

Mobile Telephone Networks Holdings Limited and its subsidiaries

(Registration number: 1993/001411/06)

Annual Financial Statements

for the year ended 31 December 2021

Mobile Telephone Networks Holdings Limited

Annual Financial Statements

for the year ended 31 December 2021

Contents	Page
Statement of directors' responsibility	2
Certificate by the Company Secretary	4
Report of the Audit Committee	5
Directors' report	16
Independent auditors' report to the shareholder of Mobile Telephone Networks Holdings Limited	23
 GROUP FINANCIAL STATEMENTS	
Group income statement	28
Group statement of comprehensive income	29
Group statement of financial position	30
Group statement of changes in equity	31
Group statement of cash flows	32
Index to the notes to the Group financial statements	33
Notes to the Group financial statements	35
 COMPANY FINANCIAL STATEMENTS	
Company income statement	161
Company statement of comprehensive income	161
Company statement of financial position	162
Company statement of changes in equity	163
Company statement of cash flows	164
Notes to the Company financial statements	165
Financial definitions	189

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

The Group and Company Annual Financial Statements have been prepared by the MTN Finance staff under the guidance of the Group Finance Executive, S Perumal CA(SA) and was supervised by the Group Chief Financial Officer, TBL Molefe CA(SA).

These Annual Financial Statements were authorised on 26 April 2022 by the Board of Directors.

Mobile Telephone Networks Holdings Limited

Statement of directors' responsibility

for the year ended 31 December 2021

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

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

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

The directors have taken the responsibility for ensuring that accurate and complete accounting records are kept to enable the Group and the Company to satisfy their obligation with respect to the preparation of financial statements. The directors confirm that no facts have been omitted or untrue statements made that would make the financial statements false or misleading.

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

The Group operates in an established control environment, which is documented and regularly reviewed. The Group Risk Management and Compliance Committee plays an integral role in risk management. Risk management and internal control procedures are designed to provide reasonable assurance that assets are safeguarded and that the risks facing the business are controlled.

Internal financial controls have been put in place to ensure that material information relating to the Company and the Group has been provided to effectively prepare the Annual Financial Statements. The internal financial controls are considered adequate and effective and can be relied upon in compiling the Annual Financial Statements. Where deficiencies in the design and operational effectiveness of internal financial controls have been identified, remedial actions have been initiated.

The directors are responsible for the controls over, and the security of, the website and where applicable, for establishing and controlling the process for electronically distributing Annual Financial Statements and other financial information to shareholder and to the Companies and Intellectual Property Commission.

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

* Copyright and trademarks are owned by the Institute of Directors Southern Africa NPC and all of its rights are reserved.

Mobile Telephone Networks Holdings Limited

Statement of directors' responsibility (continued)

for the year ended 31 December 2021

The directors have reviewed the Group and the Company budgets and cash flow forecasts for the year to 31 December 2022. In light of this review, the current financial position and existing borrowing facilities, the going concern basis has been adopted in preparing the Group and the Company Annual Financial Statements. The directors have no reason to believe that the Company or its subsidiaries will not be going concerns in the year ahead. These financial statements support the viability of the Group and the Company.

The Group's external auditor, Ernst & Young Inc. (EY) audited the Group and the Company Annual Financial Statements and their unqualified audit report is presented on pages 23 to 27.

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

The Group and the Company Annual Financial Statements which appear on pages 1 to 191 were approved for issue by the Board of Directors on 26 April 2022 and are signed on its behalf by:



RT Mupita
Group President and Chief Executive Officer (CEO)
Fairland



TBL Molefe
Group Chief Finance Officer (GCFO)
Fairland

Mobile Telephone Networks Holdings Limited

Certificate by the Company Secretary

for the year ended 31 December 2021

I certify that, to the best of my knowledge and belief, Mobile Telephone Networks Holdings Limited has filed all its returns and notices with the Registrar of Companies and Intellectual Property Commission for the year ended 31 December 2021, as required of a public company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008 as amended and that such returns and notices are true, correct and up to date.



PT Sishuba-Bonoyi
Group secretary

Fairland
26 April 2022

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee

for the year ended 31 December 2021

The Group Audit Committee is pleased to present its report for the year ended 31 December 2021.

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

TERMS OF REFERENCE

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

“The Group remained resolute in its drive for continuous enhancements to its control environment as it builds **and grows new platform businesses and accelerate its portfolio transformation to create shared value.**”

SN Mabaso-Koyana, Group Audit Committee Chairman.

FEEDBACK ON KEY FOCUS AREAS FOR THE YEAR UNDER REVIEW

Key focus areas	Developments in key focus areas
Continue to evaluate progress and independent assessment of the implementation of the Group's enterprise resource planning cloud process which is expected to improve the overall internal financial control environment.	<p>The Group continued to implement the Enterprise Resource Planning (ERP) cloud system and processes with the following milestones being achieved:</p> <ul style="list-style-type: none">• the adoption of a standard chart of accounts across the Group, thereby enhancing transparent and consistent analysis and reporting.• Design and deployment of a management company (ManCo) business intelligence (BI) platform to enhance analytic capabilities for the GSM, FinCo and FibreCo businesses.• Configuration of the governance, risk and compliance advanced financial controls modules for transaction exception reporting and financial reporting compliance with deployment expected in 2022. <p>The ERP platforms in MTN Nigeria Communications Plc (MTN Nigeria) and ManCo Dubai went live in quarter 1 and quarter 2 respectively.</p>
Monitor the transition processes for the rotation of audit firms and the effectiveness thereof as well as oversights and evaluation of the external audit function by reviewing audit quality related indicators of the Group's external auditors against benchmarks in the market.	<p>In the current financial year, EY transitioned in as Group and Scancom PLC (MTN Ghana) auditors, while continuing to be the auditors of MTN Nigeria. The Group Audit Committee monitored the progress on the transition plan and approved the audit firm cross reviews set out in the audit plan. The Group Audit Committee was satisfied that the transition process is progressing appropriately.</p> <p>The Group Audit Committee reviewed the knowledge and skills of EY and was satisfied that EY continued to maintain high professional standards.</p>

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2021

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

Key focus areas	Developments in key focus areas
Evaluate the ongoing operational, financial and control risks posed by the COVID-19 pandemic and the Group's response and mitigation processes in place to ensure business continuity.	<p>The Group continued to manage COVID-19 risks by deleveraging the statement of financial position and through response activities and alert level changes for each operating company (OpCo). The responses included the approval of a vaccination policy and continued work-from-home initiatives.</p> <p>In 2022, a new business resilience strategy will be operationalised, including embedding of supply chain resilience principles such as demand and delivery forecasting for critical projects to ensure business continuity.</p>
Consider the financial impacts and disclosures of corporate transactions in the scope of the Group's Middle East exit strategy.	<p>The Group exited Syria and Yemen in line with the Group's strategy to exit the Middle East region.</p> <ul style="list-style-type: none"> On 25 February 2021, the Administrative Court of Damascus placed MTN Syria JSC (MTN Syria) under judicial guardianship and the Group effectively lost control of MTN Syria and on 12 August 2021 the Group exited Syria through abandonment of the operation (refer to note 9.4.2.3). Effective 17 November 2021, the Group exited Yemen by way of transfer of its majority shareholding in MTN Yemen to Emerald International Investment LLC (refer to note 9.4.2.4). <p>The Group continues to implement the exit strategy for the remaining footprint within the Middle East.</p>
Consider the impact of a growing Mobile Money (MoMo) business on the control environment and monitor the carve out of the Group's MoMo businesses from the telecommunication operations into a separate FinCo structure.	<p>The separation of the GSM and FinCo businesses will allow for the maturity of the control environment of the FinCo business as specific compliance related controls and governance structures are set-up. Specific security key controls over data privacy, cyber and fraud will also be implemented.</p> <p>While the Group focuses on embedding the FinCo business, governance processes and audit oversight over the existing MoMo and aYo (which provides insurance brokerage services) structures continues.</p>
Evaluate the progress on the consolidation and standardisation of key controls to further enhance the overall control environment.	<p>During 2021, the logistical elements of the standardisation were defined. This included budget assignments and creation of objectives. The project framework was done and partnerships and work on the standardisation is expected to commence in 2022. The standardisation will assist in mitigating key risks by implementing self-assessment and self-help controls.</p>
Maintain focus on the enhancement of controls to reduce cyber risks, fraud risks and revenue leakage.	<p>In 2021, the Group completed a number of parameter hardening security controls. Some of the key controls included those around change management, change protocols and centralisation of information security which will ensure adequate oversight and deployment of controls where deficiencies are identified.</p>
Evaluate the compliance programmes on data privacy across the Group.	<p>The Group performed risk assessment procedures in order to identify bespoke controls based on the sensitivity of data. Various controls were designed and implemented based on the functions within the organisation. A data privacy project management office was established during the 2021 financial year and implementation and maturity assessments will continue during 2022.</p>

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee

for the year ended 31 December 2021

MEMBERSHIP, MEETING ATTENDANCE AND EVALUATION

Members of the committee are independent and are nominated annually by the Board for re-election at the Annual General Meeting (AGM).

The individual members satisfy the requirements to serve as members of an Audit Committee as provided in section 94 of the Companies Act and have adequate knowledge and experience. The composition of the committee and the attendance at the meetings by its members for the period January 2021 to December 2021 are set out below.

Members	5 March 2021	8 April 2021*	26 May 2021	4 August 2021	26 October 2021*	23 November 2021
SN Mabaso-Koyana	√	√	√	√	√	√
NP Gosa ¹	N/A	√	√	√	√	√
PB Hanratty ²	√	N/A	N/A	N/A	N/A	N/A
CWN Molohe ¹	N/A	√	√	√	√	√
VM Rague	√	X	√	√	√	√
BS Tshabalala	√	√	√	√	√	√

* Special meeting held.

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

X An apology was tendered for non-attendance.

√ Attended the meeting.

¹ Became a member of the Group Audit Committee with effect 1 April 2021.

² Ceased being a member of the Group Audit Committee on 31 March 2021.

The committee meets at least four times a year with special meetings being scheduled where necessary. Members' fees are included in the table of directors' emoluments and related payments in note 10.

The Group President and CEO, the Chief Financial Officer, Chief Risk Officer, Chief Legal Counsel and Executive: Internal Audit and Forensics, external auditors and other assurance providers attend committee meetings by invitation. The committee also meets separately with the external auditors, internal auditors and senior management before or after every meeting.

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

EXECUTION OF FUNCTIONS OF THE AUDIT COMMITTEE

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

EXTERNAL AUDITORS

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

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2021

EXTERNAL AUDITORS (continued)

The fees paid for non-audit services (to various Group audit firms) are disclosed in note 2.3 of these Annual Financial Statements and represents 10% of **audit fees, which is within the Group's policy of 25% of audit fees. These comprised:**

	2021	2020
	%	%
Assurance related	28	46
Advisory	19	25
Tax	41	28
Other services	12	1
	100	100

Services assigned to the Group audit firms were preapproved following an evaluation of the impact on auditor independence based on the Group's approved policy.

Services for larger assignments are individually evaluated by the Group Audit Committee and approved if the committee is satisfied that the independence of the audit firm will not be compromised. These appointments relate to work that will further complement the audit engagement or where the audit firm will be in a position to provide a higher quality or more cost-effective service. Other than for the approved services, no other benefits were provided to the auditors. Larger projects during 2021 included a transfer pricing review, a review of pricing models as well as support with digital transformation initiatives.

- Determined the external auditors' terms of engagement and fees for 2021. Fees paid to auditors for the year under review are disclosed in note 2.3 of these Annual Financial Statements.
- Satisfied itself with the performance of the external auditors and designated registered auditors and further that they are accredited on the JSE's list of auditors and advisors.
- Satisfied itself that the designated registered auditors are within their tenure and rotation requirements.
 - The Group's external auditor is EY. EY is a global auditing firms and is a level 1 broad-based black economic empowerment (B-BBEE) contributor.
 - EY became the external auditors in 2021 in accordance with the Group's phased audit firm transition plan, with Mr EAL Botha being the engagement partner.
- Assessed the audit firm, as well as the related engagement partner's suitability for appointment, taking into account the quality of the audit work and related reporting to the Group Audit Committee, industry expertise of the firm and its designated partners, findings by the Independent Regulatory Board for Auditors (IRBA) and statements relating to independence as well as the representations made by the external auditors to the Group Audit Committee including those under ISQC 1 *International Standard on Quality Control 1*.
- Executed its stated mandatory audit firm rotation transition plan in accordance with the MTN Group Limited's announcement on 29 November 2019 with EY commencing as external auditors during the 2021 financial year.
- Considered the practical ability for the external auditors and the Group finance staff to work remotely in light of COVID-19 restrictions.
- The committee recommends the re-appointment of EY at the AGM.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued) for the year ended 31 December 2021

FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND OTHER FINANCIAL MATTERS

- Reviewed and approved the accounting policies and the Annual Financial Statements of the Group and the Company for the year ended 31 December 2021, and based on the information provided to it, the committee considered that, in all material respects, they are appropriate and comply with the provisions of the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the APC, Financial Reporting Pronouncements as issued by the FRSC, and the JSE Listings Requirements as well as content from the JSE's annual proactive monitoring report.
- Reviewed the processes in place for the reporting of concerns and complaints relating to financial reporting and accounting practices, internal audit, contents of the Group's and the Company's financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.
- Considered comments and responded to the JSE as part of the JSE's routine pro-active monitoring of the Annual Financial Statements.
- Reviewed Group tax exposures and assessed the appropriateness of the Group's tax policies.
- Reviewed Group treasury reports, Group funding requirements, credit ratings and recommended financing proposals to the Board.
- Considered the effectiveness of T Shomang as the Debt Officer in line with requirements of paragraph 7.3(g) of the JSE Debt Listing Requirements.
- Reviewed progress on litigation and legal exposures and the related accounting applied and disclosure included in these Annual Financial Statements.
- Received regular updates from management on the repatriation of funds from sanctioned territories.
- Considered the appropriateness of management judgements, estimates made and the accounting treatment of significant transactions.
- Considered if the established financial reporting procedures are appropriate and that the procedures are operating effectively, which includes a consideration of all entities included in the consolidated Group Annual Financial Statements. The committee considered if the Group had access to all the financial information of its subsidiaries, associates and joint ventures to allow the Group to effectively prepare the financial statements.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2021

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

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

Significant matter considered	Actions and conclusions
<p><i>Impact of the COVID-19 pandemic</i></p> <p>On 11 March 2020, the World Health Organization officially declared COVID-19 a pandemic. Governments across the world have taken extreme measures to curb the spread of the virus by introducing various forms of restrictions. In 2021, some parts of Africa were impacted by a second and third wave of infections. This drove rapid increases in new cases and in turn the renewed imposition of lockdown restrictions in some markets. While economic activity has picked up, the health crisis continues to create a challenging trading environment across the MTN footprint.</p> <p>The Group has continued to focus on deleveraging its statement of financial position and focused on managing liquidity risk through upstreaming cash from the OpCos and reducing the US\$ denominated debt (note 7.1.5).</p>	<p>The committee reviewed the impact of COVID-19 on the financial risks of the Group and the related impacts on the financial statements.</p> <p>The committee also considered management's assessment on and reviewed:</p> <ul style="list-style-type: none"> • The Group's response to the impact of the ongoing threats of the pandemic on the Group's ongoing operations; • The Group's progress on reducing its financial leverage and the ability to manage and maintain adequate liquidity and risk; and • The disclosure of the impact of COVID-19 on the financial statements. <p>The committee was satisfied that the impacts of COVID-19 were appropriately assessed, managed, and disclosed.</p>

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2021

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

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

Significant matter considered	Actions and conclusions
<p><i>Significant transactions for 2021 included:</i></p> <ul style="list-style-type: none"> • The Group's exit by abandonment of its interest in MTN Syria (note 9.4.2.3); • The disposal of the 20% interest in Belgacom International Carrier Services SA (BICS) for EUR99.1 million (R1.8 billion) (note 9.4.2.1); • Acquisition of a controlling interest in aYo Holdings Limited (aYo) which resulted in the recognition of goodwill of R573 million (note 9.4.2.5); • The dilution of the Group's interest in IHS Holding Limited (IHS Group) from 29% to 26% as a result of an initial public offering (IPO) by IHS Group (note 7.1.3); • The exit in Yemen (note 9.4.2.4); • The probable sale and leaseback of the tower infrastructure of Mobile Telephone Networks Proprietary Limited (MTN SA) which resulted in the towers being classified as non-current asset held for sale (note 5.1.5); and • The dilution of the Group's shareholding in MTN Uganda Limited (MTN Uganda) from 96% to 83.05% as part of the MTN Uganda IPO (note 9.4.2.2). 	<p>The committee considered the accounting treatments and the disclosures of the transactions proposed by management.</p> <p>The committee was satisfied that these transactions were appropriately accounted for and disclosed by management.</p>
<p><i>Recognition of a deferred tax asset in MTN International (Mauritius) Limited (MTN Mauritius).</i></p> <p>MTN Mauritius has accumulated a deferred tax asset of R5 750 million resulting mainly from an assessed loss.</p> <p>The Group evaluated the reasons for the historical losses and the likelihood that the identifiable causes will recur. It also considered whether it is probable that the entity will have taxable profits before the unused tax losses expire. The Group also performed a stress test on the recovery period based on possible outcomes.</p> <p>The Group concluded that sufficient taxable profit will be available against which the unused tax losses can be utilised (note 1.5.4).</p>	<p>The committee reviewed management's assessment of the historic reasons for the assessed loss, and the likelihood that it will recur. The Group Audit Committee also considered management's assumptions on future taxable profits and the outcome of the stress test completed. The recovery period of the deferred tax asset was also assessed against the Group's investment period.</p> <p>The committee considered the assessment by the Group's auditors.</p> <p>The committee was satisfied with management's assessment that it is probable that taxable profits will be recognised and the resulting accounting treatment of the deferred tax asset.</p>

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2021

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

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

Significant matter considered	Actions and conclusions
<p><i>Recognition of the revenue earned from Cell C</i></p> <p>Cell C Limited (Cell C) and MTN SA entered into a network roaming agreement in 2018. Based on Cell C's liquidity issues, MTN SA has applied judgement in the revenue recognition under the Phase 2 agreement and subsequent addendums and agreements. It was determined that in relation to the settlement agreements, a contract exists, however, there have been concessions granted.</p> <p>Based on Cell C's liquidity issues, the Group has assessed that it is not probable that it will receive all consideration to which it is entitled under the Phase 2 agreement, and therefore the agreement does not meet the definition of a contract for revenue recognition purposes in terms of IFRS 15 <i>Revenue from Contracts with Customers</i> (IFRS 15). As a result, MTN SA did not recognise all revenue accrued on satisfied performance obligations during the period under review. Revenue was only recognised on completed services based on the non-refundable consideration received (note 1.5.8).</p>	<p>The Group Audit Committee reviewed the appropriateness of the accounting treatment and reviewed the payments received that were recognised as revenue and considered the impact of the amount not recognised as revenue.</p> <p>The Group Audit Committee was satisfied that the accounting treatment remained appropriate.</p>
<p><i>Judgement relating to uncertain tax, legal and regulatory matters</i></p> <p>The Group operates in a number of complex and uncertain regulatory and tax jurisdictions where judgement is required in assessing the regulatory and tax exposures (note 1.5.7; note 3 and note 6.6).</p>	<p>The committee reviewed risk and compliance, legal and tax reports from management and requested opinions from independent specialists where it considered it appropriate. The committee considered management's assessment of possible, probable and remote exposures and the related provisions and contingent liability disclosure on tax, regulatory and legal matters, in light of the latest correspondence on these matters by the respective authorities. The committee also considered the assessment by the Group's external auditors of the appropriate recognition, measurement and disclosure of uncertain tax, legal and regulatory matters.</p> <p>The committee was satisfied that the recognition, measurement and disclosure of uncertain tax, legal and regulatory matters by management was appropriate.</p>

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2021

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

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

Significant matter considered	Actions and conclusions
<p><i>Judgement applied regarding the impairment of goodwill</i></p> <p>Acquisitions made in prior years resulted in the recognition of goodwill. Goodwill is tested at least annually for impairment to assess whether the recoverable amounts exceed the carrying amounts. The calculation of the recoverable amounts require judgement in estimating discount rates and future cash flows (note 1.5.1 and note 5.2.1).</p> <p>In 2021, the goodwill balance of MTN Yemen was impaired by R550 million and the assets by R609 million. In November 2021, the Group exited Yemen through a transfer of its effective shareholding (note 5.1.1; note 5.2; note 5.2.1 and note 9.4.2.4).</p>	<p>The committee reviewed the annual impairment testing performed by management. It evaluated the cash generating units with impairment indicators selected for detailed impairment testing, reviewed the underlying key assumptions supporting the future cash flows in the context of the operations' business plans and considered the reasonableness of discount rates of these operations in the context of their respective operating environments. It also considered the views from the Group's external auditors on the valuation methodology applied, their assessment of the reasonableness of the key assumptions and sensitivities to changes in these assumptions.</p> <p>The committee was satisfied that the analysis and calculations performed by management and the related impairment and disclosure in the Annual Financial Statements was appropriate.</p>
<p><i>Fair and balanced financial reporting</i></p>	<p>The committee considered the appropriateness of the Group's financial reporting to ensure fair and balanced reporting is achieved. The committee reviewed submissions and presentations by management on the financial results, significant transactions, critical accounting judgements and assumptions as well as views by the Group's external auditors on key audit matters and internal auditors on internal financial controls.</p> <p>The committee has recommended that the Board approve the Annual Financial Statements.</p>

INTERNAL AUDIT AND FORENSIC SERVICES FUNCTION OVERSIGHT

The Group Audit Committee has oversight over the internal audit and forensic services function (IAFS). The committee:

- Considered the effectiveness and independence of the internal audit function, its impact as a third line of assurance and monitored adherence to the annual internal audit plan.
- Reviewed the continued embedment of the third line of defence as a central reporting function and its effective positioning within the organisation's operation.
- Considered the appropriateness of internal IAFS' key performance indicators (KPIs) for alignment to the mandate of an independent third line assurance function.
- The Group Audit Committee obtained appropriate evidence to satisfy themselves that the Group's IAFS function fulfilled its mandate appropriately.
- Reviewed the reported results of internal audit work and forensic investigations in order to be satisfied that they appropriately supported the final annual assessment of governance, risk management and system of internal controls of the Group.
- Reviewed the critical matters raised by the IAFS function, obtained and evaluated management's action plans to address those matters and assessed the adequacy of those actions to appropriately and sustainably resolve those critical matters.
- Reviewed the results of the external quality assurance review performed on the function, to validate that the governance, processes and management thereof and the quality of work delivered by the function is at the requisite level as governed by International Standards for the Professional Practice of Internal Auditing.

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2021

INTERNAL AUDIT AND FORENSIC SERVICES FUNCTION OVERSIGHT (continued)

- Considered the effectiveness of the combined assurances provided by all the lines of assurance, through a review of management's representations and attestations, reports from the risk and compliance function and other similar second lines of assurance, together with an evaluation of the assurance of third lines, namely external and internal audit functions.

INTERNAL FINANCIAL CONTROLS

The Group Audit Committee utilises the skills and expertise of the IAFS to monitor, review and evaluate the effectiveness of the internal financial controls. The Group Audit Committee:

- Reviewed the assessment, prepared by internal audit, on the effectiveness of the Group's risk management, governance and system of internal financial controls. This assessment, together with the report on the overall control environment, formed the basis of the committee's recommendation to the Board in this regard. The Board's report on the effectiveness of the system of internal controls, which the committee fully supports, is included in the directors' report on page 21.
- Reviewed the report from the Group's forensic services function on the result of forensic investigations conducted in the period under review and their financial impact as they pertain to financial reporting.
- Considered the reports from management on fraud, cybersecurity and information technology risks as they pertain to financial reporting.
- Reviewed the reports of the external auditors detailing the findings arising from their audit and considered the appropriateness of the responses from management.
- Assessed the revenue assurance control environment and related revenue leakage exposure for the Group.
- Reviewed fraud and whistleblowing reports and that appropriate management action is taken with regards to the control environment and consequence management.

RISK MANAGEMENT

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

- Reviewed the Group policies on risk assessment and risk management for financial reporting and the going concern assessment.
- Reviewed the matters related to financial reporting presented on the risk registers, its impact and likelihood of occurrence.
- Reviewed the Group's comprehensive Group-wide project to manage its response to the COVID-19 pandemic.

FINANCE DIRECTOR AND FINANCE FUNCTION

- Reviewed the performance of the GCFO, TBL Molefe, and was satisfied that she has the necessary expertise and experience to fulfil this role and that she had performed appropriately for the year ended 31 December 2021.
- The Group Audit Committee also considered and has satisfied itself of the appropriateness of the expertise and experience of the finance function and adequacy of resources employed to fulfil all financial, control and reporting requirements of the Group.

GOING CONCERN STATUS

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

Mobile Telephone Networks Holdings Limited

Report of the Audit Committee (continued)

for the year ended 31 December 2021

SOLVENCY AND LIQUIDITY REVIEW

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

The committee also considered guarantees issued on behalf of subsidiaries.

KEY FOCUS AREAS FOR 2022

The committee has set the following key areas of focus for 2022:

- Monitor the progress on the implementation and standardisation of key controls to further enhance the overall control environment.
- Assess the progress on embedding the internal control and compliance environment as well as the governance and oversight functions resulting from the separation of the FinCo businesses.
- Review the progress on the implementation of the enterprise cloud solution across the Group's footprint, including the new FinCo businesses.
- Consider initiatives to improve specific security key controls over data privacy, cyber and fraud.
- Evaluate the impact of anticipated tax changes in the United Arab Emirates as well as the impact of Global Anti-Base Erosion rules as part of the Two-Pillar solution adopted by the Organisation for Economic Co-operation and Development (OECD) on the Group.



Group Audit Committee Chairman

26 April 2022

Mobile Telephone Networks Holdings Limited

Director's report

for the year ended 31 December 2021

NATURE OF BUSINESS

The Company is a wholly owned subsidiary of MTN Group Limited, incorporated in the Republic of South Africa on 17 March 1993 (Registration number: 1993/001411/06) and carries on the business of an investment holding company. Through its investment holdings, the Group is a leading Pan-African mobile operator that provides a diverse range of voice, data, digital, fintech, wholesale and enterprise services. The Company's registered address is 216 14th Avenue, Fairland, Roodepoort, Gauteng, 2195.

COMPLIANCE WITH FINANCIAL REPORTING STANDARDS

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

FINANCIAL RESULTS

The Group recorded a profit after tax for the year ended 31 December 2021 of R16 323 million (2020: R20 460 million). Full details of the financial results of the Group and the Company are set out in these Annual Financial Statements and accompanying notes for the year ended 31 December 2021.

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 December 2021 amounted to R38 790 million (2020: R32 519 million) which comprised the following:

	2021 ¹ Rm	2020 Rm
Property, plant and equipment	27 243	24 102
Land and buildings	250	205
Leasehold improvements	24	146
Network infrastructure	11 065	17 165
Information systems, furniture and office equipment	1 795	1 404
Capital work in progress/other ²	6 947	3 725
Spare parts	6 837	1 353
Vehicles	325	104
Intangible assets	4 642	3 935
Software	2 897	3 152
Capital work in progress	1 745	783
Leased assets	6 905	4 482
Right-of-use assets	6 905	4 482
	38 790	32 519

¹ MTN Syria and Yemen capital expenditure has been included until the Group lost control of MTN Syria on 25 February 2021 and exited Yemen on 17 November 2021. Refer to note 9.4.2.3 and note 9.4.2.4.

² The majority of capital work-in-progress relates to long-term network infrastructure projects.

Mobile Telephone Network Holding Limited

Directors' report (continued)

For the year ended 31 December 2021

CAPITAL EXPENDITURE (continued)

Licences and spectrum acquired during the year:

	2021	2020
	Rm	Rm
MTN Yemen	-	504
MTN Zambia Limited (MTN Zambia)	203	-
MTN Ghana	-	1 190
MTN Nigeria	4 618	32
MTN Afghanistan Limited (MTN Afghanistan)	-	24
MTN Uganda ¹	205	1 774
MTN Rwandacell S.A.R.L (MTN Rwandacell)	1 316	-
	6 342	3 524

¹ Payment was made during the current year in relation to the licence transition period. This was fully amortised in the current year.

MTN GUINEA-CONAKRY LICENCE

The Areeba Guinea S.A. (MTN Guinea-Conakry) licence expired in prior periods. The Regulatory Telecommunications Ministry has granted a new licence effective 4 February 2022. The new licence has been negotiated for an amount of US\$55 million (R878 million translated at the year-end closing rate), payable over four years, and will be valid for a period of 10 years.

RELATED PARTY TRANSACTIONS

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

YEAR UNDER REVIEW

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

LITIGATION

MTN Afghanistan Anti-Terrorism complaint

On 27 December 2019, a complaint for violation of the Anti-terrorism Act (ATA) was filed in the United States District Court for the District of Columbia (the Complaint). The Complaint was filed on behalf of American service members and civilians, and their families, who were killed or wounded in Afghanistan between 2009 and 2017. The complainants allege that several Western businesses supported the Taliban by, inter alia, making payments to ensure the protection of their infrastructure. The defendants named in the Complaint are six different groups, one of which is MTN Group Limited and certain of its subsidiary companies, including MTN Afghanistan. On 29 April 2020, the MTN defendants moved to dismiss, challenging the jurisdiction of the US court and the legal sufficiency of the claims against them.

On 5 June 2020, plaintiffs responded to the motion to dismiss by exercising their right to file an amended complaint (the amended complaint), which likewise asserts claims under the ATA. On 20 July 2020, the district court referred the matter to a magistrate judge to consider defendants' forthcoming motions to dismiss the amended complaint.

The MTN defendants moved to dismiss the amended complaint on 10 September 2020, again asserting that the court lacks jurisdiction over the MTN defendants, which do not operate in the United States of America, and that the complaint does not allege any conduct by the MTN defendants that violated the ATA. On 30 July 2021, magistrate judge issued a report and recommendation (R&R) recommending that the case against the MTN defendants be dismissed because the court lacks jurisdiction over them.

Mobile Telephone Network Holding Limited

Directors' report (continued)

For the year ended 31 December 2021

LITIGATION (continued)

MTN Afghanistan Anti-Terrorism complaint (continued)

The R&R was sent to the district court and it will issue its procedural ruling on how it will handle the R&R, at which point the procedural path and timing will become clearer. The matter is currently assessed as remote.

MTN conducts its business in a responsible and compliant manner in all its territories and will defend its position where necessary. No contingent liability has been disclosed for these complaints.

Irancell Anti-Terrorism complaint

In 2021, a complaint (the complaint) for violation of the ATA was filed in the United States District Court for the Eastern District of New York, against MTN Group Limited, MTN (Dubai) Limited (MTN Dubai), as well as in respect of other defendants, including Irancell Telecommunication Company (PJSC) (Irancell). MTN Group Limited and MTN Dubai have moved to dismiss on the ground that they are not subject to jurisdiction in the US court and that the complaint failed to articulate a viable claim under ATA.

On 4 February 2022, plaintiffs responded to the motion to dismiss by exercising their right to file an amended complaint. The amended complaint's core allegations remain the same as the original complaint's, and the main grounds on which MTN Group Limited and MTN Dubai previously moved to dismiss remain unchanged. MTN Group Limited and MTN Dubai expect that they will move to dismiss the amended complaint, again challenging the court's jurisdiction over them and the legal sufficiency of plaintiffs' claims. The matter is thus assessed as remote.

MTN conducts its business in a responsible and compliant manner in all its territories and will defend its position where necessary. No contingent liability has been disclosed for these complaints.

Turkcell claim

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

BORROWING POWERS

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

GOING CONCERN

The directors have reviewed the Group's and Company's budget and cash flow forecasts for the year to 31 December 2022. On the basis of this review, the current financial position and existing borrowing facilities, the directors are satisfied that the Company and the Group have access to adequate resources to continue in operational existence for the foreseeable future, are going concerns, and have continued to adopt the going concern basis in preparing the Annual Financial Statements.

Mobile Telephone Network Holding Limited

Directors' report (continued)

For the year ended 31 December 2021

SUBSIDIARY COMPANIES AND JOINT VENTURES

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

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

DISTRIBUTION TO SHAREHOLDER

Before declaring dividends, the Board:

- Applied the solvency and liquidity test; and
- Assesses whether the Company would satisfy the solvency and liquidity test immediately after payment of the interim and final dividend.

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

Dividends

Notice is hereby given that a gross final dividend of 1 084 cents per share for the period to 31 December 2021 has been declared payable to the shareholder. The number of ordinary shares in issue at the date of this declaration is 525 757 682.

SHARE CAPITAL

Authorised share capital

There was no change in the authorised share capital of the Company during the year under review. The authorised ordinary share capital of the Company is 1 500 million shares of 0.01 cents each.

Issued share capital

The issued share capital of the Company is R5 257 577 (2020: R5 257 577) comprising 525 757 682 (2020: 525 757 682) ordinary shares of 0.01 cents each.

CONTROL OF UNISSUED SHARE CAPITAL

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

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

ACQUISITION OF THE COMPANY'S OWN SHARES

At the last AGM held on 28 May 2021, the shareholder gave the Company or any of its subsidiaries a general approval in terms of section 48 of the Companies Act, by way of special resolution, for the acquisition of its own shares. As this general approval remains valid only until the next AGM, the shareholder will be asked at that meeting to consider a special resolution to renew this general authority until the next AGM, subject to a maximum extension of 15 months.

RETIREMENT OF DIRECTORS

A Mikati retired at the 28 May 2021 AGM and did not avail himself for re-appointment.

BS Tshabalala will not stand for re-election at the 2022 AGM and will step down as a director of the Company immediately after the AGM on 25 May 2022.

BS Tshabalala has been a director since 2018 and has served on the Group Audit Committee for the last four years and the Board would like to express its gratitude for her significant contribution to the Group.

Mobile Telephone Network Holding Limited

Directors' report (continued)

For the year ended 31 December 2021

RETIREMENT BY ROTATION OF DIRECTORS

In accordance with the Company's MOI, S Kheradpir, NL Sowazi, PB Hanratty, SP Miller and MH Jonas will retire at the forthcoming AGM. The retiring directors, being eligible, offer themselves for re-election.

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

APPOINTMENTS AND RESIGNATIONS

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

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

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

COMPANY INDEMNITY DISCLOSURE

In accordance with paragraph 135.2 of the Company's MOI, which states that the Company may "advance expenses to a director to defend litigation in any proceedings arising out of the director's service to the Company". The Company has accordingly, approved an indemnity for its directors and prescribed officers, the extent of the indemnity is stated below:

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

DIRECTORS AND PRESCRIBED OFFICERS' INTERESTS, SHAREHOLDINGS AND DEALINGS

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

EMPLOYEE SHARE SCHEMES

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

CHANGES IN SHAREHOLDING

Disposal BICS

The Group had been in discussions regarding a potential sale of its shareholding in BICS for some time as the investment in associate was not considered a strategic investment. During the 2021 financial year, the Group concluded an agreement to sell its 20% shareholding in BICS. The transaction closed 24 February 2021 and the Group received net cash proceeds of EUR99.1 million (R1.8 billion¹) and realised a profit of R1.2 billion, mainly comprising of reclassified foreign currency translation reserve (FCTR) gains.

