				
Assets				
Treasury bills and bonds at FVTPL	3,634,024	-	-	3,634,024
Treasury bills and bonds at FVOCI	6,135,782	-	-	6,135,782
	9,769,806	-	-	9,769,806
Liabilities				
Derivatives	-	264,573	-	264,573
	-	264,573	-	264,573

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

COVID-19 impact

The impact of the outbreak on fair value measurement for treasury bills although immaterial, has been assessed and recognized in the financial statements.

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

33 Financial instruments and risk management (continued)

33.3 Financial assets and liabilities subject to offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Interconnect partners payables are offset against its receivables and reported on a net basis in the statement of financial position.

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

<i>In thousands of Nigerian Naira</i>	Gross amount	Amount offset	Net amount
30 June 2020			
Current financial assets			
Interconnect receivables	25,006,043	9,255,652	15,750,391
	25,006,043	9,255,652	15,750,391
Current financial liabilities			
Interconnect payables	12,765,671	9,255,652	3,510,019
	12,765,671	9,255,652	3,510,019
31 December 2019			
Current financial assets			
Interconnect receivables	24,618,126	10,348,523	14,269,603
	24,618,126	10,348,523	14,269,603
Current financial liabilities			
Interconnect payables	13,915,264	10,348,523	3,566,741
	13,915,264	10,348,523	3,566,741

33.4 Credit risk

Credit risk or the risk of financial loss to the Group due to customers or counter parties not meeting their contractual obligations and is managed through the application of credit approvals, limits and monitoring procedures.

The Group's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk.

The following instruments give rise to credit risk

<i>In thousands of Nigerian Naira</i>	Group		Company	
	30 June 2020	31 Dec 2019 ¹	30 June 2020	31 Dec 2019 ¹
Cash and cash equivalents	120,383,237	116,277,629	118,712,776	114,301,003
Trade receivables	59,314,335	47,243,994	62,243,247	48,439,945
Restricted cash	128,057,570	38,049,589	128,057,570	37,999,589
Current investments	156,878,298	54,826,569	156,878,298	54,826,569
	464,633,440	256,397,781	465,891,891	255,567,106

Cash and cash equivalents and restricted cash

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

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

¹2019 figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements*For the six months ended 30 June 2020***33 Financial instruments and risk management (continued)****33.4 Credit risk****Trade receivables**

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

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

The Group holds collateral as security for trade receivables relating to trade partners. These are bank guarantees held with bank with credit ratings of B- to B. A total of N4.55 billion was held as collateral for same value of receivables as at 30 June 2020 (Dec 2019: N4.75 billion). Trade partners are to pay within seven days of credit advanced. In the event of default, the bank guarantee is recalled immediately to offset the credit.

COVID-19 impact

In view of COVID-19, historical credit losses have been adjusted for the effects of current conditions and forecasts of future conditions. Total estimated credit losses for the period ended stood at N2.5billion (June 2019: N604.9million)

Current investments

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

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

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

33 Financial instruments and risk management (continued)

33.5 Interest rate risk

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

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

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

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

COVID-19 impact

Interest rates on borrowings are still trending in the pre- COVID-19 direction in a downward direction, so there has not been a major impact on borrowings.

Profile

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

<i>In thousands of Nigerian Naira</i>	30 June 2020			31 December 2019		
	Fixed rate instruments	Variable rate instruments	Non interest bearing	Fixed rate instruments	Variable rate instruments	Non interest bearing
Financial assets						
Cash and cash equivalents	69,900,000	-	50,483,237	53,011,748	-	40,285,681
Current investments	156,878,298	-	-	65,468,259	-	-
Restricted cash	-	-	128,057,570	-	-	31,876,719
Trade and other receivables	-	-	34,851,116	-	-	48,463,656
	226,778,298	-	213,391,923	118,480,007	-	120,626,056
Financial liabilities						
Trade payables	-	-	44,008,504	-	-	18,607,924
Accrued expenses	-	-	126,272,401	-	-	121,315,900
Other payables	-	-	1,860,782	-	-	1,196,006
Amounts due to related parties	-	-	-	-	39,652,033	-
Current borrowings	-	165,674,159	-	-	-	105,127,783
Non-current borrowings	-	358,051,931	-	-	143,875,889	-
	-	523,726,090	172,141,687	-	183,527,922	246,247,613

