Mobile Telephone Networks Proprietary Limited

(Registration number: 1993/001436/07)

Company Annual Financial Statements

For the year ended 31 December 2021

The Company annual financial statements were audited in terms of the Companies Act 71 of 2008.

The preparation of the Company annual financial statements has been prepared by the MTN Finance staff under the guidance of the General Manager – Financial operations, Claudette Billings, CA (SA) and was supervised by the Chief Financial Officer, Dineo Molefe, CA (SA).

These annual financial statements were authorised on 31 March 2022 by the board of directors.

Mobile Telephone Networks Proprietary Limited
For the year ended 31 December 2021

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Mobile Telephone Networks Proprietary Limited

For the year ended 31 December 2021

Company information

		Date of appointment	Date of resignation
Directors	: NWC Molope	01 January 2007	31 March 2021
	SA Fakie	11 April 2013	
	PD Norman	08 March 2016	
	MJ Bosman	01 July 2016	
	MJ Harper (Chairman)	01 July 2016	
	GN Motsa	20 January 2017	31 December 2021
	J Schulte-Bockum	28 February 2017	
	RT Mupita	03 April 2017	
	SA Zinn	01 July 2018	
	T Leoka	01 October 2019	
	S Perumal	01 November 2019	30 September 2021
	D Molefe* (Chief Financial Officer)	01 November 2020	
	N Khan	11 February 2021	
	R Ramashia	01 April 2021	
	F Moolman	01 April 2021	
	TBL Molefe	01 October 2021	
	CS Molapisi* (Chief Executive Officer)	01 January 2022	
	*Executive Director		
Company Secretary	: PT Sishuba-Bonoyi	01 April 2019	
Registered office	: 216 14th Avenue Fairland 2195		
Registered Auditor	: PricewaterhouseCoopers Inc.		
Banks	: Standard Bank Limited of South Africa ABSA Bank Limited Barclays Bank Plc Citibank South Africa Ubank Limited Nedbank Limited Stanlib Asset Management Limited Investec Bank Limited Rand Merchant Bank		
Legal	: Bowman Gilfillan Inc. Edward Nathan Sonnenbergs Inc. Geraldine Kode Commercial Legal Advisor Kgokong Nameng Tumagole Inc. Knowles Husain Lindsay Inc. Ledwaba Mazwai Attorneys Inc. MacRoberts Incorporated Mashiane Moodley & Monama Inc. Mkhabela Huntley Adekeye Attorneys Tshisevhe Gwinya Ratshimbilani Inc. Tshivhase Kinstler Inc. Webber Wentzel Werksmans Attorneys Incorporated		

Statement of directors' responsibility

The directors are responsible for the preparation, integrity and fair representation of the annual financial statements of Mobile Telephone Networks Proprietary Limited in accordance with International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Companies Act of South Africa. The annual financial statements of Mobile Telephone Networks Proprietary Limited presented on pages 1-121 have been prepared in accordance with the requirements of IFRS and the Companies Act and include amounts based on judgements and estimates made by management.

The directors consider that having applied IFRS in preparing the annual financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the annual financial statements fairly presents the results of the operations for the year and financial position of the Company at year-end in accordance with IFRS and the requirements of the Companies Act of South Africa.

The directors have the responsibility for ensuring that all accounting records are kept. The accounting records disclose, with reasonable accuracy, the financial position and results of Mobile Telephone Networks Proprietary Limited and enable the directors to ensure that the annual financial statements comply with relevant legislation.

Mobile Telephone Networks Proprietary Limited operates in an established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance that assets are safeguarded and the risks facing the business are controlled. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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 shareholders and to the Companies and Intellectual Property Commission.

The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that Mobile Telephone Networks Proprietary Limited will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of Mobile Telephone Networks Proprietary Limited.

Mobile Telephone Networks Proprietary Limited's external auditor, PricewaterhouseCoopers Inc. have audited the annual financial statements and their unqualified audit report is presented on pages 14 to 16.

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 the audit are valid and appropriate.

Statement of directors' responsibility (continued)

The annual financial statements have been prepared under the supervision of Claudette Billings, CA (SA) - General Manager - Financial Operations and have been reviewed by Dineo Molefe, CA (SA) - Chief Financial Officer.

The annual financial statements of Mobile Telephone Networks Proprietary Limited which appear on pages 1-121 were approved by the board of directors on 31 March 2022 and are signed on its behalf by:

CS Molapisi
Chief Executive Officer
31 March 2022

D Molefe
Chief Financial Officer
31 March 2022

Mobile Telephone Networks Proprietary Limited

For the year ended 31 December 2021

Certificate by the company secretary

In terms of the section 88(2)(e) of the Companies Act of 2008, I certify that, to the best of my knowledge, the Company has lodged with the Companies and Intellectual Property Commission (CIPC) for the year ended 31 December 2021, all such returns as are required of a private Company in terms of the Companies Act of 2008 and such returns are true, correct and up to date.

PT Sishuba-Bonoyi
Company Secretary
Fairland
31 March 2022

Audit committee report

Report in terms of the Companies Act

The report provides an overview of the audit committee ("the committee") and its activities as well as appropriate information on how the committee has discharged its responsibilities. The committee is a statutory committee and performs duties as prescribed by the Companies Act as well as any other duties delegated by the board of directors. The committee has a majority of independent non-executive directors who are financially literate as recommended by the Companies Act.

The committee met four times during the year.

The Company's head of internal audit and forensics, head of risk and compliance and external auditor have unrestricted access to the committee and its chairman. The performance on the internal audit function is reviewed annually by the committee.

The performance and independence of the external auditors is regularly monitored by the committee and formally assessed annually. The audit partner is rotated every five years. The Company's auditor is appointed by the shareholders on the recommendation of the board and the audit committee. Both internal and external auditors attend all committee meetings. Certain executive directors attend committee meetings as permanent invitees.

Where required, the meetings of the committee are preceded by a session of the non-executives only and are concluded by a separate session with management.

The committee has conducted its work over the year and discharged its responsibilities in terms of its terms of reference. The committee is pleased to present below its report in terms of section 94(7)(f) of the Companies Act of 2008 as amended, for the financial year ended 31 December 2021.

Execution of the functions of the audit committee

The committee has executed its duties and responsibilities in accordance with its terms of reference as they relate to the Company's accounting, internal auditing, internal control and financial reporting practices. The committee performed the following activities during the year under review:

1.1 External audit

- Considered and satisfied itself with the independence and objectivity of the external auditor and designated registered auditor and ensured that the scope of non-audit services rendered did not impair their independence.

- Approved the non-audit-related services performed by the external auditor during the year in accordance with the policy established and approved by the board.

- Satisfied itself with the performance of the external auditor and designated registered auditor and further that they are accredited by the Independent Regulatory Board for Auditors (IRBA).

Audit committee report (continued)

Execution of the functions of the audit committee (continued)

1.1 External audit (continued)

- Satisfied itself that the designated registered auditor is within their tenure and rotation requirements. For the financial year ending 31 December 2021 a new designated audit partner was appointed due to rotation requirements.

After assessing the requirements set out in section 94(8) of the Companies Act, the committee is satisfied with the independence and objectivity of the external auditor and recommends the reappointment of the external auditor at the next annual general meeting.

The Company's external auditor is PricewaterhouseCoopers Inc. Fees paid to the auditor for the year under review is disclosed in note 8 to the financial statements.

1.2 Financial statements, Accounting practices and other financial matters

- Reviewed and approved the accounting policies and the annual financial statements of 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 Accounting Practices Committee (APC) and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC).

- Reviewed the processes in place for the reporting of concerns and complaints including reportable irregularities relating to financial reporting and accounting practices, internal audit, contents of the Company's financial statements, internal financial controls and any related matters. Refer to Note 40 for details of the matter noted during the year.

1.3 Internal financial controls

- Reviewed the assessment prepared by internal audit, on the effectiveness of the Company'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.

- Reviewed the report from the Company's forensic services function on the result of any forensic investigations conducted in the period under review and their financial impact as they pertain to financial reporting.

- Considered the reports from management on fraud and information technology risks as they pertain to financial reporting.

- Reviewed the reports of the external auditor detailing the findings arising from their audit and considered the appropriateness of the responses from management.

Audit committee report (continued)

Execution of the functions of the audit committee (continued)

1.3 Internal financial controls (continued)

- Assessed the revenue assurance control environment and related revenue leakage exposure for the Company.
- Reviewed fraud and whistleblowing reports and ensures that appropriate management action is taken with regards to the control environment and consequence management.

1.4 Internal and Forensic audit

- Considered the effectiveness and independence of the internal audit function and monitored adherence to the annual internal audit plan.
- Reviewed the Company's system of internal controls and risk management.
- Reviewed the performance of the Executive: Internal Audit and Forensics and confirmed that she had the requisite skill, experience, human resources and budgetary support from the organisation in order to successfully execute on her mandate in the year under review.
- 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 Company.
- 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 resolve those critical matters.
- Considered the effectiveness of the combined assurance 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.

1.5 Risk and Compliance

- Reviewed the performance of the business risk and compliance officer to which the risk and compliance function reported to during the year and was satisfied that she had the necessary expertise and experience to fulfil this role and that she had performed appropriately during the year under review.
- Reviewed the Company's 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.

Audit committee report (continued)

Execution of the functions of the audit committee (continued)

1.5 Risk and Compliance (continued)

- Reviewed the matters relating to non-compliance with applicable laws and regulations. The committee can confirm that there were no such matters of substance during the year under review.

1.6 Chief Financial Officer and finance function

- Reviewed the performance of the chief financial officer and was satisfied that she had the necessary expertise and experience to fulfil her role and that she had performed appropriately during the year under review.
- Considered, and has satisfied itself of the appropriateness of the expertise and experience of the finance function and adequacy of resources employed in this function.

1.7 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 chairman of the committee met separately with management and with both internal and external auditors over the course of the year.

The committee considered the information and explanations given by management and had discussions with both internal and external auditors on the outcome of their audits. Nothing has come to the attention of the audit committee that caused it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

The committee has evaluated the annual financial statements of Mobile Telephone Networks Proprietary Limited for the year ended 31 December 2021, and based on the information provided to it, considers that the Company complies with the requirements of the Companies Act of South Africa and International Financial Reporting Standards (IFRS).

Fakie

SA Fakie
Audit Committee Chairperson
31 March 2022

Directors' report

Incorporation and nature of the business

The Company is incorporated in the Republic of South Africa under the South African Companies Act as a private Company. The Company is involved with the operation of GSM cellular telephone networks and the provision of related services to customers.

Results of operations

The Company's financial position and the results of operations are comprehensively covered on pages 17 to 121 of the accompanying annual financial statements. Dividends totalling R3.8 billion were paid during the year (2020 – R3 billion).

Holding and ultimate holding Company

The Company is a wholly owned subsidiary of Mobile Telephone Networks Holdings Proprietary Limited and its ultimate holding Company is MTN Group Limited, both of which are incorporated in the Republic of South Africa.

Share capital

There was no change in the authorised or issued share capital of the Company during the current or previous financial year.

Property, plant and equipment

There were no significant changes in the nature of the property, plant and equipment nor in the policy regarding their use during the current or previous year.

Borrowing powers

In terms of the Memorandum of Incorporation (MOI) of the Company, the borrowing powers of the Company are unlimited. However, all borrowing powers of the Company are subject to limitations expressed in the Group's Treasury Policy. The details of borrowing appear in note 24 of the annual financial statements.

Going concern

The directors have reviewed Mobile Telephone Networks Proprietary Limited's budget and cash flow forecast for the year to 31 December 2022. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that Mobile Telephone Networks Proprietary Limited has access to adequate resources to continue in operational existence for the foreseeable future and is a going concern and has continued to adopt the going concern basis in preparing the annual financial statements.

Directors' report (continued)

Events after the reporting date

1. Dividends declared

Subsequent to year end, the board of directors approved the dividend declaration amounting to R2 billion to the shareholders of the Company. Refer to Note 41 for additional information.

2. ICASA invitation to apply for high-demand spectrum

The Independent Communications Authority of South Africa (ICASA) reissued and released an invitation to apply (ITA) for the international mobile telecommunications (IMT) spectrum, also known as high-demand spectrum on 10 December 2021. The closing date for the invitation to apply was 31 January 2022.

ICASA confirmed that six companies had applied to take part in the auction which included Mobile Telephone Networks Proprietary Limited. The auction was concluded on the 17 March 2022.

The Company was successful in securing the below licences:

- 2 * 10 MHz in 800 MHz – R2,933 billion.
- 40 MHz of 2 600 MHz – R1,093 billion.
- 40 MHz of 3 500 MHz – R1,127 billion.

High-demand spectrum refers to specific radio frequency spectrum bands that are in high demand by telecom operators. The new spectrum will be used to further expand 5G connectivity throughout the Country, while also further enhancing rural, peri-urban, and urban network coverage.

3. Non-current assets held for sale

On 17 November 2021, The Company and IHS Holding Limited (IHS) signed the sale of business agreement. As at 31 December 2021, the sale was still subject to certain conditions precedent including approvals from the South African Reserve Bank and the Competition Commission. Refer to Note 18 for additional disclosure relating to the sale.

As at signing date, the status of the outstanding conditions precedent was as follows:

- South African Reserve Bank (SARB) approval – The Company applied for SARB approval on 14 February 2022. The Company has responded to SARB questions originating from the application and are currently waiting for the outcome of the application from the SARB.
- Competition Commission approval – The Competition Commission approved the transaction on 28 February 2022, subject to certain conditions. IHS is still considering whether to file a request for consideration with the Competition Commission in respect of the above conditions.
- Core Transaction Agreements entered into and becoming unconditional – Certain agreements have been entered into, and other agreements are in progress of being entered into. The agreements will become unconditional once all conditions precedent have been met.

Directors' report (continued)

Events after the reporting date (continued)

3. Non-current assets held for sale (continued)

- Ready to Complete notice delivered to IHS Holdings Limited – The Company has made significant progress in clearing the sites that need to be transferred. The Company will deliver the ready to complete notice once all conditions precedent have been met.

Once the above have been completed, the sale is subject to no war, terrorist activity, armed hostility, natural disaster or similar event preventing the completion of the transaction.

At the date of signature of the annual financial statements, the above conditions precedent still need to be fulfilled.

4. Blue Label Telecoms Limited announcement regarding the recapitalisation of Cell C Limited ("Cell C")

Blue Label Telecoms Limited, a 45% shareholder of Cell C publicly announced on the Stock Exchange News Service on 15 March 2022 that they have made significant progress in relation to the restructuring and recapitalisation of Cell C.

Management will monitor the implementation of the proposed transaction and assess its impact in terms of revenue recognition from Cell C for the 2022 financial year.

5. Russia/Ukraine conflict

The company considered the recent escalation of the tensions and imposition of sanctions during February 2022 between Russia and Ukraine to be a non-adjusting event, as it does not provide additional evidence about the conditions that existed as at 31 December 2021. The Company has performed an analysis of the impacts of the Russia/Ukraine conflict. The impacts of the conflict include:

- Increasing fuel prices which will lead to increased network costs;
- Potential supply chain disruptions on semi conductors;
- Possible reduction in roaming revenues, however, not deemed significant;
- Low direct impact on the Company in terms of sanctions imposed; and
- Rising Inflation and interest rates could impact consumer spending.

The Company has put in mitigating plans to address the impacts noted above.

Directors' report (continued)

Breach of Fiduciary responsibilities

Management proactively reported a breach of fiduciary responsibilities by a director to the auditors on 09 December 2021, who entered into an agreement on behalf of the Company 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 Company's board of directors took specific remedial action to address the breach and to prevent losses. The auditor subsequently reported to the IRBA that the reportable irregularity is no longer continuing.

Consolidated Annual Financial Statements

No group or consolidated annual financial statements are presented in terms of IFRS 10 Consolidated Financial Statements, as the Company's ultimate holding Company, MTN Group Limited incorporated in South Africa, produces consolidated annual financial statements available for public use that comply with International Financial Reporting Standards (IFRS). These group annual financial statements are available on the Company's website at www.mtn.com/investors. The disclosure in the separate annual financial statements of the Company's subsidiaries are considered to be adequate to enable the users of the annual financial statements of the Company to determine the financial position, financial performance and cash flows for the Group as a whole. Details of the Company's subsidiaries and associates are included in note 13 to the annual financial statements.

Auditor

The audit committee recommends to the board the reappointment of the auditor, PricewaterhouseCoopers Inc., in accordance with section 90(1) of the Companies Act. PricewaterhouseCoopers Inc. has indicated its willingness to continue in office. For the financial year ending 31 December 2021 a new designated audit partner was appointed due to rotation requirements.

