



MTN Nigeria Communications Plc

Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019



MTN Nigeria Communications Plc

Condensed consolidated financial statements

For the six months ended 30 June 2019

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MTN Nigeria Communications Plc

Financial Highlights

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 N'000	For the six months ended 30 June 2018 N'000	% Change
Revenue		566,946,039	505,667,542	12.12
Operating profit		190,403,165	136,501,013	39.49
Profit before tax		141,797,382	108,354,920	30.86
Profit for the period		98,930,958	73,395,387	34.79
Share capital		407,090	646,510	(37.03)
Total equity		101,302,326	219,352,315	(53.82)
Basic/ diluted earnings per share (N)*	30	4.86	3.61	34.63
Net assets per share (N)*		4.98	10.78	(53.82)
Market price per share as at period end		129.05	-	100.00
Market capitalisation as at period end		2,626,749,903	-	100.00
Number of shares issued and fully paid as at period end*	30	20,354,513	20,354,513	-

* The comparative 2018 figures have been restated to reflect the changes in number of shares.

MTN Nigeria Communications Plc

Condensed consolidated statement of profit or loss

For the six months ended 30 June 2019

	Notes	Group		Company	
		For the six months ended 30 June 2019 N'000	For the six months ended 30 June 2018 N'000	For the six months ended 30 June 2019 N'000	For the six months ended 30 June 2018 N'000
Revenue	7	566,946,039	505,667,542	565,808,584	504,622,956
Other income		48,062	45,432	48,062	45,432
Direct network operating costs	11	(117,877,009)	(149,443,206)	(118,106,324)	(149,308,673)
Value added services costs		(5,997,237)	(10,286,929)	(5,966,389)	(10,276,959)
Cost of handsets and other accessories		(5,386,940)	(3,561,616)	(5,386,791)	(3,561,616)
Interconnect costs		(52,358,155)	(46,769,707)	(52,342,210)	(46,765,910)
Roaming costs		(1,732,210)	(2,540,789)	(1,721,645)	(2,536,120)
Transmission costs		(2,821,669)	(2,736,912)	(2,821,669)	(2,736,912)
Employee benefits	9	(14,979,586)	(12,420,885)	(14,979,586)	(12,420,885)
Discounts and commissions		(27,449,450)	(25,023,121)	(27,440,891)	(25,023,121)
Advertisements, sponsorships and sales promotions		(8,514,390)	(7,953,600)	(8,512,387)	(8,003,600)
Reversal of Impairment/(impairment) of property, plant and equipment	13	3,008,348	(758,926)	3,008,348	(758,926)
Impairment losses on contract with customers		-	-	-	-
Other operating expenses	10	(28,017,254)	(26,346,392)	(27,562,648)	(26,228,537)
Regulatory fine	24.1		-		
Depreciation	13	(72,610,738)	(68,341,298)	(72,610,738)	(68,341,298)
Depreciation on right of use assets	14	(27,377,827)	-	(27,377,827)	-
Amortisation of intangible assets	15	(14,476,819)	(13,028,580)	(11,799,883)	(10,351,921)
Operating profit		190,403,165	136,501,013	192,236,006	138,353,910
Finance income	8	10,484,838	12,366,468	10,484,840	12,366,100
Finance costs	8	(59,090,621)	(40,512,561)	(59,090,621)	(40,023,744)
Profit before tax		141,797,382	108,354,920	143,630,225	110,696,266
Income tax expense	12	(42,866,424)	(34,959,533)	(43,388,571)	(35,542,636)
Profit for the year		98,930,958	73,395,387	100,241,654	75,153,630
Earnings per share - basic/diluted	30	N4.86	N3.61	N4.92	N3.69

The accompanying notes on pages 7 to 34 are an integral part of these condensed consolidated financial statements.

MTN Nigeria Communications Plc

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2019

	Group		Company	
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	N'000	N'000	N'000	N'000
Profit for the period	98,930,958	73,395,387	100,241,654	75,153,630
<i>Items that may be reclassified to profit or loss</i>				
Net fair value loss on financial assets held at FVOCI	(26,649)	(155,340)	(26,650)	(155,340)
Total comprehensive income for the period	98,904,309	73,240,047	100,215,004	74,998,290
Attributable to:				
Owners of the parent	98,904,309	73,240,047	100,215,004	74,998,290
	98,904,309	73,240,047	100,215,004	74,998,290

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

The accompanying notes on pages 7 to 34 are an integral part of these condensed consolidated financial statements.