MTN Uganda IPO

During the current year MTN Uganda completed an IPO of its shares which resulted in a change in the Group's shareholding in the Company. The Group disposed of 2 902 003 800 shares in MTN Uganda to the public as part of an IPO following which MTN Uganda listed on the Uganda Securities Exchange. This took the Group's shareholding from 96.00% to 83.05%. Proceeds generated from the sale of shares, net of transaction costs, amounted to UGX522.9 billion (R2.3 billion¹). The share allocation was finalised on 6 December 2021 and realised a net gain of R1.8 billion recognised in equity as a transaction with non-controlling interests.

¹ Translated at the effective date of the sale. Cash proceeds per the statement of cash flows are translated at the spot rate on the date of receipt of the proceeds.

Mobile Telephone Network Holding Limited

Directors' report (continued)

For the year ended 31 December 2021

CHANGES IN SHAREHOLDING (continued)

Loss of control of MTN Syria

On 25 February 2021, the Administrative Court of Damascus placed MTN Syria under judicial guardianship, appointing the chairman of Teleinvest Limited (a non-controlling shareholder of MTN Syria) as the judicial guardian with the responsibility for managing MTN Syria's day-to-day operations. The appointment of the judicial guardian significantly reduced the Group's ability to direct relevant activities in MTN Syria and therefore the Group lost control over MTN Syria on this date and accounted for a loss on deconsolidation of R4 720 million. Subsequently, on 12 August 2021 the Group has exited Syria through abandonment of the operation.

Exit in Yemen

During the 2021 financial year, the Group recognised goodwill impairments of R550 million and asset impairments of R609 million in anticipation of the exit. Effective 17 November 2021, the Group exited Yemen by way of a transfer of its majority shareholding in MTN Yemen to Emerald International Investment LLC (Emerald) for one United Arab Emirates dirham*. The decision to exit Yemen was driven by a need to simplify the portfolio, reduce risk and focus on executing a pan-African strategy. The Group realised a gain on exit of R34 million, which included reclassified FCTR gains of R183 million.

Acquisition of aYo Holdings Limited (aYo)

Acquisition of a subsidiary

On 30 June 2021, the Group subscribed for additional shares in aYo. As a result, the Group's equity interest in aYo increased from 50% to 75%, resulting in the Group obtaining control of aYo. Remeasurement of the Group's existing 50% interest in aYo resulted in a R526 million gain. The acquisition of control resulted in goodwill of R573 million being recognised.

Transaction with non-controlling interest

Effective 1 September 2021, the Group subscribed for an additional 25% interest in aYo. As a result, the Group's equity interest in aYo increased from 75% to 100%. As the Group already controlled aYo, the acquisition of the additional 25% interest has been accounted for as an equity transaction with a purchase consideration of US\$17 million (R255 million translated at the effective date of acquisition).

* Amounts less than R1 million.

INTERNAL FINANCIAL CONTROLS

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

Where deficiencies in the design and operational effectiveness of internal financial controls have been identified, remedial actions have been initiated.

Mobile Telephone Network Holding Limited

Directors' report (continued)

For the year ended 31 December 2021

BREACH OF FIDUCIARY RESPONSIBILITIES

Management proactively reported a breach of fiduciary responsibilities by a prescribed officer to the auditors on 13 December 2021, who entered into an agreement on behalf of a subsidiary of the Group outside of the requisite authority and internal processes and policies. The reportable irregularity was reported to the IRBA in line with reporting obligations of the external auditors. The subsidiary and the Group Boards took specific remedial actions to address the breach and prevent losses. The external auditors subsequently reported to the IRBA that the reportable irregularity is no longer continuing.

COVID-19

On 27 January 2021, MTN announced that it will be donating \$25 million (R370 million) to support the African Union's COVID-19 vaccination programme. This has been recognised as an expense and is included in other operating expenses. MTN Nigeria donated an additional NGN3 billion (R103 million) as part of the Coalition Against COVID-19.

While economic activity has picked up, the health crisis continues to create a challenging trading environment, the impacts of which are disclosed in note 1.6.

EVENTS AFTER THE REPORTING PERIOD

Disposal of MTN Nigeria shares

On 31 January 2022, the Group disposed of 661.25 million shares in MTN Nigeria following a secondary offer. This took the Group's shareholding from 78.83% to 75.58%. Proceeds generated from the sale of shares, net of taxes and transaction costs amounted to approximately NGN97.6 billion (approximately R3.6 billion translated at the effective date). This resulted in a net gain of approximately R3.2 billion that will be recognised in equity as a transaction with non-controlling interest.

MTN Nigeria 5G Licence

On 13 December 2021, MTN Nigeria emerged as the winner of one of the two 100MHz lots in the 3.5GHz spectrum band auction and secured the 3.5-3.6GHz band. The initial deposit of NGN8.2 billion (R314 million¹) was paid on 23 November 2021 as part of MTN Nigeria's intention to participate in the bid which was accounted for as a prepayment. Subsequently, MTN Nigeria paid NGN104.5 billion (R3.9 billion¹) of the bid price and NGN6.5 billion (R244 million¹) additional fees on 27 January 2022 and is awaiting issue of the related spectrum licence.

¹ Translated at spot rate on date of payment.

MTN SA Spectrum

On 17 March 2022, MTN SA secured 100 MHz of high-demand radio frequency spectrum following the successful conclusion of a Simultaneous Multi Round Ascending Auction (SMRA) by the Independent Communications Authority of South Africa (ICASA) to support its 4G and 5G expansion drive. MTN SA acquired a total of 100 MHz across the 800Mhz, 2 600MHz and 3 500Mhz frequency for a consideration of R5,2 billion. The spectrum has been allotted for a 20-year period, on a technology-neutral basis.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 25 May 2022. Refer to the notice of the 27th AGM, when issued, for further details of the ordinary and special business for consideration at the meeting.

AUDITORS

EY were auditors in accordance with section 90 of the Companies Act for the 2021 year.

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

The Audit Committee will recommend the reappointment of EY as Group auditors at the AGM.



EY
102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146

Ernst & Young Incorporated
Co. Reg. No. 2005/002308/21
Tel: +27 (0) 11 772 3000
Fax: +27 (0) 11 772 4000
Docex 123 Randburg
ey.com

Independent auditor's report

To the Shareholders of Mobile Telephone Networks Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Mobile Telephone Networks Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Mobile Telephone Networks Holdings Limited's consolidated and separate financial statements set out on pages 28 to 188, which comprise:

- the consolidated and separate statements of financial position as at 31 December 2021
- the consolidated and separate income statement for the year then ended
- the consolidated and separate statements of comprehensive income for the year then ended
- the consolidated and separate statements of changes in equity for the year then ended
- the consolidated and separate statements of cash flows for the year then ended, and
- the notes to the annual financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

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

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



Key audit matter	How our audit addressed the key audit matter
<p>Provisions and contingent liabilities related to uncertain tax exposures</p> <p>The Group is subject to direct and indirect tax in numerous jurisdictions. The Group's subsidiaries also undertake various cross-border transactions within the group, subject to the Group's transfer pricing policies.</p> <p>Management evaluates tax positions taken with respect to the interpretation and application of various tax rules applied in direct and indirect tax filings. These positions may result in disputes between the Group and the relevant tax authority of which the outcome may not be favourable to the Group. Management applies judgement to estimate the amount and the probability of the outflow of economic benefits of such outcomes.</p> <p>We consider the evaluation of management's judgements involved in estimating the probability and amount of uncertain tax exposures to be a key audit matter. This is due to the significant amount of auditor effort involved in gaining an understanding of the new tax matters and any changes in previously existing tax matters. This entailed extensive and robust discussions with various members of management across the numerous jurisdictions and the involvement of our internal tax specialists.</p> <p>Refer to the following notes to the annual financial statements for details:</p> <ul style="list-style-type: none"> • Note 1.5.4: Critical accounting judgements, estimates and assumptions – Income taxes; Source of estimation uncertainty • Note 1.5.6: Critical accounting judgements, estimates and assumptions – Contingent liabilities; Significant judgement • Note 3.3: Income tax paid • Note 6.3: Provisions, and • Note 6.6: Contingent liabilities. 	<p>With the support of our direct and indirect internal tax specialists from various tax jurisdictions, we performed, amongst others, the following procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Group's tax processes for recording and assessing uncertain tax exposures • We held extensive discussions with members of management responsible for direct and indirect tax to understand management's judgements about significant exposures and changes in those judgements made during the year as well as reviewed management's exposures assessment reports, our discussions also included the Group transfer pricing policies • We further inspected correspondence received by management from the relevant tax authorities, external tax advisors and external legal advisors to evaluate the appropriateness and completeness of management's conclusions • We continued to assess on-going matters, evaluated changes and conducted our own research of the relevant tax legislations and tax developments in those jurisdictions in which the Group has tax exposures • We independently assessed the appropriateness of conclusions reached by management by comparing management's application and interpretation of tax legislations in the respective tax jurisdictions to supporting correspondence from relevant tax authorities and/or the estimates from tax and legal advisors and assessed it against our own understanding and research performed with regards to management's judgement and estimation of the amount and probability of such uncertain tax exposures • We inspected tax matters which were concluded in the current year to evaluate the historical accuracy of management's estimates in relation to uncertain tax exposures and considered the need for estimates for other similar on-going matters to be updated • We agreed the uncertain tax exposures schedules to the liabilities, provisions and contingent tax exposures recorded by management and recalculated those schedules for arithmetic accuracy, and • We assessed the adequacy of the Group's disclosures in respect of IAS 37: Provisions, Contingent Liabilities and Contingent Assets ('IAS 37'), IAS 12: Income Taxes ('IAS 12'), and IFRIC 23: Uncertainty over Income Tax Treatments.



Key audit matter	How our audit addressed the key audit matter
<p>Accounting treatment for regulatory and pending litigation exposures relating to the Group</p> <p>The Group operates across multiple regulatory jurisdictions which contribute to the various legal and regulatory provisions, liabilities and contingencies recognised or disclosed at the reporting date. The Group's broad market involvement results in inherent exposure to litigation and regulations.</p> <p>Group and in-country management, in consultation with external and internal legal advisors, apply judgement to:</p> <ul style="list-style-type: none"> • The interpretation and application of laws and regulations, and • The estimation of the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the ranges of potential financial settlement. <p>We consider the evaluation of management's judgements involved in estimating the probability and amount of regulatory and pending litigation exposures to be a key audit matter. This is due to the significant amount of auditor effort involved in understanding new exposures and any changes thereon to previously existing matters related to various jurisdictions and involved extensive discussions with management and their legal advisors.</p> <p>Refer to the following notes to the annual financial statements for detail:</p> <ul style="list-style-type: none"> • Note 1.5.6: Critical accounting judgements, estimates and assumptions – Contingent liabilities; Significant judgement • Note 6.3: Provisions, and • Note 6.6: Contingent liabilities. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Discussions held with Group and in-country management and both internal and external legal advisors to evaluate their assessment of the potential outcome of regulatory exposures as a result of applicable legislation, regulations and requirements prevalent in the jurisdictions in which the Group operates • Assessing the appropriateness of management's judgements applied in the interpretation and application of laws and regulations, and in the estimation of the potential exposures, including the associated quantification and probability by: <ul style="list-style-type: none"> • Inspecting and evaluating the exposures assessment reports prepared separately by in-country management for consistency with reports prepared by Group management • Inspecting and assessing correspondence received by management from the regulatory authorities, counterparties and external legal advisors • Obtaining legal confirmations directly from the Group's in-country external legal advisors from various jurisdictions, and • We assessed the adequacy of the Group's disclosures in respect of IAS 37.
<p>Recoverability of deferred tax assets recognised on accumulated assessed losses</p> <p>For the year ended 31 December 2021, the Group reported deferred tax assets amounting to R6.7 billion which includes a deferred tax asset relating mainly to accumulated tax losses of R5.8 billion from an intermediary holding company, MTN Mauritius.</p> <p>Business plans and tax planning strategies were approved for MTN Mauritius in the current year that involves:</p> <ul style="list-style-type: none"> • technical service fees to be earned from the subsidiaries of MTN Mauritius • cost recharge measures to subsidiaries, and • planned settlement of long-term debt. <p>Management applies judgements and assumptions to estimate the probability of the implementation of these plans and to estimate future taxable profits that will be available to utilise against accumulated tax losses. The complexity is increased due to the number of jurisdictions involved and the related external factors present in each jurisdiction.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating the acceptability of management's assessment with regards to the probability of future taxable profits, and the resultant realisation of deferred tax assets. This entailed comparing management's assessment to approved forecasts and business plans which limit recurring losses, incorporate the settlement of USD denominated debt and include recoveries of technical services fee from subsidiaries. In so doing, we considered the jurisdictional factors relevant to the implementation of the various business plans and tax planning strategies, and their impact on the estimated future taxable profits • Assessing management's ability to forecast by comparing previous budgets to actual results • Assessing the reasonableness of management's assumptions used in the forecast against current contractual arrangements in place

Key audit matter	How our audit addressed the key audit matter
<p>We therefore considered the recoverability of the deferred tax asset recognised on accumulated assessed losses arising from MTN Mauritius to be a matter of most significance to our current year audit, which also included the involvement of our internal tax specialists.</p> <p>Refer to the following notes to the annual financial statements for detail:</p> <ul style="list-style-type: none"> Note 1.5.4: Critical accounting judgements, estimates and assumptions – Income taxes; Deferred tax assets – source of estimation uncertainty, and Note 3.2: Deferred taxes. 	<ul style="list-style-type: none"> Recalculating the expected impact of the known contractual arrangements coming to an end from 2024 to 2026 (long-term debt) and new agreements relating to cost recharges to subsidiaries Making use of our internal tax specialists to assess the viability of management's taxation planning strategies as well as to assess the appropriateness of certain assumptions included in the forecast based on principles and interpretations of enacted tax legislation, and Performing a sensitivity analysis by flexing key assumptions to assess the probabilities of the success of the business plans and tax planning strategies to determine the impact this will have on the estimated future taxable profits.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Mobile Telephone Networks Holdings Limited Annual Financial Statements for the year ended 31 December 2021", which includes the Directors' Report, the Report of the Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report. The other information does not include the consolidated or the separate financial statements and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement



resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other matter

The financial statements of Mobile Telephone Networks Holdings Limited for the year ended 31 December 2020 were audited by another auditor, who expressed an unmodified opinion on those statements on 29 April 2021.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditors of Mobile Telephone Networks Holdings Limited for 1 year.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported this matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in note 11 to the financial statements.

DocuSigned by:

Ernst & Young Inc.

B1AECB7B214949C...

Ernst & Young Inc.
Director: EAL Botha
Registered Auditor
Johannesburg
South Africa
26 April 2022

Mobile Telephone Networks Holdings Limited

Group income statement

for the year ended 31 December 2021

	Note	2021 Rm	2020 Rm
Revenue	2.1; 2.2	181 777	179 462
Other income	9.4.2.4; 9.4.2.5	695	122
Fair value adjustment on MTN Group shares		512	(204)
Direct network and technology operating costs		(27 597)	(27 987)
Costs of handsets and other accessories		(10 584)	(11 093)
Interconnect and roaming costs		(9 622)	(10 992)
Staff costs	2.3	(11 278)	(10 481)
Selling, distribution and marketing expenses		(22 285)	(21 005)
Government and regulatory costs		(6 895)	(6 823)
Impairment and write-down of trade receivables and contract assets	2.3	(1 116)	(2 169)
Other operating expenses		(14 741)	(12 261)
Depreciation of property, plant and equipment	5.1	(21 148)	(22 627)
Depreciation of right-of-use assets	6.5.3	(7 216)	(7 204)
Amortisation of intangible assets	5.2	(5 510)	(5 111)
Impairment of goodwill and investment in joint ventures	5.2; 9.2	(583)	(1 065)
Gain on disposal of investment in associates	9.4.1; 9.4.2.1	1 212	6 129
Loss on deconsolidation of subsidiary	9.4.2.3	(4 720)	-
Impairment loss on remeasurement of non-current assets held for sale	9.4.2.1; 9.4.2.3	(53)	(1 510)
Finance income	2.4	1 227	1 544
Finance costs	2.4	(15 577)	(19 638)
Net monetary gain		275	1 582
Share of results of associates and joint ventures after tax	9.2	2 054	1 142
Profit before tax		28 827	29 811
Income tax expense	3.1	(12 504)	(9 351)
Profit after tax		16 323	20 460
Attributable to:			
Equity holders of the Company		13 079	17 835
Non-controlling interests		3 244	2 625
		16 323	20 460

Mobile Telephone Networks Holdings Limited

Group statement of comprehensive income

for the year ended 31 December 2021

		2021 Rm	2020 Rm
Profit after tax		16 323	20 460
Other comprehensive income after tax:			
Items that may be and/or have been reclassified to profit or loss:		1 759	5 252
Net investment hedges	7.5	(1 152)	(878)
Foreign exchange movement on hedging instruments		(1 600)	(1 219)
Normal tax		448	341
Exchange differences on translating foreign operations including the effect of hyperinflation¹		2 911	6 130
Gains arising during the year		579	4 462
Reclassification of foreign currency translation differences, including hyperinflation on loss of significant influence and control	9.4.2.1; 9.4.2.3; 9.4.2.4	2 332	1 668
Items that will not be reclassified to profit or loss:		(10 317)	(622)
Equity investments at fair value through other comprehensive income^{1,2}		(10 336)	(622)
Losses arising during the year	7.1.3	(10 336)	(622)
Remeasurement gain on defined benefit obligation		19	-
Other comprehensive income for the year		(8 558)	4 630
Attributable to:			
Equity holders of the Company		(7 671)	3 964
Non-controlling interests		(887)	666
Total comprehensive income for the year		7 765	25 090
Attributable to:			
Equity holders of the Company		5 408	21 799
Non-controlling interests		2 357	3 291
		7 765	25 090

¹ This component of other comprehensive income (OCI) does not attract any tax.

² Equity investments at fair value through other comprehensive income mainly relates to the Group's investment in IHS Group (note 7.2).

Mobile Telephone Networks Holdings Limited

Group statement of financial position

at 31 December 2021

	Note	2021 Rm	2020 Rm
ASSETS			
Non-current assets		230 984	233 657
Property, plant and equipment	5.1	99 344	99 993
Intangible assets and goodwill	5.2	41 759	37 008
Right-of-use assets	6.5	42 957	46 156
Investments	7.2	19 916	28 518
Investment in associates and joint ventures	9.2	13 848	10 306
Mobile Money deposits	4.6	609	329
Loans and other non-current receivables	7.3	3 037	2 707
Capitalised contract costs	2.2	1 091	1 194
Contract assets	2.2	1 714	1 082
Deferred tax assets	3.2	6 709	6 364
Current assets		127 856	111 415
Inventories	4.1	1 539	1 534
Trade and other receivables	4.2	29 771	28 760
Contract assets	2.2	3 007	2 610
Taxation assets	3.3	3 145	3 034
Current investments	7.4	6 118	10 299
Restricted cash	4.3	6 801	6 888
Mobile Money deposits	4.6	38 260	27 679
Cash and cash equivalents	4.4	39 215	30 611
Non-current assets held for sale	5.1.5; 9.4.2.1; 9.4.2.3	7 291	4 016
Total assets		366 131	349 088
EQUITY			
Ordinary share capital and share premium	8.1	223	223
Shareholder's loan		5 818	5 818
Retained earnings		107 550	94 822
Other reserves	8.2	(3 828)	2 090
Attributable to equity holders of the Company		109 763	102 953
Non-controlling interests	9.5	3 943	3 362
Total equity		113 706	106 315
LIABILITIES			
Non-current liabilities		118 160	132 248
Borrowings	6.1	64 557	77 488
Lease liabilities	6.5	41 409	43 753
Deferred tax liabilities	3.2	9 454	9 560
Other non-current liabilities	6.2	1 669	629
Provisions	6.3	1 071	818
Current liabilities		129 863	109 441
Trade and other payables	4.5	51 305	42 959
Mobile Money payables	4.6	38 869	28 008
Contract liabilities	2.2	6 629	6 908
Provisions	6.3	4 088	2 552
Taxation liabilities	3.3	7 035	5 487
Borrowings	6.1	14 949	17 438
Lease liabilities	6.5	6 505	5 728
Derivative liabilities		14	7
Bank overdrafts	4.4	469	354
Liabilities directly associated with non-current assets held for sale	5.1.5; 9.4.2.3	4 402	1 084
Total liabilities		252 425	242 773
Total equity and liabilities		366 131	349 088

Mobile Telephone Networks Holdings Limited

Group statement of changes in equity

for the year ended 31 December 2021

	Note	Attributable to equity holders of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Shareholder's loan	Retained earnings	Other reserves	Total		
		Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 1 January 2020		5	218	5 818	80 733	(2 800)	83 974	2 213	86 187
Total comprehensive income		-	-	-	17 835	3 964	21 799	3 291	25 090
Profit after tax		-	-	-	17 835	-	17 835	2 625	20 460
Other comprehensive income after tax		-	-	-	-	3 964	3 964	666	4 630
Opening reserve adjustment for hyperinflation	1.5.5	-	-	-	3 677	-	3 677	-	3 677
Transactions with owners of the Company:									
Gain on disposal of shares in MTN Zambia	9.4.1	-	-	-	-	180	180	29	209
Reclassification of reserves on sale of Jumia Technologies AG (Jumia)		-	-	-	(688)	688	-	-	-
Dividends declared	8.3	-	-	-	(6 540)	-	(6 540)	(2 131)	(8 671)
Other movements		-	-	-	(195)	58	(137)	(40)	(177)
Balance at 31 December 2020		5	218	5 818	94 822	2 090	102 953	3 362	106 315
Total comprehensive income		-	-	-	13 079	(7 671)	5 408	2 357	7 765
Profit after tax		-	-	-	13 079	-	13 079	3 244	16 323
Other comprehensive income after tax		-	-	-	-	(7 671)	(7 671)	(887)	(8 558)
Transactions with owners of the Company:									
Gain on MTN Uganda initial public offering	9.4.2.2	-	-	-	-	1 774	1 774	560	2 334
Acquisition of subsidiary - aYo	9.4.2.5	-	-	-	-	-	-	(18)	(18)
Acquisition of aYo non-controlling interests	9.4.2.5	-	-	-	-	(212)	(212)	(43)	(255)
Loss on deconsolidation of MTN Syria	9.4.2.3	-	-	-	-	-	-	(240)	(240)
Reclassification of reserves on deconsolidation of MTN Syria		-	-	-	(101)	101	-	-	-
Exit in Yemen	9.4.2.4	-	-	-	-	-	-	(6)	(6)
Reclassification of reserves on exit in Yemen		-	-	-	(24)	24	-	-	-
Transfers to contingency reserves		-	-	-	(148)	148	-	-	-
Dividends declared		-	-	-	-	-	-	(2 078)	(2 078)
Other movements		-	-	-	(78)	(82)	(160)	49	(111)
Balance at 31 December 2021		5	218	5 818	107 550	(3 828)	109 763	3 943	113 706
Note		8.1	8.1			8.2			

* Amounts less than R1 million.

Mobile Telephone Networks Holdings Limited

Group statement of cash flows

For the year ended 31 December 2021

	Note	2021 Rm	2020 Rm
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Cash generated from operations	2.5	87 838	78 145
Interest received		1 200	1 351
Interest paid		(12 105)	(13 515)
Income tax paid	3.3	(10 663)	(8 396)
Dividends received from associates		-	223
Dividends received from joint ventures		554	385
Dividends received from MTN Group Limited		-	25
Net cash generated from operating activities		66 824	58 218
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(24 205)	(23 473)
Acquisition of intangible assets		(10 237)	(6 313)
Proceeds from sale of property, plant and equipment and intangible assets		175	80
Increase in non-current investments and joint venture		(52)	(212)
Proceeds from sale of investments in associates	9.4.1; 9.4.2.1	1 807	8 962
Proceeds from exit in Yemen net of cash disposed	9.4.2.4	(900)	-
Proceeds from sale of investment in Jumia		-	2 315
(Increase)/decrease in loan receivables		(72)	25
Realisation of non-current investment bonds		667	-
Purchase of non-current investment bonds and fixed deposits ¹		(121)	(1 219)
Realisation/(purchase) of bonds, treasury bills and foreign deposits ¹		4 521	(6 897)
Increase in restricted cash		(11 744)	(6 392)
Decrease in restricted cash		10 242	107
Cash acquired on acquisition of subsidiary	9.4.2.5	68	-
Cash deconsolidated on loss of control	9.4.2.3	(228)	-
Other investing activities		(379)	(53)
Net cash used in investing activities		(30 458)	(33 070)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from borrowings	2.6	23 754	22 551
Repayment of borrowings	2.6	(43 936)	(22 443)
Repayment of lease liabilities	2.7	(5 949)	(4 998)
Dividends paid to equity holders of the Company		-	(6 585)
Dividends paid to non-controlling interests		(2 084)	(2 093)
Proceeds from MTN Uganda initial public offering	9.4.2.2	2 191	-
Acquisition of additional shares in aYo	9.4.2.5	(257)	-
Other financing activities		283	(63)
Net cash used in financing activities		(25 998)	(13 631)
Net increase in cash and cash equivalents		10 368	11 517
Net cash and cash equivalents at beginning of the year		30 257	21 008
Exchange losses on cash and cash equivalents		(1 623)	(2 180)
Net monetary (loss)/gain on cash and cash equivalents		(380)	36
Decrease/(increase) in cash classified as held for sale	9.4.2.3	124	(124)
Net cash and cash equivalents at end of the year	4.4	38 746	30 257

¹ Purchase of non-current investments have been disaggregated in the current financial year and comparative numbers have been re-presented accordingly.

Mobile Telephone Networks Holdings Limited

Index to the notes to the Group financial statements

Page

1 Accounting framework and critical judgements

1.1 Basis of preparation	35
1.2 Going concern	35
1.3 Principal accounting policies	35
1.4 New accounting pronouncements	39
1.5 Critical accounting judgements, estimates and assumptions	39
1.6 Impact of the COVID-19 pandemic	44

2 Results of operations

2.1 Operating segments	45
2.2 Revenue from contracts with customers	51
2.3 Operating expenses	55
2.4 Finance income and finance costs	57
2.5 Cash generated from operations	58
2.6 Reconciliation of cash flows arising from financing activities related to borrowings	59
2.7 Reconciliation of cash flows arising from financing activities related to lease liabilities	59

3 Taxation

3.1 Income tax expense	60
3.2 Deferred taxes	63
3.3 Income tax paid	64

4 Working capital

4.1 Inventories	65
4.2 Trade and other receivables	65
4.3 Restricted cash	67
4.4 Cash and cash equivalents	67
4.5 Trade and other payables	68
4.6 MoMo deposits and payables	68

5 Infrastructure investments

5.1 Property, plant and equipment	70
5.2 Intangible assets and goodwill	75

6 Financing structure and commitments

6.1 Borrowings	84
6.2 Other non-current liabilities	89
6.3 Provisions	90
6.4 Capital commitments	92
6.5 Leases	93
6.6 Contingent liabilities	96

Mobile Telephone Networks Holdings Limited

Index to the notes to the Group financial statements (continued)

Page

7 Financial risk

7.1 Financial risk management and financial instruments	97
7.2 Investments	120
7.3 Loans and other non-current receivables	120
7.4 Current investments	121
7.5 Net investment hedges	122
7.6 Exchange rates to South African rand	123

8 Equity structure

8.1 Ordinary share capital and share premium	124
8.2 Other reserves	125
8.3 Dividends	126
8.4 Share-based payments	126

9 Group composition

9.1 Interests in subsidiaries and joint ventures	130
9.2 Investment in associates and joint ventures	132
9.3 Joint operations	141
9.4 Changes in shareholding	142
9.5 Interest in subsidiaries	148

10 Related parties

10.1 Related party transactions	151
10.2 Emoluments, equity compensation and dealings in ordinary shares	153

11 Breach of fiduciary responsibilities

160

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS

1.1 Basis of preparation

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

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

A number of new pronouncements and/or interpretations were effective from 1 January 2021. These had no material effect on the Group's or Company's financial statements.

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

The Iranian, Sudanese, South Sudanese and Syrian economies are considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiaries, MTN Sudan Company Limited (MTN Sudan), MTN South Sudan Limited (MTN South Sudan) and the Group's joint venture, Irancell have been expressed in terms of the measuring unit current at the reporting date. On 31 May 2020, MTN Syria was classified as a disposal group held for sale (note 9.4.2.3) and was remeasured to its fair value less cost to sell and the Group has therefore discontinued adjusting MTN Syria's net assets for hyperinflation from this date to the date of deconsolidation.

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

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

1.2 Going concern

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

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

1.3 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out on the following pages and in the related notes to the Group financial statements and should be read in conjunction with the financial definitions disclosed on pages 189 to 191 of the financial statements. Where applicable, the principal accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements. The principal accounting policies applied are consistent with those adopted in the prior year.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.1 Consolidation

Business combinations

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

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

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

Consolidation of subsidiaries

The Group financial statements incorporate the financial statements of Mobile Telephone Networks Holdings Limited and all its subsidiaries and controlled structured entities (SEs) for the reporting date 31 December 2021 on the basis outlined below.

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

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.1 Consolidation (continued)

Non-controlling interests

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

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

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

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

1.3.2 Foreign currency

Functional and presentation currency

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

Transactions and balances

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

Translation of foreign operations

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

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.2 Foreign currency (continued)

Disposal of foreign operations

On disposal of a foreign operation, all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Group are reclassified to profit or loss. The amount of FCTR reclassified to profit or loss is calculated based on the appreciation or devaluation in the functional currency of the foreign operation disposed against the functional currency of the Company. As the Group's functional and presentation currency is South African rand and the FCTR is based on the appreciation or devaluation of the South African rand against the equity of the underlying operations in the Group, the Group uses the direct method to recycle the FCTR.

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

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

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

1.3.3 Hyperinflation

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

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

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

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.4 New accounting pronouncements

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

Standard	Effective for annual periods beginning on or after
Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16	1 April 2021
Onerous Contracts – Cost of Fulfilling a Contract - Amendments to IAS 37	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022
Reference to the Conceptual Framework - Amendments to IFRS 3	1 January 2022
Proceeds before intended use – Amendments to IAS 16	1 January 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023
<p>IFRS 17 Insurance Contracts</p> <p>The Group has insurance cell captives which meet the definition of insurance contracts and fall under the scope of IFRS 17. In addition to the Group recognising the liability for incurred claims, the Group will measure its insurance contract liabilities for the remaining coverage period at initial recognition as the</p> <ul style="list-style-type: none"> total of the fulfilment cash flows which comprises of: <ul style="list-style-type: none"> the estimated future cash flows; an adjustment to reflect the time value of money; and an explicit risk adjustment for non-financial risk; as well as the contractual service margin (unearned profit). <p>The fulfilment cash flows will be remeasured on a current basis at each reporting period. The contractual service margin will be recognised over the coverage period. The statement of profit and loss will be impacted as insurance revenue, insurance service expense and insurance finance income are recognised and disclosed.</p> <p>The adoption of this standard will result in greater disclosures within the Group, however, the recognition and measurement of the application are not expected to be material.</p>	1 January 2023

1.5 Critical accounting judgements, estimates and assumptions

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Impairment of goodwill

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

Source of estimation uncertainty

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates, terminal rates and discount rates. Further detail on these assumptions has been disclosed in note 5.2. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to an appropriate CGU, being impaired. Goodwill impairment amounted to R583 million in the current year (2020: R998 million), refer to note 5.2.

1.5.2 IHS Group fair value through other comprehensive income

Significant judgement – investment classification

The Group has an economic interest in IHS Group of 25.98% (2020: 28.96%) comprising of ordinary shares (2020: comprising class A voting shares and class B non-voting shares). The reduction in shareholding in the current financial year was as a result of a dilution following IHS Group's listing on the New York Stock Exchange on 14 October 2021. An investor is presumed to have significant influence over an investee when it owns 20% of the investee, unless it can be clearly demonstrated that this is not the case. According to IHS Group's articles of association, while the Group owns more than 20% of the issued shares, the Group's voting rights are limited to 20%. The Group is not entitled to appoint a Board member. The Group does not have any special information rights or access to strategic, financial or operational information beyond that available to other public shareholders.

As a result of these restrictions, the Group's rights do not constitute significant influence to participate in the financial and operating policy decisions of IHS Group. Consequently, the Group accounts for its investment in IHS Group as an equity instrument held at fair value through other comprehensive income (FVOCI) (refer to note 7.2).

Source of estimation uncertainty – investment measurement

Given the confidentiality restrictions in the shareholders' agreement with IHS Group in 2020, MTN did not have access to the IHS Group business plans or actual financial information for the 2020 financial year. Any estimated earnings used to derive the 2020 fair value was therefore solely based on MTN management assumptions and market estimates on financial growth, currency movements, costs and performance (refer to note 7.1.3).

1.5.3 Dual exchange rates

Significant judgement

The Group operates in a number of foreign jurisdictions that have multiple quoted exchange rates. When several quoted exchange rates are available in a foreign jurisdiction, the Group uses judgement to determine the rate at which the future cash flows represented by foreign denominated transactions or balances could have been settled if those cash flows had occurred at the measurement date in these foreign entities. For the translation of the results, cash flows and financial position of the foreign entities into the presentation currency of the Group, the Group uses the rate at which dividends can be remitted. If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.3 Dual exchange rates (continued)

Significant judgement (continued)

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

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

1.5.4 Income taxes

Source of estimation uncertainty

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

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

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

Deferred tax assets - source of estimation uncertainty

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

Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. The Group's recognised and unrecognised deferred tax assets for the current year amounted to R6 709 million (2020: R6 364 million) and R9 804 million (2020: R8 399 million¹) respectively. Refer to note 3.2.

MTN Mauritius recognised deferred tax asset of R5 750 million (2020: R5 290 million) mainly resulting from an assessed loss.

The Group considered the following factors in assessing whether it is probable that MTN Mauritius will have future taxable profits available against which the deferred tax asset can be used:

- it is unlikely that the circumstances that resulted in MTN Mauritius incurring assessed losses will recur;
- interest expense and foreign exchange exposures will reduce as MTN Mauritius repays its US\$ denominated intercompany debt. The repayments are currently scheduled to occur in 2024 and 2026; and
- technical service fees from subsidiaries are expected to increase as more services are provided centrally.

Based on current business plans and stress scenarios, the Group expects to utilise the deferred tax asset in the next eight to eleven years.

¹Deductible temporary differences and unused tax losses for which no deferred tax asset had been recognised as at 31 December 2020 have been restated to incorporate additional foreign exchange considerations present as at that date.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.5 Hyperinflation

Significant judgement

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

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

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

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

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

MTN Sudan

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

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

Date	Base year	General price index	Inflation rate (%)
31 December 2021	2007	18 615	115

The cumulative inflation rate over three years as at 31 December 2021 is 1 150%. The average adjustment factor used for 2021 was 1.63.

MTN South Sudan

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

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

Date	Base year	General price index	Inflation rate (%)
31 December 2021	2011	16 621	8

The cumulative inflation rate over three years as at 31 December 2021 is 164%. The average adjustment factor used for 2021 was 1.04.

MTN Syria

The economy of Syria was assessed to be hyperinflationary effective 1 January 2014, and hyperinflation accounting was applied until 31 May 2020. The average adjustment factor used for the period from 1 January 2020 to 31 May 2020 was 1.1.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.5 Hyperinflation (continued)

Significant judgement

On 31 May 2020, MTN Syria was classified as a disposal group held for sale (note 9.4.2.3) and was remeasured to its fair value less cost to sell and the Group has therefore discontinued adjusting MTN Syria's net assets for hyperinflation from this date to the date of deconsolidation.