Interest rate sensitivity

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

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

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

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

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

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

33 Financial instruments and risk management (continued)

33.5 Interest rate risk (continued)

	30 June 2020			31 Dec 2019		
	Increase/(decrease) in profit before tax			Increase/(decrease) in profit before tax		
	Change in interest rate	Upward	Downward	Change in interest rate	Upward	Downward
		change in interest rate	change in interest rate		change in interest rate	change in interest rate
%	N'000	N'000	%	N'000	N'000	
LIBOR	1	(212,446)	212,446	1	(325,418)	325,418
NIBOR	1	(3,478,130)	3,478,130	1	(3,800,000)	3,800,000

Currency risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities. The Group manages foreign currency risk on major foreign denominated purchase orders through the use of Letters of Credit. The Group has also entered into a currency swap arrangement to enhance dollar liquidity to address critical operational requirements.

Sensitivity analysis

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

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

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period. The analysis is performed on the same basis for the Company.

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

Group	30 June 2020		31 December 2019	
	Increase/(decrease) in profit before tax		Increase/(decrease) in profit before tax	
	10% weakening in Naira, resulting in a decrease in profit before tax	5% strengthening in Naira, resulting in an increase in profit before tax	10% weakening in Naira, resulting in a decrease in profit before tax	5% strengthening in Naira, resulting in an increase in profit before tax
<i>In thousands of Naira</i>				
Denominated:				
Functional				
US\$:NGN	(6,140,101)	3,070,050	(2,470,117)	1,235,058

33.6 Liquidity risk

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

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

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

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

33 Financial risk management and financial instruments (continued)

33.6 Liquidity risk (continued)

The following are the liquid resources:

In thousands of Nigerian Naira	Carrying Amount	
	30 June 2020	31 Dec 2019
Cash at bank and on hand	120,383,237	116,277,629
Trade and other receivables	34,851,116	48,463,656
Current investments	156,878,298	54,826,569
	312,112,651	219,567,854

COVID-19 impact

We have considered the potential of liquidity and working capital shortfalls due to changes in liquidity risk on financial instruments as a result of the pandemic. We have not had working capital shortfalls as a result of COVID-19. Beyond the steady operational cashflows, the current investment climate has provided an opportunity to raise funds at moderately low rates as witnessed in the recently raised N100 billion Commercial Paper that was oversubscribed.

The following are the contractual maturities of financial liabilities

In thousands of Nigerian Naira	Carrying amount	Payable within one month or on demand	More than one month but not exceeding three months	More than three months but not exceeding one year	More than one year but not exceeding two years	More than two years but not exceeding five years	More than five years	Total
30 June 2020								
Trade payables	44,529,604	24,208,383	20,321,221	-	-	-	-	44,529,604
Accrued expenses	126,272,401	110,667,362	15,605,039	-	-	-	-	126,272,401
Other payables	1,339,682	931,997	407,685	-	-	-	-	1,339,682
Proposed dividend	17,456,425	17,456,425	-	-	-	-	-	17,456,425
Current lease liability	46,494,092	-	30,094,512	83,885,656	-	-	-	113,980,168
Current borrowings	166,755,976	-	35,126,883	182,150,497	-	-	-	217,277,380
Non-current lease liability	358,051,931	-	-	-	126,258,898	305,429,612	59,174,860	490,863,370
Non-current borrowings	360,469,138	-	-	-	127,558,972	306,578,797	59,426,457	493,564,226
Derivative	446,738	-	-	-	446,738	-	-	446,738
	1,121,815,988	153,264,167	101,555,340	266,036,153	254,264,608	612,008,409	118,601,317	1,505,729,994
31 December 2019								
Trade payables	27,462,995	12,351,986	15,111,009	-	-	-	-	27,462,995
Accrued expenses	113,411,051	89,561,895	23,849,156	-	-	-	-	113,411,051
Other payables	428,660	428,660	-	-	-	-	-	428,660
Amount due to related party	16,383,546	-	16,383,546	-	-	-	-	16,383,546
Current lease liability	35,099,787	-	28,244,842	73,552,857	-	-	-	101,797,699
Current borrowings	32,453,044	-	19,905,271	71,338,523	-	-	-	91,243,794
Non-current lease liability	481,434,369	-	-	-	99,396,747	285,118,485	435,727,955	820,243,187
Non-current borrowings	380,088,780	-	-	-	132,766,674	310,052,477	94,044,438	536,863,589
Derivative	264,573	-	-	-	264,573	-	-	264,573
	1,087,026,805	102,342,541	103,493,824	144,891,380	232,427,994	595,170,962	529,772,393	1,708,099,094