Independent auditor's report

To the Shareholder of Mobile Telephone Networks Proprietary Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mobile Telephone Networks Proprietary Limited standing alone (the Company) as at 31 December 2021, and its financial performance and its 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 Proprietary Limited's financial statements of the Company standing alone set out on pages 17 to 121 comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 *Auditor's responsibilities for the audit of the 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 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. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Mobile Telephone Networks Proprietary Limited Company Annual Financial Statements for the year ended 31 December 2021", which includes the Directors' Report, Audit committee report and the Certificate by the company secretary as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, 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 financial statements

The directors are responsible for the preparation and fair presentation of the 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on other legal and regulatory requirements

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 such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in note 40 to the financial statements.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: S Murugen
Registered Auditor
Johannesburg, South Africa
31 March 2022

Mobile Telephone Networks Proprietary Limited

For the year ended 31 December 2021

Statement of comprehensive income

	Notes	2021 R'm	2020 R'm
Revenue	7	**48 716**	45 473
Other income		**57**	50
Fair value adjustment on MTN Group shares	20	**204**	(41)
Direct network and technology operating costs		**(4 073)**	(4 173)
Costs of handsets and other accessories		**(9 585)**	(9 078)
Interconnect and roaming costs		**(1 758)**	(1 993)
Employee benefits	8	**(4 249)**	(3 009)
Selling, distribution and marketing expenses		**(5 985)**	(5 282)
Government and regulatory costs		**(275)**	(194)
Impairment and write-down of trade receivables and contract assets		**(555)**	(902)
Other operating expenses		**(3 336)**	(3 100)
EBITDA		**19 161**	17 751
Depreciation of property, plant and equipment	11	**(7 601)**	(7 032)
Depreciation of right-of-use assets	34	**(1 407)**	(1 263)
Amortisation of intangible assets	12	**(1 294)**	(1 062)
Amortisation of right-of-use assets	34	**(122)**	(122)
Operating profit	8	**8 737**	8 272
Finance income	9	**1 349**	812
Finance costs	9	**(3 688)**	(4 697)
Foreign exchange losses	9	**(356)**	(537)
Profit before tax		**6 042**	3 850
Income tax expense	10	**(1 454)**	(1 248)
Profit after tax		**4 588**	2 602
Other comprehensive income for the year		**-**	-
Total comprehensive income after tax for the year		**4 588**	2 602

Mobile Telephone Networks Proprietary Limited

For the year ended 31 December 2021

Statement of financial position

at 31 December 2021

	Notes	2021 R'm	2020[1] R'm
ASSETS			
Non-current assets		52 410	58 920
Property, plant and equipment	11	32 944	36 434
Right-of-use assets	34	9 450	13 316
Intangible assets	12	4 249	4 229
Goodwill	12	2 554	2 554
Investments in associates and subsidiaries	13	233	233
Loans and other non-current receivables	14	677	501
Contract asset - non-current	7	1 635	1 024
Capitalised contract costs	7	593	554
Other non current investments	15	75	75
Current assets		23 740	16 412
Inventories	16	731	735
Current portion of loans and other receivables	14	48	75
Trade and other receivables	17	8 628	10 888
Contract assets	7	2 949	2 576
Taxation receivable		-	68
Current investments	20	315	111
Derivative assets		-	30
Mobile Money deposits	23	45	28
Cash and cash equivalents	19	3 733	1 901
Non-current assets held for sale	18	7 291	-
Total assets		76 150	75 332
EQUITY			
Ordinary share capital and share premium	21	121	121
Retained earnings		5 321	4 679
Other reserves	22	5 694	5 694
Total equity attributable to equity holders of the Company		11 136	10 494
Total equity		11 136	10 494
LIABILITIES			
Non-current liabilities		41 719	45 379
Borrowings	24	27 492	28 060
Deferred tax liabilities	25	3 764	3 772
Provisions	26	847	125
Other non-current liabilities	27	225	118
Lease liabilities	34	9 391	13 304
Current liabilities		23 295	19 459
Trade and other payables	28	14 059	14 642
Mobile Money Payables	23	45	28
Contract liabilities	7	2 747	3 164
Other current liabilities	27	3	2
Lease liabilities	34	742	917
Provisions	26	1 157	697
Taxation liabilities		131	-
Borrowings	24	9	9
Liabilities directly associated with non-current assets held for sale	18	4 402	-
Total liabilities		65 014	64 838
Total equity and liabilities		76 150	75 332

[1] Refer to Note 11 for details of reclassification between Intangible assets and Property, plant and equipment.

Mobile Telephone Networks Proprietary Limited

For the year ended 31 December 2021

Statement of changes in equity

	Share capital R'm	Share premium R'm	Retained earnings R'm	Other reserves R'm	Attributable to equity holders of the Company R'm	Total equity R'm
Balance at 1 January 2020	*	121	5 077	5 694	10 892	10 892
Dividends declared	-	-	(3 000)	-	(3 000)	(3 000)
Total comprehensive income	-	-	2 602	-	2 602	2 602
Balance at 1 January 2021	*	121	4 679	5 694	10 494	10 494
Dividends declared	-	-	(3 800)	-	(3 800)	(3 800)
Initial recognition of financial guarantee liability (notes 28 and 38.10)	-	-	(146)	-	(146)	(146)
Total comprehensive income	-	-	4 588	-	4 588	4 588
Balance at 31 December 2021	*	121	5 321	5 694	11 136	11 136
Notes	21	21		22		

* Represents an amount less than R1 million.

Mobile Telephone Networks Proprietary Limited

For the year ended 31 December 2021

Statement of cash flows

	Notes	2021 R'm	2020 R'm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**20 418**	18 109
Interest paid		**(3 611)**	(3 818)
Interest received		**207**	127
Income tax paid	30	**(1 286)**	(680)
Dividends paid		**(3 800)**	(3 000)
Net cash generated from operating activities		**11 928**	10 738
CASH FLOWS UTILISED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(5 884)**	(6 087)
Acquisition of intangible assets		**(1 620)**	(1 283)
Proceeds from sale of property, plant and equipment		**14**	2
Loans granted/(repaid)		**30**	(20)
IRU asset		**(46)**	(37)
Net cash utilised in investing activities		**(7 506)**	(7 425)
CASH FLOWS UTILISED IN FINANCING ACTIVITIES			
Proceeds from borrowings raised	31	**750**	1 750
Repayment of borrowings	31	**(2 350)**	(3 137)
Repayment of lease liabilities - Capital portion	32	**(1 036)**	(841)
Proceeds from increase in other non-current liabilities		**46**	-
Net cash utilised in financing activities		**(2 590)**	**(2 228)**
Net increase in cash and cash equivalents		**1 832**	1 085
Cash and cash equivalents at the beginning of the year		**1 901**	816
Cash and cash equivalents at the end of the year	19	**3 733**	1 901

1. Reporting entity

Mobile Telephone Network Proprietary Limited (the Company) is a private Company incorporated in South Africa. Its parent Company is Mobile Telephone Networks Holdings Proprietary Limited and ultimate holding and controlling Company is MTN Group Limited, companies both incorporated in the Republic of South Africa. MTN Group Limited is listed on the Johannesburg Stock Exchange (JSE). The addresses of the registered office and principal place of business are disclosed in the introduction to the annual financial statements. The principal activity of the Company is the operation of GSM cellular networks and the provision of related services to customers.

2. Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the requirements of the Companies Act (2008). The Company has adopted all new accounting pronouncements that became effective in the current reporting period.

The annual financial statements are presented in South African Rand, which is the functional and presentation currency of the Company.

The annual financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value. The methods used to measure fair value are discussed further in the accounting policies in the respective notes.

Amounts are rounded to the nearest million with the exception of Directors' Emoluments (Note 36) and related payments.

The preparation of the annual 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. 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. 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 annual financial statements are included in note 6.

No group or consolidated annual financial statements are presented in terms of IFRS 10 Consolidated Financial Statements, as the Company's ultimate holding Company, MTN Group Limited incorporated in South Africa, produces consolidated annual financial statements available for public use that comply with International Financial Reporting Standards (IFRS). These group annual financial statements are available on the Company's website at www.mtn.com/investors. The disclosure in the separate annual financial statements of the Company's subsidiaries are considered to be adequate to enable the users of the annual financial statements of the Company to determine the financial position, financial performance and cash flows for the Group as a whole. Details of the Company's subsidiaries and associates are included in note 13 to the annual financial statements.

3. Going concern

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

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

4. Principal accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out on the following pages and in the related notes to the Company annual financial statements and are consistent with those adopted in the prior year.

Investment in subsidiaries

Subsidiaries are all entities (including Small Entities) controlled by the Company. Control exists when the Company 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 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.

Foreign currency

Functional and presentation currency

Items included in the annual financial statements of the Company are measured using the Company's functional currency. The Company annual 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.

4. Principal accounting policies (continued)

4.1. New accounting pronouncements

The Company has adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the Company from 1 January 2021.

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

Standard	Effective date
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	01 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	01 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	01 January 2023
IFRS 17 *Insurance Contracts* (IFRS 17)	01 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice statement 2)	01 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	01 January 2023

5. Measurement principles

Key assets and liabilities shown in the statement of financial position are measured as follows:

Items included in the statement of financial position	Measurement principle	Items included in the statement of financial position	Measurement principle
Assets		**Liabilities**	
Non-current assets		**Non-current liabilities**	
Property, plant and equipment	Historical cost, less accumulated depreciation and impairment losses	Borrowings	Amortised cost
Right-of-use assets	Present value of future lease payments, initial direct costs and decommissioning costs less prepayments	Lease liabilities	Present value of future lease payments, discounted using the rate implicit in the lease
Intangible assets and Goodwill	Historical cost, less accumulated amortisation and impairment losses	Other non-current liabilities	Amortised cost
Non-current Investments	Fair value through OCI	Provisions	Present value of settlement amount
Investment in subsidiaries and associates	Cost less accumulated impairment losses		
Loans and other non-current receivables	Amortised cost		
Capitalised contract costs	Historical cost, less accumulated amortisation and impairment losses		
Contract Assets	Amortised cost		

5. Measurement principles (continued)

Items included in the statement of financial position	Measurement principle	Items included in the statement of financial position	Measurement principle
Assets		**Liabilities**	
Current assets		**Current liabilities**	
Inventories	Lower of cost and net realisable value	Trade and other payables	Amortised cost
Trade receivables	Amortised cost	Contract liabilities	Nominal value
Contract assets	Amortised cost	Provisions	Present value of the best estimate of the settlement amount
Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell	Taxation liabilities	Amount expected to be paid to the tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date
Current portion of loans and other receivables	Amortised cost	Borrowings	Amortised cost
Current Investments	Fair value	Lease liabilities	Present value of future lease payments, discounted using the rate implicit in the lease
Cash and cash equivalents and Mobile Money deposits	Amortised cost	Mobile Money payables	Amortised cost
Sundry debtors and advances	Amortised cost	Non-current liabilities held for sale	Lower of carrying amount and fair value less costs to sell

6. Critical accounting judgements, estimates and assumptions

The Company makes judgements, estimates and assumptions concerning the future when preparing its annual financial statements. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The "Critical accounting judgements, estimates and assumptions" note should be read in conjunction with the "Principal accounting policies" disclosed in note 4.

6.1. Income taxes

The Company exercises significant judgement in determining its provision for income taxes when dealing with calculations and transactions for which the ultimate tax position is uncertain during the ordinary course of business. The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax in the period in which such determination is made.

Where payment is determined to be possible but not probable the tax exposure is disclosed as a contingent liability.

6.2. Provisions

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

The present value of the Company's provisions is based on management's best estimate of the future cash outflows expected to be required to settle the obligations, discounted using appropriate pre-tax discount rates that reflect current market assessment of the time value of money and the risks specific to each provision. Additional information on provisions is disclosed in note 26.

6.3. Impairment of trade receivables and contract assets

The Company determines impairment of trade receivables when objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the trade receivables. Management exercises significant judgment in assessing the impact of adverse indicators and events on the recoverability of trade receivables using the indicators disclosed in note 38.

The impairment loss is determined as the difference between the carrying amount of the trade receivables and the present value of their estimated future cash flows (excluding future credit losses that have been incurred) discounted at the asset's original effective interest rate. In the current year, an impairment loss of R555 million (2020: R902 million) was incurred on trade receivables. This amount is included in the "impairment and write-down of trade receivables and contract assets" disclosed as per the statement of comprehensive income.

6. Critical accounting judgements, estimates and assumptions (continued)

6.3. Impairment of trade receivables and contract assets (continued)

Significant judgements and estimates

The regulations and restrictions that have been implemented by local and international governments in reaction to the Covid-19 pandemic has disrupted normal business activity across a wide range of industries.

This disruption is expected to, and has already been seen to, place financial stress on both companies and their employees.

Hence, adjustments were needed to be made to Impairment estimates to account for this expected increase in risk of missed payments or default, due to Covid-19 related financial stress inhibiting the ability and prioritisation of clients to pay their telecommunication-related debt.

For Mobile/contract receivables and contract assets, the company adjusted its Impairment estimates for the effect of Covid-19 by applying a stress factor to its probability of default (PD) based on the default rate experience of the book. This stress factor was only applied to the PD's for asset classes where there was a notable deterioration in the ageing distribution or default rate. For non-mobile receivables, the company had recalibrated their coverage ratios. The coverage ratio therefore includes an implicit Covid-19 adjustment.

The distribution of exposure for all aging buckets for all categories of trade and other receivables was reviewed to determine whether a deterioration of the debtor's book was observed. As indicated above, the probability of default and coverage ratios were recalibrated to take the future conditions and forecasts into account.

Further judgements made in determining the expected credit loss included the following:

- Potential credit notes based on historic patterns were not included in the Expected Credit Loss calculation.
- A corporate cure rate was not used for mobile corporate clients as this would lead to an unrealistic estimate. The SME cure rate was therefore used in determining the Expected Credit Loss.

6. Critical accounting judgements, estimates and assumptions (continued)

6.4. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the Company's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Company's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. In determining residual values, the Company 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.

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

	2021 Years	2020 Years
Buildings – owned	**5 - 25 years**	5 - 25 years
Network infrastructure	**3 - 25 years**	3 - 25 years
Information systems equipment	**1 - 15 years**	1 - 15 years
Furniture and fittings	**3 - 15 years**	3 - 15 years
Leasehold improvements	**3 - 20 years**	3 - 20 years
Office equipment	**3 - 13 years**	3 - 13 years
Motor vehicles	**3 - 13 years**	3 - 13 years

There were no significant changes in the residual values of items of property, plant and equipment during the current year. Changes to useful lives in Property, Plant and Equipment resulted in a reduction of depreciation expense amounting to R7 million (2020: R13 million) for the current financial year.

6. Critical accounting judgements, estimates and assumptions (continued)

6.5. Intangible assets with finite useful lives

The relative size of the Company's intangible assets with finite useful lives makes the judgements surrounding the estimated useful lives and residual values critical to the Company's financial position and performance. 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:

Network Licences
The useful lives of licences are determined primarily with reference to the unexpired licence period.

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.

Software
The useful life is determined with reference to the useful lives of software, based on management's estimates and take into account historical experience as well as anticipation of future events such as technological changes which may impact the useful lives.

Other intangible assets
Useful lives of other intangible assets are based on management's estimates and take into account historical experience as well as future events which may impact the useful lives.

The estimated useful lives of intangible assets with finite useful lives are as follows:

	2021	2020
	Years	Years
Network licences	**15 - 20 years**	15 - 20 years
Customer relationships	**6 years**	6 years
Software	**1 - 20 years**	1 - 20 years
Brand	**3 years**	3 years

Changes to useful lives in Intangible assets with finite useful lives resulted in an immaterial reduction in the amortisation expense for the current financial year.

6. Critical accounting judgements, estimates and assumptions (continued)

6.6. Goodwill

Goodwill is tested annually for impairment. Judgements, estimates and assumptions used in assessing the recoverable amount are disclosed in note 12.

6.7. Inventory write-down to net realisable value

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 direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

6.8. Leases

Renewal and termination options

The Company 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 Company's business planning cycle of three to five years 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 ten years. Refer to note 34 for further details.

Lease and non-lease components

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

6. Critical accounting judgements, estimates and assumptions (continued)

6.9. Revenue recognition – Cell C

On 1 May 2020, the Company'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 Company 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, the Company 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.

The Company 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, R236 million (2020: R414 million) of roaming 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 Company's accounting treatment of Cell C revenues back to an accounting methodology of recognising revenue as performance obligations are satisfied.

6. Critical accounting judgements, estimates and assumptions (continued)

6.10. Judgement in relation to the transfer of control in relation to barter transactions

The Company and IHS Holding Limited (IHS) signed the sale of business agreement in which the Company would sell its tower infrastructure, passive assets and power assets, cede land lease agreements (on which the towers are constructed) to IHS and lease space on the towers which it had sold.

Control over barter sites

An assessment was performed to determine whether control over each tower space has transferred to IHS. This is considered in detail for the Vodacom spaces, as a portion of the sale proceeds which would otherwise have been received has been foregone for these spaces and the duration of the lease is longer for these spaces.

Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from an asset. In addition, an entity shall consider indicators of the transfer of control, which include, but are not limited to, the following:

- The entity has a present right to payment for the asset.
- The customer has legal title to the asset.
- The entity has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

In this transaction, judgement was exercised to determine whether the Company will transfer control over the Vodacom tower space to IHS. The following factors was considered.

- By specifying that the Company may only utilise the Vodacom space to sub-lease to Vodacom, IHS has directed the use of the Vodacom space and has prevented the Company from directing the use of the Vodacom space.
- If Vodacom terminates the barter arrangements for all/specified sites, IHS is entitled to utilise the space in whatever manner it wishes. If Vodacom subsequently wishes to utilise that tower space again, during the lease term, IHS will need to make the space available for Vodacom. This further indicates that IHS has the ability to direct the use of this tower space.

6. Critical accounting judgements, estimates and assumptions (continued)

6.10. Judgement in relation to the transfer of control in relation to barter transactions (continued)

Control over barter sites (continued)

- IHS will pay the Company the fair value of the tower portfolio (as determined by competitive bid process) less an amount representing the rental income it would have received from Vodacom over the 30-year period. This effectively means that IHS will have received compensation from the Company for the Vodacom tower spaces.
- IHS will have legal title to the entire tower, including the Vodacom space for each of the affected towers.
- IHS has the significant risks and rewards of ownership of the asset:
    - IHS is responsible maintaining the towers in reasonable repair and condition and incurring the related costs.
    - IHS has been compensated for 30 years of rental income from Vodacom, via paying the reduced purchase price for the tower portfolio.
    - IHS is entitled to revenues generated by that tower space after the 30-year lease period.
    - If Vodacom no longer wishes to utilise the tower space, IHS is entitled to use that tower space to generate further economic benefits.

Based on the above, IHS will have the ability to direct the use of, and obtain substantially all of the remaining benefits from the Vodacom spaces, and IHS will have the ability to prevent the Company from directing the use of, and obtaining the benefits from the Vodacom spaces, other than as specifically generated from the sub-lease to Vodacom. Therefore, control over the Vodacom tower spaces will transfer to IHS on the effective date of the transaction.