Iran cell

The economy of Iran was assessed to be hyperinflationary effective 1 January 2020, and hyperinflation accounting has been applied since.

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

Date	Base year	General price index	Inflation rate (%)
31 December 2021	2016	403	30

The cumulative inflation rate over three years as at 31 December 2021 is 136%. The average adjustment factor used for 2021 was 1.16.

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

	2021	2020
	Rm	Rm
Income statement		
(Decrease)/increase in revenue	(13)	2 925
Net monetary gain	275	1 582
Increase/(decrease) in share of results of associates and joint ventures after tax	546	(69)
Increase in profit after tax	794	869

1.5.6 Contingent liabilities

Significant judgement

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

1.5.7 Accounting for MoMo deposits and payables

Significant judgement

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.8 MTN SA revenue recognition

Significant judgement

On 1 May 2020, MTN SA's new long-form roaming agreement (Phase 2 agreement) with Cell C Limited (Cell C) became effective. In February 2021, Cell C entered into a settlement agreement specifying the repayment schedule for the long-outstanding amounts.

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

MTN SA recorded revenue of R2 667 million from Cell C during the year ended 31 December 2021 (2020: R1 992 million). As at 31 December 2021, R448 million (2020: R525 million) of revenue in relation to satisfied performance obligations remains unrecognised.

Cell C continues to work on its recapitalisation programme, which if adequately resolved, would result in a change in the Group's accounting treatment of Cell C revenues back to an accounting methodology of recognising revenue as performance obligations are satisfied.

1.5.9 Leases

Significant judgement - Renewal and termination options

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

Significant judgement - Lease and non-lease components

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

1.6 Impact of the COVID-19 pandemic

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

The year ended 31 December 2021 was shaped by the emergence of a second and third wave of infections and new variants, which impacted some of our markets. This drove the rapid increases in new cases and in turn the renewed imposition of lockdown restrictions in some markets. Across our footprint the distribution of vaccines has commenced.

On 27 January 2021, MTN Group Limited announced that it will be donating \$25 million (R370 million) to support the African Union's COVID-19 vaccination programme. This has been recognised as an expense and is included in other operating expenses of MTN Mauritius, a subsidiary of the Group. MTN Nigeria donated an additional NGN3 billion (R103 million) as part of the Coalition Against COVID-19.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS

2.1 Operating segments

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

The Group's underlying operations are clustered as follows:

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

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

The SEA, WECA, and MENA clusters comprise segment information for operations in those regions which are also network services providers in the Group. In line with the Group's strategy, segment information for the Ghana operation has been reported under the WECA cluster effective 1 January 2021 (previously included in SEAGHA, now renamed SEA). Prior year operating segment information for SEA and WECA has been restated accordingly.

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

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

- Impairment of goodwill and investment in joint ventures (note 5.2.1 and note 9.2);
- Net monetary gain resulting from the application of hyperinflation (note 1.5.5);
- Share of results of associates and joint ventures after tax (note 9.2);
- Hyperinflation (note 1.5.5);
- Fair value gain on acquisition of subsidiary (note 9.4.2.5);
- Loss on deconsolidation of subsidiary (note 9.4.2.3);
- Gain on disposal of investment in associates (note 9.4.1 and note 9.4.2.1);
- Gain on exit in Yemen (note 9.4.2.4);
- Gain on disposal of subsidiary;
- Impairment loss on Yemen property, plant and equipment and intangible assets (note 2.1); and
- Impairment loss on remeasurement of non-current assets held for sale (note 9.4.2.1 and note 9.4.2.3).

These exclusions have remained unchanged from the prior year, apart from the fair value gain on acquisition of subsidiary, loss on deconsolidation of subsidiary, gain on exit in Yemen, gain on disposal of subsidiary and impairment loss on Yemen property, plant and equipment and intangible assets. Impairment losses on property, plant and equipment and intangible assets are generally included in the CODM EBITDA as they are operational in nature. As the impairment of Yemen's property, plant and equipment and intangible assets arises from the MENA exit strategy, it is not considered reflective of Yemen's performance for the period.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

Revenue 2021	Network services Rm	Mobile devices Rm	Interconnect and roaming Rm	Digital and fintech Rm	Other Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
South Africa	31 030	9 271	4 070	2 429	1 521	48 321	395	48 716
Nigeria	50 241	107	5 594	3 216	892	60 050	-	60 050
SEA	11 830	211	759	3 598	557	16 955	-	16 955
Uganda	5 728	84	378	2 199	160	8 549	-	8 549
Zambia	1 606	77	108	596	42	2 429	-	2 429
Other SEA	4 496	50	273	803	355	5 977	-	5 977
WECA	34 371	223	2 499	9 750	1 162	48 005	-	48 005
Ghana	13 046	56	642	5 151	292	19 187	-	19 187
Côte d'Ivoire	6 022	47	879	1 456	499	8 903	-	8 903
Cameroon	5 475	38	385	1 262	84	7 244	-	7 244
Other WECA	9 828	82	593	1 881	287	12 671	-	12 671
MENA	5 209	13	1 055	200	73	6 550	-	6 550
Sudan	1 619	6	548	43	10	2 226	-	2 226
Afghanistan	1 670	7	341	57	17	2 092	-	2 092
Other MENA ¹	1 920	-	166	100	46	2 232	-	2 232
Major joint venture - Irancell²	5 831	128	289	324	138	6 710	15	6 725
Head office companies³	1 515	-	5 076	188	8 639	15 418	134	15 552
Eliminations	(438)	(1)	(5 303)	(206)	(7 960)	(13 908)	(130)	(14 038)
Hyperinflation impact	(229)	1	226	(5)	(6)	(13)	-	(13)
Irancell revenue exclusion	(5 831)	(128)	(289)	(324)	(138)	(6 710)	(15)	(6 725)
Consolidated revenue	133 529	9 825	13 976	19 170	4 878	181 378	399	181 777

¹ Syria and Yemen segment analysis has been included until the Group lost control of MTN Syria on 25 February 2021 and the Group exited Yemen on 17 November 2021. Refer to note 9.4.2.3 and note 9.4.2.4.

² Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.

³ Head office companies consist mainly of revenue from GlobalConnect Solutions Limited (GlobalConnect), the Group's central financing activities and management fees from segments.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

Revenue	Network services	Mobile devices	Interconnect and roaming	Digital and fintech	Other	Revenue from contracts with customers	Interest revenue	Total revenue
2020 - Restated ¹	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
South Africa	29 639	8 449	3 481	2 170	1 331	45 070	403	45 473
Nigeria	49 054	294	5 732	2 341	559	57 980	-	57 980
SEA	11 837	212	910	3 290	540	16 789	-	16 789
Uganda	5 570	53	437	2 135	125	8 320	-	8 320
Zambia	1 696	105	161	570	44	2 576	-	2 576
Other SEA	4 571	54	312	585	371	5 893	-	5 893
WECA	31 755	303	3 330	8 408	1 076	44 872	-	44 872
Ghana	11 648	120	749	4 487	241	17 245	-	17 245
Côte d'Ivoire	5 697	47	1 101	1 472	459	8 776	-	8 776
Cameroon	5 118	46	459	994	69	6 686	-	6 686
Other WECA	9 292	90	1 021	1 455	307	12 165	-	12 165
MENA	8 568	21	1 228	477	129	10 423	-	10 423
Sudan	2 526	11	623	119	27	3 306	-	3 306
Afghanistan	1 882	9	354	50	15	2 310	-	2 310
Other MENA	4 160	1	251	308	87	4 807	-	4 807
Major joint venture - Irancell²	6 539	92	414	393	114	7 552	21	7 573
Head office companies³	1 077	-	4 547	30	8 500	14 154	148	14 302
Eliminations	(166)	(1)	(4 655)	(20)	(8 319)	(13 161)	(141)	(13 302)
Hyperinflation impact	2 169	11	651	66	28	2 925	-	2 925
Irancell revenue exclusion	(6 539)	(92)	(414)	(393)	(114)	(7 552)	(21)	(7 573)
Consolidated revenue	133 933	9 289	15 224	16 762	3 844	179 052	410	179 462

¹ 2020 operating segments have been restated due to Ghana being moved from the SEA cluster (previously named SEAGHA) to the WECA cluster, Zambia being disaggregated from other SEA, Afghanistan disaggregated from other MENA and Syria aggregated to other MENA.

² Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.

³ Head office companies consist mainly of revenue from GlobalConnect, the Group's central financing activities and management fees received from segments.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

External vs inter-segment revenue	2021			Restated ¹ 2020		
	External revenue Rm	Inter-segment revenue Rm	Total revenue Rm	External revenue Rm	Inter-segment revenue Rm	Total revenue Rm
South Africa	48 280	436	48 716	45 146	327	45 473
Nigeria	58 835	1 215	60 050	57 355	625	57 980
SEA	16 498	457	16 955	16 237	552	16 789
Uganda	8 223	326	8 549	7 936	384	8 320
Zambia	2 366	63	2 429	2 519	57	2 576
Other SEA	5 909	68	5 977	5 782	111	5 893
WECA	46 717	1 288	48 005	43 458	1 414	44 872
Ghana	18 659	528	19 187	16 697	548	17 245
Côte d'Ivoire	8 735	168	8 903	8 643	133	8 776
Cameroon	7 028	216	7 244	6 440	246	6 686
Other WECA	12 295	376	12 671	11 678	487	12 165
MENA	5 908	642	6 550	9 781	642	10 423
Sudan	1 748	478	2 226	2 804	502	3 306
Afghanistan	1 928	164	2 092	2 170	140	2 310
Other MENA ²	2 232	-	2 232	4 807	-	4 807
Major joint venture - Irancell³	6 725	-	6 725	7 573	-	7 573
Head office companies⁴	5 526	10 026	15 552	4 557	9 745	14 302
Eliminations	-	(14 038)	(14 038)	-	(13 302)	(13 302)
Hyperinflation impact	13	(26)	(13)	2 928	(3)	2 925
Irancell revenue exclusion	(6 725)	-	(6 725)	(7 573)	-	(7 573)
Consolidated revenue	181 777	-	181 777	179 462	-	179 462

¹ 2020 operating segments have been restated due to Ghana being moved from the SEA cluster (previously named SEAGHA) to the WECA cluster, Zambia being disaggregated from other SEA, Afghanistan disaggregated from other MENA and Syria aggregated to other MENA.

² Syria and Yemen segment analysis has been included until the Group lost control of MTN Syria on 25 February 2021 and the Group exited Yemen on 17 November 2021. Refer to note 9.4.2.3 and note 9.4.2.4.

³ Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.

⁴ Head office companies consist mainly of revenue from GlobalConnect, the Group's central financing activities and management fees received from segments.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

	2021	Restated ¹ 2020
	Rm	Rm
CODM EBITDA		
South Africa	18 956	17 742
Nigeria	31 852	29 506
SEA	7 847	7 705
Uganda	4 387	4 118
Zambia	556	765
Other SEA	2 904	2 822
WECA	19 369	17 717
Ghana	10 557	9 097
Côte d'Ivoire	3 096	3 042
Cameroon	2 507	2 149
Other WECA	3 209	3 429
MENA	2 082	3 352
Sudan	1 085	1 428
Afghanistan	615	585
Other MENA ²	382	1 339
Head office companies	413	2 053
Eliminations	(2 152)	(2 681)
CODM EBITDA	78 367	75 404
Major joint venture - Irancell³	2 446	2 818
Hyperinflation impact	(2)	1 369
Gain on disposal of investment in associates	1 212	6 129
Fair value gain on acquisition of subsidiary	526	-
Gain on exit in Yemen	34	-
Gain on disposal of subsidiary	38	-
Impairment loss on remeasurement of non-current assets held for sale	(53)	(1 510)
Loss on deconsolidation of subsidiary	(4 720)	-
Impairment loss on Yemen property, plant and equipment and intangible assets	(609)	-
Fair value adjustment on MTN Group shares	512	(204)
Irancell CODM EBITDA exclusion	(2 446)	(2 818)
CODM EBITDA before impairment of goodwill	75 305	81 188
Depreciation, amortisation and impairment of goodwill and investments in joint ventures	(34 457)	(36 007)
Net finance cost	(14 350)	(18 094)
Net monetary gain	275	1 582
Share of results of joint ventures and associates after tax	2 054	1 142
Profit before tax	28 827	29 811

¹ 2020 operating segments have been restated due to Ghana being moved from the SEA cluster (previously named SEAGHA) to the WECA cluster, Zambia being disaggregated from other SEA, Afghanistan disaggregated from other MENA and Syria aggregated to other MENA.

² Syria and Yemen CODM EBITDA has been included until the Group lost control of MTN Syria on 25 February 2021 and the Group exited Yemen on 17 November 2021. Refer to note 9.4.2.3 and note 9.4.2.4.

³ Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

	2021	Restated ¹
	Rm	2020 Rm
Capital expenditure incurred		
South Africa	10 409	7 542
Nigeria	14 905	12 694
SEA	3 608	3 042
Uganda	1 743	1 328
Zambia	507	436
Other SEA	1 358	1 278
WECA	7 477	6 439
Ghana	3 651	3 021
Côte d'Ivoire	1 290	1 064
Cameroon	967	950
Other WECA	1 569	1 404
MENA	1 015	1 642
Sudan	504	495
Afghanistan	378	274
Other MENA ²	133	873
Major joint venture - Irancell³	2 237	1 865
Head office companies	1 209	766
Hyperinflation impact	167	394
Irancell capex exclusion	(2 237)	(1 865)
	38 790	32 519

¹ 2020 operating segments have been restated due to Ghana being moved from the SEA cluster (previously named SEAGHA) to the WECA cluster, Zambia being disaggregated from other SEA, Afghanistan disaggregated from other MENA and Syria aggregated to other MENA.

² Syria and Yemen capital expenditure has been included until the Group lost control of MTN Syria on 25 February 2021 and the Group exited Yemen on 17 November 2021. Refer to note 9.4.2.3 and note 9.4.2.4.

³ Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

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

	2021	
	Revenue Rm	Capex Rm
2021		
Sudan	542	266
South Sudan (included in other SEA)	(555)	(99)
	(13)	167
Major joint venture - Irancell	1 099	352
	2020	
	Revenue Rm	Capex Rm
2020		
Syria (included in other MENA) ¹	(669)	(139)
Sudan	3 429	507
South Sudan (included in other SEA)	165	26
	2 925	394
Major joint venture - Irancell	(2 312)	(121)

¹ On 31 May 2020, MTN Syria was classified as a disposal group held for sale (note 9.4.2.3) and was remeasured to its fair value less cost to sell, the Group has therefore discontinued adjusting MTN Syria's net assets for hyperinflation from this date to the date of deconsolidation.

2.2 Revenue from contracts with customers

The Group principally generates revenue from providing mobile telecommunications services, such as network services (comprising data, voice and SMS), digital and fintech services, interconnect and roaming services, as well as from the sale of mobile devices. Products and services may be sold separately or in bundled packages. The typical length of a contract for postpaid bundled packages is 24 months.

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

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

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

Network services and digital and fintech

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued) 2.2 Revenue from contracts with customers (continued)

Network services and digital and fintech (continued)

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

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

Mobile devices

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

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

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

Interconnect and roaming

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

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

Capitalisation of subscriber acquisition costs

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue from contracts with customers (continued)

Assets and liabilities related to contracts with customers

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

	2021 Rm	2020 Rm
Contract assets	5 400	4 191
Contract assets - non-current	1 985	1 271
Contract assets - current	3 415	2 920
Loss allowance	(679)	(499)
Total contract assets	4 721	3 692
Capitalised contract costs	1 091	1 194
Contract liabilities	6 629	6 908

The Group also recognised a loss allowance for contract assets as per IFRS 9 *Financial Instruments* (IFRS 9), see note 7.1.4.

Significant changes in contract assets and liabilities

Contract assets have increased mainly due to an increase in uptake of contracts.

Contract liabilities decreased due to a decrease in data prices and an increase in utilisation.

Revenue recognised in relation to contract liabilities

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

	2021 Rm	2020 Rm
Revenue recognised that was included in the contract liability balance	5 399	4 721

Unsatisfied performance obligations

	2021 Rm	2020 Rm
Aggregate amount of transaction price allocated to unsatisfied performance obligations	4 074	4 182

For postpaid contracts that were effective at 31 December 2021 the above amounts reflect the transaction price for services to be provided over the remainder of the contractual periods.

Management expects that 91% (2020: 94%) of the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue amounting to R3 707 million (2020: R3 912 million) during the next reporting period. The remaining 9% (2020: 6%) amounting to R367 million (2020: R270 million) will be recognised in the 2023 financial year.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue from contracts with customers (continued)

Nigeria Communications Commission's directive on NIN-SIM linkage

The Nigeria Communications Commission's (NCC) issued a statement on 4 April 2022 regarding its decision that all operators will be required to implement restrictions on out-going calls for subscribers whose SIMs are not associated with National Identity Numbers (NINs). Subsequently, MTN Nigeria received a formal directive from the NCC to implement a phased suspension of services to affected subscribers, placing them on 'receive only' status with effect from 4 April 2022. In line with operating licence requirements, MTN Nigeria has complied with the directive and implemented the restrictions on only outgoing voice calls of affected subscribers. All other services remain available to all subscribers, including those that are yet to submit their NINs.

MTN Nigeria has deployed more than 4 200 points of enrolment across the country to support the NIN enrolment drive. This network continues to be expanded to ensure that enrolment is within reach of all Nigerians. MTN Nigeria also continues to work with the National Identity Management Commission (NIMC) to accelerate the bulk verification of NINs collected.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.3 Operating expenses

Employee benefits

Short-term employee benefits

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

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

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

Long-term employee benefits

Long-term service awards

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

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

Share-based payment transactions

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

Post-employment benefits

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

Termination benefits

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.3 Operating expenses (continued)

	2021 Rm	2020 Rm
Staff costs	(11 278)	(10 481)
Salaries and wages	(7 901)	(8 877)
Post-employment benefits	(432)	(446)
Share options granted to directors and employees (note 8.4)	(2 196)	(165)
Training	(149)	(120)
Other	(600)	(873)
Auditors' remuneration	(176)	(161)
Audit fees	(160)	(140)
Fees for other services	(13)	(17)
Expenses	(3)	(4)
Research and development costs	(2)	(15)
Gain on disposal of property, plant and equipment and intangible assets	79	22
Net impairment loss on property, plant and equipment (note 5.1)	(339)	(42)
Impairment loss on intangible assets (note 5.2)	(110)	(397)
Impairment loss on right-of-use assets	(96)	-
Net write-down of inventories to net realisable value (note 4.1)	(166)	(136)
Impairment and write-down of trade receivables and contract assets ¹	(1 116)	(2 169)
Impairment of cash balances	(114)	(76)
Impairment of current and non-current investments	-	(13)
Amortisation of capitalised contract costs	(691)	(547)
Professional and consulting fees	(2 637)	(2 063)

¹ The impairment and write-down of trade receivables and contract assets includes amounts disclosed in note 4.2 and R180 million (2020: R161 million) relating to impairment of contract assets.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.4 Finance income and finance cost

Finance income

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

Finance costs

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

	2021 Rm	2020 Rm
Interest income on loans and receivables	438	677
Interest income on bank deposits	789	867
Finance income	1 227	1 544
Interest expense on financial liabilities measured at amortised cost	(6 963)	(8 756)
Net foreign exchange losses	(2 529)	(4 509)
Unwind of revision of cash flows ¹	43	174
Lease liability interest expense (note 6.5.3)	(6 128)	(6 547)
Finance costs	(15 577)	(19 638)
Net finance costs recognised in profit or loss	(14 350)	(18 094)

¹ Refer to note 4.2 for details on the balance with Irancell.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

2.5 Cash generated from operations

	2021 Rm	2020 Rm
Profit before tax	28 827	29 811
<i>Adjusted for:</i>		
Finance costs (note 2.4)	15 577	19 638
Finance income (note 2.4)	(1 227)	(1 544)
Fair value adjustment on MTN Group shares	(512)	204
Dividends received on MTN Group shares	-	(25)
Depreciation of property, plant and equipment and right-of-use assets (note 5.1 and 6.5.3)	28 364	29 831
Amortisation of intangible assets (note 5.2)	5 510	5 111
Gain on disposal of property, plant and equipment and intangible assets (note 2.3)	(79)	(22)
Impairment loss on remeasurement of non-current assets held for sale (note 9.4.2.1 and 9.4.2.3)	53	1 510
Gain on exit in Yemen (note 9.4.2.4)	(34)	-
Gain on disposal of subsidiary	(38)	-
Gain on disposal of investment in associates (note 9.4.2.1)	(1 212)	(6 129)
Amortisation of contract costs (note 2.3)	691	547
Share of results of associates and joint ventures after tax (note 9.2)	(2 054)	(1 142)
Increase in provisions (note 6.3)	2 912	1 873
Net write-down of inventories to net realisable value (note 4.1)	166	136
Impairment of goodwill and investment in joint ventures (note 5.2.1 and 9.2)	583	1 065
Net impairment loss on property, plant and equipment (note 5.1)	339	42
Net impairment loss on right-of-use assets	96	-
Net impairment loss on intangible assets (note 5.2)	110	-
Impairment and write-down of trade receivables and contract assets (note 2.3)	1 116	2 169
Impairment of restricted cash balances (note 2.3) ¹	114	45
Share based-payment transactions (note 8.4)	2 196	165
Net monetary gain	(275)	(1 582)
Fair value gain on acquisition of subsidiary (note 9.4.2.5)	(526)	-
Loss on deconsolidation of subsidiary (note 9.4.2.3)	4 720	-
Other ¹	99	139
	85 516	81 842
Changes in working capital	2 322	(3 697)
(Increase)/decrease in inventories	(97)	77
Increase in contract assets and capitalised contract costs	(1 274)	(541)
Net increase in receivables and prepayments	(2 598)	(5 693)
Net increase in payables and contract liabilities	6 291	2 425
Cash generated from operations	87 838	78 145

¹ Impairment of restricted cash balances was included in other adjustments in 2020 and has been disaggregated in 2021 and comparative numbers have been re-presented accordingly.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

2 RESULTS OF OPERATIONS (continued)

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

	2021 Rm	2020 Rm
Borrowings at the beginning of the year	94 926	92 982
Current	17 438	15 691
Non-current	77 488	77 291
Cash flows	(20 182)	108
Proceeds from borrowings	23 754	22 551
Repayment of borrowings ¹	(43 936)	(22 443)
Other movements	4 762	1 836
Effects of changes in foreign exchange rates and interest accrued	10 826	9 650
Acquisition of subsidiary (note 9.4.2.5)	203	-
Interest paid ²	(6 267)	(7 814)
Borrowings at the end of the year	79 506	94 926
Comprising:		
- Current	14 949	17 438
- Non-current	64 557	77 488

¹ The current year saw a substantial increase in borrowing repayments in line with the Group's strategy to accelerate the deleveraging of the Holdco[^] statement of financial position, reducing exposure to United States dollar debt and improving the funding mix at a Holdco level. This was achieved through a combination of solid operational performance and cashflow generation, cash upstreaming, asset realisations and potential liability management.

² Presented as part of cash generated from operating activities.

[^] Holdco comprises of the Group excluding operating segments per note 2.1 and GlobalConnect.

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

	2021 Rm	2020 Rm
Leases at the beginning of the year	49 481	46 327
Current	5 728	4 056
Non-current	43 753	42 271
Cash flows	(5 949)	(4 998)
Repayment of lease liabilities	(5 949)	(4 998)
Other movements	4 382	8 152
Additions	6 905	4 482
Interest paid ¹	(5 475)	(5 560)
Modifications	82	5 304
Transfer to held for sale (note 5.1.5)	(4 402)	-
Effects of changes in foreign exchange rates and interest accrued	7 272	3 926
Leases at the end of the year	47 914	49 481
Comprising:		
- Current	6 505	5 728
- Non-current	41 409	43 753

¹ Presented as part of cash generated from operating activities.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

3 TAXATION

3.1 Income tax expense

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

Current tax

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

Deferred tax

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

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

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

Withholding tax

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

	2021	2020
	Rm	Rm
Analysis of income tax expense for the year		
Normal tax	(11 805)	(9 316)
Current year	(11 691)	(9 304)
Adjustments in respect of the prior year	(114)	(12)
Deferred tax (note 3.2)	526	1 385
Current year	306	1 357
Adjustments in respect of the prior year	220	28
Withholding taxes on foreign income	(1 225)	(1 420)
	(12 504)	(9 351)

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

3 TAXATION (continued)

3.1 Income tax expense (continued)

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

The reconciliation of taxation has been performed using the statutory tax rate of the Company of 28% (2020: 28%). The impact of different corporate tax rates applied to the various jurisdictions in which the Group operates has been incorporated in the "Effect of different tax rates in other countries" line below.

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

	2021	2020
	%	%
Tax rate reconciliation		
Tax at statutory tax rate	28.00	28.00
Expenses not allowed	13.50	11.13
Sudan non-deductible expenses	1.90	4.28
Assessed loss and other balances on which deferred tax was not recognised	0.74	1.87
Disallowed interest expenses	0.66	1.02
Impairment of goodwill and investment in joint ventures	0.57	1.00
Controlled foreign company legislation imputation	0.88	0.44
Impairment loss on remeasurement of non-current assets held for sale	0.05	1.42
Loss on deconsolidation of MTN Syria	4.58	-
Impairment loss on Yemen property, plant and equipment and intangible assets	0.59	-
COVID-19 vaccination programme donations	0.36	-
Other ¹	3.17	1.10
Effect of different tax rates in other countries	2.22	(3.74)
Income not subject to tax	(2.12)	(6.10)
Exempt income	(0.43)	(0.34)
Fair value gain on acquisition of subsidiary	(0.51)	-
Gain on disposal of investment in associates	(1.18)	(5.76)
Share of results of associates and joint ventures	(2.00)	(1.07)
Foreign income and withholding taxes	4.25	4.76
Other	(0.47)	(1.61)
Effective tax rate	43.38	31.37

¹ Includes disallowed expenses for depreciation and amortisation relating to MTN Nigeria and technical and management service fees incurred in both MTN Cameroon and MTN Benin which are subject to deductibility limitations.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

3 TAXATION (continued)

3.1 Income tax expense (continued)

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

Country	Corporate tax rate	
	2021 %	2020 %
Afghanistan	20	20
Benin	30	30
Cameroon	33	33
Congo-Brazzaville ¹	28	22.5
Cote d'Ivoire S.A	30	30
Ethiopia	30	30
Ghana	25	25
Guinea-Bissau	25	25
Guinea-Conakry	35	35
Kenya	30	30
Liberia	25	25
Namibia	32	32
Netherlands	25	25
Nigeria	30	30
Rwanda	30	30
South Africa ²	28	28
South Sudan	25	20
Sudan	10	7
Syria	14	14
Uganda	30	30
Yemen	50	50
Zambia	40	40

¹ Effective April 2016 MTN Congo S.A. (MTN Congo-Brazzaville) was granted a five-year reduction on its corporate tax rate as a result of its investment agreement with the government. This tax incentive period came to an end during the current financial year.

² In the budget speech read in Parliament on 23 February 2022, South Africa's finance minister announced that the corporate tax rate be reduced from 28% to 27% for years of assessment ending on or after 31 March 2023.

The Group is following developments relating to the anticipated tax changes in the United Arab Emirates as well as the impact of Global Anti-Base Erosion rules as part of the Two-Pillar solution adopted by the Organisation of Economic Co-operation and Development (OECD) to assess the potential impact that it may have.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

3 TAXATION (continued)

3.2 Deferred taxes

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

	1 January 2020 Rm	Recognised in profit or loss Rm	Exchange/ other movements ¹ Rm	31 December 2020 Rm	Recognised in profit or loss Rm	Exchange/ other movements ¹ Rm	31 December 2021 Rm
Provisions and tax losses carried forward ²	5 753	2 138	209	8 100	508	7	8 615
Working capital allowances	(651)	16	2	(633)	5	15	(613)
Tax allowances in excess of depreciation	(9 045)	(759)	236	(9 568)	(312)	(46)	(9 926)
Other temporary differences	(944)	(10)	(141)	(1 095)	325	(51)	(821)
Net deferred tax liability	(4 887)	1 385	306	(3 196)	526	(75)	(2 745)
Comprising:							
Deferred tax assets	5 133			6 364			6 709
Deferred tax liabilities	(10 020)			(9 560)			(9 454)
	(4 887)			(3 196)			(2 745)

¹ Including the effect of hyperinflation.

² The Group has taken note of South Africa's finance minister's announcement in the budget speech on 23 February 2022 relating to the future limitation on the utilisation of assessed losses to 80% of taxable income. It has been indicated in the 2022 budget speech that the amendment will come into effect for years of assessment ending on or after 31 March 2023.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

3 TAXATION (continued)

3.2 Deferred taxes (continued)

There were deductible temporary differences and unused tax losses of R9 804 million (2020: R8 399 million¹) for which no deferred tax asset had been recognised in the statement of financial position at year-end.

2021

Year of expiry	2022	2023	2024	2025	2026	2027	2028	Total
Amount (Rm)	1 124	1 767	955	850	3 173	284	119	8 272
No expiry (Rm)	-	-	-	-	-	-	-	1 532
Total²	1 124	1 767	955	850	3 173	284	119	9 804

2020¹

Year of expiry	2021	2022	2023	2024	2025	2026	Total
Amount (Rm)	287	2 352	2 287	979	698	152	6 755
No expiry (Rm)	-	-	-	-	-	-	1 644
Total²	287	2 352	2 287	979	698	152	8 399

¹ Deductible temporary differences and unused tax losses for which no deferred tax asset had been recognised as at 31 December 2020 have been restated to incorporate additional foreign exchange considerations present as at that date.

² Includes unused tax losses attributable to tax deductible expenditure recognised in OCI.

3.3 Income tax paid

	2021 Rm	2020 Rm
At the beginning of the year	(2 453)	(508)
Amount recognised in profit or loss (note 3.1)	(12 504)	(9 351)
Deferred tax (note 3.1)	(526)	(1 385)
Effect of movements in exchange rates	321	618
Normal tax recognised in other comprehensive income	448	341
(Decrease)/increase in withholding tax accruals	(402)	524
Exit in Yemen (note 9.4.2.4)	524	-
Other ¹	39	(1 088)
At the end of the year	3 890	2 453
Taxation assets	(3 145)	(3 034)
Taxation liabilities	7 035	5 487
Total tax paid	(10 663)	(8 396)

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

4 WORKING CAPITAL

4.1 Inventories

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

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

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

	2021 Rm	2020 Rm
Finished goods – at cost	2 400	2 226
Handsets	1 441	1 404
SIM cards and accessories	959	822
Consumables	153	204
Less: Write-down to net realisable value ¹	(1 014)	(896)
	1 539	1 534

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

MTN Ghana has secured facilities through the pledge of its inventories amounting to R74 million (2020: R136 million) (note 6.1).

Reconciliation of write-down of finished goods

	At beginning of the year Rm	Additions ¹ Rm	Reversals ¹ Rm	Utilised Rm	Exchange and other movements Rm	At end of the year Rm
2021						
Movement in write-down	(896)	(301)	135	51	(3)	(1 014)
2020						
Movement in write-down	(774)	(215)	79	91	(77)	(896)

¹ A net write-down on inventories of R166 million (2020: R136 million net write-down) was recognised in the current year. This amount is included in other operating expenses in profit or loss (note 2.3).

4.2 Trade and other receivables

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

Prepayments and other receivables are stated at their nominal values.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

4 WORKING CAPITAL (continued)

4.2 Trade and other receivables (continued)

	2021	2020
	Rm	Rm
Trade receivables (note 7.1.4)	17 680	18 266
Less: Allowance for impairment of trade receivables (note 7.1.4)	(3 054)	(3 008)
Net trade receivables	14 626	15 258
Loan to Irancell ¹	1 882	1 733
Receivable from Irancell ²	1 531	1 037
Prepayments and other receivables	3 708	2 325
Sundry debtors and advances ³	8 024	8 407
	29 771	28 760

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

² Receivables denominated in Iranian rial to the value of R1 525 million (2020: R840 million) were translated at the SANA rate (note 1.5.3 and note 7.6), while the remaining Iranian rial amounts outstanding at year-end were translated at the CBI rate.

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

Impairment of trade receivables

An allowance for impairment of R579 million (2020: R1 009 million) was incurred in the current year. This amount is included in impairment of trade receivables and contract assets in profit or loss (note 2.3). Additionally, R357 million (2020: R999 million) was written-off directly to profit or loss.

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

Secured facilities and collateral

MTN Ghana has secured facilities through the pledge of its trade and other receivables amounting to R1 821 million (2020: R1 514 million) (note 6.1).

Irancell loan and receivable

On 20 September 2019, the US Treasury Department's Office of Foreign Assets Control (OFAC) designated the CBI as being subject to sanctions. Sanctions imposed on the CBI create a secondary sanctions risk if the CBI allocates foreign currency to an MTN entity for the purpose of repatriating the receivable and/or loan. As at 31 December 2021, Iranian rial denominated receivables amounted to R1 531 million (2020: R1 037 million) and the Iranian rial denominated loan amounted to R1 882 million (2020: R1 733 million).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

4 WORKING CAPITAL (continued)

4.3 Restricted cash

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

Restricted cash balance includes amounts of R5 494 million (2020: R1 757 million) related to MTN Nigeria operations. The balance relates to cash deposits with banks to secure letters of credit and collateral against repayment on borrowings. Furthermore, the restricted cash balance includes dividends from MTN Nigeria being held on behalf of the Group by the Nigeria Registrar at an amount of R742 million (2020: R4 197 million). In addition, an amount of R103 million of proceeds received from the MTN Uganda initial public offering (IPO) remains unavailable to the Group. These cash balances will remain restricted until foreign currency (US\$) becomes available in the market. Prior year restricted cash included an amount of R226 million from the sale of MTN Zambia shares (note 9.4.1), which became available to the Group during the current financial year.

4.4 Cash and cash equivalents

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

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

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

	2021	2020
	Rm	Rm
Cash at bank and on hand	39 215	30 611
Bank overdrafts	(469)	(354)
Net cash and cash equivalents	38 746	30 257

MTN Ghana has secured facilities through the pledge of its cash and cash equivalents amounting to R1 571 million (2020: R1 288 million) (note 6.1).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

4 WORKING CAPITAL (continued)

4.5 Trade and other payables

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

Other payables are stated at their nominal values.

	2021	2020
	Rm	Rm
Trade payables	12 986	13 021
Sundry creditors	2 972	2 142
Accrued expenses ¹	28 075	20 212
Other payables ²	7 272	7 584
	51 305	42 959

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

² Includes dealer commissions, withholding taxes and VAT payable.

4.6 MoMo deposits and payables

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

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

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

4 WORKING CAPITAL (continued)

4.6 MoMo deposits and payables (continued)

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

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

	2021 Rm	Restated ¹ 2020 Rm
Non-current Mobile Money deposit	609	329
WECA	609	329
Côte d'Ivoire	609	329
Current Mobile Money deposits	38 260	27 679
South Africa	45	28
Nigeria	10	85
SEA	6 718	4 310
Uganda	4 305	2 630
Zambia	1 183	702
Other SEA	1 230	978
WECA	31 479	23 251
Ghana	22 680	16 290
Côte d'Ivoire	1 966	2 286
Cameroon	3 105	2 302
Other WECA	3 728	2 373
MENA	8	5
Sudan	*	*
Afghanistan	8	5
	38 869	28 008

¹ 2020 operating segments have been restated due to Ghana being moved from the SEA cluster (previously named SEAGHA) to the WECA cluster and Zambia being disaggregated from other SEA.