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

33 Financial risk management and financial instruments (continued)

33.7 Capital risk management

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

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

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

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

<i>In thousands of Naira</i>	Group	
	30 June 2020	31 Dec 2019 ¹
Revenue	638,075,230	1,169,734,682
Operating expenses excluding depreciation and amortisation	(311,013,897)	(539,815,574)
EBITDA	327,061,333	629,919,108
Gross debt	523,726,090	412,541,823
Cash and cash equivalents	(120,383,237)	(116,277,629)
Net debt	314,442,851	296,264,195
Gross debt	523,726,090	412,541,823
Equity	139,343,661	(145,861,107)
Total funding	663,069,750	557,227,384
Gross debt :Total funding	79%	74%
Net debt: Total funding	47%	53%
Net debt : EBITDA	96%	47%

¹2019 figures have been restated, see Note 4

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

34 COVID-19 Impact on Half Year Results

In the period under review, the impact of COVID-19 on our performance was broad-based, with movement restrictions and scarcity of foreign exchange affecting site rollout. While demand for data and digital services grew significantly, we saw a decline in demand for voice services as our customer base, especially in the mass market segment, our largest, was impacted by the economic constraints caused by lockdowns in the country. The acceleration in data and digital revenue has partially only offset the decline in voice revenue.

We continued to invest heavily in supporting our customers, state and federal governments and healthcare agencies to transition through this unique situation. We supported the Federal Inland Revenue Services' (FIRS) revenue acceleration efforts with an early payment of our taxes ahead of established deadlines.

The free SMS initiative that we launched in early April targeted at the low-income mass market concluded at the end of June with more than 4.3 billion free SMS's sent by more than 53 million customers. Customers have accessed the healthcare websites we zero-rated using more than 3,000TB of free data in H1. We have now expanded this initiative to include a range of education platforms endorsed by Nigerian federal and state governments. This is in addition to the N1 billion donation we have made to the Coalition Against COVID-19 (CACOVID), the N250 million of personal protective equipment (PPE) delivered to the Nigeria Centre for Disease Control (NCDC) through MTN Nigeria Foundation, and the logistical and communications support provided to the Nigerian Governors Forum, NCDC and State Governments.

As lockdown restrictions have eased, we have seen a progressive recovery in voice revenue and a slow reduction in data usage indicative of a broader return towards the pre-existing revenue mix over time. Further impact of COVID-19 is very uncertain being dependent on the evolution of the virus throughout the year, any reinstatement or intensification of lockdowns and any other economic impacts caused by the global situation. However, we remain confident in the resilience of the business, and the ability of our employees to adapt as the situation develops.

35 Going concern assessment

In accordance with the requirements of IAS 1.25, the Board of Directors of MTN Communications Nigeria PLC have performed an assessment of the entity's ability to continue as a going concern when preparing financial statements. The Board has considered whether:

- there is an intention to liquidate MTN Nigeria.
- there is an intention to cease operations.
- MTNN has no realistic alternative but to liquidate or cease operations.