6.11. Financial guarantee liability

The valuation of the financial guarantees includes assumptions on credit default rates, credit risks, credit ratings and expected credit losses. The ECL model includes estimates relating to the probability of a default by the borrower and the resultant loss to the guarantor for each underlying borrower. Details of the estimates and assumptions used in assessing the valuation of the financial guarantee liability are included in note 28.

7. Revenue

The Company 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 post-paid 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 Company recognises revenue when it transfers control over a product or services to a customer.

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

Digital and fintech services include value-added services, rich media services, mobile money (MoMo), insurance, airtime lending and e-commerce.

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

7. Revenue (continued)

Network services and digital and fintech (continued)

The Company 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. Units of network services/digital services outside of post-paid contracts are recognised as the service is provided.

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

Mobile devices

The Company sells a range of mobile devices. The Company 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 a period of 12-36 months. Contract assets are recognised when customers take possession of devices for post-paid contracts.

The Company assesses post-paid contracts including handsets to determine if they contain a significant financing component. The Company has elected to apply the practical expedient that allows the Company 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 Company reduces device revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

The Company 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.

7. Revenue (continued)

Interconnect and roaming

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

Payment for interconnect and roaming is generally received on a monthly basis.

Capitalisation of subscriber acquisition costs

The Company expects that incremental subscriber acquisition costs for obtaining and renewing contracts are recoverable. These costs include agents' commission on post-paid contracts and SIM activation costs on prepaid contracts. The Company 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 Company 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 Company otherwise would have recognised is twelve months or less. Contract costs are assessed for impairment in terms of IAS 36 *Impairment of Assets* when there is an indication of impairment.

(a) Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of following major goods and services:

	2021 **R'm**	2020 R'm
Network services	**31 030**	29 638
Mobile devices	**9 271**	8 450
Interconnect and roaming	**4 070**	3 481
Digital and fintech	**2 429**	2 170
Other	**1 521**	1 331
Revenue from contracts with customers	**48 321**	45 070
Interest revenue	**395**	403
Total revenue	**48 716**	45 473

7. Revenue (continued)

(b) Assets and liabilities related to contracts with customers

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

	2021 R'm	2020 R'm
Contract assets relating to devices		
Non-current		
Gross	1 905	1 213
Loss allowance	(270)	(189)
Net	1 635	1 024
Current		
Gross	3 358	2 886
Loss allowance	(409)	(310)
Net	2 949	2 576
Total contract assets	**4 584**	**3 600**
Capitalised contract costs	593	554
Total capitalised contract costs	**593**	**554**
Contract liabilities	2 747	3 164
Total current contract liabilities	**2 747**	**3 164**

(i) Significant changes in contract assets and liabilities

Contract assets have increased from the prior year due to the hard lockdown in 2020 where the sale of handsets decreased thereby decreasing the handset revenue in comparison to the current year where handset revenue increased.

Contract liabilities have decreased due to a decrease in the provision of vouchers that was activated but not recharged in the current year. For post-paid contracts, there was a decrease in the data effective rate compared to December 2020.

7. Revenue (continued)

(ii) 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 and how much relates to performance obligations that were satisfied in a prior year.

	2021	2020
	R'm	R'm
Revenue recognised that was included in the contract liability balance at the beginning of the period	**2 513**	2 559
	2 513	2 559

(iii) Unsatisfied performance obligations

	2021	2020
	R'm	R'm
Aggregate amount of the transaction price allocated to unsatisfied performance obligations	**2 747**	3 164
	2 747	3 164

Management expects that 93% (2020: 93%) of the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue during the next reporting period (R2 557 million). The remaining 7% (2020: 7%) (R190 million) will be recognised in the 2023 financial year.

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

8. Operating profit

The following items have been included in arriving at operating profit:

	2021 R'm	2020 R'm
Auditor's remuneration:	(28)	(24)
- Audit fees	(26)	(22)
- Fees for other services	(2)	(2)
Gain on disposal of property, plant and equipment	28	5
Impairment loss recognised on property, plant and equipment	(32)	-
Loss on disposal of intangible assets	(5)	-
Professional and consulting fees	(555)	(383)
Recognition of obsolete inventory provision	(10)	(62)
Amortisation of capitalised contract costs	(476)	(22)
Management fees (note 36)	(207)	(215)

Employee benefits

Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period. A liability is recognised for accumulated leave when there is a present legal or constructive obligation as a result of past service rendered by employees.

A liability for unvested short-term benefits 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 can be determined reliably; 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.

Share-based payment transactions

The Company operates a share incentive scheme. For further details refer to note 37.

8. Operating profit (continued)

Post-employment benefits

The Company operates a defined contribution plan. A defined contribution plan is a post-employment benefit plan (such as a pension plan) under which the Company 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. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Long service benefits

The Company has a long service incentive scheme in place for qualifying employees. Refer to Note 26 for additional information relating to the long service benefits.

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 Company recognises termination benefits at the earlier of the following dates:

- when the Company can no longer withdraw the offer of these benefits; and
- when the Company recognises the 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.

	2021	2020
	R'm	R'm
Employee benefits:	**(4 249)**	(3 009)
Salaries and other short-term employee benefits	**(2 005)**	(1 990)
Post employment benefits - defined contribution plan	**(240)**	(239)
Share-based payments	**(1 218)**	14
Long-service awards	**(13)**	(66)
Training	**(52)**	(76)
Other	**(276)**	(237)
Bonus	**(445)**	(415)

9. Finance income and finance costs

Finance income

Finance income comprises interest income on funds invested and amortisation of guarantee fee. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and interest expense on lease liabilities.

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.

Foreign transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. 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.

	2021 **R'm**	2020 R'm
Interest income on bank deposits	**190**	136
Interest income on loans and receivables	**28**	-
Amortisation of guarantee fee (Note 28)	**635**	676
Gains on remeasurement of financial guarantee	**496**	-
Finance income	**1 349**	812
Interest expense on financial liabilities measured at amortised cost	**(2 384)**	(2 536)
Interest expense on lease liabilities	**(1 304)**	(1 338)
Losses on remeasurement of financial guarantee	**-**	(823)
Finance costs	**(3 688)**	(4 697)
Foreign exchange losses	**(356)**	(537)
Net foreign exchange losses	**(356)**	(537)
Net finance cost recognised in profit or loss	**(2 695)**	(4 422)

10. Income tax

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

A deferred tax asset is recognised for unused tax losses or deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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.

Withholding tax

Withholding tax is payable at different rates varying between 0% and 25% on amounts paid to the Company by its subsidiaries as dividends and management fees.

Mobile Telephone Networks Proprietary Limited

Notes to the annual financial statements (continued)

For the year ended 31 December 2021

10. Income tax (continued)

	2021 R'm	2020 R'm
Analysis of income tax expense for the year		
Normal tax	**(1 461)**	(1 180)
Current year	**(1 372)**	(1 169)
Adjustments in respect of the prior year	**(89)**	(11)
Withholding taxes	**(1)**	(3)
Deferred tax (note 25)	**8**	(65)
Current year	**(44)**	(42)
Adjustments in respect of the prior year	**52**	(23)
	(1 454)	(1 248)

Tax rate reconciliation

The table below explains the differences between the expected tax expenses on continuing operations, at the South Africa statutory tax rate of 28% (2020: 28%).

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

	2021 R'm	2021 %	2020 R'm	2020 %
Profit before tax	**6 042**		3 850	
Statutory tax at standard rate	**1 692**	**28%**	1 078	28%
Adjusted for:				
Exempt income	**(275)**	**(4.6%)**	(216)	(5.6%)
Expenses not tax deductible	**-**	**-**	352	9.1%
Normal tax - prior year under provision	**89**	**1.5%**	11	0.3%
Deferred tax - prior year (over)/under provision	**(52)**	**(0.9%)**	23	0.6%
Effective tax rate	**1 454**	**24%**	1 248	32.4%

The Company is regarded as tax resident in South Africa by the South African Revenue Services (SARS) and is subject to tax on its worldwide income in South Africa. Refer to note 6 for management's estimates and assumptions in relation to Income Tax.

11. Property, plant and equipment

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

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition or construction of the assets, any other costs directly attributable to bringing the assets to the location and condition for their intended use and the present value of estimated decommissioning costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Property, plant and equipment under construction are measured at initial cost and depreciated from the date the assets are available for use in the manner intended by management over their estimated useful lives. Assets are transferred from capital work-in-progress to an appropriate category of property, plant and equipment when commissioned and ready for their intended use.

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 26) for further information about the recognised decommissioning provision and the accounting judgements, estimates and assumptions made.

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

Asset exchange transactions are 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. In circumstances whereby the Company enters into an asset exchange transaction, the Company determines whether such an exchange has commercial substance. Commercial substance depends on the extent to which the Company's future cash flows are expected to change as a result of the transaction.

A transaction has commercial substance if the difference in either of the points below is significant relative to the fair value of the assets exchanged:

- The configuration of the cash flows of the asset received differs from the configuration of the cash flows of the asset given up; or
- The entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.

11. Property, plant and equipment (continued)

Property, plant and equipment acquired in an exchange transaction is 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.

In instances whereby the Company receives assets for no consideration, the Company accounts for these at cost in accordance with IAS 16 Property, Plant and Equipment, being zero value.

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. Work in progress is not depreciated until it is brought into use. For a summary of useful lives, refer to note 6.4.

Land is not depreciated. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the expected term of the relevant lease.

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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to 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 determined as the difference between the proceeds from the disposal and the carrying amount of the asset and is included in profit or loss.

Impairment of assets

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

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

11. Property, plant and equipment (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss in respect of goodwill is not reversed.

Property, plant and equipment with finite useful lives

The Company annually reviews the carrying amounts of its property, plant and equipment with finite useful lives in order to determine whether there is any indication that those assets have suffered an impairment loss. 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.

	Land and buildings	Leasehold improvements	Network infrastructure	Information systems, furniture and office equipment	Vehicles	Work in progress	Total
	R'm	R'm	R'm	R'm	R'm	R'm	R'm
Cost							
At 1 January 2020	5 313	1 857	74 338	3 912	74	648	86 142
Additions	74	6	5 090	88	13	627	5 898
Disposals	-	(151)	(344)	(9)	-	-	(504)
Reallocations	155	48	799	103	-	(965)	140
At 31 December 2020	5 542	1 760	79 883	4 094	87	310	91 676
At 1 January 2021	5 542	1 760	79 883	4 094	87	310	91 676
Opening balance reclassification[1]	-	-	45	832	-	-	877
Adjusted balance at 1 January 2021	5 542	1 760	79 928	4 926	87	310	92 553
Additions	167	2	4 609	393	5	2 332	7 508
Disposals	(1)	(1)	(869)	(17)	(3)	-	(891)
Reclassified to assets held for sale[2]	-	-	(9 064)	(7)	-	-	(9 071)
Reallocations[3]	161	28	751	188	-	(1 015)	113
At 31 December 2021	5 869	1 789	75 355	5 483	89	1 627	90 212
Accumulated Depreciation and Impairment losses							
At 1 January 2020	(2 448)	(1 429)	(41 524)	(3 081)	(52)	-	(48 534)
Depreciation	(184)	(67)	(6 412)	(364)	(5)	-	(7 032)
Disposals	-	148	186	8	-	-	342
Reallocations	-	-	(20)	2	-	-	(18)
At 31 December 2020	(2 632)	(1 348)	(47 770)	(3 435)	(57)	-	(55 242)
At 1 January 2021	(2 632)	(1 348)	(47 770)	(3 435)	(57)	-	(55 242)
Opening balance reclassification[1]	-	-	(41)	(651)	-	-	(692)
Adjusted balance at 1 January 2021	(2 632)	(1 348)	(47 811)	(4 086)	(57)	-	(55 934)
Disposals	1	1	784	17	3	-	806
Depreciation	(200)	(115)	(6 750)	(528)	(8)	-	(7 601)
Impairment loss	-	(32)	-	-	-	-	(32)
Reclassified to assets held for sale[2]	-	-	5 491	2	-	-	5 493
At 31 December 2021	(2 831)	(1 494)	(48 286)	(4 595)	(62)	-	(57 268)
Carrying amounts							
At 1 January 2020	2 865	428	32 814	831	22	648	37 608
At 31 December 2020	2 910	412	32 113	659	30	310	36 434
At 1 January 2021[1]	2 910	412	32 117	840	30	310	36 619
At 31 December 2021	3 038	295	27 069	888	27	1 627	32 944

11. Property, plant and equipment (continued)

1 – Intangible assets with a cost price of R877 million, and accumulated depreciation of R692 million was reallocated to Property, plant and equipment. The reallocation related to software that is deemed to be integral to the functioning of the related hardware assets and should have been capitalised to Property, plant and equipment and not Intangible assets. The net book value of the opening balance reallocation amounted to R185 million.

2 – During November 2021, the Company committed to a plan to sell its South African based towers. Property, plant and equipment with a cost price of R9 071 million and accumulated depreciation of R5 493 million was reclassified to Non-current assets held for sale. Refer to Note 18 for additional detail.

3 – Intangible assets with a cost price and net book value of R113 million was reallocated to Property, plant and equipment during the current financial year. This is due to work in progress items capitalised into defined categories in the fixed asset register. The net impact between Intangible assets and Property, plant and equipment is nil.

11.1. Capital work-in-progress

There are various capital work-in-progress projects under way within the Company. At the reporting date, the main contributors to these project balances were:

	2021 R'm	2020 R'm
Project 1 - FTTH Expansion Home	**-**	1
Project 2 - National Long Distance 5 and 6	**72**	78
Project 3 - EBU Cloud Connect	**65**	58
Project 4 - 14th Avenue Data Centre	**-**	7
Project 5 - National Core Capacity Upgrade	**188**	121
Project 6 - PE Energy Centre Upgrade	**-**	23
Project 7 - Radio rollout including transmission	**382**	-
Project 8 - TES platforms	**105**	-
Project 9 - Core Modernisation and upgrade	**280**	-
Project 10 - Network resilience	**514**	
Project 11 - Various Other Projects	**21**	22
	1 627	310

12. Intangible assets

Intangible assets with an indefinite useful life or not yet available for use

Intangible assets with an indefinite useful life or not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and accumulated 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 accumulated impairment losses. The initial cost incurred in respect of licences is capitalised. Contingent licence fees are expensed as they are incurred.

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. Work in progress is not amortised until it is brought into use. For a summary of useful lives, refer to note 6.5.

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

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

- Network licences;
- Brands;
- Customer relationships;
- Computer software; and
- Other intangible assets

Costs associated with maintaining intangible assets are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable intangible assets controlled by the Company, and that will probably generate economic benefits, are capitalised when all the criteria for capitalisation are met.

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

For the accounting policy on impairment of intangible assets, refer to note 11 on property, plant and equipment.

12. Intangible assets (continued)

	Goodwill R'm	Network licences R'm	Brand R'm	Customer relationships R'm	Software R'm	Work in progress R'm	Total Rm
Cost							
At 1 January 2020	2 554	328	78	1 212	9 670	509	14 351
Additions	-	-	-	-	996	297	1 293
Disposals	-	-	-	-	(8)	-	(8)
Reallocations	-	-	-	-	511	(627)	(116)
At 31 December 2020	2 554	328	78	1 212	11 169	179	15 520
At 1 January 2021	2 554	328	78	1 212	11 169	179	15 520
Opening balance reclassification[1]	-	-	-	-	(877)	-	(877)
Adjusted balance at 1 January 2021	2 554	328	78	1 212	10 292	179	14 643
Additions[4]	-	-	-	-	1 233	396	1 629
Disposals	-	-	-	-	(19)	-	(19)
Reclassified to assets held for sale[2]	-	-	-	-	(16)	-	(16)
Reallocations[3]	-	-	-	-	283	(396)	(113)
At 31 December 2021	2 554	328	78	1 212	11 773	179	16 124
Accumulated amortisation and impairment							
At 1 January 2020	-	(328)	(58)	(946)	(6 350)	-	(7 682)
Amortisation for the year	-	-	-	(177)	(885)	-	(1 062)
Disposals	-	-	-	-	7	-	7
At 31 December 2020	-	(328)	(58)	(1 123)	(7 228)	-	(8 737)
At 1 January 2021	-	(328)	(58)	(1 123)	(7 228)	-	(8 737)
Opening balance reclassification[1]	-	-	-	-	692	-	692
Adjusted balance at 1 January 2021	-	(328)	(58)	(1 123)	(6 536)	-	(8 045)
Amortisation for the year	-	-	(13)	(76)	(1 205)	-	(1 294)
Reclassified to assets held for sale[2]	-	-	-	-	4	-	4
Disposals	-	-	-	-	14	-	14
At 31 December 2021	-	(328)	(71)	(1 199)	(7 723)	-	(9 321)
Carrying amounts							
At 1 January 2020	2 554	-	20	266	3 320	509	6 669
At 31 December 2020	2 554	-	20	89	3 941	179	6 783
At 1 January 2021[1]	2 554	-	20	89	3 756	179	6 598
At 31 December 2021	2 554	-	7	13	4 050	179	6 803

1 – Intangible assets with a cost price of R877 million, and accumulated depreciation of R692 million was reallocated to Property, plant and equipment. The reallocation related to software that is deemed to be integral to the functioning of the related hardware assets and should have been capitalised to Property, plant and equipment and not Intangible assets. The net book value of the opening balance reallocation amounted to R185 million.

2 – During November 2021, the Company committed to a plan to sell its South African based towers. Intangible assets with a cost price of R16 million and accumulated depreciation of R4 million was reclassified to Non-current assets held for sale. Refer to Note 18 for additional detail.