MTN Nigeria Communications Plc

Condensed consolidated statement of financial position

As at 30 June 2019

	Notes	Group		Company	
		30 June 2019 N'000	31 December 2018 N'000	30 June 2019 N'000	31 December 2018 N'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	628,061,390	607,023,544	628,000,710	606,962,868
Intangible assets	15	113,658,107	119,368,123	74,069,570	77,107,651
Right of use assets	14	495,510,300	-	495,510,300	-
Investment in subsidiaries	16	-	-	43,828,000	43,828,000
Other non current assets	17	17,586,866	19,493,033	17,586,866	19,493,033
		1,254,816,663	745,884,700	1,258,995,446	747,391,552
Current assets					
Inventories	19	1,166,278	1,538,766	1,173,006	1,545,496
Trade and other receivables	20	50,859,383	38,617,125	50,690,505	38,485,289
Current investments	18	100,324,544	65,468,259	100,324,544	65,468,259
Derivatives		5,765	-	5,765	-
Restricted cash	21	26,460,418	37,219,023	26,410,419	37,169,023
Cash and cash equivalents		46,724,035	53,011,748	46,594,336	52,806,185
		225,540,423	195,854,921	225,198,575	195,474,252
Total assets		1,480,357,086	941,739,621	1,484,194,021	942,865,804
EQUITY					
Share capital	29	407,090	646,510	407,090	646,510
Share premium	29	17,216,293	64,498,466	17,216,293	64,498,466
Retained profit		83,406,805	154,201,270	98,096,091	167,579,860
Other reserves		272,138	6,069	272,139	6,069
		101,302,326	219,352,315	115,991,613	232,730,905
LIABILITIES					
Non-current liabilities					
Borrowings	22	227,467,115	31,438,349	227,467,115	31,438,349
Lease liabilities	26	469,346,424	-	469,346,424	-
Deferred tax and other non-current liabilities	25	113,982,566	110,000,896	105,662,613	100,926,273
		810,796,105	141,439,245	802,476,152	132,364,622
Current liabilities					
Trade and other payables	23	328,435,225	213,715,210	324,093,740	211,055,001
Current tax liabilities	27	70,670,957	54,131,436	70,273,683	53,667,534
Borrowings	22	67,644,803	143,875,889	67,644,803	143,875,889
Lease liabilities	26	29,541,021	-	29,541,021	-
Other current liabilities	24	71,966,649	169,225,526	74,173,009	169,171,853
		568,258,655	580,948,061	565,726,256	577,770,277
Total liabilities		1,379,054,760	722,387,306	1,368,202,408	710,134,899
Total equity and liabilities		1,480,357,086	941,739,621	1,484,194,021	942,865,804

The accompanying notes on pages 7 to 34 are an integral part of these condensed consolidated financial statements.

The condensed financial statements were approved by the Board of Directors on the 24th of July 2019 and signed on behalf of the Board of Directors by:

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

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

MTN Nigeria Communications Plc

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2019

Group	Attributable to owners of the parent					Total Equity N'000
	Share capital N'000	Share premium N'000	Total share capital N'000	Other reserves N'000	Retained profit N'000	
Balance at 1 January 2018	646,510	64,498,466	65,144,976	496,644	47,127,950	112,769,570
Profit for the six months period	-	-	-	-	73,395,387	73,395,387
Other comprehensive income	-	-	-	(155,340)	-	(155,340)
Dividends paid	-	-	-	-	(38,612,581)	(38,612,581)
Balance at 30 June 2018	646,510	64,498,466	65,144,976	341,304	81,910,756	147,397,036
Balance at 1 January 2019	646,510	64,498,466	65,144,976	6,069	154,201,270	219,352,315
Profit for the six months period	-	-	-	-	98,930,958	98,930,958
Redemption of preference shares	(239,420)	(47,282,173)	(47,521,593)	-	(96,725,423)	(144,247,016)
Transfer to Capital redemption reserve fund (CRRF)	-	-	-	239,420	-	239,420
Other comprehensive income	-	-	-	26,649	-	26,649
Dividends paid	-	-	-	-	(73,000,000)	(73,000,000)
Balance at 30 June 2019	407,090	17,216,293	17,623,383	272,138	83,406,805	101,302,326
Company						
Balance at 1 January 2018	646,510	64,498,466	65,144,976	496,644	57,561,887	123,203,507
Profit for the six months period	-	-	-	-	75,153,630	75,153,630
Other comprehensive income	-	-	-	155,340	-	155,340
Dividends paid	-	-	-	-	(38,612,581)	(38,612,581)
Balance at 30 June 2018	646,510	64,498,466	65,144,976	651,984	94,102,936	159,899,896
Balance at 1 January 2019	646,510	64,498,466	65,144,976	6,069	167,579,860	232,730,905
Profit for the six months period	-	-	-	-	100,241,654	100,241,654
Redemption of preference shares	(239,420)	(47,282,173)	(47,521,593)	-	(96,725,423)	(144,247,016)
Transfer to Capital redemption reserve fund (CRRF)	-	-	-	239,420	-	239,420
Other comprehensive income	-	-	-	26,650	-	26,650
Dividends paid	-	-	-	-	(73,000,000)	(73,000,000)
Balance at 30 June 2019	407,090	17,216,293	17,623,383	272,139	98,096,091	115,991,613

There was no impact of the adoption of IFRS 16 on retained earnings.

The accompanying notes on pages 7 to 34 are an integral part of these condensed consolidated financial statements.

The Directors declared interim dividends of N60 billion for the period ended June 2019 (year ended 31 December 2018: N73 billion fully paid).

MTN Nigeria Communications Plc

Condensed consolidated statement of cash flows

For the six months ended 30 June 2019

	Notes	Group		Company	
		For the six months ended 30 June 2019 N'000	For the six months ended 30 June 2018 N'000	For the six months ended 30 June 2019 N'000	For the six months ended 30 June 2018 N'000
Cash flows from operating activities:					
Cash generated from operations	28	267,120,524	194,376,754	275,180,360	203,668,926
Increase in share based payments		-	(775)	-	(775)
Interest received		10,328,590	14,183,461	10,484,840	14,362,997
Interest paid		(49,083,908)	(20,608,079)	(59,090,621)	(20,901,385)
Dividends paid		(73,000,000)	(38,612,581)	(73,000,000)	(38,612,581)
Regulatory fine paid		(110,000,000)	(55,000,000)	(110,000,000)	(55,000,000)
Tax paid	27	(19,726,573)	(11,980,520)	(19,427,421)	(20,955,224)
Net cash generated from operating activities		25,638,633	82,358,260	24,147,158	82,561,957
Cash flows from investing activities:					
Acquisition of property, plant and equipment		(98,808,727)	(104,109,441)	(98,808,727)	(104,109,441)
Movement in contract acquisition cost		(1,974,130)	(1,320,974)	(1,974,130)	(1,320,974)
Proceeds from disposal of property, plant and equipment		408,828	328,684	408,828	328,684
Movement in non-current prepayments		(3,137,606)	-	(3,137,606)	-
Acquisition of intangible assets		(2,783,612)	(2,298,427)	(2,783,612)	(2,298,427)
Disposal of/ (investment) in bonds, treasury bills and foreign deposits		(36,450,275)	(52,236,974)	(34,882,935)	(52,236,974)
(Increase)/decrease in restricted cash		10,758,605	(7,214,626)	10,758,604	(7,214,626)
Net cash used in investing activities		(131,986,917)	(166,851,758)	(130,419,578)	(166,851,758)
Cash flows from financing activities:					
Proceeds from borrowings		201,864,436	105,546,176	201,864,436	105,546,176
Repayment of borrowings		(81,903,741)	(52,298,404)	(81,903,741)	(52,298,404)
Obligations under leases		(19,907,913)	-	(19,907,913)	-
Net cash generated from financing activities		100,052,782	53,247,772	100,052,782	53,247,772
Net decrease in cash and cash equivalents					
		(6,295,502)	(31,245,726)	(6,219,638)	(31,042,029)
Cash and cash equivalents at beginning of the period		53,011,748	89,564,964	52,806,185	89,027,405
Exchange gain on cash and cash equivalents		7,789	1,275,303	7,789	1,275,303
Cash and cash equivalents at end of the period		46,724,035	59,594,541	46,594,336	59,260,679

The accompanying notes on pages 7 to 34 are an integral part of these condensed consolidated financial statements.