Furthermore, we have considered the various events and conditions below that may exist and impact the business individually or collectively may cast significant doubt on the entity's ability to continue as a going concern such as:

- There are no fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment. We are currently complying with all its loan agreements and no loans have been renegotiated.
- There are currently no changes in legislation or government policy expected to adversely affect MTN Communications Nigeria PLC.
- There are no substantial operating losses or significant deterioration in the value of assets used to generate cash flows, however there's been a major impact of forex deterioration on the business due to the increase in the NAFEX rate from N365 to around N387 to \$1. There is an ongoing effort to re-denominate some categories of foreign denominated expenditure to local currency to reduce exposure to exchange rate volatility.
- There are no plans to restructure the business of MTN Nigeria, dispose major assets or business.
- An assessment of forecast cash flows and projections has been performed, including potential impact of external/internal variations, uncertainties and sensitivity of expenditure plans. We are satisfied that the business continuity is not hindered in any way or manner.

Based on the factors considered above and taking account of reasonable possible changes in trading performance and the current financial position, the going concern basis has been adopted in preparing the consolidated financial statements. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

36 Business continuity on the COVID-19 pandemic

Our risk management methodology requires that we constantly monitor new and emerging risks that can disrupt business operations and impact our ability to meet our commitments to customers and other stakeholders. One such risk is the novel coronavirus (COVID-19) pandemic, which is currently active in over 200 countries around the world and having infected over 16 million people. This has led to great uncertainty in the world markets and a shutdown of major parts of the world economy.

The pandemic has become a global stress testing of every businesses' financial operational and commercial resilience. The lockdown of certain states and institution of curfews in many others has impacted MTN Nigeria's operations across the country.

However, at MTN Nigeria, we have rapidly adapted our operations and way of working to accommodate the current constraints and market conditions caused by the COVID-19 pandemic.

Notes to the condensed consolidated and separate financial statements

For the six months ended 30 June 2020

36 Business continuity on the COVID-19 pandemic (continued)

We have in place a Crisis Management Team to oversee the planning and execution of all contingency activities to ensure the safety of our staff, customers, and stakeholders as well as continuity of operations. In addition, we have established a strategic overarching initiative to direct our response to the different COVID-19 scenarios we have termed "Black Swan" across the following work streams:

- Staff health, safety and welfare;
- International supply chain;
- Operational continuity;
- Economic impact and capital markets and
- Stakeholder engagement.

A governance structure - including the Crisis Management Team (a cross-section of senior member of staff), Executive Management and the Board - exists to deliberate on and proffer recommendations that proactively address the impact of the pandemic or any possible disruptions to our operations.

MTN Nigeria has a plan, which provides a guide to the Board, Executive Management and the Crisis Management Team in our response to the pandemic. This includes the implementation of precautionary measures for staff health and safety, deployment of measures to mitigate potential supply chain disruptions, strategic stakeholder engagement, enhancement of our network and IT systems and stress testing of business plans.

We have deployed telecommuting capabilities to enable remote working and access to the office platforms for all staff. This also includes tools for virtual meetings so that staff members can collaborate and meet with each other and external parties from the comfort and safety of their homes.

Despite the COVID-19 pandemic, the Company successfully held its Annual General Meeting (AGM) on May 15, 2020. The AGM which was the first since the Company listed on the Nigerian Stock Exchange was held virtually and broadcast live. In addition, all meetings including Executive Management and Board meetings are conducted via virtual platforms.

Telecommunications has been categorised as an essential service by the Federal Government of Nigeria, therefore, we have prioritized all required actions to ensure network availability and improved customer experience in Nigeria.

MTN Nigeria, in collaboration with the Nigeria Centre for Disease Control (NCDC) has activated various channels of communications with key stakeholders to share and manage information about the COVID-19 pandemic. Sensitisation information targeted at staff, suppliers, customers, and the general public is disseminated via emails, SMS, WhatsApp, and multimedia channels. We also have hotlines that our staff can utilise in the event of an emergency.

MTN Nigeria is also actively assessing the impact of the pandemic on the business from the macroeconomic standpoint, stemming from issues such as declining oil prices, foreign currency pressures and global supply chain disruptions. While it is uncertain how long the COVID-19 pandemic would last, we are working tirelessly to ensure the 'lights remain on' safely and responsibly for our staff and all stakeholders in our ecosystem, while responding to the emerging threats and changing priorities as they arise.