3 – Intangible assets with a cost price and net book value of R113 million was reallocated to Property, plant and equipment during the current financial year. This is due to work in progress items capitalised into defined categories in the fixed asset register. The net impact between Intangible assets and Property, plant and equipment is nil.

4 – During the year, the Company capitalised borrowing costs of R9 million (2020: R9 million). The average rate used was 7.5% (2020: 7.9%).

12. Intangible assets (continued)

12.1. Goodwill

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

The Company 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.

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

	2021			2020		
	Growth rate %	Discount rate %	Rm	Growth rate %	Discount rate %	Rm
Mobile Telephone Networks Proprietary Limited	*	8.91	2 554	*	9.24	2 554

The Goodwill arose as a result of the acquisition of MTN Business Solutions Proprietary Limited and MTN Service Provider Proprietary Limited in prior years. Goodwill is tested annually for impairment. There was no impairment of the cash generating unit (CGU) above to which goodwill had been allocated.

* The recoverable amount of the CGU was based on the fair value less costs to sell calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a three to five-year (2020: three to five-year) period. Management is confident that projections covering periods longer than three years are appropriate in order for terminal values to be determined using steady state cash flows. Cash flows beyond the above period were extrapolated using the estimated growth rates as mentioned below. The growth rates are in line with industry norms.

The following key assumptions were used for the fair value less costs of disposal calculations:

- Growth rates: The Company 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 CGU operated. The average growth rates used ranged from 5.27% to 7.38% (2020: 5.46% to 5.65%); and

- Expenditure growth rates: The Company used steady growth rates to extrapolate expenses 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 CGU operated. The average growth rates used ranged from 4.13% to 7.16% (2020: 3.57% to 4.98%).

12. Intangible assets (continued)

12.2. Network licences

Type of licence	Date granted / renewed	Licence term	Renewable term	Licence fee currency	Initial licence fee	Annual licence fee	Further fees / obligations where applicable
ECS Licence	15/01/2009	15 years	Renewable on application	ZAR	0	Not applicable	Provision of 1,400 terminal equipment (e.g. PCs) to IPWDs and public schools
ECNS License	15/01/2009	20 years	Renewable on application	ZAR	100,000,000	Not applicable	Provision of 1,400 terminal equipment (e.g. PCs) to IPWDs and public schools
900Mhz	29/01/2003	1 year	Annually	ZAR	0	10,355,400	Provision of 1,400 terminal equipment (e.g. PCs) to IPWDs and public schools
1800MHz	29/10/2004	1 year	Annually	ZAR	0	9,037,440	Provision of 1,400 terminal equipment (e.g. PCs) to IPWDs and public schools
2100MHz	02/02/2005	1 year	Annually	ZAR	0	15,062,400	Provision of 1,400 terminal equipment (e.g. PCs) to IPWDs and public schools
6 GHz 7 GHz 8 GHz 10.5 GHz 11 GHz 13 GHz 15 GHz 18 GHz 23 GHz 26 GHz Sub 17 26 GHz Sub 18 28 GHz 38 GHz	30/08/2015 14/06/2010 14/06/2010 07/02/2006 23/03/2009 06/04/2009 21/10/2005 14/06/2010 14/06/2010 21/10/2005 07/02/2006 12/04/2012 07/02/2006	1 year	Annually	ZAR	0	30,124,800 3,659,049 4,393 7,029,120 2,205,122 384,068 7,079,495 579,706 1,215,034 3,514,560 3,514,560 14,058,240 3,514,560	Provision of 1,400 terminal equipment (e.g. PCs) to IPWDs and public schools
Eband 60 - 90 GHz	13/12/2007	1 year	Annually	ZAR	0	Not applicable	Provision of 1,400 terminal equipment (e.g. PCs) to IPWDs and public schools

IPWD - Inclusion of people with disabilities

12. Intangible assets (continued)

12.3. ICASA invitation to apply for high-demand spectrum

The Independent Communications Authority of South Africa (ICASA) reissued and released an invitation to apply (ITA) for the international mobile telecommunications (IMT) spectrum, also known as high-demand spectrum on 10 December 2021. The closing date for the invitation to apply was 31 January 2022.

ICASA confirmed that six companies had applied to take part in the auction which included Mobile Telephone Networks Proprietary Limited. The auction is set to take place on the 08 March 2022. Refer to Note 41 for developments in respect of this matter subsequent to reporting date.

High-demand spectrum refers to specific radio frequency spectrum bands that are in high demand by telecom operators. The new spectrum would allow the Company to strengthen and develop new services, such as 5G.

13. Investment in associates and subsidiaries

13.1. Investment in associates

Associates are all entities over which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

The Company has elected not to apply the equity method to its investments in associates in its separate financial statements as its ultimate parent, MTN Group Limited, prepares consolidated annual financial statements available for public use. Refer to note 2 for further details.

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

			2021	2020	2021	2020
Associate	**Principal activity**	**Country incorporation**	**Effective % interest in issued ordinary share capital**		**Carrying value R'm**	
Number Portability Company Proprietary Limited	Facilitation of the porting by subscribers between different networks in South Africa.	South Africa	**20.00%**	20.00%	*	*
MTN Service Provider (Pty) Ltd Cell 00072	The main objective is to carry out insurance activities. Mobile Telephone Networks Proprietary Limited owns 100% of the preference shares of the company	South Africa	**0.00%**	0.00%	*	*

* Represents an amount less than R1 million.

No impairment loss has been recognised by the Company in respect of the above associates.

Set out below are the summarised financial information for the Company's associates:

	2021 R'm	2020 R'm
Revenue	**161**	135
Share of profit after tax	**45**	28
Total assets	**329**	252
Total liabilities	**49**	48

13. Investments in associates and subsidiaries (continued)

13.2. Investment in subsidiaries

The Company has the below interest in subsidiaries and has elected not to prepare consolidated financial statements as its ultimate parent, MTN Group Limited prepares consolidated financial statements, which is available for public use.

Investments in subsidiaries are accounted for at cost. Dividends received from subsidiaries are recognised in revenue.

			2021	2020	2021	2020
Subsidiaries in which the company has a direct or indirect interest	**Principal activity**	**Place of incorporation**	**% interest in issued ordinary share capital**		**Carrying value R'm**	
Supersonic FTTX Proprietary Limited	Provision of fibre services	South Africa	100.00%	100.00%	233	233
Cell Place Proprietary Limited	Non trading subsidiary	South Africa	100.00%	100.00%	•	•
MTNSA Towerco Proprietary Limited	Non trading subsidiary	South Africa	100.00%	0.00%	•	-
Mobile Fintech Proprietary Limited	Non trading subsidiary	South Africa	100.00%	0.00%	•	-

• Represents an amount less than R1 million

Cell Place Proprietary Limited, trading as Mobile Solutions, was acquired as part of common control transaction, with a cost price of R25 million. The Investment in Cell Place was fully impaired during 2011 financial year end. No other impairment losses have been recognised by the Company in respect of subsidiaries.

No group or consolidated financial statements are presented in terms of IFRS 10 Consolidated Financial Statements, as the Company's ultimate holding company, MTN Group Limited incorporated in South Africa, produces consolidated financial statements available for public use that comply with International Financial Reporting Standards. The disclosure in the separate annual financial statements of the Company's subsidiaries are considered to be adequate to enable the users of the annual financial statements of the Company to determine the financial position, results of operations and cash flows for the group as a whole.

14. Loans and other non-current receivables

Loans and other non-current receivables are accounted for at amortised cost in accordance with the accounting policy disclosed in note 38.

	2021 R'm	2020 R'm
Loan to Supersonic FTTX Proprietary Limited (note 14.1)	412	236
Total IRU assets (note 14.2)	313	340
	725	576
Non-current portion	677	501
Current portion	48	75

14.1. Loan to Supersonic FTTX Proprietary Limited

The loan advanced to Supersonic FTTX Proprietary Limited is unsecured and is interest free. The recoverability of the loan receivable was assessed at reporting date and no impairment loss was recognised in the current or prior financial year relating to the loan. The impact of discounting is not material.

	2021 R'm	2020 R'm
Loan to Supersonic FTTX Proprietary Limited - Gross	412	236
Less: Expected credit loss recognised	-	-
Loan to Supersonic FTTX Proprietary Limited - Net	412	236

Additional information relating to the loan including repayment dates is presented below:

	2021 R'm Facility available	2021 R'm Balance drawn down
Facility B - Repayment date - 31 December 2023	98	98
Facility C - Repayment date - 31 December 2024	219	219
Facility D - Repayment date - 21 February 2026	95	95
	412	412

14. Loans and other non-current receivables (continued)

14.2. Indefeasible right of use (IRU) arrangements

The Company adopted IFRS 16 Leases "IFRS 16", as issued by the International Accounting Standards Board (IASB), which was effective for the Company from 1 January 2019.

From 1 January 2019, at the inception of a contract, the Company assesses whether a contract is, or contains a lease in terms of "IFRS 16". 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 total IRU asset at 31 December 2021 amounted to R313 million (2020: R340 million). R265 million (2020: R265 million) was recognised as a non-current asset.

15. Other non-current investments

Investments consist of equity investments at fair value through other comprehensive income that are accounted for in accordance with the accounting policy disclosed in note 5.

	2021	2020
	R'm	R'm
Financial assets at fair value through other comprehensive income		
Unlisted equity investments - The SA SME Fund Limited	75	75
	75	75

Management have performed a fair value assessment for this unlisted equity investment as at 31 December 2021 and deem the fair value of R75 million to still represent the fair value of the investment. No fair value adjustment has been recognised in the current year or prior financial year.

16. Inventories

Inventories mainly comprise 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 direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

	2021 R'm	2020 R'm
Finished goods (handsets, SIM cards and accessories) – at cost	1 377	1 371
Less: write-down to net realisable value	(646)	(636)
	731	735

Reconciliation of write-down of inventory

	Balance at the beginning of the year	Additions	Utilised	Other	Balance at the end of the year
	R'm	R'm	R'm	R'm	R'm
2021					
Movement in write-down	(636)	(10)	-	-	(646)
2020					
Movement in write-down	(538)	(62)	-	(36)	(636)

A net movement on write-down of inventories of R10 million (2020: R98 million) was recognised in the current year. R10 million (2020: R62 million) of this amount is included in other operating expenses in profit or loss.

17. 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 as at amortised cost in accordance with the accounting policy disclosed in note 38. Prepayments and other receivables are stated at their nominal values.

	2021 R'm	2020 R'm
Trade receivables (note 38.3)	**8 253**	9 577
Less: allowance for impairment of trade receivables (note 38.3)	**(837)**	(987)
Net trade receivables	**7 416**	8 590
Interconnect receivables	**332**	462
Less: allowance for impairment of interconnect receivables (note 38.3)	**(37)**	(68)
Net interconnect receivables	**295**	394
Prepayments and other receivables [1]	**369**	694
Intercompany receivables	**550**	1 214
Less: allowance for impairment of intercompany receivables (note 38.3)	**(2)**	(4)
Net Intercompany receivables	**548**	1 210
	8 628	10 888

[1] Prepayments and other receivables include operational prepayments and sundry debtors.

An impairment loss of R386 million (2020: R755 million) was incurred on trade and other receivables in the current year and this amount is included in other operating expenses in profit or loss.

18. 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.

The Company initiated a competitive bid process for a transaction in which it would sell its tower infrastructure, passive assets and power assets, cede land lease agreements (on which the towers are constructed) to a tower company and lease space on the towers which it had sold. The bidding process concluded as follows:

- The Board met on 26 October and 29 October 2021. On 29 October 2021, management submitted the term sheet and long form agreement to the Board for approval. The Board approved concluding a transaction with IHS Holding Limited (IHS).

- On 17 November 2021, The Company and IHS Holding Limited (IHS) signed the sale of business agreement. As at 31 December 2021, the sale was still subject to certain conditions precedent including approvals from the South African Reserve Bank and the Competition Commission.

The group of assets met the definition of a disposal group, and the disposal group was classified as held for sale on the 17 November 2021, as that was the date in which the sale was deemed to be highly probable.

No impairment loss was recognised on the disposal group held for sale as the fair value less costs to sell exceeded the carrying amount.

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

	2021 R'm
Property, plant and equipment (Note 11)	3 578
Right-of-use assets (Note 34)	3 701
Intangible assets (Note 12)	12
Non-current assets held for sale	**7 291**
Lease liabilities (Note 32)	(4 402)
Liabilities directly associated with non-current assets held for sale	**(4 402)**
Disposal group held for sale	**2 889**

19. Cash and cash equivalents

Cash and cash equivalents are accounted for as at amortised cost and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 35. There are no bank overdrafts in the current year.

Cash and cash equivalents comprise cash on hand and deposits held on call all of which are available for use by the Company. Bank overdrafts are included within current liabilities on the statement of financial position, unless the Company has a 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 purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2021	2020
	R'm	R'm
Cash at bank and on hand	**3 733**	1 901
Net cash and cash equivalents	**3 733**	1 901

The expected credit loss on cash and cash equivalents is not considered material.

20. Current investments

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 38.

	2021	2020
	R'm	R'm
Financial assets held at fair value through profit or loss		
Balance at 1 January	**111**	152
Fair value adjustments recognised through profit or loss	**204**	(41)
Investment in MTN Group treasury shares at 31 December	**315**	111

The current investment relates to an investment in MTN Group Limited treasury shares, and its fair value is determined with reference to the MTN Group share price at 31 December.

21. 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.

	2021 R'm	2020 R'm
Ordinary share capital		
Authorised share capital		
400,000 ordinary shares of R0.01 each, fully paid (2020: 400,000 ordinary shares of R0.01 each)	*	*
Issued and fully paid-up share capital		
10,000 ordinary shares of R0.01 each, fully paid (2020: 10,000 ordinary shares of R0.01 each)	*	*
Share premium		
Balance at the end of the year	121	121
	121	121

* Represents an amount less than R1 million.

22. Other reserves

	2021 R'm	2020 R'm
Balance at the beginning of the year	5 694	5 694
Other reserves	5 633	5 633
Share based payment reserve	61	61
Movements during the year	-	-
Balance at the end of the year	5 694	5 694
Other reserves	5 633	5 633
Share based payment reserve	61	61

22.1. Common control reserve

Effective 01 November 2013, the Company acquired the assets and liabilities of a fellow subsidiary. This acquisition was accounted for as a common control transaction.

The difference arising between the consideration paid and the aggregate book values of the assets and liabilities acquired at the date of the transaction has been recorded in other reserves.

22. Other reserves (continued)

22.2. Share-based payment reserve

The Company is a wholly owned subsidiary of Mobile Telephone Networks Holdings Proprietary Limited. The ultimate parent company is MTN Group Limited, incorporated in South Africa. MTN Group Limited operates a share option and a share appreciation rights scheme, and eligible employees within the MTN Group are able to participate in accordance with the rules of the respective schemes. The share option scheme is an equity settled scheme and the share appreciation rights scheme is cash settled at the Company level.

The vesting periods under the share options scheme are as follows: 20%, 20%, 30% and 30% on the anniversary of the second, third, fourth and fifth years respectively after the grant date of the options. The strike price is determined as the closing market price for MTN Group Limited shares on the date that the option is issued. If the option remains unexercised after the period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest. The stochastic model was utilised by MTN Group Limited to estimate the fair value of options granted. Refer to note 37 for more details on share-based payments.

23. Accounting for Mobile Money customer deposits and related bank balances

MoMo deposits are balances that are held with banks for and on behalf of MoMo customers. MoMo regulations require that these balances with banks are held in a manner to ensure that these balances are not co-mingled with the Company's cash and cash equivalents and that these are ring-fenced to settle MoMo customers' obligations. Local regulations 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 Company's accounting policy disclosed in note 38.

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

The Company 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. The Company accounts for fees paid to agents as a commission expense as part of selling, distribution and marketing 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 the Company's statement of cash flows.

23. Accounting for Mobile Money customer deposits and related bank balances (continued)

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. The Company utilises MoMo agents to facilitate customer activities i.e. depositing cash and loading and storing the MoMo in wallets. The Company also performs the activities of a MoMo agent through Company branches. Any monetary value stored on a MoMo wallet is supported by an equivalent MoMo deposit held with a bank or multiple banks.

The Company provides (under licence) the platform to administer the MoMo wallet and the MoMo service generally. The Company opens bank accounts in which the MoMo deposits and interest earned on the cash balances is held.

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 the Company 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 the Company is reserved.

The related balances were recognised on the statement of financial position:

	2021	2020
	R'm	R'm
Mobile Money Deposits	45	28
Mobile Money Payables	45	28

24. Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 38. 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 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 purposes and amortised over the period of the facility to which it relates.

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

	2021 **R'm**	2020 R'm
Shareholders loans	**27 492**	28 060
Current borrowings intercompany	**9**	9
	27 501	28 069
The carrying amounts of the Company's borrowings are denominated in the following currencies:		
South African rand	**27 501**	28 069
	27 501	28 069
The company has the following undrawn facilities:		
Floating rate	**1 001**	1 501
Fixed rate	**7 359**	6 259
	8 360	7 760

A facility fee payment of R180 million was capitalised to the Shareholders loan in the 2020 financial year. The facility fee will be amortised over the period of the facility. R32 million (2020: R10 million) of the facility fee payment was expensed to finance costs during the current financial year.

24. Borrowings (continued)

Summary of borrowings arrangements

Unsecured

Related Party – Shareholder loans

Amounts are repayable to Mobile Telephone Networks Holdings Proprietary Limited, the immediate parent company. The shareholder loans payables comprise of 3 facilities:

Facility A - Variable

A variable long-term unsecured loan of R17,499 million (2020: R16,999 million) bearing interest at an effective rate of 6.04% (2020: 5.73%) repayable on or before 31 July 2026.

Facility B - Fixed

A fixed long-term unsecured loan of R9,993 million (2020: R11,061 million) bearing interest at 9.70% (2020: 9.70%) repayable on or before 31 July 2026.