*Amounts less than R1 million.

Nigeria MoMo Payment Service Bank

On 8 April 2022, the Central Bank of Nigeria (CBN) granted final approval for MoMo Payment Service Bank Limited to commence operations.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS

5.1 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Land is not depreciated.

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

	2021 Years	2020 Years
Buildings	5 - 50	5 - 50
Network infrastructure	2 - 25	2 - 25
Information systems equipment	1 - 15	1 - 15
Furniture and fittings	3 - 15	3 - 15
Leasehold improvements	2 - 20	2 - 20
Office equipment	2 - 13	2 - 13
Vehicles	3 - 13	3 - 13

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

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

Impairment

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

	Land and buildings Rm	Leasehold improve- ments Rm	Network infra- structure Rm	Information systems, furniture and office equipment Rm	Capital work-in- progress /other Rm	Spare parts Rm	Vehicles Rm	Total Rm
Carrying amount at 1 January 2020	5 217	1 597	80 059	4 002	5 061	1 475	288	97 699
Additions	205	146	17 165	1 404	3 725	1 353	104	24 102
Disposals	(1)	(3)	(169)	(5)	(14)	(20)	(3)	(215)
Reallocations	187	70	2 930	668	(3 501)	(664)	11	(299)
Depreciation for the year	(249)	(259)	(19 850)	(1 858)	(287)	-	(124)	(22 627)
Net impairment loss	-	-	(5)	-	(3)	(34)	-	(42)
Reclassified to held for sale	(30)	(15)	(1 565)	(82)	(109)	(150)	-	(1 951)
Other movements	2	(1)	(63)	(6)	42	(4)	(9)	(39)
Effect of movements in exchange rates ¹	128	21	2 829	150	354	(136)	19	3 365
Carrying amount at 31 December 2020	5 459	1 556	81 331	4 273	5 268	1 820	286	99 993
Comprising:								
Cost	9 186	4 749	200 721	16 092	7 963	1 854	1 000	241 565
Accumulated depreciation and impairment losses	(3 727)	(3 193)	(119 390)	(11 819)	(2 695)	(34)	(714)	(141 572)
	5 459	1 556	81 331	4 273	5 268	1 820	286	99 993
Carrying amount at 1 January 2021	5 459	1 556	81 331	4 273	5 268	1 820	286	99 993
Additions ²	250	24	11 060	1 795	6 912	6 816	325	27 182
Acquisitions of subsidiary ³	-	1	-	8	-	-	3	12
Disposal of subsidiary ⁴	-	-	(21)	(2)	(3)	-	-	(26)
Exit in Yemen	-	-	(56)	(8)	(77)	-	-	(141)
Disposals	(1)	(1)	(164)	(4)	(8)	-	(5)	(183)
Reallocations	263	71	8 293	598	(1 797)	(6 503)	35	960
Depreciation for the year	(278)	(273)	(18 257)	(1 936)	(264)	-	(140)	(21 148)
Impairment loss	-	(31)	(231)	(26)	(49)	(2)	-	(339)
Reclassified to held for sale ⁵	-	-	(3 573)	(5)	-	-	-	(3 578)
Other movements	(118)	(23)	(210)	(18)	(141)	33	11	(466)
Effect of movements in exchange rates ¹	(76)	12	(2 388)	(78)	213	(615)	10	(2 922)
Carrying amount at 31 December 2021	5 499	1 336	75 784	4 597	10 054	1 549	525	99 344
Comprising:								
Cost	9 555	4 765	197 407	18 288	12 831	1 573	1 256	245 675
Accumulated depreciation and impairment losses	(4 056)	(3 429)	(121 623)	(13 691)	(2 777)	(24)	(731)	(146 331)
	5 499	1 336	75 784	4 597	10 054	1 549	525	99 344

¹ Includes the effect of hyperinflation.

² Substantial acquisitions of spare parts occurred during the year, due to advance purchasing of construction parts by MTN Nigeria for use in the 5G project rollout. These parts have subsequently been re-allocated to capital work-in-progress where they have either remained at year-end or became available for use as network infrastructure depending on the construction completion status at year-end.

³ MTN Group acquired controlling interest in aYo effective 30 June 2021. Refer to note 9.4.2.5.

⁴ MTN Group disposed of MTN Business Solutions Namibia Proprietary Limited in the current year.

⁵ MTN SA entered into a transaction in the current year for the sale of its tower infrastructure. Refer to note 5.1.5.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.1 Impairment (losses)/reversals

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

	2021	2020
	Rm	Rm
MTN SA	(32)	-
MTN Nigeria	(18)	(39)
MTN South Sudan	160	(3)
MTN Yemen (note 9.4.2.4)	(453)	-
Other	4	-
	(339)	(42)

5.1.2 Capital work-in-progress

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

	2021	2020
	Rm	Rm
MTN SA	1 627	309
MTN Ghana	89	245
MTN Sudan	638	469
MTN Nigeria ¹	3 847	238
MTN Guinea-Conakry	119	178
MTN Côte d'Ivoire S.A. (MTN Côte d'Ivoire)	399	372
Spacotel Benin S.A (MTN Benin)	19	10
MTN Yemen ²	-	472
MTN South Sudan	33	84
MTN Congo-Brazzaville	287	120
MTN Cameroon Limited (MTN Cameroon)	22	390
Lonestar Communications Corporation (MTN Liberia)	26	24
MTN Uganda	33	159
Spacotel Guinea-Bissau S.A. (MTN Guinea-Bissau)	269	182
GlobalConnect	834	574
GlobalConnect Zambia Limited	172	-
Other	42	24
	8 456	3 850

¹ Includes work-in-progress relating to the MTN Nigeria 5G project rollout.

² MTN Group exited Yemen in the current year. Refer to note 9.4.2.4.

5.1.3 Changes in estimates

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

5.1.4 Encumbrances

Borrowings (note 6.1) for MTN Ghana are secured by various categories of property, plant and equipment with the carrying amounts of R9 398 million (2020: R7 910 million).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (Continued)

5.1.5 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as non-current assets held for sale and are stated at the lower of their carrying amounts and fair value less cost to sell when their carrying amounts are to be recovered principally through sale rather than continued use and the sale is considered to be highly probable.

MTN SA initiated a competitive bid process for a transaction in which it would sell its tower infrastructure, passive assets and power assets; cede related agreements including land lease agreements (on which the towers are constructed) to a tower company; and lease back space on the towers which it would sell. On 16 November 2021, MTN SA and IHS Group signed the related agreements, subject to certain conditions including approvals from Reserve Bank and the Competition Commission.

As the transaction is expected to be effective within the next 12 months, the disposal group was classified as held for sale on 16 November 2021.

The carrying amounts of assets and liabilities that have been reclassified to non-current assets held for sale are as follows:

	2021 Rm
Property, plant and equipment	3 578
Right-of-use assets	3 701
Intangible assets	12
Non-current assets held for sale	7 291
Lease liabilities (note 6.5)	4 402
Liabilities directly associated with non-current assets held for sale	4 402

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill

Goodwill

Goodwill is measured at cost less accumulated impairment losses and is not amortised but tested for impairment annually and whenever there is an indication that the goodwill may be impaired.

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

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

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

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

Intangible assets with finite useful lives

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

Intangible assets with finite useful lives (continued)

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

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

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

Basis for determining useful lives		2021 Years	2020 Years
Licences	The useful lives are determined primarily with reference to the unexpired licence period.	2 - 30	2 - 30
Customer relationships	The useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to factors such as customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life.	4 - 6	4 - 6
Software	The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the Group, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful	3 - 6	3 - 6
Other intangible assets	Useful lives are based on management's estimate and take into account historical experience as well as future events which may impact the useful lives.	3 - 10	3 - 10

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

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

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

Impairment

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

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

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

An impairment loss in respect of goodwill is not reversed.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

	Goodwill Rm	Licences Rm	Customer relationships Rm	Software Rm	Other intangible assets Rm	Capital work-in- progress Rm	Total Rm
Carrying amount at							
1 January 2020	15 312	11 846	278	6 252	13	944	34 645
Additions	-	3 524	-	3 152	2	783	7 461
Disposals	-	-	-	(7)	-	-	(7)
Reallocations	-	39	-	1 280	-	(1 010)	309
Reclassified to held for sale	-	(575)	-	(135)	-	-	(710)
Amortisation for the year	-	(1 974)	(177)	(2 958)	(2)	-	(5 111)
Impairment loss	(998)	-	-	-	-	-	(998)
Other movements	-	(249)	-	1	111	23	(114)
Effect of movements in exchange rates ¹	1 021	447	1	101	45	(82)	1 533
Carrying amount at							
31 December 2020	15 335	13 058	102	7 686	169	658	37 008
Comprising:							
Cost	21 637	27 826	1 314	22 605	5 288	658	79 328
Accumulated amortisation and impairment losses	(6 302)	(14 768)	(1 212)	(14 919)	(5 119)	-	(42 320)
	15 335	13 058	102	7 686	169	658	37 008
Carrying amount at							
1 January 2021	15 335	13 058	102	7 686	169	658	37 008
Additions	-	6 342	-	2 897	5	1 745	10 989
Acquisition of subsidiary ²	573	-	4	-	2	18	597
Exit in Yemen	-	(10)	-	(10)	-	-	(20)
Disposals	-	-	-	(15)	-	-	(15)
Reallocations	-	565	(2)	(556)	(15)	(952)	(960)
Reclassified to held for sale ³	-	-	-	(12)	-	-	(12)
Amortisation for the year	-	(2 535)	(84)	(2 858)	(33)	-	(5 510)
Impairment loss ⁴	(583)	(27)	-	(83)	-	-	(693)
Other movements	-	(51)	7	78	-	(257)	(223)
Effect of movements in exchange rates ¹	46	543	2	(57)	11	53	598
Carrying amount at							
31 December 2021	15 371	17 885	29	7 070	139	1 265	41 759
Comprising:							
Cost	22 210	31 101	1 326	21 267	5 629	1 265	82 798
Accumulated amortisation and impairment losses	(6 839)	(13 216)	(1 297)	(14 195)	(5 490)	-	(41 037)
	15 371	17 885	29	7 070	139	1 265	41 759

¹ Includes the effect of hyperinflation.

² MTN Group acquired controlling interest in aYo effective 30 June 2021. Refer to note 9.4.2.5.

³ MTN SA entered into a transaction in the current year for the sale of its tower infrastructure. Refer to note 5.1.5.

⁴ Impairment loss in respect of licences and software includes an amount of R60 million relating to the exit in Yemen. Refer to note 9.4.2.4.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill

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

	2021			2020		
	Growth rate	Discount rate	Goodwill carrying amount	Growth rate	Discount rate	Goodwill carrying amount
	%	%	Rm	%	%	Rm
MTN Côte d'Ivoire	2.0	6.7	3 376	1.4	6.6	3 345
MTN Ghana	6.0	14.7	3 912	8.7	16.5	3 830
MTN Afghanistan	4.0	11.9	423	9.7	20.5	524
MTN Uganda	5.0	10.3	725	4.8	11.8	649
MTN Congo-Brazzaville	6.3	15.6	1 117	2.6	13.2	1 109
MTN Benin	2.0	6.6	1 547	6.3	13.2	1 532
MTN SA	4.5	7.9	2 584	3.9	8.8	2 584
MTN Rwanda	5.0	10.3	329	6.3	13.1	315
MTN Nigeria	11.5	17.8	376	12.7	19.8	367
MTN Guinea-Bissau	2.0	9.5	268	6.3	17.0	265
aYo ¹	2.3	17.0	651	-	-	-
MTN Yemen ²	-	-	-	8.0	28.5	564
Other			63			251
Total			15 371			15 335

¹ The Group obtained control of aYo in the current year. Refer to note 9.4.2.5.

² The Group exited Yemen in the current year. Refer to note 9.4.2.4.

Goodwill is tested annually for impairment. The recoverable amounts of the CGUs were determined based on value in use calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the above period were extrapolated using the estimated growth rates as mentioned above. These growth rates are in line with industry norms.

The following key assumptions were used for the value in use calculations:

- Growth rates: the Group used steady growth rates to extrapolate revenues beyond the budget period cash flows. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGU operated. The average growth rates used ranged from 2.0% to 11.5% (2020: 1.4% to 13.3%); and
- Discount rates: discount rates used reflect both time value of money and other specific risks relating to the relevant CGU. The Group experienced a decline in these specific risks, as a result, the discount rates ranged from 6.6% to 22.0% (2020: 6.6% to 30.9%).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill (continued)

Goodwill impairment

Impairment losses were recognised relating to the following entities:

	2021 Rm	2020 Rm
MTN Yemen	(550)	(525)
MTN Liberia	-	(308)
MTN Guinea-Bissau	-	(165)
Other	(33)	-
	(583)	(998)

5.2.2 Encumbrances

Borrowings are secured by various categories of intangible assets of MTN Ghana with a carrying amount of R530 million (2020: R487 million), refer to note 6.1.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences

Licence agreements	Type	Granted/renewed	Term
MTN SA	ECS licence	15/01/2009	20 years
	ECNS licence	15/01/2009	20 years
	900MHz	29/01/2003	Renewable annually
	1800MHz	29/10/2004	Renewable annually
	2100MHz	02/02/2005	Renewable annually
	6GHz	30/08/2015	Renewable annually
	7GHz	14/06/2010	Renewable annually
	8GHz	14/06/2010	Renewable annually
	10.5GHz	07/02/2006	Renewable annually
	11GHz	23/03/2009	Renewable annually
	13GHz	06/04/2009	Renewable annually
	15GHz	21/10/2005	Renewable annually
	18GHz	14/06/2010	Renewable annually
	23GHz	14/06/2010	Renewable annually
	26GHz Sub 17	21/10/2005	Renewable annually
	26GHz Sub 18	07/02/2006	Renewable annually
	28GHz	12/04/2012	Renewable annually
	38GHz	07/10/2006	Renewable annually
	Eband (60-90GHz)	13/12/2007	Renewable annually
MTN Uganda	National Operator Telecom Licence	01/07/2020	12 years
MTN Rwanda	2G	01/07/2021	10 years
	3G	01/07/2021	10 years
MTN Nigeria	Universal Access Licence (including International Gateway)	01/09/2021	10 years
	WACS	01/01/2010	20 years
	Super Agent Licence: Central Bank of Nigeria	17/07/2019	Renewable annually
	700MHz spectrum ¹	12/01/2018	TBC
	800MHz spectrum (Visafone)	01/01/2015	10 years
	800MHz - Intercellular acquisition	01/01/2021	10 years
	900MHz	01/09/2021	10 years
	1800MHz	01/09/2021	10 years
	2.6GHz spectrum	01/01/2018	10 years
	5.4GHz spectrum	30/09/2021	Renewable annually
	10.5GHz spectrum	30/09/2021	Renewable annually
MTN Zambia	3G spectrum	01/05/2007	15 years
	National Service Licence ²	23/09/2010	15 years
MTN Ghana	International Network Licence	23/09/2010	15 years
	International gateway	11/08/2019	5 years
	Fixed access service of united access	23/03/2020	15 years
	800MHz Spectrum (2x5MHz)	10/01/2020	15 years
	BroadBand Wireless Access (2 600MHz radio access)	01/12/2018	15 years
	2G (900MHz & 1800MHz)	12/02/2019	15 years
	2G (900MHz & 1 800MHz)	02/12/2019	15 years
	3G	23/01/2009	15 years
	4G (LTE) Spectrum (800MHz Spectrum (2x10MHz))	21/06/2016	15 years
MTN Cameroon	2G	15/02/2015	15 years
	3G	15/02/2015	15 years
	4G	15/02/2015	15 years

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

² Additional spectrum of 800MHz (2x20MHz) was acquired in the current year under the existing licence. The additional spectrum will be available for the remainder of the existing licence term.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences (continued)

Licence agreements	Type	Granted/renewed	Term
MTN Côte d'Ivoire	3G/UMTS 1,9/2,1GHz	31/05/2012	10 years
	Universal networks	04/01/2016	17 years
MTN Benin	900MHz	19/10/2007	30 years
	1800MHz	19/10/2007	30 years
	Universal licence	19/03/2012	25 years
MTN Guinea-Conakry ¹	900MHz	31/08/2005	13 years
	1800MHz	31/08/2005	13 years
	3G	14/08/2013	6 years
MTN Congo-Brazzaville	Optical fibre licence	02/04/2010	15 years
	International gateway by optical fibre	03/06/2013	10 years
	900MHz	25/11/2011	15 years
	1800MHz	25/11/2011	15 years
	2G	25/11/2011	15 years
	3G	25/11/2011	17 years
	LTE Spectrum	12/09/2016	15 years
MTN Liberia	WiMax	24/03/2009	15 years
	3G	19/02/2013	10 years
	Universal Telecommunication Licence	04/08/2015	15 years
MTN Guinea-Bissau	900MHz	23/05/2014	10 years
	1800MHz	23/05/2014	10 years
	3G	17/07/2015	10 years
	4G	17/07/2015	10 years
MTN Sudan	2G + 3G	25/10/2003	20 years
	Transmission	25/10/2003	20 years
	VSAT gateway	25/10/2003	20 years
	VSAT hub	25/10/2003	20 years
	VSAT terminal	25/10/2003	20 years
	Frequency 4G	25/10/2017	7 years
MTN Afghanistan	2G Spectrum Licence	01/10/2020	10 years
	3G unified licence	01/07/2012	15 years
	New number range RTU	31/10/2012	15 years
	New number range RTU	25/08/2013	14 years
	New number range RTU	31/10/2014	13 years
	New number range RTU	31/05/2015	12 years
	New number range RTU	31/12/2018	9 years

¹ The licences have expired. The Guinea State has granted a new licence effective 4 February 2022 which has been negotiated for an amount of US\$55 million (R878 million translated at the year-end closing rate), payable over two years and will be valid for a period of 10 years.

MTN Nigeria 5G Licence

On 13 December 2021, MTN Nigeria emerged as the winner of one of the two 100MHz lots in the 3.5GHz spectrum band auction and secured the 3.5-3.6GHz band. The initial deposit of NGN8.2 billion (R314 million¹) was paid on 23 November 2021 as part of MTN Nigeria's intention to participate in the bid which was accounted for as a prepayment. Subsequently, MTN Nigeria paid NGN104.5 billion (R3.9 billion¹) of the bid price and NGN6.5 billion (R244 million¹) additional fees on 27 January 2022 and is awaiting issue of the related spectrum licence.

¹ Translated at spot rate on date of payment.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

5. INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences (continued)

MTN SA Spectrum

On 17 March 2022, MTN SA secured 100 MHz of high-demand radio frequency spectrum following the successful conclusion of a Simultaneous Multi Round Ascending Auction (SMRA) by the Independent Communications Authority of South Africa (ICASA) to support its 4G and 5G expansion drive. MTN SA acquired a total of 100 MHz across the 800Mhz, 2 600MHz and 3 500Mhz frequency for a consideration of R5,2 billion. The spectrum has been allotted for a 20-year period, on a technology-neutral basis.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS

6.1 Borrowings

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS

6.1 Borrowings (continued)

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

	2021 Rm	2020 Rm	Denomi- nated currency	Nominal interest (%)*	Interest payment	Final maturity
Unsecured						
MTN Holdings	29 072	34 746				
	-	251	ZAR ^{2,4}	5.0	Quarterly	June 2021
	602	602	ZAR ^{2,4}	5.3	Quarterly	June 2023
	904	904	ZAR ^{2,4}	5.6	Quarterly	June 2025
	1 002	1 000	ZAR ^{2,5}	5.8	Quarterly	March 2023
	1 003	1 002	ZAR ^{2,5}	5.8	Quarterly	December 2022
	5 235	4 530	ZAR ^{1,2}	6.2	Quarterly	June 2025
	-	2 168	US\$ ^{1,2}	2.4	Quarterly	August 2021
	1 515	1 512	ZAR ^{2,5}	5.6	Quarterly	October 2022
	-	1 257	ZAR ^{2,5}	5.9	Quarterly	August 2021
	-	2 501	ZAR ^{2,3}	6.0	Quarterly	February 2023
	-	1 999	ZAR ^{2,3}	5.6	Quarterly	February 2023
	1 012	1 012	ZAR ^{2,4}	5.4	Quarterly	July 2022
	536	534	ZAR ^{2,4}	5.3	Quarterly	October 2022
	402	401	ZAR ^{2,4}	5.2	Quarterly	March 2025
	1 205	1 205	ZAR ^{2,4}	5.5	Quarterly	September 2026
	302	302	ZAR ^{2,4}	4.8	Quarterly	May 2022
	504	504	ZAR ^{2,4}	5.0	Quarterly	May 2024
	182	182	ZAR ^{2,4}	4.9	Quarterly	May 2022
	502	502	ZAR ^{2,4}	5.2	Quarterly	May 2024
	572	572	ZAR ^{2,4}	5.4	Quarterly	May 2026
	2 009	2 006	ZAR ^{2,5}	5.6	Quarterly	June 2024
	1 996	1 993	ZAR ^{2,5}	6.1	Quarterly	June 2024
	1 513	1 510	ZAR ^{2,5}	5.6	Quarterly	June 2024
	1 030	1 030	ZAR ^{2,4}	5.6	Quarterly	October 2024
	850	850	ZAR ^{2,4}	4.9	Quarterly	June 2023
	-	1 007	ZAR ^{2,4}	5.3	Quarterly	May 2021
	-	859	ZAR ^{2,4}	5.3	Quarterly	July 2021
	162	162	ZAR ^{2,4}	6.3	Quarterly	January 2026
	932	932	ZAR ^{2,4}	8.3	Semi-annual	January 2026
	445	444	ZAR ^{2,4}	5.8	Quarterly	July 2023
	-	1 013	ZAR ^{2,3}	6.1	Quarterly	June 2025
	357	-	ZAR ^{2,4}	5.8	Quarterly	June 2024
	943	-	ZAR ^{2,4}	8.3	Quarterly	June 2026
	738	-	ZAR ^{2,4}	6.3	Quarterly	June 2028
	322	-	ZAR ^{2,4}	6.3	Quarterly	March 2025
	1 398	-	ZAR ^{2,4}	6.3	Quarterly	March 2027
	587	-	ZAR ^{2,4}	6.3	Quarterly	September 2028
	312	-	ZAR ^{2,4}	5.3	Quarterly	June 2022

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

⁴ Domestic medium-term notes

⁵ Bilateral term loan facility

* Contractual interest rates on loans as at 31 December 2021.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

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

	2021 Rm	2020 Rm	Denomi- nated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN Nigeria	18 539	19 107				
	-	309	US\$ ^{1,2,8}	5.8	Semi-annual	June 2022
	121	343	US\$ ^{2,8}	1.3	Semi-annual	March 2022
	4 664	6 638	NGN ^{1,2}	13.1	Quarterly	August 2025
	1 686	7 307	NGN ^{1,2}	13.1	Quarterly	May 2026
	-	167	US\$ ^{2,6}	5.8	Semi-annual	February 2022
	1 186	712	US\$ ^{1,2}	5.8	Semi-annual	December 2023
	7 543	-	NGN ^{5,15}	5.7	Semi-annual	May 2028
	-	2 904	NGN ^{2,13}	5.7	Quarterly	March 2021
	-	727	NGN ^{2,14}	1.4	Monthly	December 2021
	3 339	-	NGN ^{2,14}	1.4	Monthly	December 2022
MTN Mauritius	-	2 202				
	-	2 202	US\$ ^{2,3}	2.0	Quarterly	September 2023
MTN (Mauritius) Investments Limited	20 135	25 987				
	12 050	11 072	US\$ ^{5,1}	4.8	Semi-annual	November 2024
	8 085	7 441	US\$ ^{5,1}	6.5	Semi-annual	October 2026
	-	7 474	US\$ ^{5,1}	5.4	Semi-annual	February 2022
MTN Zambia	1 187	820				
	917	-	ZMK ^{1,2}	24.0	Semi-annual	June 2026
	270	-	ZAR ^{1,2}	10.3	Semi-annual	June 2026
	-	111	US\$ ^{1,2}	3.8	Semi-annual	September 2023
	-	268	ZAR ^{1,2}	7.7	Semi-annual	September 2023
	-	154	ZMK ^{1,2}	22.0	Semi-annual	September 2023
	-	287	ZAR ^{1,2}	7.6	Semi-annual	July 2024
MTN Uganda	1 633	1 558				
	409	438	UGX ^{1,2}	11.9	Quarterly	February 2025
	113	151	UGX ^{2,6}	11.2	Quarterly	December 2023
	100	138	US\$ ^{2,6}	3.4	Quarterly	December 2023
	520	589	US\$ ^{1,2}	3.4	Quarterly	February 2025
	491	242	UGX ^{1,2}	12.0	Quarterly	February 2025

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

⁴ Domestic medium-term notes

⁵ Fixed interest rate

⁶ Bilateral term loan facility

⁷ General bank facility

⁸ Export credit facility

⁹ Vendor finance facility

¹⁰ Senior unsecured notes

¹¹ Bank borrowings

¹² Preference shares

¹³ Commercial paper

¹⁴ Credit letter

¹⁵ Local bonds

* Contractual interest rates on loans as at 31 December 2021.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

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

	2021 Rm	2020 Rm	Denomi- nated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN Benin	1 607	2 006				
	36	36	CFA ^{4,5}	2.0	Semi-annual	April 2029
	142	197	CFA ^{4,5}	7.2	Semi-annual	May 2024
	1 429	1 773	CFA ^{1,4}	6.8	Semi-annual	November 2025
MTN Côte d'Ivoire	2 390	3 423				
	1 227	1 051	CFA ^{1,4}	7.0	Quarterly	January 2026
	1 163	2 372	CFA ^{1,4}	6.0	Quarterly	June 2023
MTN Cameroon	849	1 586				
	-	252	XAF ^{1,3,4}	6.0	Monthly	December 2021
	-	252	XAF ^{1,3,4}	6.0	Monthly	December 2021
	-	189	XAF ^{1,4}	5.0	Monthly	December 2021
	738	783	XAF ^{1,3,4}	6.0	Monthly	May 2023
	111	110	XAF ^{1,3,4}	6.0	Monthly	May 2023
MTN Rwanda	1 411	434				
	1 048	-	RWF ^{1,2}	15.0	Semi-annual	July 2028
	363	434	RWF ^{1,2}	15.0	Semi-annual	November 2025
MTN Congo-Brazzaville	1 037	769				
	1 037	769	CFA CB ^{1,4}	5.0	Quarterly	September 2025
Other unsecured borrowings	81	67				
Total unsecured borrowings	77 941	92 705				

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

⁴ Fixed interest rate

⁵ Bank borrowings

⁶ Preference shares

* Contractual interest rates on loans as at 31 December 2021.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

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

	2021 Rm	2020 Rm	Denomi- nated currency	Nominal interest (%)*	Interest payment	Final maturity	Security/collateral
Secured							
MTN Ghana	1 438	2 079					
	291	566	GHS ^{1,2}	16.2	Semi-annual	December 2022	Floating charge on company assets
	189	406	GHS ^{1,2,3}	16.6	Quarterly	December 2022	Floating charge on company assets
	958	1 107	GHS ^{1,2}	16.2	Semi-annual	June 2025	Floating charge on company assets
Other secured borrowings	127	142					
Total secured borrowings	1 565	2 221					
Total unsecured borrowings	77 941	92 705					
Total borrowings	79 506	94 926					

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

* Contractual interest rates on loans as at 31 December 2021.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

	2021 Rm	2020 Rm
The classification of the Group's borrowings is as follows:		
Current	14 949	17 438
Non-current	64 557	77 488
	79 506	94 926
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
Nigerian naira	17 232	17 576
United States dollar	22 082	32 726
South African rand	29 355	33 133
Benin Communauté Financière Africaine franc	1 607	2 006
Côte d'Ivoire Communauté Financière Africaine franc	2 390	3 423
Zambian kwacha	917	154
Congo-Brazzaville Communauté Financière Africaine franc	1 037	769
Ugandan shilling	1 013	831
Cameroon Communauté Financière Africaine franc	849	1 586
Ghanaian cedi	1 438	2 079
Rwandan franc ¹	1 411	434
Other currencies	175	209
	79 506	94 926

¹ Rwandan franc was included in other currencies in 2020 and has been disaggregated in 2021 and comparative numbers has been re-presented accordingly.

The Group has undrawn variable rate facilities of R40 023 million (2020: R33 297 million).

6.2 Other non-current liabilities

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

	2021 Rm	2020 Rm
Deferred income ¹	792	322
Other	877	307
	1 669	629

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions

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

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

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

	At the beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange and other movements ¹ Rm	At the end of the year Rm
2021						
Non-current						
Decommissioning provision	290	18	(8)	-	(31)	269
Employee benefit provisions ²	522	191	(80)	(48)	63	648
Other provisions ²	6	144	-	(16)	20	154
	818	353	(88)	(64)	52	1 071
Current						
Bonus and other employee benefit provisions	1 408	2 354	(86)	(1 031)	(94)	2 551
Licence obligations	190	-	-	(26)	-	164
Litigation provisions ³	508	195	(1)	(15)	80	767
Other provisions ³	446	253	(68)	(159)	134	606
	2 552	2 802	(155)	(1 231)	120	4 088

¹ Includes the effect of hyperinflation.

² Employee benefit provisions were included in other provisions in 2020 and have been disaggregated in 2021 and comparative numbers have been re-presented accordingly.

³ Litigation provisions were included in other provisions in 2020 and have been disaggregated in 2021 and comparative numbers have been re-presented accordingly.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

	At the beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange and other movements ¹ Rm	At the end of the year Rm
2020						
Non-current						
Decommissioning provision	276	23	(4)	(22)	17	290
Employee benefit provisions ²	150	346	(1)	(39)	66	522
Other provisions ²	36	-	(31)	-	1	6
	462	369	(36)	(61)	84	818
Current						
Bonus and other employee benefit provisions	1 188	1 265	(58)	-1 053	66	1 408
Licence obligations	58	132	-	-	-	190
Litigation provisions ³	736	202	(92)	(342)	4	508
Other provisions ³	465	470	(379)	(93)	(17)	446
	2 447	2 069	(529)	(1 488)	53	2 552

¹ Includes the effect of hyperinflation.

² Employee benefit provisions were included in other provisions in 2020 and have been disaggregated in 2021 and comparative numbers have been re-presented accordingly.

³ Litigation provisions were included in other provisions in 2020 and have been disaggregated in 2021 and comparative numbers have been re-presented accordingly.

Bonus and other employee benefit provisions

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

Decommissioning provision

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

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

Licence obligations

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

Litigation and other provisions

The Group is involved in various third party, regulatory and indirect taxation matters specific to the respective jurisdictions in which the Group operates. These matters may not necessarily be resolved in a manner that is favourable to the Group. The Group has therefore recognised provisions in respect of these matters based on estimates and the probability of an outflow of economic benefits and should not be construed as an admission of legal liability. When legal action has either been initiated or is reasonably expected, these matters are categorised as litigation provisions. The expected timing of cash outflows is uncertain depending on the specifics of each matter.

6.4 Capital commitments

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

	2021 Rm	2020 Rm
Capital expenditure authorised not yet incurred at the reporting date is as follows:		
Contracted	12 725	6 814
- Property, plant and equipment ¹	11 556	5 995
- Software	1 169	819
Not contracted	20 394	21 568
- Property, plant and equipment	15 581	18 253
- Software	4 813	3 315
Total commitments for property, plant and equipment and software	33 119	28 382

¹ Includes capital expenditure commitment by MTN Nigeria for the 5G project rollout.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases

6.5.1 The Group's leasing activities and significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases (continued)

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

6.5.1.1 Renewal and termination options

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

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

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

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

As at 31 December 2021, a number of lease contracts relating to network infrastructure, include renewal options for an unlimited number of renewal periods. Due to the judgement exercised in relation to the determination of the lease term as outlined above, the Group is exposed to potential future cash outflows relating to an indefinite period which have not been included in the lease liability because it is not reasonably certain that the leases will be extended beyond the estimated lease term.

6.5.1.2 Lease and non-lease components

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases (continued)

6.5.2 Amounts recognised in the statement of financial position

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

	2021 Rm	2020 Rm
Network infrastructure	34 885	33 928
Land and buildings	6 139	10 185
Licences	1 493	1 615
Other	440	428
Total right-of-use assets	42 957	46 156
Current	6 505	5 728
Non-current	41 409	43 753
Total lease liabilities	47 914	49 481

Additions to right-of-use assets during the current financial year were R6 905 million (2020: R4 482 million).

Right-of-use assets of R3 701 million and lease liabilities of R4 402 million have been classified as part of a disposal group held for sale at 31 December 2021. Refer to note 5.1.5.

6.5.3 Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 Rm	2020 Rm
Network infrastructure	5 233	5 549
Land and buildings	1 754	1 471
Licences	122	122
Other	107	62
Depreciation charge of right-of-use assets	7 216	7 204
Interest expense (included in finance costs)	6 128	6 547
Expense relating to short-term leases (included in other operating expenses)	87	121
Expense relating to leases of low-value assets (included in other operating expenses)	11	39
Impairment loss on right-of-use assets (note 9.4.2.4)	96	-

Foreign exchange losses of R141 million (2020: R53 million) were recognised on foreign denominated lease liabilities included in finance costs.

6.5.4 Amounts recognised in the statement of cash flows

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

	2021 Rm	2020 Rm
Interest paid	5 475	5 560
Repayment of lease liabilities	5 949	4 998
Total cash outflow	11 424	10 558

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.6 Contingent liabilities

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

	2021 Rm	2020 Rm
Contingent liabilities	2 878	3 831
Uncertain tax exposures	1 622	1 796
Legal and regulatory matters	1 256	2 035

Uncertain tax exposures

The Group operates in numerous tax jurisdictions and the Group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the Group and the relevant tax authority. The outcome of such disputes may not be favourable to the Group. At 31 December 2021, there were a number of tax disputes ongoing in various of the Group's operating entities. The most significant matter relates to a transfer pricing dispute which the Group is contesting with the South African Revenue Service that relates to the 2009 to 2012 tax years. Based on internal and external legal and technical advice obtained, the Group remains confident that it has a robust legal case to contest the exposure.