37 Securities Trading Policy

MTN Nigeria Communications Plc has in place a Securities Trading Policy which guides the Board and employees when effecting transactions in the Company's shares. The Policy provides for periods for Dealing in Shares and other Securities, established communication protocols on periods when transactions are not permitted to be effected on the Company's Shares as well as disclosure requirements when effecting such transactions.

Insiders covered in this Policy have not notified the Company of any dealing in the Company's Securities within this period and the Company is not aware of any breach of this Policy within the period.

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

<i>In thousands of Naira</i>	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Commitments for the acquisition of property, plant, equipment and software				
Contracted	62,770,196	67,465,825	62,770,196	67,465,825
Approved but not contracted	82,971,746	109,538,534	82,971,746	109,538,534
Total commitments for property, plant, equipment and software	145,741,942	177,004,359	145,741,942	177,004,359

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For the six months ended 30 June 2020

39 Shareholders and their interest

Share Range	Number of Shareholders	% of Shareholder	Number of holdings	% Shareholding
1 - 10,000	5,309	72.8358	9,496,028	0
10,001 - 50,000	889	12.1965	22,227,233	0
50,001 - 100,000	233	3.1966	17,518,398	0
100,001 - 500,000	496	6.8048	117,051,172	1
500,001 - 1,000,000	121	1.6600	88,956,154	0
1,000,001 - 5,000,000	150	2.0579	346,468,542	2
5,000,001 - 10,000,000	31	0.4253	221,978,436	1
10,000,001 - 50,000,000	48	0.6585	961,849,012	5
50,000,001 - 100,000,000	1	0.0137	51,802,050	0
100,000,001 - 500,000,000	8	0.1098	1,665,014,925	8
500,000,001 - 1,000,000,000	2	0.0274	1,366,607,050	7
1,000,000,001 - Above	1	0.0137	15,485,544,050	76
Total	7,289	100.00	20,354,513,050	100

As at 30 June 2020, MTN International (Mauritius) Limited with total interest of 76.08% held more than 5% of the issued share capital of the Company.

40 Free float information

MTN Nigeria Communications Plc with a free float value of N290,872,181,305 as at June 2020 (June 2019: N321 billion) is compliant with The Exchange's requirements for free float for companies listed on the Premium Board.

41 Contingent liabilities

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

The Group has N2.6 billion (December 2019: N16 billion) contingent liabilities arising from claims and litigations in the ordinary course of business and the Group is defending these actions. These matters are currently being considered by various courts and the timing of the judgements are unknown. In the opinion of the directors, which is based on advice from the legal counsels, no material loss is expected to arise from these claims and litigations.

42 Events after the reporting period

Service agreement amendments

MTN Nigeria Communications PLC (MTN Nigeria) and Global Independent Connect Limited, INT Towers Limited, IHS (Nigeria) Limited and IHS Towers NG Limited, the affiliates of IHS Holding Limited (together, IHS) have 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 and has concluded a renegotiation of certain terms of its tower rental agreements. These include an increased focus on rural connectivity and fibre deployment. Further, the changes will result in improved cost for future technology evolution and backhaul in the network, which will bear fruit in the longer term, whilst agreeing to move the reference rates for conversions to Naira from the Central Bank of Nigeria's official rate (CBN) to the Nigerian Autonomous Foreign Exchange Rate (NAFEX).

This change in reference rate currently at N360 (CBN) to N385 (NAFEX) reduces the EBITDA margin in 2020 by approximately 0.4pp on an IFRS16 basis. This is however offset over time by the improved pricing and increased focus on rural connectivity and backhaul in the network. MTN Nigeria will continue to focus on operational efficiencies to further mitigate these impacts.

Accounting separation framework

The Nigerian Communications Commissions (NCC), has approved the implementation of the Accounting Separation Framework (ASF) in the industry effective 15 July 2020. This is to ensure accountability and transparency in the telecoms sector, Telecoms licensees are obligated to submit Regulatory Financial Statements (RFS) to the Commission in line with the new ASF, within seven months after the end of the licensees' financial year.