Facility C – Variable

A variable revolving credit facility bearing interest at JIBAR + 245 basis points. No portion of Facility C is drawn down as at 31 December 2021.

Current borrowings intercompany

The Company has borrowings amounting to R9 million (2020: R9 million) from fellow subsidiary MTN Network Solutions Proprietary Limited. The loan is unsecured, interest free and is repayable on demand. Refer to Note 36 for additional information.

25. Deferred tax

Deferred tax is accounted for in accordance with the accounting policy disclosed in note 10.

	Balance 1 January 2021	Recognised in profit or loss	Adjustments in respect of the prior year	Balance at 31 December 2021
Deferred tax liabilities				
Tax allowances in excess of depreciation	2 711	-	-	2 711
Working capital allowances	1 061	44	(52)	1 053
	3 772	44	(52)	3 764

	Balance 1 January 2020	Recognised in profit or loss	Adjustments in respect of the prior year	Balance at 31 December 2020
Deferred tax liabilities				
Tax allowances in excess of depreciation	2 711	-	-	2 711
Working capital allowances	996	65	-	1 061
	3 707	65	-	3 772

The Company has not recognised any deferred tax assets relating to unused tax losses.

26. 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. 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.

26. Provisions (continued)

Bonus provision

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall company performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the Company annual results have been approved.

Uncertainties about the amount and timing of settlement – The bonus provision is dependent on each employee's individual Integrated Performance Framework (IPF) score which will be finalised subsequent to year end.

Decommissioning provision

This provision relates to the estimated cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Company 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 plant and equipment that are erected on leased land.

The Company 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.

Uncertainties about the amount and timing of settlement – The timing of the decommissioning provision is not certain due to varying contract conditions with lessors which will determine when the site will be dismantled.

Licence obligations

The licence obligation provision represents the estimated costs to be incurred in fulfilling the Universal Services Obligation (USO). The USO's are governed by the Electronic Communications Act. This is included in other provisions.

Uncertainties about the amount and timing of settlement – The amount of the provision is uncertain due to changes in the cost of providing the infrastructure as per the obligation.

Provision for litigation

The Company operates within multiple laws and regulations and due to the inherent nature of exposures, rulings issued and assessments, the Company recognised an amount relating to legal and regulatory provisions as at 31 December 2021.

Uncertainties about the amount and timing of settlement – The provision for litigation is dependent on the likelihood of pending claims being successful.

26. Provisions (continued)

Long-service awards

The Company pays its qualifying employees a long-service benefit. The benefit is paid when employees reach predetermined years of service. The method of accounting and frequency of valuation are similar to those used for defined-benefit schemes. The actuarial valuation to determine the liability is performed annually by independent actuaries using the projected unit credit method.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Uncertainties about the amount and timing of settlement – The provision for long service awards is dependent on individual employee's remaining in the employment of the Company until the long service milestones are achieved.

Share-based payment transactions

The Company operates a number of share incentive schemes. For further details, refer to note 37.

Non-current provisions	At the beginning of the year	Additional provisions	Utilised	Reallocations	At the end of the year
	R'm	R'm	R'm	R'm	R'm
2021					
Provision for decommissioning	125	2	-	-	127
Provision for share appreciation rights	-	648	-	-	648
Provision for long service awards	-	13	-	59	72
	125	663	-	59	847
2020					
Provision for decommissioning	124	1	-	-	125
	124	1	-	-	125

Current provisions	At the beginning of the year	Additional provisions	Utilised	Reallocations	At the end of the year
	R'm	R'm	R'm	R'm	R'm
2021					
Bonus provision	317	445	(410)	-	352
Provision for share appreciation rights	123	505	-	(59)	569
Long service award provision*	66	-	-	(59)	7
Provisions for litigation	-	-	-	64	64
Other provisions	191	-	(26)	-	165
	697	950	(436)	(54)	1 157
2020					
Bonus provision	241	415	(339)	-	317
Provision for share appreciation rights	150	-	(27)	-	123
Long service award provision*	-	66	-		66
Other provisions	58	133	-	-	191
	449	614	(366)	-	697

*Additional disclosure relating to long service award provision is provided below.

26. Provisions (continued)

Long-service awards

Movement in unfunded obligations:

	2021 R'm	2020 R'm
Defined Benefit Obligation at 1 January	66	-
Movement recognised in statement of comprehensive income	13	66
Defined Benefit Obligation at 31 December	**79**	66
Current	7	66
Non-current	72	-
Total long service award provision	**79**	66

The amounts recognised in the Statement of comprehensive income are as follows:

	2021 R'm	2020 R'm
Interest cost	6	5
Current service cost	8	6
Past service cost	(1)	55

The principal actual assumptions used for accounting purposes are:

	2021	2020
Discount rate	9.10%	8.10%
Inflation rate	5.40%	3.50%
Salary increase rate	6.40%	4.50%
Tax table Salary Band Increase rate	2.90%	1.00%
Pre-retirement mortality rate	SA85-90 Light	SA85-90 Light

The present value of long-service award obligations are as follows:

The present value of unfunded obligations amounted to R79 million (2020: R66 million) at 31 December 2021.

There are no plan assets in respect of the long-service award liability.

27. Other non-current liabilities

Lease liabilities are accounted for in accordance with the accounting policy disclosed in note 34.

	2021 R'm	2020 R'm
Liabilities under IRU arrangements	**16**	18
Income received in advance	**46**	-
Non-current liability in respect of share obligation	**166**	102
	228	120
Less: Current portion of liabilities under IRU arrangements	**(2)**	(2)
Less: Current portion of income received in advance	**(1)**	-
	225	118

28. Trade and other payables

Trade payables are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 38. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables are stated at their nominal values.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's directors.

	2021 R'm	2020 R'm
Trade payables	**3 031**	2 700
Interconnect payables	**539**	986
Sundry creditors[1]	**409**	236
Financial guarantee liability*	**1 220**	2 071
Accrued expenses	**6 135**	4 136
Trade payables from related parties (note 36)	**1 202**	2 793
Other payables[2]	**1 523**	1 720
	14 059	14 642

[1]The financial guarantee liability has been disaggregated from sundry creditors in the current and prior financial year.

[2]Other payables relate to licence fee payables in respect of USF (Universal Service Fund) and ICASA licence fee as well as commissions payable to dealers and VAT due to the South African Revenue Services (SARS).

28. Trade and other payables (continued)

* The Company together with other subsidiaries in the MTN Group guaranteed senior unsecured notes issued by MTN (Mauritius) Investments Limited on the Irish Stock Exchange amounting to USD1,250 million (2020: USD1,750 million). USD 500 million was settled in the current year. 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 fellow subsidiary was recognised as a capital contribution.

In the prior year, the Company, together with subsidiaries in the Group guaranteed USD syndicated loan facilities with Citibank amounting to USD1 billion. A financial liability was initially recognised at the fair value of the guarantee issued and amortised over an expected utilisation period of three years which ended August 2021. This facility was repaid in the current year with no future draw downs being available. As such, no financial liability remained for this instrument as at 31 December 2021.

The Company, together with subsidiaries in the Group guaranteed USD revolving credit facilities with Citibank amounting to USD1,250 million (2020: USD1,250 million). As at 31 December 2020, an amount of USD150 million was drawn down, all of which was repaid in the current financial year. A financial guarantee liability has been recognised for this facility.

The Company's financial liability relating to financial guarantee contracts amounts to R1,220 million (2020: R2,071 million) and R635 million (2020: R676 million) was included in profit and loss for the year (note 9), that relates to the amortisation on the financial guarantee. The remaining movement relates to foreign exchange and remeasurement gain of the financial guarantee liability.

During the 2021 financial year, new financial guarantee contracts were entered into. These were in relation to the Company issuing financial guarantees over new bonds of Mobile Telephone Networks Holdings Limited. The day 1 fair value of this guarantee was recognised within equity and amounted to R146 million.

In addition to the above financial guarantees, the Company has also issued various financial guarantees over the bonds, revolving credit facilities, long-term loans and banking facilities of Mobile Telephone Networks Holdings Limited. Limited value was attached to these financial guarantee contracts which resulted in immaterial fair values being ascribed on initial recognition (limited value guarantees).

In 2020, the ECLs were estimated to be fully attributable to all guarantors based on the guarantors being jointly and severally liable. As industry practice has developed, it has become clear that consideration should be given to which guarantor the borrower could reasonably be expected to seek recovery from and this was incorporated into the valuation.

28. Trade and other payables (continued)

At 31 December 2021 the limited value guarantees were measured at the ECL amount and gains on remeasurement of R496 million (2020: loss of R823 million) have been recognised in profit or loss.

MTN Group's credit rating as determined by Standard & Poor (S&P) has been used to assess whether there has been a significant increase in credit risk. Following the downgrade in MTN Group's credit rating by S&P during the prior financial year (BB+ to BB-), it was determined that the use of lifetime ECLs were used for loans starting prior to the downgrade. Facilities entered into after the downgrade in the prior year were deemed to be in Stage 1 and a 12 month ECL calculated.

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 Telecom BB credit default swap (CDS) spreads. CDS's are forward looking and considered reflective of markets view on future potential losses and therefore default probabilities.

The LGD was determined based on the S&P ratings report dated 22 October 2021 at 35% (2020: Moody's at 35%). The original effective interest rate of the underlying borrowing is used as the discount rate. Credit losses relating to 12 months ECL amounted to a movement of R215 million credit (2020: loss of R47 million) and credit losses relating to lifetime ECL amounted to a movement of R281 million credit (2020: loss of R776 million).

Mobile Telephone Networks Proprietary Limited

Notes to the annual financial statements (continued)

For the year ended 31 December 2021

29. Cash generated from operations

	2021 R'm	2020 R'm
Profit before tax	**6 042**	3 850
Adjusted for:		
Finance cost# (note 9)	**4 044**	4 411
Finance income (note 9)	**(1 349)**	(812)
Unrealised forex exchange losses included in finance cost	**44**	(281)
Fair value (gain)/loss on MTN Group shares	**(204)**	41
Depreciation of property, plant and equipment (note 11)	**7 601**	7 032
Depreciation of right-of-use assets (note 34)	**1 407**	1 263
Amortisation of intangible assets (note 12)	**1 294**	1 062
Amortisation of right-of-use assets (note 34)	**122**	122
Profit on disposal of property, plant and equipment	**(28)**	(5)
Loss on disposal of intangible assets	**5**	-
Impairment loss recognised on property, plant and equipment	**32**	-
Net impairment - Trade and other receivables	**386**	626
Net impairment - Contract assets	**180**	162
Write-down of inventories (note 16)	**10**	62
Increase in bonus provision (note 26)	**445**	415
Increase in long-service award provision (note 26)	**13**	66
(Decrease)/Increase in licence fee provision (note 26)	**(26)**	132
Share based expense	**1 218**	(14)
Management fees received in advance	**207**	215
Management fees paid in advance	**(26)**	(23)
Shared services expenses paid in advance	**(2)**	(2)
Amortisation of IRU prepayment	**119**	129
Amortisation of contract costs	**476**	(22)
	22 010	18 429
Changes in working capital	**(1 592)**	(320)
(Increase)/decrease in inventories	**(6)**	406
Increase in capitalised contract assets and capitalised contract costs	**(1 207)**	(27)
Decrease/(increase) in trade and other receivables	**1 252**	(1 428)
(Decrease)/increase in trade and other payables	**(1 631)**	729
Cash generated from operations	**20 418**	18 109

#Finance cost includes foreign exchange losses per note 9.

Mobile Telephone Networks Proprietary Limited

Notes to the annual financial statements (continued)

For the year ended 31 December 2021

30. Income tax paid

	2021 R'm	2020 R'm
At the beginning of the year	**68**	679
Amounts recognised in profit or loss	**(1 454)**	(1 245)
Deferred tax charge	**(8)**	65
Other movements - non cash	**(21)**	(108)
Foreign taxes	**(2)**	(3)
At the end of the year	**131**	(68)
Total tax paid	**(1 286)**	(680)

31. Reconciliation of cash flows arising from financing activities related to borrowings

	2021 R'm	2020 R'm
Borrowings at the beginning of the year	**28 069**	29 626
Current	**9**	9
Non-current	**28 060**	29 617
Cash flows	**(1 600)**	(1 387)
Proceeds from borrowings raised	**750**	1 750
Repayment of borrowings	**(2 350)**	(3 137)
Other non cash movements	**1 032**	(170)
Facility fee capitalised	**-**	(180)
Facility fee amortised	**32**	10
Facility reallocation[1]	**1 000**	-
Borrowings at the end of the year	**27 501**	28 069
Current	**9**	9
Non-current	**27 492**	28 060

[1]During the current financial year, an amount of R1 billion was reallocated from Intercompany payables to borrowings relating to Mobile Telephone Networks Holdings Limited (refer Note 36).

Mobile Telephone Networks Proprietary Limited

Notes to the annual financial statements (continued)

For the year ended 31 December 2021

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

	2021 R'm	2020 R'm
Lease liabilities at the beginning of the year	**14 221**	14 234
Current	917	789
Non-current	13 304	13,445
Cash flows	(2 340)	(2 179)
Repayment of lease liabilities - Capital portion	(1 036)	(841)
Repayment of lease liabilities - Interest portion[1]	(1 304)	(1 338)
Other movements	(1 748)	2 166
Additions	1,270	349
Interest incurred	1 304	1 338
Transfer to held for sale	(4 402)	-
Other[2]	80	479
Lease liabilities at the end of the year	**10 133**	14 221
Current	742	917
Non-current	9 391	13 304

[1]Presented as part of cash generated from operating activities.

[2]Other includes modifications to leases, renewals and disposals.

33. Capital commitments

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

	2021 R'm	2020 R'm
Capital expenditure not yet incurred at the reporting date is as		
Contracted	2 077	1 491
- Property, plant and equipment	1 794	1 314
- Software	283	177
Authorised but not contracted	7 462	6 307
- Property, plant and equipment	5 140	6 131
- Software	2 322	176
Total commitments for property, plant and equipment and software	9 539	7 798

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

34. Leases

The Company's leasing activities and significant accounting policies:

The Company'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 15 years but may have renewal periods as described below.

From 1 January 2019, at inception of a contract, the Company 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 Company recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Company 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 Company 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 Company 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), 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 company'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 company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from lenders and makes certain adjustments specific to the lease, eg term and security.

34. Leases (continued)

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 statement of comprehensive income 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. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

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 Company 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 Company 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 company's business planning cycle of three to five years and 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 Company and the lessor to terminate the lease without a termination penalty. In determining whether the Company has an economic incentive to not exercise the termination option, the company considers the broader economics of the contract and not only contractual termination payments.

34. Leases (continued)

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 Company is not 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.

Barter arrangements

Where the Company enters into leases with other telecommunication providers, it determines whether the lease has commercial substance and recognises a right-of-use asset and lease liability. In circumstances whereby the Company enters into an exchange transaction for like for like spaces on towers i.e. barter arrangements with other telecommunication providers and there is no monetary exchange between the Company and the other telecommunication provider, it has been determined that these arrangements lack commercial substance and therefore no right-of-use asset or lease liability is recognised in respect of these arrangements.

Lease and non-lease components

A number of lease contracts include both lease and non-lease components. The Company 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 Company 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.

Amounts recognised in the statement of financial position

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

	2021 R'm	2020 R'm
Network infrastructure	3 453	3 551
Land and buildings	4 496	8 130
Licences	1 493	1 615
Other	8	20
Total right-of-use assets	**9 450**	**13 316**
Right-of-use assets classified as held for sale (Note 18)	**3 701**	-
Current	742	917
Non-current	9 391	13 304
Total lease liabilities	**10 133**	**14 221**
Lease liabilities classified as held for sale (Note 18)	**4 402**	-

34. Leases (continued)

Amounts recognised in the statement of financial position (continued)

Additions to the right-of-use assets during the 2021 financial year amounted to R1 271 million (2020: R352 million). Right-of-use assets amounting to R3 701 million (2020: R0 million) was reallocated to Non-current assets held for sale. Other adjustments (including disposals and modifications) resulted in an increase to right-of-use assets of R93 million (2020: Increase of R489 million).

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 R'm	2020 R'm
Network infrastructure	**276**	324
Land and buildings	**1 122**	928
Other	**9**	11
Depreciation charge of right-of-use assets	**1 407**	1 263
Licenses	**122**	122
Amortisation charge of right-of-use-assets	**122**	122
Interest expense (included in finance costs - Note 9)	**1 304**	1 338
Expense relating to short-term leases (included in other operating expenses)	**77**	62

Amounts recognised in the statement of cash flows

The total cash outflow for leases in 2021 was R2,340 million (2020: R2,179 million). Refer to note 31 for details.

35. Commercial commitments

At 31 December 2021, the Company had the following commercial commitments:

	2021 R'm	2020 R'm
Sports, Cycling, Music and Lifestyle	122	130
Forward exchange contracts*	-	30
	122	160

* The Company had open US dollar denominated forward exchange contracts relating to the purchase of handsets.

36. Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Company and a party related to the Company, 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 Company's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

Directors' emoluments and related party payments

The Company entered into various transactions with related parties during the year.