Legal and regulatory matters

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK

7.1 Financial risk management and financial instruments

Accounting for financial instruments

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

Recognition

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

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

Classification

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

Financial assets are classified as follows:

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

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

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

Measurement on initial recognition

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Subsequent measurement: Financial assets

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

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

Subsequent measurement: Financial liabilities

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

Derecognition

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

Modification of financial liabilities

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

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

Offsetting financial instruments

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

Impairment

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Risk management

Introduction

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

Risk profile

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments

	Assets			Liabilities		Total carrying amount Rm
	Amortised cost Rm	FVTPL Rm	FVOCI Rm	Amortised cost Rm	FVTPL Rm	
2021						
Non-current financial assets						
Loans and other non-current receivables	1 614	-	-	-	-	1 614
Investments	408	-	19 508	-	-	19 916
Mobile Money deposits	609	-	-	-	-	609
Current financial assets						
Trade and other receivables	25 020	-	-	-	-	25 020
Current investments	3 894	2 224	-	-	-	6 118
Restricted cash	6 801	-	-	-	-	6 801
Mobile Money deposits	38 260	-	-	-	-	38 260
Cash and cash equivalents	39 215	-	-	-	-	39 215
	115 821	2 224	19 508	-	-	137 553
Non-current financial liabilities						
Borrowings	-	-	-	64 557	-	64 557
Other non-current liabilities	-	-	-	102	-	102
Lease liabilities ^{1,2}	-	-	-	45 610	-	45 610
Current financial liabilities						
Trade and other payables	-	-	-	47 754	-	47 754
Mobile Money payables	-	-	-	38 869	-	38 869
Lease liabilities ^{1,2}	-	-	-	6 706	-	6 706
Borrowings	-	-	-	14 949	-	14 949
Derivative liabilities	-	-	-	-	14	14
Bank overdrafts	-	-	-	469	-	469
	-	-	-	219 016	14	219 030

¹ Includes liabilities directly associated with non-current assets held for sale, refer to note 5.1.5.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments (continued)

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.2 Financial assets and liabilities subject to offsetting

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

	Gross amount	Amount offset ¹	Net amount
	Rm	Rm	Rm
2021			
Current financial assets			
Trade and other receivables	4 198	(2 839)	1 359
Current financial liabilities			
Trade and other payables	3 275	(2 839)	436
2020			
Current financial assets			
Trade and other receivables	4 500	(2 118)	2 382
Current financial liabilities			
Trade and other payables	2 587	(2 118)	469

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

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

7.1.3 Fair value estimation

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

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

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2021				
Financial assets				
Investment in IHS Group	19 144	-	-	19 144
Investment in treasury bills classified at fair value through profit or loss	234	-	-	234
Unlisted equity investments	-	-	364	364
Investment in insurance cell captives	-	-	1 294	1 294
Investment in MTN Group Limited shares classified as fair value through profit and loss	696	-	-	696
Total assets	20 074	-	1 658	21 732
Financial liabilities				
Cross-currency swaps	-	14	-	14
Total liabilities	-	14	-	14
2020				
Financial assets				
Investment in IHS Group	-	-	27 197	27 197
Investment in bonds (debt instruments) classified as at fair value through profit of loss	916	-	-	916
Unlisted equity investments	-	-	373	373
Investment in insurance cell captives	-	-	1 138	1 138
Investment in MTN Group Limited shares classified as fair value through profit and loss	490	-	-	490
Total assets	1 406	-	28 708	30 114
Financial liabilities				
Cross-currency swaps	-	7	-	7
Total liabilities	-	7	-	7

Valuation methods and assumptions

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

IHS Group listed equity investment – The fair value of the investment is determined by reference to published price quotations on the New York Stock Exchange. The share price of IHS Group was US\$14,10 on the last trading day of the year. The fair value of this investment is categorised within level 1 of the fair value hierarchy in comparison to the categorisation within level 3 as at 31 December 2020. This change resulted from the entity's listing on 14 October 2021.

A fair value decrease of R10 393 million (2020: R1 151 million) translated at the closing United States dollar exchange rate has been recognised for the year. On 20 April 2022, the IHS Group share price was US\$11.40, equating to a reduction in the fair value of R4 523 million subsequent to 31 December 2021.

As at 31 December 2020, the fair value was determined using models considered to be appropriate by management, due to the absence of transactions between market participants. The fair value was calculated using an earnings multiple technique and was based on unobservable market inputs including international tower industry earnings multiples of between 10x to 13x applied to MTN Group management's estimates of earnings, less estimated net debt of R23 330 million. In addition, the Group applied a combined liquidity and macro discount of 30%.

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, the Group did not have access to the IHS Group business plans or actual financial information. Any estimated earnings used to derive the prior year fair value were therefore solely based on Group management assumptions and market estimates on financial growth, currency movements, costs and performance.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Valuation methods and assumptions (continued)

IHS Group listed equity investment (continued)

In 2020, an increase of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in an increase in the fair value of R2 700 million and a decrease of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in a decrease in the fair value by R2 700 million.

In 2020, an increase of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in an increase in the fair value of R3 019 million and a decrease of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in a decrease in the fair value of R3 019 million.

In addition, an increase of 1% to the combined liquidity and macro discount, keeping other inputs constant, would have resulted in a decrease in the 2020 fair value of R389 million and a decrease of 1% to the combined liquidity and macro discount, keeping other inputs constant, would have resulted in an increase in the 2020 fair value by R389 million.

Jumia listed equity investment – In 2020 the Group disposed of its entire shareholding in Jumia through multiple sales transactions with the final sale completed on 8 October 2020. The sales transactions closed for proceeds of US\$138 million (R2.3 billion). The Group had classified the investment in Jumia as at FVOCI resulting in the disposal having no impact on profit or loss. A fair value increase of R962 million was recognised for the 2020 year.

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

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

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

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

Fair value measurements for financial instruments not measured at fair value

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

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

The Group has listed long-term fixed interest rate senior unsecured notes in issue which were issued in prior years, with a carrying amount of R12 050 million (2020: R11 072 million) and a fair value of R12 494 million (2020: R11 692 million). The notes are listed on the Irish bond market and the fair values of these instruments are determined by reference to quoted prices in this market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Valuation methods and assumptions (continued)

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

Financial assets and financial liabilities at amortised cost (continued)

In 2016, the Group issued US\$1 billion listed long-term fixed interest rate unsecured notes. Notes with a face value of US\$500 million which were redeemable in 2022, were early settled in the current financial year in line with the Group's strategy to reduce exposure to United States dollar debt. At 31 December 2021, the remaining US\$500 million redeemable in 2026 (the 2026 notes) had a carrying amount of R8 085 million (2020: R7 441 million) and a fair value of R8 931 million (2020: R8 411 million). The notes are listed on the Irish bond market and the fair value of these instruments is determined by reference to quoted prices in this market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

Reconciliation of level 3 financial assets

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

	Insurance cell captives
	Rm
Balance at 1 January 2020	1 812
Contributions paid to insurance cell captives	605
Claims received by insurance cell captives	(869)
Loss recognised in profit or loss	(410)
Balance at 1 January 2021	1 138
Contributions paid to insurance cell captives	583
Claims received by insurance cell captives	(910)
Gain recognised in profit or loss	483
Balance at 31 December 2021	1 294
	Investments
	Rm
Balance at 1 January 2020	27 158
Acquisitions	158
Loss on equity investments at fair value through other comprehensive income	(1 575)
Foreign exchange movements	1 829
Balance at 1 January 2021	27 570
Gain on equity investments at fair value through other comprehensive income	3 890
Foreign exchange movements	432
Change in fair value hierarchy	(31 528)
Balance at 31 December 2021	364

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk

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

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

	2021 Rm	2020 Rm
Investments	408	948
Loans and other non-current receivables	1 614	1 608
Trade and other receivables ¹	25 020	25 607
Trade receivables ¹	14 626	15 337
Other receivables ¹	10 394	10 270
Contract assets	4 721	3 692
Current investments ¹	6 118	9 925
Restricted cash ¹	6 801	6 894
Mobile Money deposits	38 869	28 008
Cash and cash equivalents ¹	39 215	30 735
	122 766	107 417

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

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

	Credit ratings of financial institution	Cash and Cash equivalents ¹ Rm	Restricted cash ¹ Rm
2021			
South Africa (including head office entities)	AA+ to BB-	17 076	883
MTN Nigeria	AAA to BBB-	9 828	5 494
MTN Dubai and GlobalConnect Solutions Limited	A+ to B-	3 912	36
MTN Rwanda	AA to B	188	-
Other	Various/unrated	8 211	388
		39 215	6 801

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

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

The Group's treasury bills and foreign currency deposits denominated in Nigerian naira and Rwandan franc respectively have credit risk rating grades ranging from A- to B+ (2020: B- to B).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Cash and cash equivalents, restricted cash and current investments

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

Investment in insurance cell captives

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

MoMo deposits

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

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

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

Trade receivables and contract assets (unbilled handset component)

A large portion of the Group's postpaid market revenues are generated in South Africa. There are no other significant concentrations of credit risk, since the other operations within the Group operate largely within the prepaid market. The Group has policies in place to ensure that retail sales of products and services are made to customers with an appropriate credit history. Before credit is granted to a customer, the Group performs credit risk assessments through credit bureaus. The Group insures some of its trade receivables in its South African operation, in which instance the credit risk assessments are performed by the credit insurer prior to the granting of credit by the Group. In terms of this arrangement R6.1 billion (2020: R6.3 billion) has been insured for which the Group's risk is limited to R1.0 billion (2020: R1.1 billion). In addition, some entities within the Group require potential customers to obtain guarantees from banks before credit is granted. During the current year the Group did not recognise ECLs amounting to R44.5 million (2020: R33.7 million) as a result of collateral held.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Ageing and impairment analysis

	2021			2020		
	Gross Rm	Impairment Rm	Net Rm	Gross Rm	Impairment Rm	Net Rm
Fully performing trade receivables	10 834	(501)	10 333	8 745	(103)	8 642
Interconnect receivables	1 130	(86)	1 044	707	(24)	683
Contract receivables	1 460	(195)	1 265	1 029	(32)	997
Retail receivables	6 708	(58)	6 650	6 258	(1)	6 257
EBU receivables	562	(46)	516	460	(41)	419
Other receivables ¹	974	(116)	858	291	(5)	286
Past due trade receivables	6 846	(2 553)	4 293	9 730	(3 035)	6 695
<i>Interconnect receivables</i>	989	(247)	742	1 929	(492)	1 437
0 to 3 months	375	(42)	333	571	(30)	541
3 to 6 months	217	(60)	157	331	(149)	182
6 to 9 months	79	(12)	67	83	(12)	71
9 to 12 months	318	(133)	185	944	(301)	643
<i>Contract receivables</i>	1 588	(854)	734	1 462	(740)	722
0 to 3 months	624	(257)	367	800	(281)	519
3 to 6 months	231	(94)	137	150	(57)	93
6 to 9 months	164	(65)	99	85	(48)	37
9 to 12 months	569	(438)	131	427	(354)	73
<i>Retail receivables</i>	1 592	(568)	1 024	1 415	(434)	981
0 to 3 months	635	(11)	624	612	(77)	535
3 to 6 months	605	(330)	275	331	(95)	236
6 to 9 months	35	(26)	9	112	(23)	89
9 to 12 months	317	(201)	116	360	(239)	121
<i>EBU receivables</i>	1 525	(634)	891	2 028	(905)	1 123
0 to 3 months	351	(43)	308	607	(43)	564
3 to 6 months	398	(182)	216	681	(492)	189
6 to 9 months	47	(27)	20	48	(30)	18
9 to 12 months	729	(382)	347	692	(340)	352
<i>Other receivables</i> ¹	1 152	(250)	902	2 896	(464)	2 432
0 to 3 months	392	(10)	382	683	(54)	629
3 to 6 months	229	(47)	182	1 633	(159)	1 474
6 to 9 months	44	(3)	41	73	(30)	43
9 to 12 months	487	(190)	297	507	(221)	286
Total	17 680	(3 054)	14 626	18 475	(3 138)	15 337

¹ Other receivables includes both national and international roaming receivables.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Total past due per significant operation

	Interconnect receivables Rm	Contract receivables Rm	Retail receivables Rm	EBU receivables Rm	Other receivables ¹ Rm	Total Rm
2021						
MTN SA	141	224	505	448	-	1 318
MTN Nigeria	100	500	-	-	14	614
MTN Côte d'Ivoire	74	419	164	-	116	773
MTN Ghana	4	16	306	19	-	345
MTN Zambia	7	114	20	14	188	343
MTN Cameroon	9	4	5	313	16	347
MTN Benin	10	-	84	78	44	216
MTN Guinea-Conakry	132	98	136	57	9	432
MTN Congo-Brazzaville	310	-	-	478	-	788
MTN Uganda	19	101	187	-	-	307
Other operations	183	112	185	118	765	1 363
	989	1 588	1 592	1 525	1 152	6 846
2020						
MTN SA	266	523	613	679	1 116	3 197
MTN Nigeria	87	241	-	-	332	660
MTN Côte d'Ivoire	114	286	175	-	130	705
MTN Yemen	510	83	-	-	109	702
MTN Cameroon	11	24	51	311	28	425
MTN Benin	106	-	-	-	642	748
MTN Guinea-Conakry	189	82	247	44	15	577
MTN Congo-Brazzaville	250	-	-	473	-	723
Other operations	396	223	329	521	524	1 993
	1 929	1 462	1 415	2 028	2 896	9 730

¹ Other receivables includes both national and international roaming receivables.

Expected credit losses

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

Provision Matrix – ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historical/proxy write offs to the payment profile of the sales population. In instances where there was no evidence of historical write offs management used a proxy write off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward-looking information (including forecast economic indicators, as affected by the COVID-19 pandemic) to determine the ECL for the portfolio of trade receivables at the reporting date to the extent that there is a strong correlation between the forward-looking information, and the ECL.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

Provision matrix (continued)

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

	Gross carrying amount Rm	Impairment Rm	Average ECL/ Impairment ratio %
2021			
Interconnect receivables	2 119	(333)	15.71
Fully performing	1 130	(86)	7.61
Up to 90 days past due	375	(42)	11.20
120 days and above past due	614	(205)	33.39
Contract receivables	1 988	(729)	36.67
Fully performing	624	(98)	15.71
Up to 90 days past due	401	(34)	8.48
120 days and above past due	963	(597)	61.99
Retail receivables	8 300	(626)	7.54
Fully performing	6 708	(58)	0.86
Up to 90 days past due	635	(11)	1.73
120 days and above past due	957	(557)	58.20
EBU receivables	2 087	(680)	32.58
Fully performing	562	(46)	8.19
Up to 90 days past due	351	(43)	12.25
120 days and above past due	1 174	(591)	50.34
Other receivables¹	2 126	(366)	17.22
Fully performing	974	(116)	11.91
Up to 90 days past due	392	(10)	2.55
120 days and above past due	760	(240)	31.58
Total	16 620	(2 734)	16.45
2020			
Interconnect receivables	2 636	(516)	19.58
Fully performing	707	(24)	3.39
Up to 90 days past due	571	(30)	5.25
120 days and above past due	1 358	(462)	34.02
Contract receivables	1 418	(504)	35.54
Fully performing	479	(28)	5.85
Up to 90 days past due	277	(17)	6.14
120 days and above past due	662	(459)	69.34
Retail receivables	7 673	(435)	5.67
Fully performing	6 258	(1)	0.02
Up to 90 days past due	612	(77)	12.58
120 days and above past due	803	(357)	44.46
EBU receivables	2 488	(946)	38.02
Fully performing	460	(41)	8.91
Up to 90 days past due	607	(43)	7.08
120 days and above past due	1 421	(862)	60.66
Other receivables¹	3 187	(469)	14.72
Fully performing	291	(5)	1.72
Up to 90 days past due	683	(54)	7.91
120 days and above past due	2 213	(410)	18.53
Total	17 402	(2 870)	16.49

¹ Other receivables includes both national and international roaming receivables.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

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

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

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

		Trade	Contract
	Total	receivables	assets ¹
2021			
Gross balance	6 460	1 060	5 400
Expected credit loss allowance	(999)	(320)	(679)
	5 461	740	4 721
2020			
Gross balance	5 264	1 073	4 191
Expected credit loss allowance	(767)	(268)	(499)
	4 497	805	3 692

¹ Contract assets mainly relate to the South African operation.

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

	2021 Trade receivables Rm	2020 Trade receivables Rm	2021 Contract assets Rm	2020 Contract assets Rm
Reconciliation of allowance for credit losses				
At the beginning of the year	(3 138)	(2 371)	(499)	(338)
Additions ¹	(894)	(1 215)	(180)	(161)
Reversals ¹	315	206	-	-
Utilised ¹	689	486	-	-
Exit in Yemen (note 9.4.2.4)	118	-	-	-
Deconsolidation on loss of control (note 9.4.2.3)	127	-	-	-
Exchange differences and other movements ²	(271)	(244)	-	-
At the end of the year	(3 054)	(3 138)	(679)	(499)

¹ A net impairment loss of R579 million (2020: R1 009 million) was recognised during the year. In addition to the R689 million (2020: R486 million) provision utilised, R357 million (2020: R999 million) was written off directly to profit or loss during the year.

² Including the effect of hyperinflation.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.5 Liquidity risk

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

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

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

The following liquid resources are available:

	2021 Rm	2020 ¹ Rm
Trade and other receivables	25 020	25 607
Current investments	6 118	10 415
Mobile Money deposits ²	38 869	28 008
Cash and cash equivalents	39 215	30 735
	109 222	94 765

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.5 Liquidity risk (continued)

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

	Carrying amount	Total	Payable within one month or on demand	More than one month but not exceeding three months	More than three months but not exceeding one year	More than one year but not exceeding two years	More than two years but not exceeding five years	More than five years
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2021								
Borrowings	79 506	100 242	796	2 102	15 831	12 650	54 848	14 015
Other non-current liabilities	102	102	-	-	-	95	7	-
Lease liabilities ¹	52 316	82 760	2 329	2 353	7 292	9 214	27 765	33 807
Trade and other payables	47 754	47 959	23 484	2 872	21 603	-	-	-
Mobile Money payables	38 869	38 869	38 869	-	-	-	-	-
Derivative liabilities	14	14	-	-	14	-	-	-
Bank overdrafts	469	470	342	128	-	-	-	-
	219 030	270 416	65 820	7 455	44 740	21 959	82 620	47 822
2020								
Borrowings	94 926	110 485	1 634	6 316	13 275	22 580	54 791	11 889
Other non-current liabilities ²	149	149	-	-	-	6	7	136
Lease liabilities ²	49 637	81 161	839	2 701	6 813	8 780	25 525	36 503
Trade and other payables ²	39 764	39 865	27 108	3 897	8 860	-	-	-
Mobile Money payables	28 008	28 008	28 008	-	-	-	-	-
Derivative liabilities	7	7	-	-	7	-	-	-
Bank overdrafts	354	355	176	77	102	-	-	-
	212 845	260 030	57 765	12 991	29 057	31 366	80 323	48 528

¹ Includes liabilities directly associated with non-current assets held for sale, refer to note 5.1.5.

² Includes liabilities directly associated with non-current assets held for sale relating to MTN Syria.

The Group has sufficient undrawn facilities to manage shortfalls in operational cash flows. Refer to note 6.1 for details of the Group's undrawn facilities. Holdco cash balances including restricted cash and current investments was R19.7 billion as at 31 December 2021 (2020: R20.2 billion).

7.1.6 Market risk

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

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

7.1.6.1 Interest rate risk

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.1 Interest rate risk (continued)

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

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

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

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

Profile

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

	Variable rate instruments	
	2021 Rm	2020 Rm
Non-current financial assets		
Loans and other non-current receivables	1 444	1 386
Current financial assets		
Trade and other receivables	1 831	1 810
Current investments	234	-
Restricted cash	-	33
Mobile Money deposits	23 100	16 319
Cash and cash equivalents	20 027	12 287
	46 636	31 835
Non-current financial liabilities		
Borrowings	33 714	46 135
Other non-current liabilities	-	136
Current financial liabilities		
Trade and other payables	1 362	1 723
Mobile Money payables	23 055	16 290
Borrowings	12 019	14 816
Bank overdrafts	238	176
	70 388	79 276

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.2 Sensitivity analysis

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

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

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as was used for 2020.

	2021			2020		
	(Decrease)/increase in profit before tax			(Decrease)/increase in profit before tax		
	Change in interest rate	Upward change in interest rate	Downward change in interest rate	Change in interest rate	Upward change in interest rate	Downward change in interest rate
	%	Rm	Rm	%	Rm	Rm
JIBAR	1	(288.7)	288.7	1	(328.1)	328.1
LIBOR and associated rates	1	54.3	(54.3)	1	(54.6)	54.6
NIBOR	1	(95.1)	95.1	1	(176.5)	176.5
Money market	1	(14.4)	14.4	1	(20.8)	20.8
Prime	1	116.1	(116.1)	1	107.9	(107.9)
Other	1	(9.6)	9.6	1	(2.3)	2.3

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.3 Currency risk

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

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

Sensitivity analysis

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

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

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

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.3 Currency risk (continued)

Sensitivity analysis (continued)

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

	Increase/(decrease) in profit before tax				Increase/(decrease) in OCI		
	Net assets / (liabilities) denominated in foreign currency Rm	Change in exchange rate %	Weakening in functional currency Rm	Strength- ening in functional currency Rm	Change in exchange rate %	Weakening in functional currency Rm	Strength- ening in functional currency Rm
Denominated: Functional currency							
2021							
US\$:ZAR ¹	11 607	10	1 160.7	(1 160.7)	10	-	-
US\$:SDG	(1 286)	10	(27.9)	27.9	10	(100.7)	100.7
US\$:SSP	(403)	10	(28.1)	28.1	10	(12.2)	12.2
US\$:NGN	(19 908)	10	(1 990.8)	1 990.8	10	-	-
EUR:SDG	(2 200)	10	(1.4)	1.4	10	(218.6)	218.6
EUR:US\$	3 113	10	90.3	(90.3)	10	221.0	(221.0)
US\$:GNF	(5 135)	10	(210.3)	210.3	10	(303.2)	303.2
US\$:ZMK	(465)	10	(46.5)	46.5	10	-	-
IRR:ZAR	3 413	10	341.3	(341.3)	10	-	-
EUR:ZAR	(1 217)	10	(121.7)	121.7	10	-	-
NGN:ZAR	742	10	74.2	(74.2)	10	-	-
US\$:EUR	(1 109)	10	(110.9)	110.9	10	-	-
GHS:US\$	1 439	10	143.9	(143.9)	10	-	-
2020							
US\$:ZAR ¹	8 578	10	857.8	(841.7)	10	-	-
US\$:SYP	(418)	10	(12.4)	12.4	10	(29.4)	29.4
US\$:SDG	(1 172)	10	(28.5)	28.5	10	(88.7)	88.7
US\$:SSP	(6 365)	10	(48.4)	48.4	10	(588.1)	588.1
US\$:NGN	(19 309)	10	(1 930.9)	1 930.9	10	-	-
EUR:SDG	(2 100)	10	(1.3)	1.3	10	(208.7)	208.7
EUR:US\$ ²	3 167	10	316.7	(316.7)	10	-	-
US\$:GNF	(4 561)	10	(176.9)	176.9	10	(279.2)	279.2
US\$:ZMK	(439)	10	(43.9)	43.9	10	-	-
IRR:ZAR	2 815	10	281.5	(281.5)	10	-	-
EUR:ZAR	(170)	10	(17.0)	17.0	10	-	-
NGN:ZAR	4 197	10	419.7	(419.7)	10	-	-

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

² Included in the currency risk exposure impact in profit before tax was an amount of R207.7 million that has now been restated as a currency risk exposure in OCI based on the exposure positioning as at 31 December 2020.

7.1.6.4 Price risk

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.7 Capital management

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

Management regularly monitors and reviews covenant ratios. In terms of the banking facilities, the Group is required to comply with financial covenants. These financial covenants differ based on the contractual terms of each facility and incorporate both IFRS and non-IFRS financial measures. For the year ended 31 December 2020, MTN Zambia breached its debt service cover ratio covenant and MTN Cameroon defaulted in respect of repayment provisions, both of which were subsequently remedied by a waiver from the affected lenders. MTN Cameroon successfully concluded the restructuring of their debt by 31 December 2020. For the year ended 31 December 2021, MTN Cameroon breached a loan requirement to recapitalise in accordance with the OHADA Uniform Act on Commercial Companies. This breach related to an outstanding loan balance of R849 million. The process of equity recapitalisation is currently underway and on 4 January 2022, the lenders granted MTN Cameroon a waiver of this requirement, thereby remedying the breach. The Group has complied with all other externally imposed loan covenants during the current financial year.

The Group's net debt: capital management EBITDA, net debt: total equity and net interest: capital management EBITDA at the end of the year are set out below. Net debt is defined as borrowings and bank overdrafts less cash and cash equivalents, restricted cash and current investments (excluding investment in insurance cell captives). Total equity is as per the Group statement of financial position. Net interest comprises finance costs less finance income and an add back of lease liability finance costs per note 2.4 and note 6.5. CODM EBITDA as defined in note 2.1, is reduced by an approximation of lease expenses (calculated as the aggregate of capital repayments and interest paid on lease liabilities) which would have been recognised had the lease liabilities not been capitalised, to arrive at capital management EBITDA.

	2021	2020
Net debt: Capital management EBITDA		
Borrowings and bank overdrafts (Rm)	79 975	95 280
Less: Cash and cash equivalents, restricted cash and current investments (Rm)	(50 840)	(46 906)
Net debt (Rm)	29 135	48 374
CODM EBITDA before impairment of goodwill ¹ (Rm)	75 305	81 188
Less: Repayment and interest paid on lease liabilities (Rm) (Note 6.5)	(11 424)	(10 558)
Capital management EBITDA (Rm)	63 881	70 630
Net debt/Capital management EBITDA ratio	0.5	0.7
Net debt: total equity		
Net debt (Rm)	29 135	48 374
Total equity (Rm)	113 706	106 351
Net debt/total equity (%)	25.6	45.5
Net interest: Capital management EBITDA		
Net finance costs (Rm)	14 350	18 094
Less: Lease liability finance costs (Rm) (Note 2.4 and 6.5)	(6 128)	(6 547)
Net interest (Rm)	8 222	11 547
Capital management EBITDA (Rm)	63 881	70 630
Net interest/Capital management EBITDA (%)	12.9	16.3

¹ CODM EBITDA is defined in note 2.1

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.2 Investments

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

	2021 Rm	2020 Rm
Financial assets at amortised cost		
Fixed deposit with a fixed interest rate of 3% and maturing in December 2023 ¹	126	-
Bonds (debt instruments) held with fixed interest rates of 4.25% to 5.32% and maturing in January 2026 ¹	282	948
Financial assets at fair value through other comprehensive income		
Investment in IHS Group (note 7.1.3)	19 144	27 197
Unlisted equity investments (note 7.1.3)	364	373
	19 916	28 518

¹ Denominated in Nigerian naira.

7.3 Loans and other non-current receivables

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

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

	2021 Rm	2020 Rm
Non-current interconnect receivables	67	64
Other non-current receivables ¹	1 626	1 748
Non-current prepayments ²	1 344	895
	3 037	2 707

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

² Includes prepayments relating to indefeasible right of use assets of R900 million (2020: R580 million) over capacity on international telecommunication cables.

A loan to MTN Zakhele Futhi (RF) Limited of R91 million bears interest at the South African prime interest rate and it is repayable from accounts in the MTN Zakhele Futhi (RF) Limited's provision account, which is used for allowable administration costs, or otherwise when MTN Zakhele Futhi (RF) Limited has sufficient funds on hand.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.4 Current investments

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

	2021 Rm	2020 Rm
Financial assets held at fair value through profit or loss		
Investment in insurance cell captives (note 7.1.3)	1 294	1 138
Bonds (debt instruments) held with a fixed interest rate of 0.5% that matured in March 2021 ¹	-	916
Investment in MTN Group Limited shares held 4 080 787 (2020: 8 139 971)	696	490
Treasury bills with variable interest rates of 1.5% to 9.65% and maturing in November 2022 ¹	234	-
	2 224	2 544
Amortised cost		
Treasury bills with fixed interest rates of 7.5% to 11.65% and maturity dates between June and November 2022 ¹	1 327	3 760
Foreign currency deposits with fixed interest rates of 0.08% to 4% and maturity dates between January and April 2022 ²	2 180	3 747
Treasury bills with fixed interest rates of 12.5% to 16.45% and maturity dates between January and December 2022 ³	230	33
Foreign currency deposits with a fixed interest rate of 9.5% and maturity dates between August and December 2022 ⁴	157	50
Treasury bills with a fixed interest rate of 4.25% ⁵	-	165
	3 894	7 755
Total current investments	6 118	10 299

¹ Denominated in Nigerian naira.

² Denominated in United States dollar.

³ Denominated in Ghanaian cedi.

⁴ Denominated in Rwandan franc.

⁵ Denominated in Côte d'Ivoire Communauté Financière Africaine franc.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

7 FINANCIAL RISK (continued)

7.5 Net investment hedges

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

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

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

	2021 Rm	2020 Rm
US\$ denominated bonds held by MTN (Mauritius) Investments Limited	21 425	27 691

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

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

	2021 Rm	2020 Rm
Carrying value of US\$ denominated bonds held by MTN (Mauritius) Investments Limited	20 135	25 987
Nominal value of US\$ denominated bonds held by MTN (Mauritius) Investments Limited ¹	1 250	1 750
Change in carrying amount of loans as a result of foreign exchange movements	(1 600)	(1 219)
Change in value of the hedged item used to determine hedge effectiveness	1 600	1 219
Hedge ratio	100%	100%
Foreign currency translation reserve		
Balance at the beginning of the year	3 346	2 468
Change in fair value of hedging instrument recognised in OCI for the year - after tax	1 152	878
Balance at the end of the year	4 498	3 346

¹ Amount presented in United States dollar.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

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

		Closing rates		Average rates	
		2021	2020	2021	2020
Foreign currency to South African rand:					
United States dollar	US\$	15.94	14.68	14.82	16.50
Euro	EUR	18.15	17.94	17.74	18.62
South African rand to foreign currency:					
Ugandan shilling	UGX	222.99	249.19	241.06	225.45
Rwanda franc	RWF	64.94	67.79	67.95	57.91
Cameroon Communauté Financière Africaine franc	XAF	36.15	36.42	37.37	34.69
Nigerian naira	NGN	26.61	27.28	27.54	23.24
Iranian rial ^{1,2}	IRR	15 391.55	17 458.88	15 425.94	10 117.96
Botswana pula	BWP	0.74	0.74	0.75	0.70
Côte d'Ivoire Communauté Financière Africaine franc	CFA	36.14	36.47	37.36	34.76
Congo-Brazzaville Communauté Financière Africaine franc	XAF	36.15	36.42	37.30	34.66
Zambian kwacha	ZMK	1.05	1.44	1.36	1.09
eSwatini lilangeni	SZL	1.00	1.00	1.00	1.00
Afghanistan afghani	AFN	6.51	5.26	5.59	4.62
Ghanaian cedi	GHS	0.40	0.40	0.40	0.35
Benin Communauté Financière Africaine franc	XOF	36.14	36.47	37.33	34.69
Guinean franc	GNF	571.77	680.64	652.72	575.66
Sudanese pound ²	SDG	27.47	3.76	25.07	3.32
Syrian pound ²	SYR	157.59	85.57	147.69	50.53
Guinea-Bissau Communauté Financière Africaine franc	XOF	36.14	36.47	36.65	34.87
Yemen rial	YER	25.09	27.25	27.33	23.87
Ethiopian birr	ETB	3.10	2.68	2.95	2.18
South Sudanese pound ²	SSP	27.10	12.08	23.39	10.07

¹ SANA rate.

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

Subsidiaries and joint ventures operating in dual exchange rate economies

Irancell

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

However, the Group continues to translate any receivables that have been approved by the Iranian government under the FIPPA at the CBI rate on the basis that management expects these balances to be settled at the CBI rate (note 4.2). At 31 December 2021 the ZAR to IRR exchange rate based on the CBI rate was 1 ZAR = 2 663 IRR (2020: 1 ZAR = 2 889 IRR).

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

8 EQUITY STRUCTURE

8.1 Ordinary share capital and share premium

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

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

	2021	2020
	Number of	Number of
Ordinary share capital (par value of 0.01 cents)	shares	shares
Authorised	1 500 000 000	1 500 000 000
Issued (fully paid up)	525 757 682	525 757 682
	2021	2020
	Rm	Rm
Share capital		
Balance at the beginning of the year	5	5
Shares issued or bought back	*	*
Balance at the end of the year	5	5
Share premium		
Balance at the beginning of the year	218	218
Shares issued or bought back	-	-
Balance at the end of the year	218	218
Shareholder loan classified as equity		
Balance at the beginning of the year	5 818	5 818
Advanced or repaid	-	-
Balance at the end of the year	5 818	5 818

* Amounts less than R1 million.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

8 EQUITY STRUCTURE (continued)

8.2 Other reserves

	2021 Rm	2020 Rm
Balance at beginning of the year	2 090	(2 800)
Transactions with non-controlling interests	1 562	180
Net transfer to retained earnings, contingency and statutory reserves ¹	191	746
Exchange differences on translating foreign operations ²	3 798	5 455
Foreign exchange movement on hedging instruments ²	(1 152)	(878)
Net change in fair value of debt and equity instruments through other comprehensive income reserve	(10 336)	(622)
Other	19	9
Balance at end of the year	(3 828)	2 090
Consisting of:		
Contingency reserve (as required by insurance regulations) ³	184	36
Statutory reserve (as required by Rwanda, Congo-Brazzaville and other joint venture legislation) ⁴	322	279
Transactions with non-controlling interests ⁵	3 496	1 934
Share-based payment transactions	1 862	1 862
Foreign currency translation reserve ²	(1 860)	(4 506)
Equity instruments at fair value through other comprehensive income ⁶	(8 428)	1 908
Share of other reserves of joint ventures	(81)	(81)
Other	677	658
	(3 828)	2 090

¹ Following the loss of control of MTN Syria and the exit in Yemen, reserves worth R101 million and R24 million respectively were transferred to retained earnings in 2021. In 2020, an amount of R688 million was transferred to retained earnings in respect of the Jumia investment.

² Refer to the translation and disposal of foreign operations sections in accounting policy 1.3.2 foreign currency. The Group's presentation currency is rand. The weakening of the closing rate of the rand against the functional currencies of the Group's largest operations and hyperinflationary impacts contributed to a decrease in assets and liabilities and the resulting FCTR increase of R3 798 million (2020: R5 455 million) since 31 December 2020. The amount also comprises of foreign currency losses arising on the translation of financial liabilities designated as net investment hedges in a foreign operation of R1 152 million (2020: R878 million gains).

³ A contingency reserve has been created in terms of the Short-term Insurance Act, 1988. Transfers to the contingency reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of shareholders' funds. On dissolution of the structured entities to which the reserve relates, they will become available for distribution.

⁴ A statutory reserve has been created in terms of local legislation. Transfers to the statutory reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of the shareholders' funds.

⁵ Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiary companies where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased is recorded in equity. All profits or losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders, where control is maintained subsequent to the disposal, are also recorded in equity. In 2021, the Group realised a net gain of R1 774 million from the disposal of 12.95% of its interest in MTN Uganda as part of an initial public offering (refer note 9.4.2.2). In addition, the Group realised a net loss of R212 million recognised in equity on the acquisition of the remaining 25% interest in aYo, bringing the Group's interest to 100% as at 31 December 2021 (refer note 9.4.2.5). In 2020, following the dilution of the 8% interest held in MTN Zambia, a gain of R180 million was included in equity (refer to note 9.4.1).

⁶ This comprises of all fair value adjustments on all equity and debt investments that have been classified as FVOCI. On the disposal of the FVOCI equity investments, the cumulative gains recognised on these investments are not reclassified to profit or loss.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

8 EQUITY STRUCTURE (continued)

8.3 Dividends

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

	2021		2020	
	Cents per share	Rm	Cents per share	Rm
Dividends declared during the year				
Final dividend declared in respect of the prior year	-	-	1 244	6 540
				6 540
Dividends declared after year end				
Approved after the reporting date and not recognised as a liability ¹	1 084	5 700	-	-

¹ Declared at the Board meeting on 8 March 2022.