MTN Nigeria Communications Plc

Notes to the condensed consolidated financial statements

For six months ended 30 June 2019

1 General information

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

On 18th April 2019, MTN Nigeria Communications Limited re-registered as a public limited company, MTN Nigeria Communications Plc. MTN Nigeria Plc was listed by introduction on the Premium Board of the Nigerian Stock Exchange on the 16th of May 2019.

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

2 Basis of preparation

These condensed consolidated and company interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial statement. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 31 December 2018 which has been prepared in accordance with International Financial Reporting Standards (IFRS).

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

3 New accounting standards

3.1 New standards, interpretations and amendments adopted by the Group

The Group has adopted IFRS 16 Leases from 1 January 2019.

IFRS 16: Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the Group recognised depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognises operating lease expense for these leases. Cash generated from operations increased as lease costs are no longer included in this category; interest paid increased, as it includes the interest portion of the lease liability payments and the capital portion of lease liability repayments is included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

The Group adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 January 2019.

The Group's leasing activities and significant accounting policies

The Group's leases include network infrastructure, land, properties, motor vehicles and office equipment. Lease contracts are typically made for fixed periods varying between three to eleven years but may have renewal periods as described below.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Notes to the condensed consolidated financial statements

For six months ended 30 June 2019

3 New accounting standards (continued)

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

From 1 January 2019, the Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment) and for short-term leases, i.e. leases that at commencement date, have lease terms of twelve (12) months or less. The Group defines low-value leases as leases of assets for which the value of the underlying asset when it is new is US\$5,000 (N1.8 million). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
	N'000	N'000
Network infrastructure	486,016,426	505,583,125
Property leases	3,451,504	1,189,730
Base station leases	5,636,592	6,091,470
Motor vehicles	57,376	-
Office equipment	348,402	417,388
Total right-of-use assets	495,510,300	513,281,713

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 Group's incremental borrowing rate. This is the rate that the Group 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.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. 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.

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Notes to the condensed consolidated financial statements

For six months ended 30 June 2019

3 New accounting standards (continued)

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

Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle of three to five years and past history of terminating/not renewing leases.

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

Lease and non-lease components

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

3.2 Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate, for the remaining lease terms, as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients as permitted by the standard, when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounted for leases with a remaining lease term of less than twelve (12) months as at 1 January 2019 as short-term leases;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

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Notes to the condensed consolidated financial statements

For six months ended 30 June 2019

4 Impact on financial statements

Impact on transition

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 January 2019
	N'000
Right-of-use assets* (Note 14)	513,281,713
Total	<u>513,281,713</u>
Lease liabilities - non-current	26,835,610
Lease liabilities - current	479,164,904
Total lease liabilities	<u>506,000,514</u>

* Right-of-use assets includes N7.2 billion reclassified from prepayments

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 18.82% for Naira denominated liabilities and 10.49% for US Dollar denominated liabilities. A reconciliation of the operating lease commitments disclosed as at 31 December 2018, discounted using the incremental borrowing rate to the lease liability recognised on 1 January 2019 is disclosed below:

	N'000
Operating lease commitments disclosed at 31 December 2018	2,638,323,804
Discounted using the incremental borrowing rate at 1 January 2019	<u>1,406,196,847</u>
Add: finance lease liabilities recognised as at 31 December 2018	-
(Less): recognition exemption for:	
Short-term leases	-
Low-value leases	-
(Less): non-lease components	(895,480,379)
Add/(less): extension and termination options reasonably certain to be exercised	24,392,428
Add/(less): variable lease payments based on an index or rate	(29,108,382)
Add/(less): residual value guarantees	-
(Less): transition exemption for:	
Leases ending within 12 months of date of initial application	-
Lease liabilities recognised at 1 January 2019	<u>506,000,514</u>
Current lease liabilities	26,835,610
Non-current lease liabilities	479,164,904
	<u>506,000,514</u>

4.1 Impact on the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised N495.5 billion of right-of-use assets and N498.9 billion of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense of N51.8 billion that would have been recognised under IAS 17. During the six months ended 30 June 2019, the Group recognised N27.4 billion of depreciation charges and N33.5 billion of interest costs from these leases.