2021	Salaries	Post-employment benefits	Other benefits[4,5]	Bonuses	Share Gains[6]	Total
	R 000'	R 000'	R 000'	R 000'	R 000'	R 000'
Executive directors Paid by Company and within Group						
GN Motsa[1,2,3]	7 614	827	11 982	8 370	4 441	33 234
D Molefe	4 089	427	40	3 083	-	7 639
	11 703	**1 254**	**12 022**	**11 453**	**4 441**	**40 873**
Non-executive directors - Paid by Company						
SA Fakie	-	-	741	-	-	741
MJ Bosman	-	-	666	-	-	666
MJ Harper	-	-	1 008	-	-	1 008
NWC Molope[7]	-	-	142	-	-	142
SA Zinn	-	-	737	-	-	737
T Leoka	-	-	805	-	-	805
N Khan	-	-	666	-	-	666
R Ramashia[8]	-	-	531	-	-	531
	-	**-**	**5 296**	**-**	**-**	**5 296**
Non-executive directors - Paid within the Group						
PD Norman	6 246	684	256	7 884	2 574	17 644
RT Mupita	15 406	701	961	28 966	5 276	51 310
F Moolman	7 423	799	1 557	9 596	4 212	23 587
TBL Molefe[9,10]	6 475	708	5 778	10 978	-	23 939
J Schulte-Bockum	9 930	1 039	753	14 899	4 046	30 667
	45 480	**3 931**	**9 305**	**72 323**	**16 108**	**147 147**

[1]Resigned as executive director on 31 December 2021.
[2]Other benefits include compensation comprising notice pay and a restraint of trade payment.
[3]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.
[4]Non-executive directors - includes retainer, attendance fees for board and committee representations and meetings, as well as special board, strategy sessions and ad-hoc work.
[5]Other benefits include Medical Aid, Unemployment Insurance Fund (UIF) and compensation in lieu of employment agreement amendments in respect of revised notice.
[6]Pre-tax gains on share-based payments.
[7]Resigned as director on 31 March 2021.
[8]Appointed as director on 01 April 2021.
[9]Appointed as director on 01 October 2021.
[10]Other benefits include a payment made in lieu of forfeiture of performance bonus from previous employer.

36. Related party transactions (continued)

Directors' emoluments and related party payments (continued)

2020	Salaries	Post-employment benefits	Other benefits[4,5]	Bonuses	Share Gains[6]	Total
	R 000'	R 000'	R 000'	R 000'	R 000'	R 000'
Executive directors Paid by Company and within Group						
GN Motsa	7 421	816	607	8 435	-	17 279
S Perumal[1]	3 720	316	66	-	-	4 102
D Molefe[2]	702	72	1 884	-	-	2 658
	11 843	1 204	2 557	8 435	-	24 039
Non-executive directors - Paid by Company						
SA Fakie	-	-	681	-	-	681
MJ Bosman	-	-	686	-	-	686
MJ Harper	-	-	1 040	-	-	1 040
NWC Molope	-	-	743	-	-	743
SA Zinn	-	-	717	-	-	717
T Leoka	-	-	558	-	-	558
	-	-	4 425	-	-	4 425
Non-executive directors - Paid within the Group						
PD Norman	6 138	675	820	8 044	-	15 677
RT Mupita	11 970	441	680	17 736	-	30 827
RA Shuter[3]	18 154	1 997	17 807	30 104	5 713	73 775
J Schulte-Bockum	9 648	1 012	6 078	14 576	-	31 314
	45 910	4 125	25 385	70 460	5 713	151 593

[1]Resigned as executive director on 31 August 2020.
[2]Appointed as executive director on 01 November 2020.
[3]Resigned as non-executive director on 31 August 2020. Other benefits include payment of cash-settled share-based incentives.
[4]Non-executive directors - includes retainer, attendance fees for board and committee representations and meetings, as well as special board, strategy sessions and ad-hoc work.
[5]Other benefits include Medical Aid, Unemployment Insurance Fund (UIF) and compensation in lieu of employment agreement amendments in respect of revised notice.
[6]Pre-tax gains on share-based payments.

Mobile Telephone Networks Proprietary Limited

Notes to the annual financial statements (continued)

For the year ended 31 December 2021

36. Related party transactions (continued)

Equity compensation benefits for directors and company secretary share appreciation rights and share rights scheme.

Offer date	Vesting date	Number outstanding at 31 December 2020	Awarded	Exercised	Forfeited	Number outstanding at 31 December 2021
R Mupita						
18/12/2017	18/12/2020	118 300	-	(88 724)	(29 576)	-
28/12/2018	29/12/2021	190 200	-	-	-	190 200
20/12/2019	20/12/2022	223 300	-	-	-	223 300
21/12/2020	21/12/2023	530 800	-	-	-	530 800
13/12/2021	13/12/2024	-	205 200	-	-	205 200
		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)	-
28/12/2018	29/12/2021	94 600	-	-	-	94 600
20/12/2019	20/12/2022	100 900	-	-	-	100 900
21/12/2020	21/12/2023	139 100	-	-	-	139 100
13/12/2021	13/12/2024	-	56 900	-	-	56 900
		392 300	56 900	(43 275)	(14 425)	391 500
G Motsa[1]						
18/12/2017	18/12/2020	69 700	-	(52 275)	(17 425)	-
28/12/2018	29/12/2021	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
		473 400	-	(52 275)	(166 912)	254 213
J Schulte-Bockum						
18/12/2017	18/12/2020	125 500	-	(94 125)	(31 375)	-
28/12/2018	29/12/2021	205 500	-	-	-	205 500
20/12/2019	20/12/2022	216 400	-	-	-	216 400
21/12/2020	21/12/2023	315 800	-	-	-	315 800
13/12/2021	13/12/2024	-	121 500	-	-	121 500
		863 200	121 500	(94 125)	(31 375)	859 200
D Molefe						
20/12/2020	20/12/2023	71 300	-	-	-	71 300
13/12/2021	13/12/2024	-	28 500	-	-	28 500
		71 300	28 500	-	-	99 800
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
		88 900	-	-	-	110 200
TBL Molefe						
01/04/2021	21/12/2023	-	126 100	-	-	126 100
13/12/2021	13/12/2024	-	101 900	-	-	101 900
		88 900	126 100	-	-	228 000
F Moolman						
18/12/2017	18/12/2020	66 100	-	(49 575)	(16 525)	-
28/12/2018	29/12/2021	112 900	-	-	-	112 900
20/12/2019	20/12/2022	117 300	-	-	-	117 300
21/12/2020	21/12/2023	180 700	-	-	-	180 700
13/12/2021	13/12/2024	-	64 900	-	-	64 900
		477 000	64 900	(49 575)	(16 525)	475 800

[1]Resigned as Executive Director on 31 December 2021.

36. Related party transactions (continued)

Directors' and prescribed officers' shareholding and dealings in ordinary shares

Executive Directors	December 2021	December 2020	Beneficial
GN Motsa[1]	77 686	24 911	Direct
S Perumal	N/A	2 425	Direct
	77 686	27 336	

[1]Resigned as executive director on 31 December 2021.
[N/A] Not applicable based on prescribed officer assessment for the financial year.

Non-Executive Directors	December 2021	December 2020	Beneficial
RT Mupita[2]	182 322	93 598	Direct
RT Mupita	680	680	Indirect
PD Norman	10 000	10 000	Indirect
PD Norman	23 185	-	Direct
J Schulte-Bockum	50 000	50 000	Direct
	266 187	154 278	

[2]Holds 291 200 (2020: 246 000) shares in American depository receipt.

Subsequent to the year end there were no changes in the directors' beneficial interest in MTN Group.

Directors' and prescribed officers' shareholding of the Company relating to MTN Zakhele Futhi

The following persons being directors of MTN were allocated the following number of MTN Zakhele Futhi shares which has a shareholding in MTN Group Limited shares:

	December 2021	December 2020	Beneficial
RT Mupita	33 562	33 562	Indirect
	33 562	33 562	

Subsequent to the year end there were no changes in the directors' beneficial interest in MTN Zakhele Futhi.

36. Related party transactions (continued)

Loan from shareholder – Mobile Telephone Networks Holdings Proprietary Limited

Facility A:

Refer to note 24 for additional detail.

	2021 R'm	2020 R'm
Balance at the beginning of the year	16 999	16 999
Proceeds from borrowings raised	500	-
Balance at the end of the year	17 499	16 999

Facility B:

Refer to note 24 for additional detail.

	2021 R'm	2020 R'm
Balance at the beginning of the year	11 061	12 618
Proceeds from borrowings raised	250	750
Repayment of borrowings	(2 350)	(2 137)
Other non cash movements	1 032	(170)
Balance at the end of the year	9 993	11 061

Facility C

Refer to note 24 for additional detail.

	2021 R'm	2020 R'm
Balance at the beginning of the year	-	-
Proceeds from borrowings raised	-	1 000
Repayment of borrowings	-	(1 000)
Balance at the end of the year	-	-

Loan from fellow subsidiary – MTN Network Solutions Proprietary Limited

	2021 R'm	2020 R'm
Balance at the beginning of the year	9	9
Balance at the end of the year	9	9

36. Related party transactions (continued)

Loan to subsidiary – Supersonic FTTX Proprietary Limited

Refer to note 14 for additional detail.

	2021 R'm	2020 R'm
Balance at the beginning of the year	236	88
Loans advanced during the year	-	19
Loans reallocated during the year[1]	176	-
Reversal of impairment loss on loans receivable	-	129
Balance at the end of the year	412	236

[1]During the current financial year, the Company and Supersonic FTTX Proprietary Limited agreed to reallocate some working capital balances to the loan receivable account.

The following is a summary of transactions between the Company and its related parties, subsidiaries, fellow subsidiaries, holding company and associates within the MTN Group during the year and balances due at year end:

Transactions for the year ended 31 December

Sales:

Related party	2021 R'm	2020 R'm
MTN Nigeria Communications Plc	*	25
Swazi MTN Ltd	12	12
MTN Zambia Ltd	*	*
Spacetel Guinea-Bissau S.A.	*	*
Lonestar Communications Corporation LLC	*	*
MTN Congo S.A.	-	*
MTN Business Solutions (Namibia) (Pty) Ltd	*	1
MTN Business Solutions (Botswana) (Pty) Ltd	14	14
Supersonic FTTX (Pty) Ltd	192	88
MTN GlobalConnect Solutions Ltd	227	233
	445	373

* - Represents an amount less than R1 million.

36. Related party transactions (continued)

Management fees received:

Related party	2021 R'm	2020 R'm
MTN Propco (Pty) Ltd	1	1
Swazi MTN Limited	24	22
MTN Business Solutions (Namibia) (Pty) Ltd	*	1
MTN Business Solutions (Botswana) (Pty) Ltd	1	1
MTN Group Management Services (Pty) Ltd	-	62
	26	87

Dividends received:

Related party	2021 R'm	2020 R'm
MTN Service Provider (Pty) Ltd - Cell 00072	-	50
	-	50

* - Represents an amount less than R1 million.

Purchases:

Related party	2021 R'm	2020 R'm
Aconcagua 11 Investments (Pty) Ltd	32	32
MTN Uganda Ltd	*	2
MTN GlobalConnect Solutions Ltd	675	712
MTN Business Solutions (Namibia) (Pty) Ltd	4	7
MTN Business Kenya Limited	2	6
MTN Business Solutions (Botswana) (Pty) Ltd	1	7
Swazi MTN Ltd	1	13
MTN Cote d'Ivoire	*	*
MTN Insurance Company (Pty) Ltd	347	275
Supersonic FTTX (Pty) Ltd	13	-
Scancom Plc	1	*
Mobile Telephone Network Cameroon Ltd	-	*
MTN Zambia Ltd	1	1
	1 077	1 055

* - Represents an amount less than R1 million.

36. Related party transactions (continued)

Management fees paid:

Related party	2021 R'm	2020 R'm
MTN Propco (Pty) Ltd[1]	74	106
MTN Group Management Services (Pty) Ltd	133	109
	207	215

[1]Includes rental paid.

Interest paid:

Related party	2021 R'm	2020 R'm
Mobile Telephone Networks Holdings Ltd	2 341	2 406
	2 341	2 406

Dividends paid:

Related party	2021 R'm	2020 R'm
Mobile Telephone Networks Holdings Ltd	3 800	3 000
	3 800	3 000

36. Related party transactions (continued)

Balances at 31 December:

Receivables:

Related party	**2021** **R'm**	2020 R'm
MTN Afghanistan Ltd	**2**	-
Cell Place (Pty) Ltd	**5**	5
iTalk (Pty) Ltd	-	123
MTN Group Management Services (Pty) Ltd	**80**	635
MTN Nigeria Communications Plc	**15**	13
Swazi MTN Limited	**16**	26
MTN Zambia Limited	**2**	1
Masscom Wireless Botswana (Pty) Ltd	**4**	4
MTN Dubai Ltd	**2**	2
Scancom PLC	**1**	1
MTN Business Solutions (Pty) Ltd (South Africa)	**34**	34
MTN Business Solutions (Namibia) (Pty) Ltd	-	6
MTN Business Solutions Limited	**2**	2
MTN Business Solutions (Botswana) (Pty) Ltd	**61**	46
MTN GlobalConnect Solutions Limited	**137**	187
Supersonic FTTX (Pty) Ltd	**188**	129
Mobile Telephone Network Cameroon Ltd	*	*
MTN Rwandacell S.A.R.L	*	*
MTN Uganda Ltd	*	*
MTN Cote d'Ivoire	*	*
MTN Congo S.A.		*
Spacetel Benin S.A.	*	*
Spacetel Guinea-Bissau S.A.	**1**	*
Lonestar Communications Corporation LLC	*	*
	550	1 214

* - Represents an amount less than R1 million.

36. Related party transactions (continued)

Payables:

Related party	2021 R'm	2020 R'm
MTN Propco (Pty) Ltd	83	111
iTalk (Pty) Ltd	26	-
Mobile Telephones Networks Cameroon Ltd	2	5
MTN Group Management Services (Pty) Ltd	156	544
MTN Group Limited	9	8
Mobile Telephone Networks Holdings Ltd	427	1 595
MTN Nigeria Communications Plc	6	11
MTN Rwandacell S.A.R.L	1	1
Swazi MTN Ltd	13	12
MTN Uganda Ltd	7	9
MTN Cote d'Ivoire S.A.	9	8
MTN Zambia Ltd	17	16
Masscom Wireless Botswana (Pty) Ltd	4	3
Spacetel Benin S.A.	*	-
MTN (Dubai) Ltd	10	63
Interserve Overseas Ltd	108	44
Scancom PLC	14	12
MTN Business Solutions (Namibia) (Pty) Ltd	-	2
MTN Business Kenya Ltd	*	1
MTN Business Solutions (Pty) Ltd	2	2
MTN Business Solutions (Botswana) (Pty) Ltd	28	27
MTN International (Mauritius) Ltd	41	41
Supersonic FTTX (Pty) Ltd	14	-
MTN GlobalConnect Solutions Ltd	216	264
Global Trading Company	9	14
	1 202	2 793

* - Represents an amount less than R1 million.

The receivables from related parties mainly arise from sales transactions and are due one month after the date of sale. Trade payables to related parties arise mainly from purchase transactions and are due one month after the date of purchase. The payables bear no interest.

37. Share based payments

The MTN Group share options, share appreciation rights and share rights schemes and performance share plan

The MTN Group operates a number of 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 performance share plan is the active scheme which superseded the share option scheme, the share appreciation rights and share rights schemes. The superseded schemes will be wound up once all unvested and/or unexercised awards previously made have run their remaining courses.

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

The vesting period for the performance share plan is three years and the awards vest in full based on set performance targets.

There have been no cancellations or modifications to any of the plans during 2021 or 2020. The closing share price of the MTN Group was R170.71 (2020: R61.44) during the year.

Equity-settled share-based payment

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The fair value is measured using a stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations where applicable. The fair value determined at the grant date of the equity-settled share-based options or rights is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest. The expense is adjusted to reflect the actual number of options and share rights for which the related service and non-market-based vesting conditions are met.

Cash-settled share-based payment

Cash-settled share-based payment liabilities are initially measured at fair value and subsequently remeasured to fair value, taking into account the extent to which employees have rendered service to date. Any changes in fair value are recognised in profit or loss.

37. Share based payments (continued)

The expense recognised for employee services received during the year is shown in the following table:

	2021 R'm	2020 R'm
Expense arising from cash-settled share-based payment transactions	1 218	(14)
Total expense arising from share-based payment transactions	1 218	(14)

37.1. MTN Group performance share plan

Mobile Telephone Networks Proprietary Limited participates in the performance share plan (PSP), whereby eligible employees are granted share rights. The rights were granted to employees on level 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 Mobile Telephone Networks Proprietary Limited.

The PSP is cash settled in the accounting records of Mobile Telephone Networks Proprietary Limited as Mobile Telephone Networks Proprietary Limited has the obligation to acquire shares to be issued to the employee. The share rights vest after three years from date of grant.

The following performance conditions must be fulfilled for share options granted on 28 December 2018 and 20 December 2019 to qualify for the percentage of the shares granted as stated in the table below.

	Proportion of grant	
Vesting conditions for shares granted	Employee level 3-4	Employee level 5-6
Total shareholder return	25,0%	25,0%
Cumulative operating free cash flow	25,0%	25,0%
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0%	25,0%
Return on average capital employed	25,0%	8,3% - 25,0%
Compliance to dtic and ICASA	-	8,3% - 12,5%
Black Economic Empowerment	-	8,3%

37. Share based payments (continued)

37.1. MTN Group performance share plan (continued)

The following performance conditions must be fulfilled for share options granted on 21 December 2020 to qualify for the percentage of the shares granted as stated in the table below.

	Proportion of grant	
Vesting conditions for shares granted	**Employee level 3-4**	**Employee level 5-6**
Total shareholder return	25,0%	25,0% - 33,3%
Cumulative operating free cash flow	25,0%	25,0% - 33,3%
Individual retention	25,0%	0,0% - 25,0%
Return on equity	25,0%	25,0% - 33,3%
Compliance to dtic and ICASA	-	0.0% - 5,0%
Black Economic Empowerment	-	0.0% - 5,0%

The performance conditions were reviewed in 2021. For grants issued from 2021, the following conditions apply.

	Proportion of grant	
Vesting conditions for shares granted	**All staff except CEO**	**CEO**
Total shareholder return	25,0%	22,5%
Cumulative operating free cash flow	25,0%	22,5%
Return on equity	25,0%	22,5%
Environmental, social and governance	25,0%	22,5%
Black Economic Empowerment	-	5.00%
Compliance to DTI and ICASA	-	5.00%

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 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.