8.4 Share-based payments

Cash-settled share-based payments

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

The MTN Group performance share plan and employee share ownership scheme

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

The PSP and the ESOP are the active schemes. Under these schemes the Group receives services from employees as consideration for the equity instruments of MTN Group Limited.

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

The employees participating under the ESOP are entitled to dividends during the vesting period. The shares vest in three tranches, with a third vesting on the third, fourth and fifth anniversary of the grant date.

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

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN PSP

The following performance conditions apply to the PSPs for the three-year vesting period:

Total shareholder return (TSR)

Vesting is based on a sliding scale of 100% vesting at the 75th percentile as compared to MSCI Emerging Markets Communication Services Index and 25% vesting at the Median with straight line vesting in between the two points. 0% vesting for below the median. TSR will be measured by comparing the 30-day volume-weighted average price at the beginning and end of the three-year period plus re-invested dividends. TSR must be positive and to be measured on common currency. The TSR condition is applicable for all awards.

Cumulative operating free cash flow (OFCF)

Targeted at the sum of the budgeted OFCF established each year for the three-year measurement period with a threshold of 25% vesting at 90% of the target, and a stretch of 100% vesting at 110% of the target, with a sliding scale between each point. OFCF will be measured on constant currency. The OFCF condition is applicable for all awards.

Black economic empowerment

Vesting is based on the achievement of previously agreed upon deliverables as applicable in South Africa. The BEE condition is applicable for all awards.

Compliance

The vesting conditions with regards to compliance to the Department of Trade, Industry and Competition (dtic) and Independent Communications Authority of South Africa (ICASA) are based on reasonable efforts made to ensure compliance with the relevant targets and codes. The compliance condition is applicable for all awards.

Return on average capital employed (ROACE)

The ROACE is defined as the sum of earnings before interest and tax/(equity + net debt) for each year divided by three. There is a 25% vesting at 90% of budget (kick-in) and a 100% vesting at 100% of budget, with a straight-line vesting between the kick-in and budget rate. ROACE is only applicable for awards up to December 2019.

Individual retention

100% vesting upon remaining with the Group for the duration of award fulfilment period, unless the participant terminates employment on good terms. The retention performance condition is only applicable for awards up to December 2020.

Return of equity (ROE)

Defined as adjusted headline earnings per share/equity excluding non-controlling interests for each year divided by three. There is a 25% vesting at 90% of budget (kick-in) and a 100% vesting at 100% of budget, with a straight-line vesting between the kick-in and budget rate. ROE is only applicable for awards from December 2020.

Environmental, Social and Governance (ESG)

ESG comprises of emissions, broadband coverage and diversity and inclusion as per approved business plan. ESG will be measured over the three-year measurement period with a 25% vesting at threshold value (kick-in) and a 100% vesting at 100% of the threshold value, with a straight-line vesting between the kick-in and the threshold value. ESG is only applicable for awards from December 2021.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN PSP (continued)

The following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

	Proportion of grant			
	2018 grant		2019 grant	
	Employee level	Employee level	Employee level	Employee level
	3 - 4	5 - 6	3 - 4	5 - 6
	%	%	%	%
Vesting conditions for share granted				
Total shareholder return	25.0	25.0	25.0	25.0
Return on average capital employed	25.0	8.3 - 25.0	25.0	8.3 - 25.0
Cumulative operating free cash flow	25.0	8.3 - 25.0	25.0	8.3 - 25.0
Individual retention	25.0	22.5 - 33.3	25.0	25.0
Compliance	-	8.3 - 12.5	-	8.3
Black economic empowerment	-	8.3	-	8.3

	Proportion of grant			
	2020 grant		2021 grant	
	Employee level	Employee level	Employee level	Employee level
	3 - 4	5 - 6	3 - 4	5 - 6
	%	%	%	%
Vesting conditions for share granted				
Total shareholder return	25.0	25.0	25.0	25.0
Cumulative operating free cash flow	25.0	25.0 - 30.0	25.0	22.5 - 25.0
Individual retention	25.0	0.0 - 25.0	-	-
Return on equity	25.0	25.0 - 30.0	25.0	22.5 - 25.0
Environmental, social and governance	-	-	25.0	22.5 - 25.0
Compliance	-	5.0	-	5.0
Black economic empowerment	-	5.0	-	5.0

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

	Number outstanding at 31 December 2020	Offered	Forfeited ¹	Exercised during 2021	Number outstanding at 31 December 2021
Offer date					
18 December 2017	2 826 857	-	(849 902)	(1 976 955)	-
28 December 2018	6 061 234	-	(667 300)	-	5 393 934
20 December 2019	7 252 719	-	(786 453)	-	6 466 266
21 December 2020	11 641 386	-	(1 559 942)	-	10 081 444
13 December 2021	-	4 217 600	(12 419)	-	4 205 181
Total	27 782 196	4 217 600	(3 876 016)	(1 976 955)	26 146 825

¹ Forfeitures occur either when an employee leaves the employ of the Group prior to the vesting or when the vesting date conditions are not met, as determined by the scheme rules.

A valuation has been prepared using a stochastic model to determine the fair value of the PSP and the expense to be recognised for the shares granted during the current and prior periods.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN PSP (continued)

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

	December 2021
Share price (R)	170.71
Expected life	1 - 3 years
Risk-free rate	4.74% - 6.00%
Expected volatility	36.56% - 41.43%
Dividend yield	0.96%
	December 2020
Share price (R)	61.44
Expected life	1 - 3 years
Risk-free rate	4.40% - 4.88%
Expected volatility	35.13% - 45.46%
Dividend yield	7.92%

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

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

The fair value per share of the PSPs is provided below:

Offer date	Non-market conditions	Market condition
20 December 2019	R169.13	R170.13
21 December 2020	R167.51	R169.30
13 December 2021	R165.94	R127.42

Employee share ownership programme (ESOP)

During 2021, 71 055 (2020: 123 605) shares were granted to qualifying employees for no consideration and subject to a service condition. 621 091 shares for the 2017 and 2018 awards (2020: 554 015 shares for the 2017 award) vested during 2021. The shares vest in three tranches. A third will vest on the third, fourth and fifth anniversary of the grant date. The plan is facilitated through a structured entity (the 2016 MTN ESOP Trust). The Group provides shares and funding to the 2016 MTN ESOP Trust to enable the trust to satisfy its objectives.

Cash settled share-based payment transactions

During the prior years, the Group granted newly appointed executives' cash-settled onboarding incentives to compensate the executives in respect of the actualised pre-tax amount of stocks or equity relinquished by the executives with their previous employers. The value of each incentive was determined based on the market value of the specified number of ordinary listed shares in MTN Group Limited at the end of the incentive period for each respective executive. The total number of Group shares on which the incentives were based was 837 664. The fair value of these incentives, before vesting date, was determined using a Black-Scholes valuation methodology. In 2020, a cash-settled share-based payment gain of R7 million was recognised on settlement of 391 637 shares.

In addition, throughout the Group there are various notional share schemes. The total expense recorded for these schemes in the current year is R365 million (2020: R172 million).

	2021 Rm	2020 Rm
Expense arising from cash-settled share-based payment transactions ¹	2 196	165

¹ The increase in the share-based payment expense is due to a significant increase in the MTN Group Limited's share price and a higher vesting probability percentage of the performance conditions.

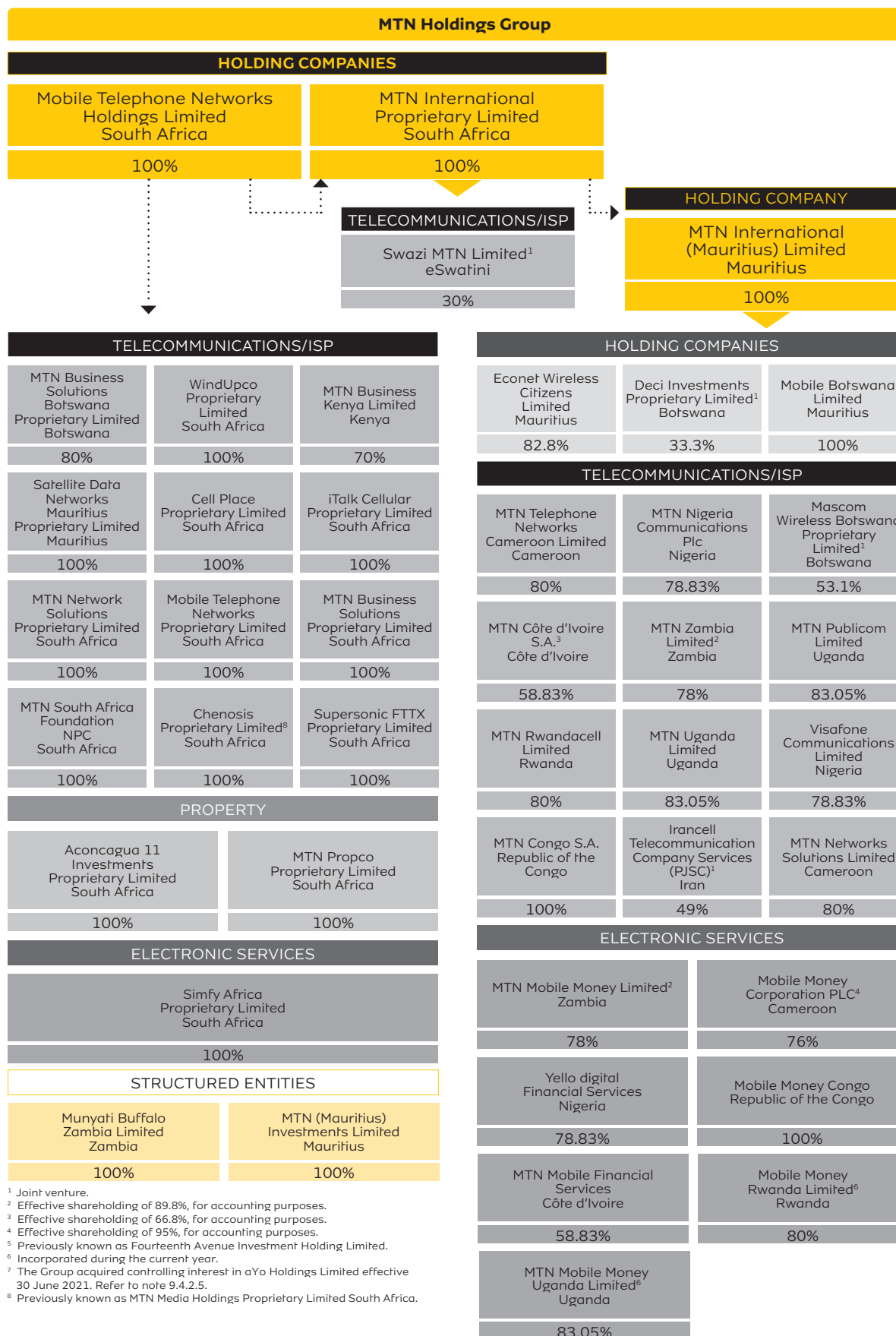
Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION

9.1 Interest in subsidiaries and joint ventures



¹ Joint venture.

² Effective shareholding of 89.8%, for accounting purposes.

³ Effective shareholding of 66.8%, for accounting purposes.

⁴ Effective shareholding of 95%, for accounting purposes.

⁵ Previously known as Fourteenth Avenue Investment Holding Limited.

⁶ Incorporated during the current year.

⁷ The Group acquired controlling interest in aYo Holdings Limited effective 30 June 2021. Refer to note 9.4.2.5.

⁸ Previously known as MTN Media Holdings Proprietary Limited South Africa.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.1 Interest in subsidiaries and joint ventures (continued)

MTN Holdings Group

MTN (Dubai) Limited
Dubai

100%

HOLDING COMPANIES

Easy Dial International Limited British Virgin Islands	Investcom Telecommunications Guinea-Conakry Limited British Virgin Islands	Investcom Consortium Holding S.A. British Virgin Islands
100%	100%	100%
Investcom Mobile Benin Limited British Virgin Islands	Investcom Mobile Communications Limited British Virgin Islands	Investcom Telecommunications Afghanistan Limited British Virgin Islands
100%	100%	100%
MTN NIC BV Netherlands	MTN (Netherlands) BV Netherlands	MTN (Netherlands) Co-Op UA Netherlands
100%	100%	100%
Investcom Global Limited British Virgin Islands	MTN Group Fintech BV ⁵ United Arab Emirates	Servico SAL Lebanon
100%	100%	99.97%
Progressive Tech Holdings Mauritius	Investcom International Limited British Virgin Islands	MTN REL Mauritius Mauritius
100%	100%	100%
MTN Nigeria Towers SPV B.V. Netherlands		
100%		

TELECOMMUNICATIONS/ISP

Lonestar Communications Corporation LLC Liberia	MTN Afghanistan Limited Afghanistan	MTN Sudan Company Limited Sudan
60%	100%	85%
GlobalConnect Solutions Limited Dubai	Scancom PLC Ghana	Areeba Guinea S.A. Guinea-Conakry
100%	85.49%	75%
Spacotel Benin SA Benin	Spacotel Guinea-Bissau S.A. Guinea-Bissau	MTN South Sudan Limited South Sudan
75%	100%	100%
Easynet Search Limited Ghana	MTN ICT Services PLC Ethiopia	
97.80%	99.90%	

PROCUREMENT

Global Trading Company Limited United Arab Emirates		Global Sourcing Company Limited United Arab Emirates	
100%		100%	
Telecom Sourcing Services FZ-LLC United Arab Emirates	MTN Investments Limited United Arab Emirates	MTN SEA Shared Services Limited Uganda	
100%	100%	100%	

MANAGEMENT SERVICES

Inteltec Offshore SAL Lebanon	STRUCTURED ENTITY
99.8%	MTN Ghana Foundation Ghana
	100%

INTERNATIONAL BUSINESS

Interserve Overseas Limited British Virgin Islands
100%

ELECTRONIC SERVICES

MTN Mobile Money Benin	Middle East Internet Holding S.A.R.L. ¹ Luxembourg	aYo Holdings Limited ⁷ Mauritius
75%	50%	100%
Mobile Money Limited Ghana	Mowali Societe par Actions Simplifiee ¹ Côte d'Ivoire	Lonestar Cell MTN Mobile Money Inc Liberia
85.49%	50%	60%
MTN Mobile Money Guinea Limited Guinea-Conakry	MTN Sudan Fintech Comp Limited ⁷ Sudan	GlobalConnect FibreCo B.V. ⁷ Dubai
75%	84%	100%
aYo Uganda Limited ⁶ Uganda	aYo Côte d'Ivoire Limited ⁶ Côte d'Ivoire	aYo Insurance Brokers Limited ⁶ Cameroon
100%	100%	100%
aYo Intermediaries Ghana Limited ⁶ Ghana	aYo Micro Insurance Limited ⁶ Nigeria	aYo Rwanda Limited ⁶ Rwanda
100%	75%	100%
aYo Insurance Brokers Zambia Limited ⁶ Zambia	GlobalConnect Zambia ⁶ Zambia	aYo Intermediaries South Africa
100%	50%	100%

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures

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

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

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

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

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

Non-current assets (or disposal groups) are classified as non-current assets held for sale and are stated at the lower of their carrying amounts and fair value less cost to sell when their carrying amounts are to be recovered principally through sale rather than continued use and the sale is considered to be highly probable. The Group applies equity accounting up until the date the investment meets the requirements to be classified as held for sale. Thereafter it is measured at the lower of carrying value and fair value less cost to sell in accordance with IFRS 5 *Non-current Assets Held for sale and Discontinued Operations* (IFRS 5).

	2021	2020
	Rm	Rm
Investment in associates	255	324
Investment in joint ventures	13 593	9 982
Total investment in associates and joint ventures	13 848	10 306
Share of results of associates after tax	(74)	123
Share of results of joint ventures after tax	2 128	1 019
Total share of results of associates and joint ventures after tax	2 054	1 142

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates

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

The Group has the following effective interests in associates:

Associate	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital	
			2021	2020
Belgacom International Carrier Services SA (BICS) ¹	Telecommunications	Belgium	-	20
Number Portability Proprietary Limited	Porting	South Africa	20	20
International Digital Services Middle East Limited (iME)	Telecommunications	United Arab Emirates	29.55	29.55

¹ BICS was disposed of on 24 February 2021. Refer to note 9.4.2.1 for further details.

	BICS Rm	iME Rm	Other Rm	Total Rm
2020				
Balance at beginning of the year	1 929	292	13	2 234
Share of results after tax	158	(35)	-	123
Share of other reserves	-	2	-	2
Dividend income	(223)	-	-	(223)
Loss of significant influence on disposal	-	-	(10)	(10)
Reclassification to assets held for sale ¹	(2 385)	-	-	(2 385)
Effect of movements in exchange rates	521	62	-	583
Balance at end of the year	-	321	3	324
2021				
Balance at beginning of the year	-	321	3	324
Share of results after tax	-	(74)	-	(74)
Share of other reserves	-	2	-	2
Effect of movements in exchange rates	-	3	-	3
Balance at end of the year	-	252	3	255

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

Summarised financial information of associates

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

	iME	
	2021 Rm	2020 Rm
Summarised statement of financial position		
Total assets	971	491
Non-current assets	85	53
Current assets	886	438
Total liabilities	1 072	315
Non-current liabilities	181	19
Current liabilities	891	296
Net assets	(101)	176
% ownership interest held	29.55	29.55
Interest in associate	(30)	52
Adjustment up to 31 December ¹	53	42
Goodwill	229	227
Balance at end of the year	252	321
Summarised income statement		
Revenue	2 655	1 380
Profit/(loss) before tax	130	(48)
Income tax expense	(380)	(70)
Loss after tax	(250)	(118)
% ownership interest held	29.55	29.55
Share of results after tax	(74)	(35)

¹ Summarised financial information presented with regard to the Group's interest in iME is as per the latest available management accounts at 30 November 2021. Preparation of financial statements at 31 December 2021 by iME was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the one month up to the reporting date.

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

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures

Classification of significant joint arrangements

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

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

- Irancell (49%).
- Mascom Wireless Botswana Proprietary Limited (Mascom) (53.1%).
- Middle East Internet Holding S.A.R.L (MEIH) (50%).

The Group has the following effective interests in joint ventures:

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital	
			2021	2020
Irancell	Network operator	Iran	49	49
Mascom	Network operator	Botswana	53.1	53.1
Swazi MTN Limited	Network operator	eSwatini	30	30
Deci Investments Proprietary Limited (Deci Investments)	Holding company	Botswana	33.3	33.3
MEIH ¹	Telecommunications	Luxembourg	50	50
aYo ²	Mobile insurance	Mauritius	-	50
Mowali Sociate par Actions Simplifiee (Mowali)	Telecommunications	Côte d'Ivoire	50	50

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

²The Group acquired control of aYo on 30 June 2021. Refer to note 9.4.2.5 for further details.

The joint ventures listed above are unlisted and their countries of incorporation are also their principal place of operation unless otherwise indicated.

All joint ventures have a year-end consistent with that of the Company with the exception of Irancell that has a year-end of 21 December, for Group reporting purposes.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

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

	Irancell	Mascom	MEIH	Other	Total
	Rm	Rm	Rm	Rm	Rm
2020					
Balance at beginning of the year	3 700	1 765	572	493	6 530
Opening balance adjustment for hyperinflation	3 677	-	-	-	3 677
Additions ¹	-	-	-	102	102
Share of results after tax	538	436	(30)	75	1 019
Dividend income	(510)	(310)	-	(75)	(895)
Impairment of investment	-	-	(67)	-	(67)
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation ²	(469)	(12)	100	(3)	(384)
Balance at end of the year	6 936	1 879	575	592	9 982
2021					
Balance at beginning of the year	6 936	1 879	575	592	9 982
Additions ¹	-	-	-	24	24
Share of results after tax	1 709	428	(12)	3	2 128
Dividend income	(592)	(491)	-	(95)	(1 178)
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation ²	2 629	(1)	4	5	2 637
Balance at end of the year	10 682	1 815	567	529	13 593

¹ The Group invested additional contributions in Mowali in accordance with the funding requirements of the entity. The contributions are on a pro rata basis in accordance with existing shareholding, resulting in no change in the Group's effective interest.

² Refer to note 1.3.3 for the Group's accounting policy with regard to those entities whose functional currency is the currency of a hyperinflationary economy.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures

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

	Irrancell		Mascom	
	2021	2020	2021	2020
	Rm	Rm	Rm	Rm
Summarised statement of financial position				
ASSETS				
Non-current assets	35 068	23 429	2 437	2 518
Property, plant and equipment	30 633	20 596	1 484	1 468
Intangible assets	2 996	1 874	193	200
Right-of-use assets	569	422	745	834
Investment property	68	46	15	16
Loans and other non-current receivables	41	24	-	-
Investment in associate	330	230	-	-
Capitalised contract costs	431	237	-	-
Current assets	5 968	4 428	1 015	1 077
Inventories	127	86	16	8
Trade and other receivables	2 204	2 576	189	99
Taxation assets	-	-	-	25
Current investments	7	7	-	-
Restricted cash	53	161	-	-
Cash and cash equivalents	3 577	1 598	789	910
Contract assets	-	-	21	35
Total assets	41 036	27 857	3 452	3 595
LIABILITIES				
Non-current liabilities	4 260	2 548	936	1 071
Deferred tax liabilities	3 930	2 276	96	137
Provisions	233	138	-	-
Other non-current liabilities	2	2	13	25
Lease liabilities	95	132	827	909
Current liabilities	15 005	11 178	717	534
Trade and other payables	11 398	8 932	703	534
Provisions	274	167	-	-
Taxation liabilities	635	322	14	-
Borrowings	1 370	906	-	-
Lease liabilities	131	94	-	-
Dividends payable	1 197	757	-	-
Total liabilities	19 265	13 726	1 653	1 605
Total net assets	21 771	14 131	1 799	1 990
% ownership interest held	49	49	53.1	53.1
Interest in joint venture excluding goodwill	10 668	6 924	955	1 057
Adjustment up to 31 December ¹	-	-	-	(39)
Goodwill	14	12	860	861
Balance at end of the year	10 682	6 936	1 815	1 879

¹ In 2020, summarised financial information presented with regard to the Group's interest in Mascom was as per the latest available management accounts at 30 September 2020. Preparation of financial statements at 31 December 2020 by Mascom was impracticable. Appropriate adjustments were made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

- 9 **GROUP COMPOSITION** (continued)
- 9.2 **Investment in associates and joint ventures** (continued)
- Investment in joint ventures** (continued)
- Summarised financial information of joint ventures** (continued)

	Irancell		Mascom	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Summarised income statement				
Revenue	15 968	10 736	2 227	2 339
Other income	9	1	17	22
Operating expenses	(10 192)	(6 797)	(941)	(831)
Depreciation of property, plant and equipment	(4 581)	(3 662)	(228)	(238)
Amortisation of intangible assets	(766)	(642)	(118)	(126)
Finance income	720	260	82	19
Finance costs	(235)	(1 163)	(71)	(149)
Net monetary gain ¹	2 892	2175	17	-
Share of results of associate after tax ²	(10)	(30)	-	-
Profit before tax	3 805	878	985	1 036
Income tax (expense)/income	(317)	220	(179)	(215)
Profit after tax	3 488	1 098	806	821
% ownership interest held	49	49	53.1	53.1
Share of results after tax	1 709	538	428	436

¹ The economy of Iran was assessed to be hyperinflationary effective 1 January 2020, and hyperinflation accounting has since been applied. Upon first application of hyperinflation, net prior period gains were recognised directly in equity.

² In 2020, summarised financial information presented with regard to the Group's interest in Mascom was as per the latest available management accounts at 30 September 2020. Preparation of financial statements at 31 December 2020 by Mascom was impracticable. Appropriate adjustments were made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the three months up to the reporting date.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

- 9 **GROUP COMPOSITION** (continued)
- 9.2 **Investment in associates and joint ventures** (continued)
- Investment in joint ventures** (continued)
- Summarised financial information of joint ventures** (continued)

	MEIH	
	2021	2020
	Rm	Rm
Summarised statement of financial position		
ASSETS		
Non-current assets	2	1
Property, plant and equipment	2	1
Current assets	520	493
Trade and other receivables	24	14
Other current receivables	49	30
Cash and cash equivalents	447	449
Total assets	522	494
LIABILITIES		
Non-current liabilities	21	19
Borrowings	13	13
Other non-current liabilities	8	6
Current liabilities	146	97
Trade and other payables	17	12
Contract Liabilities	6	-
Provisions	54	37
Other current liabilities	69	48
Total liabilities	167	116
Net assets	355	378
Non-controlling interest	96	66
Total assets	451	444
% ownership interest held	50	50
Interest in joint venture excluding goodwill	226	222
Adjustment up to 31 December ¹	138	152
Goodwill	203	201
Balance at end of the year	567	575
Summarised income statement		
Revenue	240	130
Other income	11	1
Operating expenses	(273)	(189)
Finance costs	-	(1)
Loss before tax	(22)	(59)
Income tax expense	(2)	(1)
Loss after tax	(24)	(60)
% ownership interest held	50	50
Share of results after tax	(12)	(30)

¹ Summarised financial information presented with regard to the Group's interest in MEIH is as per the latest available management accounts at 30 November 2021 (2020: 30 November 2020). Preparation of financial statements at 31 December 2021 by MEIH was impracticable. Appropriate adjustments have been made to the Group's interest and share of results for the effects of significant transactions and events that occurred for the one month up to the reporting date.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Commitments relating to joint ventures

Commercial commitments

Irancell

The investment in Irancell is subject to a number of sovereign, regulatory and commercial risks, which could result in the Group failing to realise full market value of its investment should it be required to dispose of any portion thereof. In this regard, 21% of Irancell is required to be offered to members of the Iranian public within approximately three years from the date of the licence. Such offering could have a proportional dilutionary effect on the Company's 49% shareholding, effectively reducing its shareholding by 10.3% to 38.7%. Local management together with the shareholders continue to engage the regulator on this matter.

	2021 Rm	2020 Rm
Capital commitments		
Share of capital commitments of joint ventures not yet incurred at the reporting date:		
Contracted	1 093	814
- Property, plant and equipment	1 031	743
- Software	62	71
Authorised but not contracted	1 428	925
- Property, plant and equipment	1 265	845
- Software	163	80
	2 521	1 739

Contingent liabilities relating to joint ventures

There are no material contingent liabilities relating to the Group's interests in its joint ventures during the current or prior year.

Licences

Licences awarded to the joint ventures are set out below:

Licence agreements	Type	Granted/ renewed	Term
Irancell	GSM	07/10/2021	5 years
	TDD-LTE	21/03/2021	7 years
Mascom	900MHz	01/09/2018	15 years
	1 800MHz	01/09/2018	15 years
	2 100MHz	01/09/2018	15 years
	2 600MHz	01/09/2018	15 years
Swazi MTN Limited	Electronic Communications Network Licence	28/11/2018	10 years
	Electronic Communications Service Licence	28/11/2018	10 years
	800MHz	01/04/2021	Renewable annually
	900MHz	01/04/2021	Renewable annually
	1800MHz	01/04/2021	Renewable annually
	2100MHz	01/04/2021	Renewable annually

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.3 Joint operations

In respect of its interest in joint operations, the Group recognises in its financial statements its share of the assets jointly held, classified according to the nature of the assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other joint operators in relation to the joint operation, any income from the sale or use of its share of the output of the joint operation, together with its share of any expenses incurred by the joint operation and any expenses that it has incurred in respect of its interest in the joint operation.

When the Group acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised in profit or loss. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

When the Group increases its interest in a joint operation in which the activity of the joint operation constitutes a business, by acquiring an additional interest in the joint operation, the Group's previously held interests in the joint operation are not remeasured if the joint operator retains joint control.

The Group has entered into agreements with several other companies to construct high-capacity fibre-optic submarine cable systems.

The Group has the following interests in jointly controlled operations:

	Ownership interest held	
	2021	2020
	%	%
Joint operation		
Europe India Gateway Submarine Cable System	6.72	6.84
West Africa Cable System	11.14	11.14
Eassy Cable System	15.99	16.13
Africa Coast to Europe Cable system	9.93	8.86

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.4 Changes in shareholding

9.4.1 Prior year changes in shareholding

Disposal of Uganda Tower InterCo B.V. (Uganda InterCo) and Ghana Tower InterCo B.V. (Ghana InterCo)

On 31 December 2019, the Group concluded an agreement to dispose of its 49% equity holdings in Ghana InterCo and Uganda InterCo to AT Sher Netherlands Cooperatief U.A. (ATC). The Uganda InterCo transaction closed on 21 February 2020 for cash proceeds of US\$140 million (R2.2 billion¹) and realised a profit of R1.3 billion, inclusive of FCTR gains of R112 million reclassified to profit or loss on disposal. The Ghana InterCo transaction closed on 18 March 2020 for cash proceeds of US\$384 million (R6.6 billion¹) and realised a net profit of R4.8 billion, after inclusion of FCTR losses of R1.8 billion reclassified to profit and loss on disposal.

Disposal of 8% shareholding in MTN Zambia

On 7 October 2020, the Group disposed of 8% shareholding in MTN Zambia taking the Group's effective shareholding for accounting purposes from 97.8% to 89.8%. The proceeds from the disposal amounted to ZMK287 million (R238 million¹) and realised a net gain of R180 million recognised in equity as a transaction with non-controlling interests.

9.4.2 Current year changes in shareholding

9.4.2.1 ***Disposal of BICS***

On 5 August 2020, the Group classified its shareholding in BICS as a non-current asset held for sale following discussions regarding a potential sale. An impairment loss of R397 million was recognised in profit or loss in 2020 to write down the carrying amount of the non-current asset held for sale to its fair value less costs to sell.

During the current year, the Group concluded an agreement to sell its 20% shareholding in BICS. The transaction closed 24 February 2021 and the Group received net cash proceeds of EUR99.1 million (R1.8 billion¹) and realised a profit of R1.2 billion, mainly comprising of reclassified FCTR gains. The reclassified FCTR gains have no impact on equity and cash flows.

The Group recognised revenue to the amount of R267 million (2020: R1 447 million) from transactions with BICS and incurred expenses to the amount of R95 million (2020: R368 million) for interconnect, roaming and other services received from the associate.

9.4.2.2 ***Initial public offering of MTN Uganda***

The Group disposed of 2 902 003 800 shares in MTN Uganda to the public as part of an IPO following which MTN Uganda listed on the Uganda Securities Exchange. This took the Group's shareholding from 96% to 83.05%. Proceeds generated from the sale of shares, net of transaction costs, amounted to UGX522.9 billion (R2.3 billion¹) which has been included in cash flows from financing activities. The share allocation was finalised on 6 December 2021 and resulted in a net gain of R1.8 billion that was recognised in equity as a transaction with non-controlling interests.

¹ Translated at the effective date of the sale. Cash proceeds per the statement of cash flows are translated at the spot rate on the date of receipt of the proceeds.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.4 Changes in shareholding (continued)

9.4.2 Current year changes in shareholding (continued)

9.4.2.3 Loss of control of MTN Syria

As at 31 December 2020, MTN Syria's assets and liabilities were presented as held for sale due to the Group concluding that a sale to Teleinvest Limited (Teleinvest) (the non-controlling shareholder in MTN Syria) was considered to be highly probable. An impairment loss of R53 million (2020: R1 113 million) was recognised in profit or loss for the year due to writing down the carrying amount of the disposal group to its fair value less costs to sell.

On 25 February 2021, the Administrative Court of Damascus placed MTN Syria under judicial guardianship, appointing the chairman of Teleinvest as the judicial guardian with the responsibility for managing MTN Syria's day-to-day operations. The appointment of the judicial guardian significantly reduced the Group's ability to direct relevant activities in MTN Syria and therefore the Group lost control over MTN Syria on this date. MTN Syria was presented as part of the MENA cluster in the segment information (note 2.1) up to the date control was lost.

On loss of control the Group recognised its 75% shareholding in MTN Syria as a financial instrument at fair value. Given the appointment of the judicial guardian and the related shift of power from the majority shareholder to the judicial guardian, the fair value of the shares was determined to be negligible. Subsequently, on 12 August 2021 the Group exited Syria through abandonment of the operation.

Included in the 2021 Group results is R308 million (2020: R2 295 million) revenue representing 0.2% (2020: 1.3%) of the Group's total revenue and R105 million (2020: R574 million) CODM EBITDA¹ representing 0.1% (2020: 0.8%) of the Group's CODM EBITDA¹ relating to MTN Syria up to the date control was lost. These amounts exclude the impact of hyperinflation.

¹ CODM EBITDA is defined in note 2.1.

The carrying amounts of the assets and liabilities as at the date of loss of control were:

	Rm
Property, plant and equipment	1 095
Right-of-use assets	133
Intangible assets	381
Trade receivables and other current assets	508
Cash and cash equivalents	228
Total assets	2 345
Deferred tax and other non-current liabilities	387
Current liabilities	694
Total liabilities	1 081
Net carrying amount of assets	(1 264)
Non-controlling interests derecognised	240
Reclassification of foreign currency translation reserve including hyperinflation	(3 696)
Fair value of remaining interest held in MTN Syria	-
Loss on deconsolidation of subsidiary	(4 720)
Cash and cash equivalents in MTN Syria	228
Cash derecognised on loss of control	228

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.4 Changes in shareholding (continued)

9.4.2 Current year changes in shareholding (continued)

9.4.2.4 Exit in Yemen

During 2021, the Group initiated a process to exit Yemen, in accordance with its MENA exit strategy. The Group did not expect to recover any of its investment in MTN Yemen through ongoing operations until the date of exit and therefore the recoverable amount of the CGU was considered to be negligible.

The Group recognised the following impairment losses during 2021:

	Rm
Impairment of goodwill	550
Impairment of property, plant and equipment	453
Impairment of intangible assets	60
Impairment of right-of-use assets	96
	1 159

Effective 17 November 2021, the Group exited Yemen (including MTN Yemen and associated companies) by way of a transfer of its shareholding in Investcom Telecommunications Yemen Limited (MTN Yemen's direct holding company) to Emerald for one United Arab Emirates dirham*. Emerald is a subsidiary of Zubair Investment Center LLC, an affiliate of Zubair Corporation LLC, which is the minority shareholder in MTN Yemen. The decision to exit Yemen was driven by a need to simplify the portfolio, reduce risk and focus on executing a pan-African strategy.

* Amounts less than R1 million.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.4 Changes in shareholding (continued)

9.4.2 Current year changes in shareholding (continued)

9.4.2.4 Exit in Yemen (continued)

The carrying amounts of the assets and liabilities as at the date of exit were:

	Rm
Property, plant and equipment	141
Right-of-use assets	30
Intangible assets	20
Trade receivables and other current assets	1 108
Restricted cash	35
Cash and cash equivalents	900
Total assets	2 234
Deferred tax and other non-current liabilities	75
Taxation liabilities	524
Other current liabilities	1 480
Total liabilities	2 079
Net carrying amount of assets	(155)
Non-controlling interests derecognised	6
Total share transfer consideration	*
Reclassification of foreign currency translation reserve	183
Gain on exit of subsidiary¹	34
Net cash:	
Cash received	*
Less: Cash and cash equivalents in MTN Yemen and associated entities	900
Net cash deconsolidated	900

¹ Included in other income in the Group income statement.