Due to the impact of the reducing finance charges over the life of the lease, the impact of adopting IFRS 16 is initially dilutive, before being accretive in later periods.

Cash from operating activities includes interest paid on lease liabilities of N29.9 billion and cash used in financing activities includes N19.9 billion for the capital portion of lease liability repayments.

Notes to the condensed consolidated financial statements

For the six months ended 30 June 2019

5 Summary of new accounting policies

5.1 Leases

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below \$5,000 or N1.8 million). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of network infrastructure and office equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., two to five years) and there will be a significant negative effect on production if a replacement is not readily available.

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5.2 Segment reporting

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

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6 Segment information

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

Consumer Business Unit (CBU)

Enterprise Business Unit (EBU)

Wholesale Business Unit (WBU)

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

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

A key performance measure of the Group is gross margin. This is defined as revenue less direct costs.

The table below presents revenue, direct costs and gross margin for the Group's operating segments for the half year ended 30 June 2019 and 30 June 2018 respectively.

Information about reportable segments

	CBU N'000	EBU N'000	WBU N'000	TOTAL N'000
30 June 2019				
Segment revenue	477,478,266	69,888,382	19,579,391	566,946,039
Direct costs	100,023,303	6,181,987	489,485	106,694,775
Gross margin	377,454,963	63,706,395	19,089,906	460,251,264
30 June 2018				
Segment revenue	438,290,685	53,602,162	13,774,695	505,667,542
Direct costs	92,665,349	5,761,873	344,368	98,771,590
Gross margin	345,625,336	47,840,289	13,430,327	406,895,952

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6 Segment information (continued)

Reconciliation of reportable segment revenue and profit or loss

Revenues

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

Profit or loss

	For six months ended 30 June 2019 N'000	For six months ended 30 June 2018 N'000
Segment gross margin	460,251,264	406,895,952
Unallocated items:		
- Operating expenses	(155,382,715)	(189,025,061)
- Depreciation & amortisation	(114,465,384)	(81,369,878)
- Finance income	10,484,838	12,366,468
- Finance expense	(59,090,621)	(40,512,561)
Profit before taxation	<u>141,797,382</u>	<u>108,354,920</u>

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	Group		Company	
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	N '000	N '000	N '000	N '000
7. Revenue				
Airtime and subscription	359,033,758	327,203,329	358,265,183	326,382,487
Data	103,321,974	79,471,948	102,993,662	79,296,235
SMS	7,058,642	6,938,834	7,058,642	6,938,834
Interconnect and roaming	62,056,127	50,998,415	62,046,306	50,991,169
Handset and accessories	533,438	122,458	533,438	122,458
Digital	16,988,920	23,566,662	16,988,920	23,566,662
Value added service	16,436,536	14,750,484	16,428,454	14,716,923
Other revenues	1,516,644	2,615,412	1,493,979	2,608,188
	566,946,039	505,667,542	565,808,584	504,622,956
Other revenues include SIM kits connection fees, Information and Communications Technology (ICT) services and Mobile Financial Services (MFS).				
8. Finance income and finance costs				
Recognised in profit or loss				
Finance income				
Interest income on bank deposits	3,502,836	5,197,549	3,502,838	5,197,181
Net gain on amortised cost investments	4,998,757	4,410,744	4,998,757	4,410,744
Net gain on FVTPL investments	269,803	1,370,919	269,803	1,370,919
Net gain on FVOCI investments	109,994	888,689	109,994	888,689
Interest income on related parties receivables	9,413	9,750	9,413	9,750
Foreign exchange gain	1,594,035	488,817	1,594,035	488,817
	10,484,838	12,366,468	10,484,840	12,366,100
Finance costs				
Interest expense - borrowings	18,835,626	20,784,444	18,835,626	20,784,444
Interest expense - leases	33,459,646	-	33,459,646	-
Interest expense - others	1,379,838	2,213,103	1,379,838	2,213,103
Time value accretion on regulatory fine	4,872,217	11,658,447	4,872,217	11,658,447
Currency swap loss	2,402	113,402	2,402	113,402
Foreign exchange loss	540,892	5,743,165	540,892	5,254,348
	59,090,621	40,512,561	59,090,621	40,023,744
9. Employee benefits				
Salaries and wages	12,970,545	10,324,473	12,970,545	10,324,473
Post employment benefits	813,592	769,709	813,592	769,709
Other staff costs	1,195,449	1,326,703	1,195,449	1,326,703
	14,979,586	12,420,885	14,979,586	12,420,885