37. Share based payments (continued)

37.1. MTN Group performance share plan (continued)

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 on 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.

37. Share based payments (continued)

37.1. MTN Group performance share plan (continued)

The following table summarises the number of outstanding and unvested options:

2021*

Offer date	Number outstanding at 1 January 2021	Offered during 2021	Exercised/Forfeited during 2021	Number outstanding at 31 December 2021
28/12/2018	**3 124 812**	-	**(3 124 812)**	-
20/12/2019	**4 051 755**	-	**(451 503)**	**3 600 252**
21/12/2020	**6 506 386**	-	**(898 303)**	**5 608 083**
13/12/2021	-	**2 569 500**	**(12 419)**	**2 557 081**

*Included in the share-based liability is also a liability for the 2016, 2017 and 2018 options that have vested, but have not yet been settled as at 31 December 2021.

2020

Offer date	Number outstanding at 1 January 2020	Offered during 2020	Exercised/Forfeited during 2020	Number outstanding at 31 December 2020
18/12/2017	1 416 923	-	(1 416 923)	-
28/12/2018	3 393 726	-	(268 914)	3 124 812
20/12/2019	4 418 082	-	(366 327)	4 051 755
21/12/2020	-	6 506 386	-	6 506 386

A valuation has been prepared using a stochastic model to determine the fair value of the obligation under the performance share plan and the expense to be recognised during the year.

The range of inputs into the stochastic model for the rights outstanding at the end of the year was as follows:

	2021	2020
Share price	**170.71**	61,44
Expected life	**3 years**	3 years
Risk-free rate	**4,74% - 6,00%**	4,39% - 5,12%
Expected volatility	**36,56% - 41,43%**	35,12% - 45,23%
Dividend yield	**0,96%**	7,94%

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.

38. 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), cash and cash equivalents, restricted cash, borrowings, other non-current liabilities (excluding provisions), bank overdrafts, derivatives and trade and other payables.

Recognition

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

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

Classification

The Company classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) on the basis of the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset.

The Company classifies its financial assets into the following categories:

Measurement category	Criteria
FVTPL	Debt investments that do not qualify for measurement at amortised cost or FVOCI; and Equity investments that are held for trading.
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 securities at FVOCI	The asset is not held for trading and the company 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 company's business model is to both collect the contractual cash flows and selling the financial asset.

38. Financial risk management and financial instruments (continued)

Classification (continued)

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

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

Measurement on initial recognition

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

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.

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

	Gross amount R'm	Amount offset R'm	Net amount R'm
2021			
Current financial assets			
Trade and other receivables	296	144	152
Current financial liabilities			
Trade and other payables	539	144	395

The amounts subject to offsetting include interconnect receivables and payables. The Company has entered into agreements with the respective counterparties which permit it to offset any payables owing to the counterparty against receivables owing to the Company. The Company intends to settle on a net basis. No offsetting was applied in the prior financial year.

38. 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
Financial assets at 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.
Financial assets at 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.
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 are accumulated in OCI and reclassified to 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.

Subsequent measurement: Financial liabilities

Financial liabilities comprise trade and other payables, borrowings, derivative liabilities and other non-current liabilities (excluding provisions).

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 Company 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.

38. Financial risk management and financial instruments (continued)

Modifications 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.

Impairment of financial assets

Under IFRS 9 the Company calculates its allowance for credit losses as expected credit losses (ECLs) for financial assets measured at amortised cost, debt investments at FVOCI and contract assets (unbilled handsets 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 Company expects to receive). ECLs are discounted at the original effective interest rate (EIR) of the financial asset.

To calculate ECLs the Company segments receivables by customer type i.e. interconnect and roaming, Enterprise Business Unit (EBU), mobile (billed handset and network services component for contracts) etc. The Company applies the simplified approach to determine the ECL for contract receivables and contract assets. This results in calculating lifetime expected credit losses for contract receivables and contract assets. ECLs for the remaining trade receivables is calculated using a provision matrix. For contract assets and contract receivables, ECLs are determined using a simplified parameter-based approach.

38. Financial risk management and financial instruments (continued)

Risk management

Introduction

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

Risk profile

The Company'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 Company. The Company uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge certain exposures, but as a matter of principle, the Company does not enter into derivative contracts for speculative purposes.

Risk management is carried out under policies approved by the board of directors of the MTN Group and the Company. The MTN Group and the Company identify, evaluate and manage financial risks and provide 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 excess liquidity. MTN 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 and Group audit and risk committees.

38. Financial risk management and financial instruments (continued)

38.1 Categories of financial instruments

	Assets			Liabilities				
	Amortised cost R'm	Equity instruments and FVOCI R'm	Designated as at fair value through profit or loss R'm	Amortised cost R'm	Fair value through profit and loss R'm	Other R'm	Total carrying amount R'm	Fair value R'm
2021								
Non-current financial assets								
Loans and other non-current receivables	412	-	-	-	-	-	412	412
Investments	-	75	-	-	-	-	75	75
Current financial assets								
Trade and other receivables	8 404	-	-	-	-	-	8 404	8 404
Current investments	-	-	315	-	-	-	315	315
Cash and cash equivalents	3 733	-	-	-	-	-	3 733	3 733
Cash held on behalf of MM Customers	45	-	-	-	-	-	45	45
	12 594	75	315	-	-	-	12 984	12 984
Non-current financial liabilities								
Borrowings	-	-	-	27 492	-	-	27 492	27 492
Lease liabilities	-	-	-	9 391	-	-	9 391	9 391
	-	-	-	36 883	-	-	36 883	36 883
Current financial liabilities								
Trade and other payables	-	-	-	12 534	-	1 220	13 754	13 754
Cash due to Mobile Money customers	-	-	-	45	-	-	45	45
Lease liabilities	-	-	-	742	-	-	742	742
Borrowings	-	-	-	9	-	-	9	9
	-	-	-	13 330	-	1 220	14 550	14 550

	Assets			Liabilities				
	Amortised cost R'm	Designated as at fair value through OCI R'm	Designated as at fair value through profit or loss R'm	Amortised cost R'm	Fair value through profit and loss R'm	Other R'm	Total carrying amount R'm	Fair value R'm
2020								
Non-current financial assets								
Loans and other non-current receivables	236	-	-	-	-	-	236	236
Investments	-	75	-	-	-	-	75	75
Current financial assets								
Trade and other receivables	10 675	-	-	-	-	-	10 675	10 675
Derivative asset	-	-	30	-	-	-	30	30
Current investments	-	-	111	-	-	-	111	111
Cash and cash equivalents	1 901	-	-	-	-	-	1 901	1 901
Cash held on behalf of MM Customers	28	-	-	-	-	-	28	28
	12 840	75	141	-	-	-	13 056	13 056
Non-current financial liabilities								
Borrowings	-	-	-	28 060	-	-	28 060	28 060
Lease liabilities	-	-	-	13 304	-	-	13 304	13 304
	-	-	-	41 364	-	-	41 364	41 364
Current financial liabilities								
Trade and other payables	-	-	-	12 153	-	2 071	14 224	14 224
Cash due to Mobile Money customers	-	-	-	28	-	-	28	28
Lease liabilities	-	-	-	917	-	-	917	917
Borrowings	-	-	-	9	-	-	9	9
	-	-	-	13 107	-	2 071	15 178	15 178

The fair values of all financial instruments measured at amortised cost approximate their book values.

38. Financial risk management and financial instruments (continued)

38.2. Fair value estimation

The table below presents the Company's assets and liabilities that are measured at fair value. The different levels are 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 of liabilities that the entity can access at the measurement date;
- 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).

The following table presents the Company's assets and liabilities that are measured at fair value:

	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
2021				
Financial assets				
At fair value through OCI	-	-	75	75
Fair value through profit or loss	315	-	-	315
Total Assets	315	-	75	390
2020				
Financial assets				
Derivative assets	-	30	-	30
At fair value through OCI	-	-	75	75
Fair value through profit or loss	111	-	-	111
Total Assets	111	30	75	216

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

38. Financial risk management and financial instruments (continued)

38.2. Fair value estimation (continued)

Valuation methods and assumptions

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

The SA SME Fund Limited unlisted equity investment – The SA SME Fund Limited is an unlisted company. The fair value of the investment is determined using models considered to be appropriate by management, due to the absence of transactions between market participants.

Any estimated earnings used to derive the existing fair value are solely based on MTN management assumptions and market estimates on financial growth, currency movements, costs and performance. The investment has therefore been classified as level 3 on the fair value hierarchy.

Management have performed a fair value assessment for this unlisted equity investment as at 31 December 2021 and deem the fair value of R75 million to still represent the fair value of the investment. No fair value adjustment has been recognised in the current year.

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):

	Investments Rm
Balance at 1 January 2021	75
Fair value adjustments recognised	-
Balance at 31 December 2021	75
Balance at 1 January 2020	75
Fair value adjustments recognised	-
Balance at 31 December 2020	75

38. Financial risk management and financial instruments (continued)

38.3 Credit risk

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

The Company's maximum exposure to credit risk is represented by the carrying amounts of the financial assets that are exposed to credit risk, with the exception of financial guarantees granted by the Company for which the maximum exposure to credit risk is the maximum amount the Company would have to pay if the guarantees are called on.

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

	2021	2020
	R'm	R'm
Current investments	**315**	111
Loans and other non-current receivables	**412**	236
Cash and cash equivalents	**3 733**	1 901
Cash held on behalf of MoMo Customers	**45**	28
Contract assets	**4 584**	3 600
Derivative asset	**-**	30
Trade and other receivables	**8 404**	10 675
	17 493	16 581

Current investments and cash and cash equivalents

The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate values of transactions concluded are spread amongst approved financial institutions. The Company actively seeks to limit the amount of credit exposure to any one financial institution and credit exposure is controlled by counterparty limits that are reviewed and approved by the credit risk department.

Cash balances and investments are held in financial institutions bearing interest at a rate that ranges from 3.0% to 8.0%.

Cash balances are held with financial institutions that have a credit rating of BA2. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. The expected credit loss on cash and cash equivalents is deemed immaterial.

38. Financial risk management and financial instruments (continued)

38.3 Credit risk (continued)

Trade receivables and contract assets (unbilled handset component)

The Company 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 company performs credit risk assessments through credit bureaus.

The Company 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 Company performs credit risk assessments through credit bureaus. The Company insures some of its trade receivables in which instance the credit risk assessments are performed by the credit insurer prior to the granting of credit by the Company. In terms of this arrangement, R6 billion (2020: R6,4 billion) has been insured for which the company's aggregate retention is limited to R87,5 million (2020: R87,5 million). In addition, the Company's risk in relation to the insured amount is R1 billion.

The recoverability of receivables is actively managed within acceptable limits and has been incorporated in the assessment of an appropriate revenue recognition policy and the ECL of trade receivables where applicable.

Ageing and impairment analysis	2021 Gross R'm	2021 Impairment R'm	2021 Net R'm	2020 Gross R'm	2020 Impairment R'm	2020 Net R'm
Fully performing trade and other receivables	7 428	(216)	7 212	7 363	(50)	7 313
Interconnect receivables	191	(1)	190	196	(4)	192
Contract receivables	837	(98)	739	550	(4)	546
Retail receivables	5 564	(55)	5 509	5 604	(1)	5 603
EBU receivables	382	(15)	367	298	(2)	296
Sundry debtors	158	(13)	145	520	(39)	481
Other receivables	296	(34)	262	195	-	195
Past due trade and other receivables	1 865	(673)	1 192	4 410	(1,047)	3 363
Interconnect receivables	141	(36)	105	266	(64)	202
0 to 3 months	43	(3)	40	93	(5)	88
3 to 6 months	98	(33)	65	173	(59)	114
Contract receivables	223	(223)	-	523	(264)	259
0 to 3 months	223	(223)	-	523	(264)	259
Retail receivables	505	(257)	248	613	(130)	483
0 to 3 months	190	-	190	368	(43)	325
3 to 6 months	315	(257)	58	245	(87)	158
EBU receivables	446	(155)	291	679	(481)	198
0 to 3 months	158	(17)	141	98	(17)	81
3 to 6 months	288	(138)	150	581	(464)	117
Intercompany receivables	550	(2)	548	1 214	(4)	1 210
0 to 3 months	550	(2)	548	1 214	(4)	1 210
Other receivables	-	-	-	1 115	(104)	1 011
0 to 3 months	-	-	-	424	(46)	378
3 to 6 months	-	-	-	691	(58)	633
Total	9 293	(889)	8 404	11 773	(1,097)	10 676

38. Financial risk management and financial instruments (continued)

38.3 Credit risk (continued)

The recoverability of receivables is actively managed within acceptable limits and has been incorporated in the assessment of an appropriate revenue recognition policy and the ECL of trade receivables where applicable. The below table reconciles the ECL for current trade and other receivables and contract assets from the opening to closing balance.

	2021 R'm Trade receivables	2020 R'm Trade receivables	2021 R'm Interconnect receivables	2020 R'm Interconnect receivables	2021 R'm Sundry debtors	2020 R'm Sundry debtors	2021 R'm Intercompany receivables	2020 R'm Intercompany receivables
Reconciliation of allowance for credit losses								
At the beginning of the year	(987)	(618)	(68)	(92)	(39)	-	(4)	(38)
Additions	(387)	(751)	-	-	-	(39)	-	(4)
Utilised	537	382	31	24	26	-	2	38
At the end of the year	(837)	(987)	(37)	(68)	(13)	(39)	(2)	(4)

	2021 R'm Contract assets - Non-current	2020 R'm Contract assets - Non-current	2021 R'm Contract assets - Current	2020 R'm Contract assets - Current
Reconciliation of allowance for credit losses				
At the beginning of the year	(189)	(94)	(310)	(243)
Additions[1]	(81)	(95)	(99)	(67)
Utilised	-	-	-	-
At the end of the year	(270)	(189)	(409)	(310)

[1]The impairment and write-down of trade receivables and contract assets disclosed on the Statement of Comprehensive Income includes bad debt recoveries of R12m.

Expected credit losses

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

- Trade and other receivables;
- Contract assets relating to the unbilled handset component;
- Debt investments carried at amortised cost;
- Debt investments carried at FVOCI; and
- Cash and cash equivalents.

38. Financial risk management and financial instruments (continued)

38.3 Credit risk (continued)

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

The Company used historical sales data to determine the payment profile of the sales. Where the Company has information about actual historical write-offs, actual write-offs have been used to determine a historical loss ratio. Alternatively, management has used a proxy write off based on management's best estimate. The Company 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. Refer to Note 6.3 for judgements, estimates and assumptions applied.

38. Financial risk management and financial instruments (continued)

38.3 Credit risk (continued)

The loss allowance as at 31 December 2021 for trade receivables to which the provision matrix is applied is determined as follows:

	Gross carrying amount	Impairment	Average ECL/Impairment ratio	Gross carrying amount	Impairment	Average ECL/Impairment ratio
	R'm	R'm		R'm	R'm	
	2021	2021	2021	2020	2020	2020
Interconnect receivables						
Fully performing	191	(1)	0.52%	196	(4)	2.25%
Up to 90 days past due	43	(3)	6.98%	93	(5)	4.91%
120 days and above past due	98	(33)	33.67%	173	(59)	34.17%
	332	(37)	11.14%	462	(68)	14.74%
Retail receivables						
Fully performing	5 564	(55)	0.99%	5 604	(1)	0.01%
Up to 90 days past due	190	-	0.00%	368	(43)	11.67%
120 days and above past due	315	(257)	81.59%	245	(87)	35.67%
	6 069	(312)	5.14%	6 217	(131)	2.11%
EBU receivables						
Fully performing	382	(15)	3.93%	298	(2)	0.80%
Up to 90 days past due	158	(17)	10.83%	98	(17)	17.46%
120 days and above past due	288	(138)	47.92%	581	(464)	79.89%
	828	(170)	20.53%	977	(483)	49.41%
Other receivables						
Fully performing	296	(34)	11.49%	195	-	0.00%
Up to 90 days past due	-	-	-	424	(46)	10.75%
120 days and above past due	-	-	-	691	(58)	8.44%
	296	(34)	11.49%	1 310	(104)	7.93%
Sundry debtors						
Fully performing	158	(13)	8.23%	520	(39)	7.50%
	158	(13)	8.23%	520	(39)	7.50%
Intercompany receivables - Current						
Up to 90 days past due	550	(2)	0.36%	1 214	(4)	0.33%
	550	(2)	0.36%	1 214	(4)	0.33%
Intercompany receivables - Non-current						
Fully performing	412	-	0.00%	236	-	0.00%
	412	-	0.00%	236	-	0.00%
Total	8 645	(568)	6.57%	10 936	(829)	7.58%

The following inputs and assumptions have been applied in determining ECL using the provision matrix:

	2021
Period used to determine payment profile	12 months
Actual write off/Proxy write off	360 days

38. Financial risk management and financial instruments (continued)

38.3 Credit risk (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) and the EIR (i.e. PD x LGD x EAD = ECL). 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 (12 months and 36 months respectively). 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 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. Trade receivables are written off when there is no reasonable expectation of recovery. The company does not hold any collateral for trade receivables. Refer to aging and impairment analysis above for further details of the breakdown of the allowance for impairment.