* Amounts less than R1 million.

Included in the 2021 Group results is R1 924 million (2020: R2 512 million) revenue representing 1.1% (2020: 1.4%) of the Group's total revenue and R277 million (2020: R764 million) CODM EBITDA¹ representing 0.4% (2020: 1.0%) of the Group's CODM EBITDA¹ relating to MTN Yemen up to the date of exit.

¹ CODM EBITDA is defined in note 2.1.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.4 Changes in shareholding (continued)

9.4.2 Current year changes in shareholding (continued)

9.4.2.5 aYo Holdings Limited (aYo)

Acquisition of subsidiary

aYo is a micro-insurance fintech firm. On 30 June 2021, the Group subscribed for additional shares in aYo for R1 thousand. As a result, the Group's equity interest in aYo increased from 50% to 75%, resulting in the Group obtaining control of aYo. Taking control of aYo will allow the Group to grow its micro-insurance business.

Identifiable assets acquired and liabilities assumed at acquisition are as follows:

	Fair value Rm
Property, plant and equipment	12
Right-of-use assets	3
Intangible assets	24
Deferred tax assets	1
Trade receivables and other current assets	89
Cash and cash equivalents	68
Total assets	197
Lease liabilities - non-current	2
Borrowings - current	203
Trade payables and other current liabilities	57
Total liabilities	262
Net identifiable assets acquired	(65)

Goodwill arising from acquisition has been recognised as follows:

	Rm
Total consideration transferred	*
Non-controlling interests, based on their proportionate share of recognised amounts of assets and liabilities in aYo	(18)
Fair value of existing interest in aYo ¹	526
Fair value of identifiable net assets	65
Goodwill	573

¹ Included in other income in the Group income statement.

* Amounts less than R1 million.

Remeasurement of the Group's existing 50% interest in aYo resulted in a R526 million gain. The goodwill is attributable to the previously unrecognised costs of researching the market approach, product innovation, developing distribution channels and developing a business model for a successful micro-insurance business and the anticipated high revenue growth of the entity. None of the goodwill is expected to be deductible for tax purposes.

Following aYo's acquisition on 30 June 2021, the acquired business contributed revenue and loss after tax of R47 million and R86 million respectively to the Group for the year ended 31 December 2021. Had the acquisition occurred on 1 January 2021, the Group's consolidated revenue and consolidated profit after tax for the period ended 31 December 2021 would have been R181 834 million and R16 199 million respectively.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.4 Changes in shareholding (continued)

9.4.2 Current year changes in shareholding (continued)

9.4.2.5 aYo Holdings Limited (aYo) (continued)

Acquisition of subsidiary (continued)

The fair value of the Group's existing 50% interest in aYo was determined using a model considered to be appropriate by management, due to the absence of transactions between market participants. The fair value was calculated using cash flow projections for the next eight years. Cash flows beyond this were extrapolated at an estimated growth rate of 2.3%. The cash flows were discounted at 17%, which reflects both the time value of money and other specific risks related to aYo. Due to the significant unobservable inputs included in this fair value measurement, it has been classified as level 3 of the fair value hierarchy.

Transaction with non-controlling interest

Effective 1 September 2021, the Group subscribed for an additional 25% interest in aYo. As a result, the Group's equity interest in aYo increased from 75% to 100% on this date. As the Group already controlled aYo prior to the increase in ownership interest to 100%, the acquisition of the additional shares has been accounted for as an equity transaction at a purchase consideration of US\$17 million (R255 million¹).

¹ Translated at the effective date of acquisition. Acquisition cash outflows per the statement of cash flows are translated at the spot rate on the date of payment.

9.4.3 Changes in shareholding subsequent to the reporting period

9.4.3.1 Disposal of MTN Nigeria shares

On 31 January 2022, the Group disposed of 661.25 million shares in MTN Nigeria following a secondary offer. This took the Group's shareholding from 78.83% to 75.58%. Proceeds generated from the sale of shares, net of taxes and transaction costs amounted to approximately NGN97.6 billion (approximately R3.6 billion translated at the effective date). This resulted in a net gain of approximately R3.2 billion that will be recognised in equity as a transaction with non-controlling interest.

9.4.3.2 Disposal of aYo shares

On 15 March 2022, the Group entered into an agreement with Sanlam Emerging Markets Proprietary Limited (Sanlam) to sell 50% of aYo's issued shares for USD 40 million (approximately R605 million translated at the signature date). The sale is subject to a number of suspensive conditions which are not yet completed. Subsequent to the sale, a new shareholders agreement will become effective governing each shareholder's rights in relation aYo.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries

The subsidiaries in which MTN Group Limited has direct and indirect interests are set out in note 9.1. A summary of the Group's subsidiaries with material non-controlling interests is presented below.

Subsidiary	Principal place of business	Non-controlling interests	
		2021 Rm	2020 Rm
MTN Nigeria	Nigeria	2 108	1 385
MTN Côte d'Ivoire	Côte d'Ivoire	1 054	946
MTN Ghana	Ghana	2 075	1 669
MTN Guinea-Conakry	Guinea-Conakry	(1 330)	(1 120)
MTN Uganda ¹	Uganda	734	116
MTN Syria ²	Syria	-	220
Other ³		(698)	146
		3 943	3 362

¹ The Group diluted its shareholding in MTN Uganda as part of an IPO in the current year. Refer to note 9.4.2.2. The non-controlling interest has been disaggregated in the current financial year and comparative numbers have been re-presented accordingly.

² On 25 February 2021, the Group lost control over MTN Syria.

³ In 2020, non-controlling interest in MTN Sudan was separately disclosed. The non-controlling interest in the current year is in other and comparative numbers have been re-presented accordingly.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below and on the next page is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. Unless otherwise stated, the Group's subsidiaries' countries of incorporation are also their principal places of operation. The summarised financial information presented is before intercompany eliminations.

	MTN Nigeria		MTN Côte d'Ivoire		MTN Ghana	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
% ownership interest held by non-controlling interests	21.17	21.17	33.17 ¹	33.17 ¹	14.51	14.51
Summarised statement of financial position						
Non-current assets ²	62 586	52 953	9 715	10 381	15 557	14 347
Current assets	22 459	19 254	3 979	4 093	28 702	20 960
Total assets	85 045	72 207	13 694	14 474	44 259	35 307
Non-current liabilities	40 915	37 881	1 713	3 450	5 585	5 248
Current liabilities	34 171	27 785	8 802	8 172	27 650	21 765
Total liabilities	75 086	65 666	10 515	11 622	33 235	27 013
Summarised income statement						
Revenue	60 050	57 980	8 903	8 776	19 187	17 245
Profit before tax	15 847	12 810	774	499	7 082	5 638
Income tax expense	(4 990)	(4 022)	(245)	(124)	(2 109)	(1 652)
Profit after tax	10 857	8 788	529	375	4 973	3 986
Profit attributable to non-controlling interests	2 298	1 860	175	124	722	578
Dividends attributable to non-controlling interests	1 563	1 665	77	-	345	373
Summarised statement of cash flows						
Net cash generated from operating activities	20 834	19 716	2 284	1 683	5 727	2 892
Net cash used in investing activities	(15 450)	(16 735)	(553)	(910)	(3 269)	(1 798)
Net cash (used in)/generated from financing activities	(5 169)	3 234	(1 481)	(1 096)	(1 589)	(344)
Net increase/(decrease) in cash and cash equivalents	215	6 215	250	(323)	869	750
Net cash and cash equivalents at beginning of the year	10 112	4 457	391	549	1 668	1 113
Exchange (losses)/gains on cash and cash equivalents	(481)	(560)	27	165	(8)	(195)
Net cash and cash equivalents at end of the year	9 846	10 112	668	391	2 529	1 668

¹ The non-controlling interests hold 41.17% of the issued ordinary share capital of MTN Côte d'Ivoire. However, the effective ownership for accounting purposes is 33.17% due to outstanding funding provided by the Group to the non-controlling interests to acquire ordinary share capital in MTN Côte d'Ivoire.

² In addition to the assets included in the summarised financial information, R2 692 million (2020: R2 698 million) of goodwill is recognised in the Group statement of financial position in relation to MTN Côte d'Ivoire and R3 912 million (2020: R3 830 million) of goodwill is recognised in the Group statement of financial position in relation to MTN Ghana.

Mobile Telephone Networks Holdings Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

	MTN Uganda		MTN Guinea-Conakry	
	2021	2020	2021	2020
	Rm	Rm	Rm	Rm
% ownership interest held by non-controlling interests	16.95 ¹	4	25	25
Summarised statement of financial position				
Non-current assets	8 754	7 499	1 116	981
Current assets	6 044	3 562	1 031	1 033
Total assets	14 798	11 061	2 147	2 014
Non-current liabilities	3 663	3 338	3 591	3 259
Current liabilities	7 385	4 825	3 874	3 236
Total liabilities	11 048	8 163	7 465	6 495
Summarised income statement				
Revenue	8 549	8 320	1 505	1 498
Profit/(loss) before tax	2 036	2 042	(276)	(342)
Income tax expense	(625)	(613)	-	-
Profit/(loss) after tax	1 411	1 429	(276)	(342)
Profit/(loss) attributable to non-controlling interests	80	57	(69)	(86)
Dividends attributable to non-controlling interests	37	27	-	-
Summarised statement of cash flows				
Net cash generated from operating activities	2 291	2 118	271	442
Net cash used in investing activities	(1 265)	(2 818)	(154)	(453)
Net cash used in financing activities	(404)	650	(52)	(9)
Net increase/(decrease) in cash and cash equivalents	622	(50)	65	(20)
Net cash and cash equivalents at beginning of the year	202	310	14	19
Exchange (losses)/gains on cash and cash equivalents	(19)	(58)	10	15
Net cash and cash equivalents at end of the year	805	202	89	14

¹ The Group diluted its shareholding in MTN Uganda as part of an initial public offering in the current year. Refer to note 9.4.2.2.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES

10.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's Executive Committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

	2021 Rm	2020 Rm
Key management compensation		
Salaries and other short-term employee benefits	125	123
Post-employment benefits	10	9
Share gains	31	6
Other benefits	36	42
Bonuses	119	116
Total	321	296

Details of directors' remuneration are disclosed in note 10.2 of the financial statements.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 9.1 of the financial statements.

Changes in shareholding

Details of changes in shareholding are disclosed in note 9.4 of the financial statements.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES (continued)

10.1 Related party transactions (continued)

Joint ventures and associates

Details of the Group's investments in and share of results and dividend income from its joint ventures and associates are disclosed in note 9.2 of the financial statements.

Details of transactions and balances with joint ventures and associates are set out below:

	Joint ventures		Associates	
	2021	2020	2021	2020
	Rm	Rm	Rm	Rm
Balances outstanding at 31 December				
Loans receivable	1 882	2 770	-	-
Trade receivables	3 063	1 150	225	97
Trade payables	308	284	-	31
Transactions for the year ended 31 December				
Revenue generated	20	53	267 ¹	1 447
Expenses incurred	13	29	95 ²	368
Interest income	27	170	-	-
Dividends declared	1 178	895	-	223

¹ Includes revenue generated from BICS of R267 million (2020: R1.4 billion) prior to disposal of interest held. Refer to note 9.4.2.1.

² Includes expenses incurred from BICS of R95 million (2020: R368 million) prior to disposal of interest held. Refer to note 9.4.2.1.

	2021		2020	
	MTN Group Limited ¹	MTN Group Management Services Pty Ltd ²	MTN Group Limited ¹	MTN Group Management Services Pty Ltd ²
Balances with other related parties				
Trade and other payables	173	1 222	179	1 508
Loans receivable	-	1 100	-	1 100
Trade and other receivables	293	803	148	1 106
Transactions with other related parties				
Management fee income	-	47	-	40
Other income	-	97	-	63
Finance income	-	58	-	72
Finance costs	-	-	-	*
Management fee expense	221	3 095	215	2 996
Dividends received	-	-	25	-
Dividends paid	-	-	6 540	-

¹ Holding company.

² Fellow subsidiary.

* Amounts below million.

In addition to the abovementioned balances and transactions with other related parties. A loan to MTN Zakhele Futhi (RF) Limited of R91 million bears interest at the South African prime interest rate and it is repayable from accounts in the MTN Zakhele Futhi (RF) Limited's provision account, which is used for allowable administration costs, or otherwise when MTN Zakhele Futhi (RF) Limited has sufficient funds on hand.

Shareholder

The shareholder of the company is MTN Group Limited.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares

Directors' emoluments and related payments

	Date appointed	Salaries R'000	Post-employment benefits R'000	Other benefits* R'000	Bonuses R'000	Sub- total R'000	Share gains** R'000	Total R'000
2021								
Executive directors								
RT Mupita	03/04/2017	15 406	701	961	28 966	46 034	5 276	51 310
TBL Molefe ¹	01/04/2021	6 475	708	5 778 [@]	10 978	23 939	-	23 939
Total		21 881	1 409	6 739	39 944	69 973	5 276	75 249

* Includes medical aid, expense allowances and unemployment insurance fund.

** Pre-tax gains on share-based payments.

¹ Appointed as GCFO on 1 April 2021.

[@] Includes a payment made *in lieu* of forfeiture of performance bonus from previous employer.

	Date appointed	Salaries R'000	Post-employment benefits R'000	Other benefits* R'000	Bonuses R'000	Sub- total R'000	Share gains** R'000	Total R'000
2020								
Executive directors								
RA Shuter ^{1,2}	13/03/2017	18 154	1 997	17 807	30 104	68 062	5 713	73 775
RT Mupita ³	03/04/2017	11 970	441	680	17 736	30 827	-	30 827
Total		30 124	2 438	18 487	47 840	98 889	5 713	104 602

* Includes medical aid, expense allowances and unemployment insurance fund.

** Pre-tax gains on share-based payments.

¹ Resigned as Group President and CEO on 31 August 2020.

² Other benefits include payment of cash-settled share-based incentives.

³ Ceased to be GCFO on 31 August 2020. Appointed as Group President and CEO on 1 September 2020.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors' emoluments and related payments (continued)

2021	Date appointed	Retainer [#] R'000	Attendance [#] R'000	Special board R'000	Strategy session R'000	Ad hoc work R'000	Total R'000
Non-executive directors							
MH Jonas	01/06/2018	3 135	917	547	1 271	-	5 870
SN Mabaso-Koyana	01/09/2020	376	535	244	315	75	1 545
NP Gosa [^]	01/04/2021	292	494	185	290	9	1 270
PB Hanratty [†]	01/08/2016	275	326	230	218	66	1 115
S Kheradpir [†]	08/07/2015	1 603	882	443	616	9	3 553
AT Mikati ^{†^^}	18/07/2006	771	359	166	139	18	1 453
SP Miller [†]	01/08/2016	1 516	924	443	616	9	3 508
KDK Mokhele	01/07/2018	582	767	330	379	9	2 067
CWN Molope [^]	01/04/2021	250	417	95	290	75	1 127
VM Rague [†]	01/07/2019	1 760	998	438	616	18	3 830
SLA M Sanusi [†]	01/07/2019	1 516	924	443	616	68	3 567
NL Sowazi	01/08/2016	395	600	230	218	66	1 509
BS Tshabalala	01/06/2018	373	548	153	290	9	1 373
Total		12 844	8 691	3 947	5 874	431	31 787

+ Fees have been paid in euros.

† Fees are paid to Lombard Odier Darier Hentsch & Cie (M1 Limited).

Retainer and attendance fees include fees for Board and committee representation and meetings.

[^] Appointed on 1 April 2021.

^{^^} Retired on 28 May 2021.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors' emoluments and related payments (continued)

2020	Date appointed	Retainer [#] R'000	Attendance [#] R'000	Special board R'000	Strategy session R'000	Ad hoc work R'000	Total R'000
Non-executive directors							
MH Jonas	01/06/2018	3 190	1 078	686	174	-	5 128
SN Mabaso-Koyana [^]	01/09/2020	136	173	59	-	9	377
PB Hanratty ⁺	01/08/2016	518	403	148	59	54	1 182
S Kheradpir ⁺	08/07/2015	1 572	317	172	132	-	2 193
NP Mageza ^{^^}	01/01/2010	163	234	26	59	25	507
MLD Marole ^{^^}	01/01/2010	252	540	26	118	25	961
AT Mikati ⁺	18/07/2006	1 678	986	717	152	235	3 768
SP Miller ⁺	01/08/2016	1 441	904	816	132	-	3 293
KDK Mokhele	01/07/2018	578	706	310	114	152	1 860
VM Rague ⁺	01/07/2019	1 497	1 050	831	132	293	3 803
KC Ramon ^{@^^}	01/06/2014	268	354	203	59	47	931
SLA M Sanusi ⁺	01/07/2019	1 471	371	420	132	204	2 598
NL Sowazi	01/08/2016	434	578	320	59	44	1 435
BS Tshabalala	01/06/2018	445	414	249	59	-	1 167
Total		13 643	8 108	4 983	1 381	1 088	29 203

[#] Retainer and attendance fees include fees for Board and committee representation and meetings.

[@] Fees paid to AngloGold Ashanti Limited.

[^] Appointed 1 September 2020.

⁺ Fees have been paid in euros.

^{^^} Resigned on 30 April 2020.

^{^^^} Resigned 30 September 2020.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Prescribed officers' emoluments and related payments

The designation as a prescribed officer is assessed annually. Accordingly, individuals can be assessed as, or cease to be, a prescribed officer in any given year.

	Salaries R'000	Post- employment benefits R'000	Other benefits [#] R'000	Bonuses R'000	Sub-total R'000	Share gains R'000	Total R'000
2021							
Prescribed officers							
E Asante	10 321	2 167	3 759	9 464	25 711	4 789	30 500
Y Cuba*	7 091	777	3 885 **	7 309	19 062	-	19 062
I Jaroudi	11 196	990	2 034	9 675	23 895	2 097 ^{^^}	25 992
F Moolman	7 423	799	1 557	9 596	19 375	4 212	23 587
G Motsa	7 614	827	11 982 [@]	8 370	28 793	4 441 ^{^^}	33 234
PD Norman	6 246	684	256	7 884	15 070	2 574	17 644
S Perumal [^]	1 311	119	80	-	1 510	-	1 510
J Schulte-Bockum	9 930	1 039	753	14 899	26 621	4 046	30 667
K Toriola	9 870	934	5 295	11 359	27 458	3 586	31 044
Total	71 002	8 336	29 601	78 556	187 495	25 745	213 240

[#] Includes medical aid and unemployment insurance fund.

* Appointed as prescribed officer on 1 January 2021.

** Other benefits include a payment made *in lieu* of forfeiture of participation in share schemes from previous employer.

*** Pre-tax gains on equity-settled share-based payments.

[^] Ceased to be acting GCFO on 31 March 2021.

^{^^} In accordance with the minimum shareholding requirements policy, the prescribed officer has elected to commit 100% of his vested PSP's to meet the targeted minimum shareholding.

[@] Includes compensation comprising of notice pay and a restraint of trade payment.

	Salaries R'000	Post- employment benefits R'000	Other benefits [#] R'000	Bonuses R'000	Sub-total R'000	Share gains R'000	Total R'000
2020							
Prescribed officers							
E Asante	10 115	809	4 885	9 969	25 778	-	25 778
I Jaroudi	11 644	953	616	8 396	21 609	-	21 609
F Moolman	8 227	1 633	5 794	7 203	22 857	-	22 857
G Motsa	7 421	816	607	8 435	17 279	-	17 279
PD Norman	6 138	675	820	8 044	15 677	-	15 677
S Perumal [^]	1 759	160	307	4 135	6 361	-	6 361
J Schulte-Bockum [@]	9 648	1 012	6 078	14 576	31 314	-	31 314
K Toriola	8 474	847	4 871	7 279	21 471	-	21 471
Total	63 426	6 905	23 978	68 037	162 346	-	162 346

[^] Appointed as acting GCFO on 1 September 2020.

[#] Includes medical aid and unemployment insurance fund.

[@] Other benefits include payment of cash-settled share-based incentives.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors, prescribed officers, Company Secretary of the Mobile Telephone Networks Holdings Group Limited and directors of major subsidiaries' shareholding and dealings in MTN Group Limited's ordinary shares

	December 2021	December 2020	Beneficial
RT Mupita	182 322	93 598	Direct
RT Mupita	680	680	Indirect
SN Mabaso-Koyana	744	744	Direct
Y Cuba*	500	N/A	Direct
Y Cuba*	91 000	N/A	Indirect
I Jaroudi	33 670	-	Direct
S Miller	7 500	7 500	Direct
G Motsa [#]	77 686	24 911	Direct
PD Norman [#]	10 000	10 000	Indirect
PD Norman [#]	23 185	-	Direct
S Perumal ¹	N/A	2 425	Direct
J Schulte-Bockum [#]	50 000	50 000	Direct
PT Sishuba-Bonoyi	2 201	2 201	Direct
BS Tshabalala	1 004	1 004	Indirect
Total	480 492	193 063	

[#] Major subsidiary director.

* Appointed as prescribed officer on 1 January 2021.

¹ Ceased to be acting GCFO on 31 March 2021.

N/A Not applicable based on prescribed offer assessment for the financial year.

In addition to the shareholdings noted in the above table, RT Mupita and PB Hanratty hold 291 200 (2020: 246 000) and 20 000 (2020: 20 000) American Depositary Receipts, respectively. This results in a total shareholding of 474 202 (2020: 340 278) and 20 000 (2020: 20 000) shares, respectively.

Subsequent to year-end, up to and including 26 April 2022, there were no changes in the directors' beneficial interest in MTN Group Limited.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors, prescribed officers, Company Secretary of the Mobile Telephone Networks Holdings Group Limited and directors of major subsidiaries' shareholding relating to MTN Zakhele Futhi which has a shareholding in MTN Group Limited Shares:

Beneficiary	December 2021	December 2020 ¹	Beneficial
RT Mupita	33 562	33 562	Indirect
SN Mabaso-Koyana	50 000	50 000	Indirect
Total	83 562	83 562	

¹ The total shareholding relating to MTN Zakhele Futhi has been restated to incorporate additional indirect shareholding held as at 31 December 2020.

Subsequent to year end, up to and including 26 April 2022, there were no changes in the directors' beneficial interest in MTN Zakhele Futhi.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company Secretary of the Mobile Telephone Networks Holdings Group Limited and directors of major subsidiaries in respect of the performance share plan

Award date	Vesting date	Number outstanding as at 31 December 2020	Awarded	Settled	Forfeited	Settlement date	Price on settlement R	Number outstanding as at 31 December 2021
RA Shuter¹								
18/12/2017	18/12/2020	200 200	-	(150 150)	(50 050)	12/04/2021	91.21	-
28/12/2018	29/12/2021	436 600	-	-	-	-	-	436 600
20/12/2019	20/12/2022	457 100	-	-	-	-	-	457 100
Total		1 093 900	-	(150 150)	(50 050)	-	-	893 700
RT Mupita								
18/12/2017	18/12/2020	118 300	-	(88 724)	(29 576)	24/03/2021	84.95	-
28/12/2018	28/12/2021	190 200	-	-	-	-	-	190 200
20/12/2019	20/12/2022	223 300	-	-	-	-	-	223 300
21/12/2020	21/12/2023	530 800	-	-	-	-	-	530 800
13/12/2021	13/12/2024	-	205 200	-	-	-	-	205 200
Total		1 062 600	205 200	(88 724)	(29 576)	-	-	1 149 500
PD Norman								
18/12/2017	18/12/2020	57 700	-	(43 275)	(14 425)	13/04/2021	84.95	-
28/12/2018	28/12/2021	94 600	-	-	-	-	-	94 600
20/12/2019	20/12/2022	100 900	-	-	-	-	-	100 900
21/12/2020	21/12/2023	139 100	-	-	-	-	-	139 100
13/12/2021	13/12/2024	-	56 900	-	-	-	-	56 900
Total		392 300	56 900	(43 275)	(14 425)	-	-	391 500
G Motsa								
18/12/2017	18/12/2020	69 700	-	(52 275)	(17 425)	12/04/2021	84.95	-
28/12/2018	28/12/2021	114 100	-	-	-	-	-	114 100
20/12/2019	20/12/2022	121 800	-	-	(39 305)	-	-	82 495
21/12/2020	21/12/2023	167 800	-	-	(110 182)	-	-	57 618
Total		473 400	-	(52 275)	(166 912)	-	-	254 213
J Schulte-Bockum								
18/12/2017	18/12/2020	125 500	-	(94 125)	(31 375)	09/04/2021	84.95	-
28/12/2018	28/12/2021	205 500	-	-	-	-	-	205 500
20/12/2019	20/12/2022	216 400	-	-	-	-	-	216 400
21/12/2020	21/12/2023	315 800	-	-	-	-	-	315 800
13/12/2021	13/12/2024	-	121 500	-	-	-	-	121 500
Total		863 200	121 500	(94 125)	(31 375)	-	-	859 200
F Moolman								
18/12/2017	18/12/2020	66 100	-	(49 575)	(16 525)	09/04/2021	84.95	-
28/12/2018	28/12/2021	112 900	-	-	-	-	-	112 900
20/12/2019	20/12/2022	117 300	-	-	-	-	-	117 300
21/12/2020	21/12/2023	180 700	-	-	-	-	-	180 700
13/12/2021	13/12/2024	-	64 900	-	-	-	-	64 900
Total		477 000	64 900	(49 575)	(16 525)	-	-	475 800
PT Sishuba-Bonoyi								
20/12/2019	20/12/2022	36 800	-	-	-	-	-	36 800
21/12/2020	21/12/2023	52 100	-	-	-	-	-	52 100
13/12/2021	13/12/2024	-	21 300	-	-	-	-	21 300
Total		88 900	21 300	-	-	-	-	110 200
TBL Molefe								
01/04/2021	21/12/2023	-	126 100	-	-	-	-	126 100
13/12/2021	13/12/2024	-	101 900	-	-	-	-	101 900
Total		-	228 000	-	-	-	-	228 000

¹ Appointed on 13 March 2017. On appointment, RA Shuter was granted a cash-settled share-based payment incentive *in lieu* of Unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive was determined based on the market value of 327 214 ordinary listed shares in MTN Group Limited. The incentive was paid on 12 March 2020.

¹ Ceased to be Group president and CEO on 31 August 2020.

Mobile Telephone Networks Holding Limited

Notes to the Group financial statements (continued)

for the year ended 31 December 2021

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, Company Secretary of the Mobile Telephone Networks Holdings Group Limited and directors of major subsidiaries in respect of the performance share plan (continued)

Award date	Vesting Date	Number outstanding as at 31 December 2020	Awarded	Settled	Forfeited	Settlement date	Price on settlement R	Number outstanding as at 31 December 2021
I Jaroudi								
18/12/2017	18/12/2020	77 600	-	(58 200)	(19 400)	12/04/2021	84.95	-
28/12/2018	28/12/2021	133 700	-	-	-	-	-	133 700
20/12/2019	20/12/2022	135 900	-	-	-	-	-	135 900
21/12/2020	21/12/2023	209 300	-	-	-	-	-	209 300
13/12/2021	13/12/2024	-	76 000	-	-	-	-	76 000
Total		556 500	76 000	(58 200)	(19 400)	-	-	554 900
E Asante								
18/12/2017	18/12/2020	78 000	-	(58 500)	(19 500)	09/04/2021	84.95	-
28/12/2018	28/12/2021	137 500	-	-	-	-	-	137 500
20/12/2019	20/12/2022	143 200	-	-	-	-	-	143 200
21/12/2020	21/12/2023	221 600	-	-	-	-	-	221 600
13/12/2021	13/12/2024	-	81 000	-	-	-	-	81 000
Total		580 300	81 000	(58 500)	(19 500)	-	-	583 300
K Toriola								
18/12/2017	18/12/2020	69 100	-	(51 825)	(17 275)	12/04/2021	84.95	-
28/12/2018	28/12/2021	114 000	-	-	-	-	-	114 000
20/12/2019	20/12/2022	120 800	-	-	-	-	-	120 800
21/12/2020	21/12/2023	186 200	-	-	-	-	-	186 200
13/12/2021	13/12/2024	-	50 850	-	-	-	-	50 850
Total		490 100	50 850	(51 825)	(17 275)	-	-	471 850
S Perumal[^]								
20/12/2019	20/12/2022	56 200	-	-	-	-	-	56 200
21/12/2020	21/12/2023	79 400	-	-	-	-	-	79 400
Total		135 600	-	-	-	-	-	135 600
D Molefe								
20/12/2020	20/12/2023	71 300	-	-	-	-	-	71 300
13/12/2021	13/12/2024	-	28 500	-	-	-	-	28 500
Total		71 300	28 500	-	-	-	-	99 800
Y Cuba^{**}								
13/12/2021	13/12/2024	-	63 300	-	-	-	-	63 300
Total		-	63 300	-	-	-	-	63 300

[^] Ceased to be acting GCFO on 31 March 2021.

^{**} Appointed as prescribed officer on 1 January 2021.

11 BREACH OF FIDUCIARY RESPONSIBILITIES

Management proactively reported a breach of fiduciary responsibilities by a prescribed officer to the auditor on 13 December 2021, who entered into an agreement on behalf of a subsidiary of the Group outside of the requisite authority and internal processes and policies. The reportable irregularity was reported to the IRBA in line with reporting obligations of the auditor. The subsidiary and the Group Boards took specific remedial actions to address the breach and prevent losses. The auditor subsequently reported to the IRBA that the reportable irregularity is no longer continuing.

Mobile Telephone Networks Holdings Limited

Company income statement

for the year ended 31 December 2021

	Note	2021 Rm	2020 Rm
Revenue	1	6 346	12 088
Other expenses	2	(14)	(584)
Operating expenses	3	(31)	(101)
Loss on disposal/ dilution of investment		-	(1)
Interest expense		(1 973)	(2 504)
Finance income	4	583	771
Finance cost	4	(74)	(819)
Fair value adjustment to current investment	11	401	(163)
Profit before tax		5 238	8 687
Income tax expense	5	(224)	7
Profit after tax		5 014	8 694

Company statement of comprehensive income

for the year ended 31 December 2021

	2021 Rm	2020 Rm
Profit after tax	5 014	8 694
Other comprehensive income after tax:		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income	-	918
Gains/(losses) arising during the year ¹	-	918
Other comprehensive income for the year	-	918
Total comprehensive income	5 014	9 612

¹ Equity investments at fair value through other comprehensive income relates to the investment in Jumia disposed in 2020.

Mobile Telephone Networks Holdings Limited

Company statement of financial position

as at 31 December 2021

	Note	2021 Rm	2020 Rm
ASSETS			
Non-current assets		36 784	37 274
Investment in subsidiaries	6	8 190	8 190
Deferred tax assets		-	8
Loans receivable	8	28 594	29 076
Current assets		8 124	8 524
Loans receivable	8	30	30
Trade and other receivables	9	1 121	1 937
Insurance receivable	10	415	429
Taxation prepaid	18	5	-
Current investment	11	474	379
Cash and cash equivalents	12	6 079	5 749
Total assets		44 908	45 798
EQUITY			
Ordinary share capital and share premium	13	223	223
Retained earnings		8 600	3 586
Shareholder's loan	14	5 818	5 818
Total equity		14 641	9 627
LIABILITIES			
Non-current liabilities		24 071	29 044
Borrowings	15	24 071	29 044
Current liabilities		6 196	7 127
Payables	16	418	170
Financial guarantee contracts	20	777	1 235
Taxation liability	18	-	20
Borrowings	15	5 001	5 702
Total liabilities		30 267	36 171
Total equity and liabilities		44 908	45 798

Mobile Telephone Networks Holdings Limited

Company statement of changes in equity

For the year ended 31 December 2021

	Ordinary share capital	Share premium	Retained earnings	Other reserves	Shareholder's loan	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 1 January 2020	5	218	2 165	(1 651)	5 818	6 555
Profit for the year	-	-	8 694	-	-	8 694
Other comprehensive income for the year	-	-	-	918	-	918
Transfer to reserves	-	-	(733)	733	-	-
Dividends declared	-	-	(6 540)	-	-	(6 540)
Balance at 1 January 2021	5	218	3 586	-	5 818	9 627
Total comprehensive income	-	-	5 014	-	-	5 014
Balance at 31 December 2021	5	218	8 600	-	5 818	14 641
Note	13	13			14	

Mobile Telephone Networks Holdings Limited

Company statement of cash flows

for the year ended 31 December 2021

	Note	2021 Rm	2020 Rm
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Cash generated from operations	17	(3 860)	(1 820)
Interest paid		(1 943)	(2 626)
Interest received		2 496	3 204
Income tax (paid)/refunded	18	(241)	91
Dividends received	1	3 800	9 525
Net cash generated from operating activities		252	8 374
CASH FLOWS UTILISED IN INVESTING ACTIVITIES			
Proceeds on disposal of investment in associate		-	4
Proceeds on disposal of investment	7	-	2 315
Net cash utilised in investing activities		-	2 319
CASH FLOWS UTILISED IN FINANCING ACTIVITIES			
Dividends paid		-	(6 540)
Net cash utilised in financing activities		-	(6 540)
Net increase in cash and cash equivalents		252	4 153
Exchange losses on cash and cash equivalents		78	(299)
Cash and cash equivalents at beginning of the year		5 749	1 895
Cash and cash equivalents at end of the year	12	6 079	5 749

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements

for the year ended 31 December 2021

1 Revenue

Revenue comprises dividend income and interest income on funds invested and on loans receivable. Dividend income is recognised when the right to receive payment is established. Interest income is recognised as it accrues using the effective interest method. Facility fee income forms an integral part of the effective interest rate of a financial instrument and is recognised as an adjustment to the effective interest rate and recorded in interest income.

	2021 Rm	2020 Rm
Dividend income - other revenue	3 800	9 525
Interest income	2 546	2 563
	6 346	12 088

2 Other expenses

Other expenses comprises changes in amounts recoverable under insurance contracts (note 10).

	2021 Rm	2020 Rm
Decrease in insurance receivable	(14)	(584)
	(14)	(584)

3 Operating expenses

The following disclosable items have been included in arriving at operating expense:

	2021 Rm	2020 Rm
Auditor's remuneration	3	3
Audit fees	3	3
Audit expenses	*	*

*Amounts less than R1 million.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

4 Finance income and finance cost

Finance income

Finance income comprises amortisation of financial guarantee contracts, net gain on remeasurement of financial guarantee contracts and net foreign exchange gains that are recognised in profit or loss.

Finance cost

Finance costs comprise net foreign exchange losses and net losses on remeasurement of financial guarantees.

	2021 Rm	2020 Rm
Finance income		
Amortisation of financial guarantee contracts	583	680
Gain on remeasurement of financial guarantees	-	91
	583	771
Finance cost		
Net foreign exchange losses	(63)	(819)
Loss on remeasurement of financial guarantees	(11)	-
	(74)	(819)

5 Income tax expense

Refer to note 3.1 of the Group financial statements for the applicable accounting policy.

	2021 Rm	2020 Rm
Income tax expense		
Current tax	(216)	(1)
Current year	(236)	(1)
Prior year under provision	20	-
Deferred tax - current year	(8)	8
	(224)	7

Tax rate reconciliation

The charge for the year can be reconciled to the effective rate of taxation in South Africa as follows:

	2021 %	2020 %
Statutory tax rate	28.0	28.0
Income not subject to tax ¹	(25.4)	(33.0)
Prior year under provision	(0.4)	-
Expense not tax deductible	2.1	4.9
Effective tax rate	4.3	(0.1)

¹ The majority of the exempt income relates to dividend received.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued) for the year ended 31 December 2021

6

Investment in subsidiaries

Subsidiaries are all entities (including structured entities) controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from the involvement with the entity and has the ability to affect those returns through its power over the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities that significantly affect the entity's returns. The Company accounts for investments in subsidiaries at cost less accumulated impairment losses. Interest free loans owing to the Company by its subsidiaries, with no payment terms are included in the cost of the investment.