The loss allowance as at 31 December 2021 for trade receivables to which the simplified parameter-based approach is applied is determined as follows:

	Gross carrying amount	Impairment	Average ECL/Impairment ratio	Gross carrying amount	Impairment	Average ECL/Impairment ratio
	Rm	Rm		Rm	Rm	
	2021	2021	2021	2020	2020	2020
Non-current and current contract assets						
Fully performing	5 263	(679)	12.90%	4 099	(499)	12.17%
	5 263	(679)	12.90%	4 099	(499)	12.17%
Contract receivables						
Fully performing	837	(98)	11.71%	550	(4)	0.75%
Up to 90 days past due	223	(223)	100.00%	523	(264)	50.48%
	1 060	(321)	30.28%	1 073	(268)	25.00%

38. Financial risk management and financial instruments (continued)

38.4. Liquidity risk

Liquidity risk is the risk that an entity will be unable to meets its obligations as they become due. The Company'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 Company's reputation. The Company ensures it has sufficient cash on demand or access to facilities to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following liquid resources are available:

	2021 **R'm**	2020 R'm
Trade and other receivables	**8 404**	10 703
Derivative assets	**-**	30
Current investments	**315**	111
Cash and cash equivalents, net of overdrafts	**3 733**	1 901
Mobile Money deposits[1]	**45**	28
	12 497	12 773

[1]Mobile Money deposits are utilised to settle the corresponding Mobile Money payable which gives rise to liquidity risk for the Company.

The Company's undrawn borrowing facilities are disclosed in note 24.

Mobile Telephone Networks Proprietary Limited

Notes to the annual financial statements (continued)

For the year ended 31 December 2021

38. Financial risk management and financial instruments (continued)

38.4. Liquidity risk (continued)

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

2021	Carrying amount R'm	Payable within 1 month or on demand R'm	More than 1 month but not exceeding 3 months R'm	More than 3 months but not exceeding 1 year R'm	More than one year but not exceeding two years R'm	More than two years but not exceeding five years R'm	More than 5 years R'm
Non-Current financial liabilities							
Borrowings	27 492	171	341	1 536	2 048	32 931	-
Lease liabilities	9 391	-	-	-	1 516	4 367	8 461
	36 883	171	341	1 536	3 564	37 298	8 461

2021	Carrying amount R'm	Payable within 1 month or on demand R'm	More than 1 month but not exceeding 3 months R'm	More than 3 months but not exceeding 1 year R'm	More than one year but not exceeding two years R'm	More than two years but not exceeding five years R'm	More than 5 years R'm
Current financial liabilities							
Trade and other payables	13 754	13 754	-	-	-	-	-
Cash due to Mobile Money customers	45	45	-	-	-	-	-
Lease liabilities	742	206	325	1 079	-	-	-
Non current liabilities held for sale	4 402	48	102	450	610	1 828	4 701
Borrowings	9	9	-	-	-	-	-
	18 952	14 062	427	1 529	610	1 828	4 701

2020	Carrying amount R'm	Payable within 1 month or on demand R'm	More than 1 month but not exceeding 3 months R'm	More than 3 months but not exceeding 1 year R'm	More than one year but not exceeding two years R'm	More than two years but not exceeding five years R'm	More than 5 years R'm
Non-Current financial liabilities							
Borrowings	28 060	172	344	1 549	2 065	6 195	29 444
Lease liabilities	13 304	-	-	-	2 142	5 744	14 135
	41 364	172	344	1 549	4 207	11 939	43 579

	Carrying amount R'm	Payable within 1 month or on demand R'm	More than 1 month but not exceeding 3 months R'm	More than 3 months but not exceeding 1 year R'm	More than one year but not exceeding two years R'm	More than two years but not exceeding five years R'm	More than 5 years R'm
Current financial liabilities							
Trade and other payables	14 224	14 224	-	-	-	-	-
Cash due to Mobile Money customers	28	28	-	-	-	-	-
Lease liabilities	917	397	416	1 374	-	-	-
Borrowings	9	9	-	-	-	-	-
	15 178	14 658	416	1 374	-	-	-

38. Financial risk management and financial instruments (continued)

38.5. Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holding of financial instruments.

The Company's activities expose it primarily to the financial risks of changes in interest rates (see note 38.6) and foreign currency exchange rates (see note 38.7). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

38.6. Interest rate risk

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest. In the current year there has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured as compared to previous years.

Interest rate risk is the risk borne by 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, current investments, trade and other receivables/payables, loans receivable/payable and bank overdrafts. 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 Company's interest rate risk arises from the repricing of the Company's forward cover and floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the significant cash balances which exist.

Debt is managed on an optimal fixed versus floating interest rate basis. Significant cash balances are also considered in the fixed versus floating interest rate exposure mix.

The Company makes use of various products including interest rate derivatives and other appropriate hedging tools as a way to manage risks; however, derivative instruments may only be used to hedge existing exposures.

38. Financial risk management and financial instruments (continued)

38.6. Interest rate risk (continued)

Profile

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

	2021			2020		
	Fixed rate instruments R'm	Variable rate instruments R'm	No interest instruments R'm	Fixed rate instruments R'm	Variable rate instruments R'm	No interest instruments R'm
Non-current financial assets	-	-	487	-	-	311
Investments	-	-	75	-	-	75
Loans and other non current receivables	-	-	412	-	-	236
Current financial assets	-	3 778	8 718	-	1 929	10 816
Trade and other receivables	-	-	8 404	-	-	10 675
Derivative asset	-	-	-	-	-	30
Current investments	-	-	314	-	-	111
Cash and cash equivalents	-	3 733	-	-	1 901	-
Mobile money deposits	-	45	-	-	28	-
	-	3 778	9 205	-	1 929	11 127
Non-current financial liabilities	10 141	26 890	(148)	11 241	30 303	(180)
Borrowings	10 141	17 499	(148)	11 241	16 999	(180)
Lease liabilities	-	9 391	-	-	13 304	-
Current financial liabilities	-	5 189	13 763	-	945	14 233
Trade and other payables	-	-	12 552	-	-	11 431
Cash due to Mobile Money customers	-	45	-	-	28	-
Lease liabilities	-	742	-	-	917	-
Non current liabilities held for sale		4 402				
Intercompany payables	-	-	1 202	-	-	2 793
Borrowings	-	-	9	-	-	9
	10 141	32 079	13 615	11 241	31 248	14 053

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, LIBOR, money market rates and prime rate. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are recognised at their fair value.

38. Financial risk management and financial instruments (continued)

38.6. Interest rate risk (continued)

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. The analysis has been performed on the basis of the change occurring at the 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 (Decrease)/increase in profit before tax			2020 (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
	%	R'm	R'm	%	R'm	R'm
JIBAR	1	(175)	175	1	(170)	170
Prime	1	(108)	108	1	(123)	123

38.7. Currency risk

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

The Company is exposed to currency risk arising from various currency exposures. Refer to the table on the next page for the Company's exposure to foreign currency risk based on notional amounts. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Where possible the Company uses forward contracts to hedge its actual exposure to foreign currency. The Company manages foreign currency risk on major foreign purchases by placing foreign currency on deposit as security against letters of credit when each order is placed.

Items included in the annual financial statements of the Company are measured using the currency that best reflects the primary economic environment in which the Company operates (the functional currency).

The Company annual financial statements are presented in South African Rand, which is the functional and presentation currency of the Company.

Included in the Company statement of financial position are the following amounts denominated in currencies other than the functional currency of the reporting entity.

38. Financial risk management and financial instruments (continued)

38.7. Currency risk (continued)

Included in the Company statement of financial position are the following amounts denominated in currencies other than the functional currency of the reporting entity.

	2021 R'm	2020 R'm
Assets		
Non-current assets	**487**	311
South African rand	**487**	311
Current assets	**12 497**	12 745
South African rand	**12 059**	12 165
Botswana pula	**62**	47
Euro	**32**	35
US dollar	**344**	498
Liabilities		
Non-current liabilities	**36 883**	41 363
South African rand	**36 883**	41 363
Current liabilities	**14 900**	14 357
South African rand	**11 934**	12 573
Botswana pula	**28**	38
Euro	**1 623**	655
British pound sterling	**-**	12
US dollar	**1 315**	1 079

Sensitivity analysis

The Company 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.

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. The analysis is performed on the same basis for 2020.

38. Financial risk management and financial instruments (continued)

38.7. Currency risk (continued)

	2021 (Decrease)/increase in profit before tax			2020 (Decrease)/increase in profit before tax		
	Change in exchange rate	Weakening in functional currency	Strengthening in functional currency	Change in exchange rate	Weakening in functional currency	Strengthening in functional currency
	%	R'm	R'm	%	R'm	R'm
Botswana pula	10	(3)	3	10	(1)	1
Euro	10	159	(159)	10	62	(62)
British pound sterling	10	-	-	10	1	(1)
US dollar	10	97	(97)	10	58	(58)

38.8. Price Risk

The Company is not directly exposed to commodity price risk or material equity securities price risk other than its current investments.

38.9. Capital risk management

Capital includes borrowings, share capital and equity attributable to the equity holders of the Company.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Where funding is not available to the operation locally or in specific circumstances where it is more efficient to do so, funding is sourced centrally and on-lent by the MTN Group. The Company's policy is to borrow using a mixture of long term and short-term capital market issues and borrowing facilities from the local and international capital markets as well as multi-lateral organisations together with cash generated to meet anticipated funding requirements.

38. Financial risk management and financial instruments (continued)

38.10. 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.

The initial recognition of intra group guarantees are accounted for as a distribution in equity as the economic substance is more akin to a distribution as a result of the parent/subsidiary relationship between the guarantor and the debt holder.

The Company, along with certain of its fellow subsidiaries, has guaranteed the bonds, revolving credit facilities and general banking facilities to MTN Group Limited. The Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payment when due.

	Face Value		Draw down balance[2]	
	2021	2020[3]	**2021**	2020[3]
	R'm	R'm	**R'm**	R'm
Bond guarantees				
Bonds[1] and commercial paper	**20 000**	20 000	**14 799**	12 255
USD senior unsecured notes	**19 925**	25 685	**20 135**	25 987
Syndicated and other loan facilities				
USD revolving credit facility	**19 925**	18 347	**-**	2 204
ZAR long-term loan	**14 250**	23 250	**14 273**	20 323
USD long-term loan	**-**	2 202	**-**	2 168
	74 100	89 484	**49 207**	62 937

[1]R14 799 million (2020: R12 255 million) of the bonds are listed on the Bond Exchange of South Africa.

[2]Includes interest accrued.

[3]Restated to incorporate exposures that were previously seperately disclosed.

38. Financial risk management and financial instruments (continued)

38.10. Financial guarantee contracts (continued)

In addition, the company has provided unrestricted suretyship with regards to the cash management facility of Mobile Telephone Networks Holdings Limited and suretyship to the amount of R5 850 million (2020: R5 850 million) with regard to the banking facilities of Mobile Telephone Networks Proprietary Limited, MTN International (Mauritius) Limited, MTN International Proprietary Limited, Mobile Telephone Networks Holdings Proprietary Limited and MTN Service Provider Proprietary Limited. Refer to note 28 for further details on the financial guarantees.

The Maximum exposure to credit risk in relation to the financial guarantee contracts issued amounts to R49,207 million (2020: 62,937 million). This is the drawn down balance of the borrowings to which Mobile Telephone Networks Proprietary Limited stands as a guarantor for. Refer to note 28 for further details on the financial guarantees.

39. Covid-19 pandemic impact on the business

The Covid-19 pandemic has had and continues to have a significant impact across the globe, affecting the lives of the Company's employees and customers. The Company continued to work to create shared value and focus on four key areas, namely: **social** (our people, communities and stakeholders); **commercial** (including our customers); **network and supply chain**; and **funding and liquidity**.

Social

The health and safety of our people continues to be our priority: employees are permitted to work from home and strict protocols are in place for those who are unable to work remotely. Through initiatives such as the MTN Global Staff Emergency Fund for employees and Y'ello Hope packages for other stakeholders, the Company continues to work to safeguard the wellbeing of our staff, customers and communities.

We will be pursuing a hybrid working policy ahead, with a mix of on-site and work from home solutions, for staff. A COVID-19 vaccination policy is also under development and will guide the start of the hybrid working model. We anticipate that this policy will be in place by April 2022.

Commercial

While trends levelled out following the peaks of 2020, commercial momentum remained resilient in 2021 as we lapped the base effects from 2020.

39. Covid-19 pandemic impact on the business (continued)

Network and supply chain

Another priority throughout the pandemic has been to safeguard the capacity and resilience of our networks.

Although there have been moderate disruptions, these have been largely mitigated by the measures we have put in place including having built up a healthy inventory of equipment and critical spares. We continue to monitor and manage the impact of the pandemic on our network and supply chain closely to mitigate against significant interruptions to our business.

Funding and liquidity

The management of our balance sheet and liquidity has been a major ongoing focus, which has positioned the Company well to weather the current volatile environment. The Company also has adequate short-term resources as well as facilities with MTN Group Limited to cover any liquidity or working capital shortfalls should they arise.

Accounting and IFRS considerations

The most notable impacts from an accounting perspective is described below:

- **Going concern and liquidity** – The Company has performed regular going concern assessments to determine the ability of the Company to continue operating as a going concern. Consideration was given to the extent of operational disruption including the demand for goods and services, significant changes in terms of borrowing arrangements and potential liquidity and working capital shortfalls, amongst other factors. Management is satisfied that the annual financial statements have been appropriately prepared on the going concern basis.

- **Inventory valuation** – Consideration was given to the requirements of IAS 2 – *Inventories* to ensure that inventories were appropriately recognised at the lower of cost and net realisable value. Refer to Note 6.7 for additional details relating to the Company's measurement of inventory.

39. Covid-19 pandemic impact on the business (continued)

Accounting and IFRS considerations (continued)

- **Trade receivables and contract assets** – IFRS 9 requires Expected Credit Loss provisions to be measured in a way that incorporates information available at the reporting date about past events, current conditions and forecasts of future economic conditions. Consideration was given to the fact that the Covid-19 pandemic could affect the ability of customers to meet their contractual obligations as they become due. Adjustments were made to impairment estimates to account for this increased risk. Refer to Note 6.3 for additional details relating to the Company's judgements and estimates applied in relation to trade receivables and contract assets.

- **Revenue** – There was no significant impact of Covid-19 on network services revenue. Refer to Note 7 for additional disclosure relating to revenue.

40. Breach of Fiduciary responsibilities

Management proactively reported a breach of fiduciary responsibilities by a director to the auditors on 09 December 2021, who entered into an agreement on behalf of the Company 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 Company's board of directors took specific remedial action to address the breach and to prevent losses. The auditor subsequently reported to the IRBA that the reportable irregularity is no longer continuing.

41. Events after reporting date

1. Dividends declared

Subsequent to year end, the board of directors approved the dividend declaration amounting to R2 billion to the shareholders of the Company.

2. ICASA invitation to apply for high-demand spectrum

The Independent Communications Authority of South Africa (ICASA) reissued and released an invitation to apply (ITA) for the international mobile telecommunications (IMT) spectrum, also known as high-demand spectrum on 10 December 2021. The closing date for the invitation to apply was 31 January 2022.

ICASA confirmed that six companies had applied to take part in the auction which included Mobile Telephone Networks Proprietary Limited. The auction was concluded on the 17 March 2022.

The Company was successful in securing the below licences:

- 2 * 10 MHz in 800 MHz – R2,933 billion.
- 40 MHz of 2 600 MHz – R1,093 billion.
- 40 MHz of 3 500 MHz – R1,127 billion.

High-demand spectrum refers to specific radio frequency spectrum bands that are in high demand by telecom operators. The new spectrum will be used to further expand 5G connectivity throughout the Country, while also further enhancing rural, peri-urban, and urban network coverage.

3. Non-current assets held for sale

On 17 November 2021, The Company and IHS Holding Limited (IHS) signed the sale of business agreement. As at 31 December 2021, the sale was still subject to certain conditions precedent including approvals from the South African Reserve Bank and the Competition Commission. Refer to Note 18 for additional disclosure relating to the sale.

As at signing date, the status of the outstanding conditions precedent was as follows:

- South African Reserve Bank (SARB) approval – The Company applied for SARB approval on 14 February 2022. The Company has responded to SARB questions originating from the application and are currently waiting for the outcome of the application from the SARB.
- Competition Commission approval – The Competition Commission approved the transaction on 28 February 2022, subject to certain conditions. IHS is still considering whether to file a request for consideration with the Competition Commission in respect of the above conditions.
- Core Transaction Agreements entered into and becoming unconditional – Certain agreements have been entered into, and other agreements are in progress of being entered into. The agreements will become unconditional once all conditions precedent have been met.

41. Events after reporting date (continued)

3. Non-current assets held for sale (continued)

- Ready to Complete notice delivered to IHS Holdings Limited – The Company has made significant progress in clearing the sites that need to be transferred. The Company will deliver the ready to complete notice once all conditions precedent have been met.

Once the above have been completed, the sale is subject to no war, terrorist activity, armed hostility, natural disaster or similar event preventing the completion of the transaction.

At the date of signature of the annual financial statements, the above conditions precedent still need to be fulfilled.

4. Blue Label Telecoms Limited announcement regarding the recapitalisation of Cell C Limited ("Cell C")

Blue Label Telecoms Limited, a 45% shareholder of Cell C publicly announced on the Stock Exchange News Service on 15 March 2022 that they have made significant progress in relation to the restructuring and recapitalisation of Cell C.

Management will monitor the implementation of the proposed transaction and assess its impact in terms of revenue recognition from Cell C for the 2022 financial year.

5. Russia/Ukraine conflict

The company considered the recent escalation of the tensions and imposition of sanctions during February 2022 between Russia and Ukraine to be a non-adjusting event, as it does not provide additional evidence about the conditions that existed as at 31 December 2021. The Company has performed an analysis of the impacts of the Russia/Ukraine conflict. The impacts of the conflict include:

- Increasing fuel prices which will lead to increased network costs;
- Potential supply chain disruptions on semi conductors;
- Possible reduction in roaming revenues, however, not deemed significant;
- Low direct impact on the Company in terms of sanctions imposed; and
- Rising Inflation and interest rates could impact consumer spending.

The Company has put in mitigating plans to address the impacts noted above.

All of the above matters were considered to be non-adjusting events.