	Country of incorporation	2021 Rm	2020 Rm
10 000 shares (100%) in Mobile Telephone Networks Proprietary Limited - at cost	South Africa	121	121
61 000 shares (100%) in MTN Business Solutions Proprietary Limited - at cost	South Africa	2 372	2 372
100 000 shares (100%) in iTalk Cellular Proprietary Limited - at cost		360	360
Share incentive loan ¹		59	59
Net interest in subsidiary		2 912	2 912
1 000 shares (100%) in MTN International Proprietary Limited - at cost ²	South Africa	3 873	3 873
Loan owing by subsidiary ¹		1 379	1 379
Net interest in subsidiary		5 252	5 252
1 000 shares (100%) in MTN Network Solutions Proprietary Limited - at cost	South Africa	*	*
Loan owing by subsidiary ²		25	25
Net interest in subsidiary		25	25
1 share (100%) in Windup Co Proprietary Limited - at cost	South Africa	*	*
1 share (100%) in MTN Propco Proprietary Limited - at cost	South Africa	*	*
100% Investment in Simfy Africa (Pty) Limited - at cost	South Africa	1	1
Total interest in subsidiary companies		8 190	8 190

¹ These loans are interest free, South African rand denominated and have no fixed repayment terms.

² The cost of the investment includes a capital contribution relating to the company providing a financial guarantee for the subsidiary without charging a guarantee fee, refer to note 20 for details of financial guarantees.

* Amounts less than R1 million.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

7

Non-current investments

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

The Company held an equity investment at fair value through other comprehensive income in Jumia Technologies AG (Jumia). During 2020 the Company disposed of its entire shareholding in Jumia through multiple sale transactions with the final sale completed on 8 October 2020. The sale transactions closed for proceeds of US\$138 million (R2.3 billion).

The fair value of the investment was determined by reference to published price quotations on the New York Stock Exchange and was categorised within level 1 of the fair value hierarchy. As the Company had classified the investment in Jumia as fair value through other comprehensive income, the disposal had no impact on profit or loss.

	2020 Rm
Balance at the beginning of the year	1 397
Fair value gain	918
Disposal of investment	(2 315)
Balance at the end of the year	-

8

Loans receivable

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

	Rm	Rm
Non-current portion	28 594	29 076
Current portion	30	30
	28 624	29 106

Loan receivables consist of loans to Mobile Telephone Networks Proprietary Limited, MTN Group Management Services Proprietary Limited and MTN Zakhele Futhi (RF) Limited.

The loan to Mobile Telephone Networks Proprietary Limited consists of three (2020: three) facilities to the amount of R36 billion (2020: R36 billion). Facility A consists of a loan of R17.5 billion (2020: R17.5 billion), bearing interest at a fixed rate of 9.7% (2020: fixed rate 9.7%). Facility B consists of a loan of R17.5 billion (2020: R17.5 billion) bearing interest at a variable rate of JIBAR plus 2.4% (2020: JIBAR plus 2.4%). Facility C consists of a loan of R1 billion, bearing interest at a variable rate of JIBAR plus 2.45% (2020: JIBAR plus 2.45%). These facilities have a final maturity of 31 July 2026. The loan is unsecured. The amount undrawn for Facility A and Facility B as at 31 December 2021 is R7.36 billion (2020: R500 million) and R747 million (2020: R8.44 billion) respectively and Facility C remains undrawn.

The loan to MTN Group Management Services Proprietary Limited of R2.1 billion (2020: R2.1 billion) bears interest at JIBAR plus 1.6% payable quarterly and has a final maturity of 30 November 2024. The loan is unsecured. The amount undrawn as at 31 December 2021 is R1 billion (2020: R1 billion).

The loan to MTN Zakhele Futhi (RF) Limited of R91 million bears interest at the South African prime rate and it is repayable from amounts in the MTN Zakhele Futhi (RF) Limited's provision account, which is used for allowable administration costs, or otherwise when MTN Zakhele Futhi (RF) Limited has sufficient funds on hand.

Refer to note 19 for details of outstanding balances from related parties.

The recoverability of the loans was assessed at the reporting date, refer to note 21.3 for expected credit losses. In 2021, expected credit losses amounting to R5 million were recognised in profit and loss (2020: R54 million).

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

9 Trade and other receivables

Refer to note 4.2 of the Group financial statements for the applicable accounting policy.

	2021 Rm	2020 Rm
Amounts due from related parties	645	1 738
Sundry debtors and other receivables	476	199
	1 121	1 937

The Company does not hold any collateral for receivables. The Company's exposure to credit and currency risk relating to receivables is disclosed in note 21.

10 Insurance receivable

The Company accounts for its investment in Cell no. 79 of Guardrisk Insurance Company Limited as an insurance receivable in terms of IFRS 4 Insurance contracts. The insurance receivable is measured at the amount recoverable or due in terms of the shareholder's agreement.

	2021 Rm	2020 Rm
Opening balance	429	1 013
Decrease in insurance receivable (note 2)	(14)	(584)
Closing balance	415	429

The Company has subscribed for 25 "A" ordinary shares of R1 each equal to 100% of the shareholding in Cell no. 79 of Guardrisk Insurance Company Limited (Guardrisk) for an amount of R25. Guardrisk is a specialised short-term insurance business. It provides its shareholders with the opportunity to be members of a licensed insurance company on the basis that each member owns a specific class of shares in Guardrisk. This entitles each shareholder to participate in the profit or loss from the insurance business conducted by Guardrisk in respect of risks each shareholder requires to be insured and Guardrisk has agreed to insure. The Company is obliged to maintain a solvency ratio of 25%. The solvency ratio is the gross premium income less premiums in respect of approved reinsurance of the cell expressed as a percentage of shareholders' funds of the cell. The Company maintained a solvency ratio in the current year of 353:415 (85%) (2020: 315:429 (73%)).

Mobile Telephone Network Proprietary Limited insures its corporate trade receivables in Cell no. 79. The maximum amount which could be claimed from Cell no. 79 is limited to shareholder's funds plus the amount of any payments actually received by Guardrisk from any reinsurance contract.

Risk management is carried out under policies approved by the Board of Directors of the Company. The Board provides written principles for overall risk management. The Company's maximum exposure to credit risk is represented by the carrying amount of the insurance receivable. Guardrisk has a Ba2 (2020: Ba2) claims paying ability rating.

There was no impairment loss recognised in the current and prior year relating to the insurance receivable.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

10 Insurance receivable (continued)

Summarised statement of financial position of Cell no. 79

	2021 Rm	2020 Rm
Assets		
Non-current assets	10	15
Investments	10	15
Current assets	562	992
Trade and other receivables ¹	66	97
Cash and cash equivalents	496	895
Total assets	572	1 007
Equity		
Ordinary share capital and share premium	*	*
Retained earnings	415	429
Total shareholder's equity	415	429
Liabilities		
Current liabilities	157	578
Trade and other payables	84	502
Provisions	73	76
Deferred tax liability	*	*
Total liabilities	157	578
Total equity and liabilities	572	1 007

¹ Included in the 2020 trade and other receivables is an amount of R13 million previously shown as taxation asset.

*Amounts less than R1 million.

Summarised statement of comprehensive income

	2021 Rm	2020 Rm
Insurance premiums	353	374
Reinsurance premiums	-	(59)
Net insurance premiums	353	315
Investment income	48	59
Total revenue	401	374
Claims under insurance contracts	(408)	(968)
Other expense/decrease in provisions	(7)	(7)
Loss before tax	(14)	(601)
Income tax expense	*	17
Loss and total comprehensive income	(14)	(584)

*Amounts less than R1 million.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

11

Current investment

Current investments consist of financial assets held at fair value through profit or loss that are accounted for in accordance with the accounting policy disclosed in note 7.1 of the Group financial statements.

	2021 Rm	2020 Rm
2 775 926 (2020: 6 292 691) shares in MTN Group Limited	474	379

The Company is directly held by MTN Group Limited. The Company sold 3 516 765 shares in 2021 (2020: 730 925 shares) to MTN Group Limited to settle employee share rights.

The MTN Group Limited's share price at the reporting date was R170.71 (2020: R60.19).

Reconciliation of current investment at fair value:

	2021 Rm	2020 Rm
Balance at the beginning of the year	379	579
Shares sold	(306)	(37)
Fair value gain/(losses)	401	(163)
Balance at the end of the year	474	379

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

12 Cash and cash equivalents

Refer to note 4.4 of the Group financial statements for the applicable accounting policy.

For purpose of the statement of cash flows, cash and cash equivalents comprises the following:

	2021 Rm	2020 Rm
Cash at bank	6 079	5 749

The Company's exposure to interest rate risk, credit risk and foreign currency risk for the related cash and cash equivalents is disclosed in note 21.

13 Ordinary share capital and share premium

Refer to note 8.1 of the Group financial statements for the applicable accounting policy.

	2021 Rm	2020 Rm
Ordinary share capital		
<i>Authorised share capital</i>		
1 500 million ordinary shares of 1 cent each	15	15
<i>Issued share capital</i>		
Issued and fully paid-up share capital		
525 757 682 (2020: 525 757 682) ordinary shares of 1 cent each	5	5
<i>Share premium</i>		
Balance at beginning and end of the year	218	218
Total ordinary shares and share premium	223	223

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act until the forthcoming annual general meeting.

14 Shareholder's loan

	2021 Rm	2020 Rm
MTN Group Limited	5 818	5 818

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

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

15

Borrowings

Refer to note 6.1 of the Group financial statements for the applicable accounting policy.

Details of the Company's significant borrowings are provided below:

Denominated currency	Nominal interest (%)*	Interest payment	Final maturity	2021 Rm	2020 Rm
				29 072	34 746
ZAR ^{2.4}	5.0	Quarterly	June 2021	-	251
ZAR ^{2.4}	5.3	Quarterly	June 2023	602	602
ZAR ^{2.4}	5.6	Quarterly	June 2025	904	904
ZAR ^{2.5}	5.8	Quarterly	March 2023	1 002	1 000
ZAR ^{2.5}	5.8	Quarterly	December 2022	1 003	1 002
ZAR ^{1.2}	6.2	Quarterly	June 2025	5 235	4 530
US\$ ^{1.2}	2.4	Quarterly	August 2021	-	2 168
ZAR ^{2.5}	5.6	Quarterly	October 2022	1 515	1 512
ZAR ^{2.5}	5.9	Quarterly	August 2021	-	1 257
ZAR ^{2.3}	6.0	Quarterly	February 2023	-	2 501
ZAR ^{2.3}	5.6	Quarterly	February 2023	-	1 999
ZAR ^{2.4}	5.4	Quarterly	July 2022	1 012	1 012
ZAR ^{2.4}	5.3	Quarterly	October 2022	536	534
ZAR ^{2.4}	5.2	Quarterly	March 2025	402	401
ZAR ^{2.4}	5.5	Quarterly	September 2026	1 205	1 205
ZAR ^{2.4}	4.8	Quarterly	May 2022	302	302
ZAR ^{2.4}	5.0	Quarterly	May 2024	504	504
ZAR ^{2.4}	4.9	Quarterly	May 2022	182	182
ZAR ^{2.4}	5.2	Quarterly	May 2024	502	502
ZAR ^{2.4}	5.4	Quarterly	May 2026	572	572
ZAR ^{2.5}	5.6	Quarterly	June 2024	2 009	2 006
ZAR ^{2.5}	6.1	Quarterly	June 2024	1 996	1 993
ZAR ^{2.5}	5.6	Quarterly	June 2024	1 513	1 510
ZAR ^{2.4}	5.6	Quarterly	October 2024	1 030	1 030
ZAR ^{2.4}	4.9	Quarterly	June 2023	850	850
ZAR ^{2.4}	5.3	Quarterly	May 2021	-	1 007
ZAR ^{2.4}	5.3	Quarterly	July 2021	-	859
ZAR ^{2.4}	6.3	Quarterly	January 2026	162	162
ZAR ^{2.4}	8.3	Semi-annual	January 2026	932	932
ZAR ^{2.4}	5.8	Quarterly	July 2023	445	444
ZAR ^{2.3}	6.1	Quarterly	June 2025	-	1 013
ZAR ^{2.4}	5.8	Quarterly	June 2024	357	-
ZAR ^{2.4}	8.3	Quarterly	June 2026	943	-
ZAR ^{2.4}	6.3	Quarterly	June 2028	738	-
ZAR ^{2.4}	6.3	Quarterly	March 2025	322	-
ZAR ^{2.4}	6.3	Quarterly	March 2027	1 398	-
ZAR ^{2.4}	6.3	Quarterly	September 2028	587	-
ZAR ^{2.4}	5.3	Quarterly	June 2022	312	-

¹ Syndicated term loan facility

² Variable interest rate

³ Revolving credit facility

⁴ Domestic medium-term notes

⁵ Bilateral term loan facility

* Contractual interest rates on loans as at 31 December 2021.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

15 Borrowings (continued)

The maturity of the above loans is as follows:

	2021 Rm	2020 Rm
Current	5 001	5 702
Non-current	24 071	29 044
	29 072	34 746

MTN Group Limited along with certain of its subsidiaries have provided cross guarantees for the borrowings of the Company.

An amount of R40 billion (2020: R33.3 billion) undrawn debt facilities is available for use by others (including MTN Holdings) in the MTN Group.

The Company is entitled to R20 billion (2020: R27 billion) of the total undrawn debt facilities as the sole principal borrower in the MTN Group structure with regards to all the debt facilities that have been made available to the MTN Group by the financial institutions.

16 Payables

Refer to notes 4.5 of the Group financial statements for the applicable accounting policy.

	2021 Rm	2020 Rm
Amounts due to related parties	361	168
Accrued expenses and other payables	57	2
	418	170

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

17 Cash generated from operations

	2021 Rm	2020 Rm
Profit before tax	5 238	8 687
<i>Adjusted for:</i>		
Finance income (note 4)	(583)	(771)
Interest income (note 1)	(2 546)	(2 563)
Interest expense	1 973	2 504
Fair value adjustment (note 11)	(401)	163
Finance cost (note 4)	74	819
Insurance receivable (note 2)	14	584
Loss on disposal of investment	-	1
Dividends received (note 1)	(3 800)	(9 525)
	(31)	(101)
Changes in capital:	(3 829)	(1 719)
Decrease in receivables	791	31
Decrease in payables	(300)	(871)
Decrease in loans receivable	1 455	1 436
Decrease in borrowings	(5 775)	(2 315)
	(3 860)	(1 820)

18 Income tax paid

	2021 Rm	2020 Rm
Opening balance	(20)	72
Amounts recognised in profit or loss (note 5)	(216)	(1)
Closing balance	(5)	20
Total tax (paid)/ refunded	(241)	91

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

19 Related party transactions

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

The Company is controlled by MTN Group Limited which owns 100% of the Company's shares. The Company has related party relationships with subsidiaries, associates and joint ventures of MTN Group Limited.

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

	2021 Rm	2020 Rm
Interest income	2 403	2 477
Mobile Telephone Networks Proprietary Limited ¹	2 341	2 406
MTN Zakhele Futhi (RF) Limited ²	4	-
MTN Group Management Services Proprietary Limited ²	58	71
Facility fees income		
Mobile Telephone Networks Proprietary Limited ¹	32	10
Dividend income	3 800	9 525
Mobile Telephone Networks Proprietary Limited ¹	3 800	3 000
MTN Group Limited ³	-	25
MTN International Proprietary Limited ¹	-	6 500
Dividends paid		
MTN Group Limited ³	-	6 540
Intercompany receivables	645	1 766
MTN Group Management Services Proprietary Limited ²	52	21
Mobile Telephone Networks Proprietary Limited ¹	427	1 601
Simfy Africa Proprietary Limited ¹	165	-
Other	1	144
Intercompany payables	361	60
MTN Group Limited ³	104	59
MTN International Proprietary Limited ¹	256	-
MTN Group Management Services Proprietary Limited ²	1	1
Share incentive loans		
Mobile Telephone Networks Proprietary Limited ¹	59	59
Shareholders loans	1 404	1 404
MTN International Proprietary Limited ¹	1 379	1 379
MTN Network Solutions Proprietary Limited ¹	25	25
Long-term loans to related parties	28 624	29 160
Mobile Telephone Networks Proprietary Limited ¹	27 433	28 060
MTN Zakhele Futhi (RF) Limited ²	91	-
MTN Group Management Services Proprietary Limited ²	1 100	1 100
Long-term loans from related parties, classified as part of equity		
MTN Group Limited ³	5 818	5 818

¹ Subsidiary of the Company. ² Fellow subsidiary of MTN Group Limited

³ Holding Company.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

20

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and are subsequently measured at the higher of:

- The expected credit loss (ECL) in accordance with IFRS 9; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15.

The ECLs are a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, debtor or any other party.

Where guarantees in relation to loans to related parties are provided for no compensation, the fair values are accounted for as capital contributions and recognised as part of the cost of the investment.

	Face value		Drawn down balance ¹	
	2021	2020	2021	2020
	Rm	Rm	Rm	Rm
Bond guarantees				
US\$ senior unsecured notes	19 925	25 685	20 135	25 987
Syndicated and other loan facilities				
US\$ revolving-credit-facility	19 925	18 347	-	2 204
US\$ long-term loan	-	2 202	-	-
	39 850	46 234	20 135	28 191

¹ Includes interest accrued.

The Company, together with subsidiaries in the Group guaranteed senior unsecured notes issued by MTN (Mauritius) Investments Limited on the Irish Stock Exchange amounting to US\$1 250 million (2020: US\$1 750 million). A financial liability was recognised at the fair value of the guarantees issued. A fee was not charged by the Company providing the guarantee and therefore the benefit provided by the Company to its subsidiary was recognised as a capital contribution.

MTN Group Limited's credit rating (which is deemed the same as that of the Group) as determined by Standard and Poor (S&P) has been used to assess whether there has been a significant increase in credit risk in relation to the financial guarantees issued over the senior unsecured notes of MTN (Mauritius) Investments Limited. Following the downgrade in the Group's credit rating by S&P during the prior financial year (BB+ to BB-), it was determined that use of lifetime ECL for these debt instruments was appropriate as they were entered into prior to the downgrade. This assessment remained unchanged for the 2021 financial year.

The following formula was used to determine the ECL: Exposure at Default x Probability of Default (PD) x Loss Given Default (LGD) x discount rate. PDs have been determined with reference to Refinitiv's Telecoms BB credit default swap (CDS) spreads adjusted to firstly BB-, being the Group's current credit rating by S&P, and then further for the difference in credit risk between the Group and MTN (Mauritius) Investments Limited. CDS's are forward looking and considered reflective of markets view on future potential losses and therefore default probabilities. The LGD specific to the Group was determined based on the S&P Ratings report dated 22 October 2021 at 35% (2020: 35%). The original effective interest rate of the underlying borrowing is used as the discount rate.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

20 Financial guarantee contracts (continued)

The Company, together with subsidiaries in the Group guaranteed US\$ revolving credit facilities with Citibank amounting to US\$1 250 million (2020: US\$1 250 million). As at 31 December 2020, an amount of US\$150 million was drawn down, all of which was repaid in the current financial year. While the facilities remain available until 28 September 2023, no financial guarantee contract liability exists for these facilities as at 31 December 2021.

At 31 December 2021, the financial guarantees over the debt instruments of MTN (Mauritius) Investments Limited were measured at the ECL amount and losses on remeasurement of R11 million have been recognised in profit or loss.

The Company's financial liability relating to financial guarantee contracts amounts to R777 million (2020: R1 235 million) and R583 million (2020: R680 million) was amortised to profit or loss for the year.

21 Financial risk management and financial instruments

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

21.1 Categories of financial instruments

	Assets at amortised cost Rm	Fair value through profit or loss ¹ Rm	Liabilities at amortised cost Rm	Total carrying amount Rm	Fair value ² Rm
2021					
Non-current financial assets					
Loans receivable	28 594	-	-	28 594	32 082
Current financial assets					
Trade and other receivables	1 118	-	-	1 118	1 118
Loans receivable	30	-	-	30	30
Current investments	-	474	-	474	474
Bank and cash	6 079	-	-	6 079	6 079
	35 821	474	-	36 295	39 783
Non-current financial liabilities					
Borrowings	-	-	24 071	24 071	23 489
Current financial liabilities					
Payables	-	-	418	418	418
Financial guarantee	-	-	777	777	715
Borrowings	-	-	5 001	5 001	3 807
	-	-	30 267	30 267	28 429

¹ All financial instruments at fair value through profit or loss are held for trading.

² Where a financial instrument's carrying amount is the same as its fair value, the carrying amount approximates its fair value

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.1 Categories of financial instruments (Continued)

	Assets at amortised cost	Fair value through profit or loss ¹	Liabilities at amortised cost	Total carrying amount	Fair value ²
2020	Rm	Rm	Rm	Rm	Rm
Non-current financial assets					
Loans receivable	29 076	-	-	29 076	33 061
Current financial assets					
Trade and other receivables	1 937	-	-	1 937	1 937
Loans receivable	30	-	-	30	30
Current investments	-	379	-	379	379
Bank and cash	5 749	-	-	5 749	5 749
	36 762	379	-	37 171	41 156
Non-current financial liabilities					
Borrowings	-	-	29 044	29 044	28 361
Current financial liabilities					
Payables	-	-	170	170	170
Financial guarantee contracts	-	-	1 235	1 235	50
Borrowings	-	-	5 702	5 702	5 460
	-	-	36 151	36 151	34 041

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.2 Fair value estimation

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

The following table represents the Company's fair value measurement hierarchy of the Company's assets and liabilities:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2021				
Assets				
Loans receivable	-	-	32 082	32 082
Current investments	474	-	-	474
	474	-	32 082	32 556
Liabilities				
Financial guarantee contracts	-	-	715	715
Listed borrowings	-	14 599	-	14 599
Unlisted borrowings	-	-	12 697	12 697
	-	14 599	13 412	28 011
2020				
Assets				
Loans receivable	-	-	33 061	33 061
Current investments	379	-	-	379
	379	-	33 061	33 440
Liabilities				
Financial guarantee contracts	-	-	50	50
Listed borrowings	-	11 982	-	11 982
Unlisted borrowings	-	-	21 839	21 839
	-	11 982	21 889	33 871

Valuation methods and assumptions

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

Current investments-Quoted ordinary shares - The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.2 Fair value estimation (continued)

Valuation methods and assumptions (continued)

Financial guarantee contracts: The fair value of the financial guarantee contract is determined using the discounted cash flow method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default and the maximum recovery amount and interest rate curve.

Loans receivable – The fair value of loans receivable is determined using the discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, which include the interest rate curves.

Financial liabilities at amortised cost – The listed long-term fixed interest rate senior unsecured notes in issue with a carrying amount of R14 696 million (2020: R12 146 million) have a fair value of R14 599 million (2020: R11 972 million) at 31 December 2021. The fair value of this instrument is determined by reference to published market values on the relevant exchange. This instrument is classified as level two of the fair value hierarchy due to lack of sufficient trade activity in the bond market. The fair value of the remaining borrowings is determined using the discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, which include the interest rate curves.

21.3 Credit risk

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

Exposure to credit risk

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

	2021 Rm	2020 Rm
Financial guarantee contracts	20 135	28 191
Loans receivable	28 624	29 106
Trade and other receivables	1 118	1 937
Cash and cash equivalents	6 079	5 749
	55 956	64 983

The following instruments give rise to credit risk:

Financial guarantees

Details of the financial guarantees are included in note 20; the probability of default based on management's estimate is low.

Loan receivables

Loan receivable and receivables are mostly due from entities within the Group. The aging of the receivables is predominantly current. Loan receivables are within terms and conditions.

Details of the loan receivable balances are included in note 8. Details of the expected credit losses on the loan receivable balances have been determined as follows:

	2021 Rm	2020 Rm
Gross balance	28 683	29 160
Expected credit loss allowance	(59)	(54)
	28 624	29 106

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.3 Credit risk (continued)

Loan receivables

Simplified parameter-based approach

The ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD) discounted using the Effective Interest Rate (EIR) (i.e. $PD \times LGD \times EAD = ECL$). The Exposures are separated by the related party to which the loan receivable balance relates to. This is done to allow for risk differentiation.

The loan receivable balances were considered to have low credit risk because the related parties have strong financial positions and performances and have been able to maintain all repayments in addition to paying dividends, where applicable. This indicates that the related parties have strong capacity to meet their contractual cash flow obligations. This is despite any adverse changes in the economy such as the deteriorated gross domestic product growth and credit downgrades in South Africa. Management has thus considered these factors and have not noted a significant increase in credit risk since the inception of the contracts and as such, 12-month expected credit losses were recognised.

A qualitative assessment of the impact of forward-looking information has been performed and it was noted that the related parties are considered essential services in the economies they operate in and are expected to continue performing well regardless of the Covid-19 restrictions and the associated economic impacts.

Cash and cash equivalents

MTN Group Limited's Treasury Committee (which is the same as the Group treasury committee) determines appropriate internal credit limits for each counterparty. In determining these limits, the Group considers the counterparty's credit rating established by an accredited ratings agency and performs internal risk assessments. The Group manages the Company's exposure to a single counterparty by spreading transactions among approved financial institutions. The Group Treasury Committee regularly reviews and monitors the Company's credit exposure.

The Company holds its cash balances in financial institutions with a rating range of A+ to Ba3. Given this credit rating, management does not expect any counterparty to fail to meet its obligations.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.3 Credit risk (continued)

Receivables

Ageing and impairment analysis

	2021	2021	2021	2020	2020	2020
	Rm	Rm	Rm	Rm	Rm	Rm
Fully performing receivables	Gross	Impaired	Net	Gross	Impaired	Net
	213	-	213	378	-	378
Sundry debtors	8	-	8	1	-	1
Other receivables	205	-	205	377	-	377
Past due other receivables	-	-	905	1 559	-	1 559
Sundry debtors	6	-	6	198	-	198
0 to 3 months	-	-	-	-	-	-
3 to 6 months	-	-	-	-	-	-
6 to 9 months	-	-	-	25	-	25
9 to 12 months	6	-	6	173	-	173
Other receivables	899	-	899	1 361	-	1 361
0 to 3 months	32	-	32	9	-	9
3 to 6 months	28	-	28	4	-	4
6 to 9 months	328	-	328	7	-	7
9 to 12 months	511	-	511	1 341	-	1 341
	1 118	-	1 118	1 937	-	1 937

21.4 Liquidity risk

Refer to note 7.1 of the Group financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2021	2020
	Rm	Rm
Other receivables	1 118	1 937
Current investments	474	379
Cash and cash equivalents	6 079	5 749
	7 671	8 065

The Company's undrawn borrowing facilities are disclosed in note 15.

The operations of the entity will be funded from operating cash flows, the existing borrowing facilities, and where necessary by raising additional borrowings.

Liquidity risk disclosure above excludes financial guarantees. Details of financial guarantee contracts are provided in note 20.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.4 Liquidity risk (continued)

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

	Carrying amount Rm	Total Rm	Within 1 year Rm	More than 1 year not exceeding 2 years Rm	More than 2 years not exceeding 5 years Rm	More than 5 years Rm
2021						
Non-current liabilities						
Borrowings	24 071	29 050	1 485	4 265	20 437	2 863
Current liabilities						
Payables	418	418	418	-	-	-
Borrowings	5 001	5 205	5 205	-	-	-
Financial guarantee contracts	777	20 135	20 135	-	-	-
	30 267	54 808	27 243	4 265	20 437	2 863

	Carrying amount Rm	Total Rm	Within 1 year Rm	More than 1 year not exceeding 2 years Rm	More than 2 years not exceeding 5 years Rm	More than 5 years Rm
2020						
Non-current liabilities						
Borrowings	29 044	34 783	1 700	6 147	24 043	2 894
Current liabilities						
Payables	170	170	170	-	-	-
Borrowings	5 702	5 734	5 734	-	-	-
Financial guarantee contracts	1 235	28 191	28 191	-	-	-
	36 150	68 878	35 795	6 147	24 043	2 894

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.5 Market risk

21.5.1 Interest rate risk

Refer to note 7.1 of the Group financial statements for an explanation on interest rate risk and how it is managed.

Profile

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

	Fixed rate Rm	2021 Variable rate Rm	No interest Rm	Fixed rate Rm	2020 Variable rate Rm	No interest Rm
Financial assets						
Non-current financial assets						
Loans receivable	10 200	18 394	-	11 189	17 887	-
Current financial assets						
Loans receivable	12	18	-	12	18	-
Trade and other receivables	-	645	473	-	1 738	199
Cash and cash equivalents	-	6 079	-	-	5 749	-
Current investments	-	-	474	-	-	379
	10 212	25 136	947	11 201	25 392	578
Non-current financial liabilities						
Borrowings	-	24 071	-	-	29 044	-
Current financial Liabilities						
Payables	-	418	-	-	170	-
Borrowings	-	5 001	-	-	5 702	-
	-	29 490	-	-	34 916	-

Sensitivity analysis

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

The Company is mainly exposed to fluctuations in the following market interest rates: JIBAR, prime and LIBOR rates. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are subsequently measured at their fair value. A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.5 Market risk (continued)

21.5.1 Interest rate risk (continued)

Sensitivity analysis (continued)

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as was used for 2020.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis performed applies an instantaneous increase or decrease of 1%.

	2021 Increase/(decrease) in profit before tax			2020 Increase/(decrease) in profit before tax		
	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	1	(101)	101	1	(130)	130
Prime	1	50	(50)	1	57	(57)
LIBOR	1	-	-	1	(22)	22
Other	1	7	(7)	1	-	-

21.5.2 Currency risk

Refer to note 7.1 of the Group financial statements for an explanation on currency risk and how it is managed.

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

	2021 Rm	2020 Rm
Current financial assets		
United States dollar	15	2 030
Euro	25	2
Pound	207	-
Current financial liabilities		
United States dollar ¹	58	3 402

¹The Group has continued to focus on deleveraging its statement of financial position and focused on managing liquidity risk through upstreaming cash from the OpCos and reducing the US\$ denominated debt.

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.5 Market risk (continued)

21.5.2 Currency risk (continued)

Sensitivity analysis

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

The Company is mainly exposed to fluctuations in foreign exchange rates in respect of the US dollar, pound and the euro. This analysis considers the impact of changes in foreign exchange rates on profit. A change in the foreign exchange rates to which the Company is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed at 10% in the current year, to be indicative of the current economic conditions under which the Company operates.

Denominated: functional currency	Increase/(decrease) in profit before tax		
	Change in exchange rate	Weakening in functional currency	Strengthening in functional currency
2021	%	Rm	Rm
USD:ZAR	10	(4)	4
EURO:ZAR	10	2	(2)
POUND:ZAR	10	21	(21)
2020			
USD:ZAR	10	(137)	137

21.5.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company's exposure to price risk is currently limited to its investment in the MTN Group shares (current investments) and the investment in Jumia (non-current investments), which has been sold as at 31 December 2020.

Sensitivity analysis

The Company has used a sensitivity analysis technique that measures the estimated change to profit or loss and equity of an instantaneous 10% appreciation or depreciation of the share price of its held for trading financial assets applicable at 31 December, with all other variables remaining constant.

A change in the shares price to which the Company is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

	2021 (Decrease)/increase in profit before tax		2020 (Decrease)/increase in profit before tax	
	Depreciation in share price	Appreciation in share price	Depreciation in share price	Appreciation in share price
	Rm	Rm	Rm	Rm
Current investments	(47)	47	(38)	38

Mobile Telephone Networks Holdings Limited

Notes to the Company financial statements (continued)

for the year ended 31 December 2021

21 Financial risk management and financial instruments (continued)

21.6 Capital risk management

Capital comprises ordinary share capital and share premium and equity attributable to the equity holders of the Company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Equity funding for the Company is raised centrally by MTN Group, first from excess cash and then from new borrowings while retaining an acceptable level of debt for the consolidated Group. Where funding is not available to the Company locally or in specific circumstances where it is more efficient to do so, funding is sourced centrally.

Mobile Telephone Networks Holdings Limited

Financial definitions

for the year ended 31 December 2021

The following financial terms are used in the Annual Financial Statements with the meanings specified:

Amortised cost	The asset is held within a business model with the objective to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Asset exchange transactions	Transactions where one or more items of property, plant and equipment are acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets.
Capital management EBITDA	CODM EBITDA before impairment of goodwill less repayments and interest paid on lease liabilities.
CODM EBITDA	Earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation and amortisation and is also presented before recognising the following items: <ul style="list-style-type: none"> • Impairment of joint venture and goodwill; • Net monetary gain resulting from the application of hyperinflation; • Share of results of associates and joint venture after tax; • Hyperinflation; • Gain on disposal of investment in associate ; • Impairment loss on Yemen property, plant and equipment (PPE) and intangible assets; and • Fair value gain on acquisition of subsidiary • Loss on deconsolidation of subsidiary • Impairment loss on remeasurement of non-current assets held for sale.
Commercial substance	A transaction has commercial substance if the difference in either of the points below is significant relative to the fair value of the assets exchanged: <ul style="list-style-type: none"> • the configuration of the cash flows of the asset received differs from the configuration of the cash flows of the asset given up; or • the entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.

Mobile Telephone Networks Holdings Limited

Financial definitions (continued)

for the year ended 31 December 2021

Control	When the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The group has power over an entity when it has existing rights that gives it the current ability to direct the relevant activities that significantly affect the entity's returns.
Defined contribution plan	A post-employment benefit plan (such as a pension plan) under which the group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
dtic	Department of Trade, Industry and Competition.
Equity investments at fair value through other comprehensive income	The asset is not held for trading and the group has irrevocably elected on initial recognition to recognise the asset as at FVOCI.
Financial assets at fair value through profit or loss	Debt investments that do not qualify for measurement at amortised cost or FVOCI; equity investments that are held for trading; and equity investments designated as at FVTPL.
Gain or loss on disposal of an asset	The difference between the proceeds from the disposal and the carrying amount of the asset.
ICASA	Independent Communications Authority of South Africa.
Interconnect revenue	Revenue derived from other operators for local and international incoming voice minutes, short messaging (SMS) and multimedia services (MMS).
Measurement period adjustments	Adjustments that arise from additional information obtained during the "measurement period" about facts and circumstances that existed at the acquisition date. The measurement period constitutes the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. This period shall not exceed one year from the acquisition date.
Net debt	Borrowings and bank overdrafts less cash and cash equivalents, restricted cash and current investments (excluding investment in insurance cell captives).
Net debt to capital management EBITDA ratio	Net debt divided by capital management EBITDA.

Mobile Telephone Networks Holdings Limited

Financial definitions (continued)

for the year ended 31 December 2021

Net interest	Finance costs less finance income and add back lease liability finance costs.
Net interest to capital management EBITDA	Net interest divided by capital management EBITDA.
Postpaid product	The sale of a handset and a service contract.
Prepaid product	The sale of a subscriber identification module (SIM) card and airtime.
Roaming revenue	Revenue generated from subscribers making calls when using other networks, including MTN networks outside the country of operation.