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

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10 Other operating expenses	Group		Company	
	For the six months ended 30 June 2019 N '000	For the six months ended 30 June 2018 N '000	For the six months ended 30 June 2019 N '000	For the six months ended 30 June 2018 N '000
Profit on disposal of property, plant and equipment	(93,087)	(236,085)	(93,087)	(236,129)
Loss on disposal of assets held for sale	-	7,169	-	7,169
Bad debts written off	9,338,795	7,746,898	9,338,795	7,746,898
Fixed assets written off	2,992,220	-	2,992,220	44
Reversal of impairment of other receivables	(8,733,799)	(9,467,913)	(8,924,905)	(9,385,165)
Information Technology Development Levy and MTN Foundation	2,438,285	1,842,927	2,438,285	1,842,927
Insurance cost	735,046	812,684	735,046	812,684
Professional fees	11,132,907	12,555,861	10,890,759	12,382,544
Maintenance cost	6,333,415	7,012,572	6,334,197	7,012,572
Rent, rates, utilities and other office running cost	1,507,803	3,945,514	1,489,112	3,929,020
Trainings, travels and entertainment cost	1,218,867	1,085,672	1,218,539	1,085,472
Audit fees	142,001	133,500	142,001	126,000
Other expenses	1,004,801	907,593	1,001,686	904,501
	28,017,254	26,346,392	27,562,648	26,228,537

Other expenses include bank charges, subscriptions, office refreshments and security costs.

11 Direct network operating costs

Regulatory fees	14,520,120	13,096,810	14,520,120	13,057,450
Annual numbering plan	563,202	582,016	488,513	488,513
BTS leases	79,740,089	113,054,698	79,740,129	113,053,028
Network maintenance	23,053,598	22,709,682	23,357,562	22,709,682
	117,877,009	149,443,206	118,106,324	149,308,673

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12	Income tax expense	Group		Company	
		For the six months ended	For the six months ended	For the six months ended	For the six months ended
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
	N '000	N '000	N '000	N '000	
	Analysis of tax expense for the period				
	Current tax				
	Company income tax	35,106,499	35,219,694	34,873,975	35,058,847
	Education tax	4,255,233	3,955,309	4,255,233	3,944,626
	Capital gains tax	-	38	-	-
		<u>39,361,732</u>	<u>39,175,041</u>	<u>39,129,208</u>	<u>39,003,473</u>
	Deferred tax				
	Deferred tax credit	3,504,692	(3,445,832)	4,259,363	(3,460,837)
	Prior year over provision - deferred tax	-	(769,676)	-	-
	Tax expense for the period	<u>42,866,424</u>	<u>34,959,533</u>	<u>43,388,571</u>	<u>35,542,636</u>

12.1 Tax rate reconciliation

The table below explains the differences between the expected tax expense on continuing operations, at the Nigerian statutory tax rate of 30% (2017: 30%) and the Group's total tax expense for each period.

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

Profit before tax	141,797,382	108,354,920	143,630,225	110,696,266
Taxation	(42,866,424)	(34,959,533)	(43,388,571)	(35,542,636)
Actual tax rate	30.23%	32.26%	30.21%	32.11%
	%	%	%	%
Tax at standard rate	30.00	30.00	30.00	30.00
Expenses not allowed	0.39	2.86	0.39	2.80
Prior year over provision - deferred tax	(0.20)	(0.71)	(0.20)	(0.70)
Investment allowance	(2.01)	(2.14)	(1.99)	(2.10)
Exempt income	(1.05)	(1.22)	(1.04)	(1.20)
Education tax	3.18	3.51	3.05	3.31
Capital gains tax	-	(0.04)	-	-
	<u>30.32</u>	<u>32.26</u>	<u>30.21</u>	<u>32.11</u>

The prior year minimum tax relates to the operations of Visafone Communications Limited and XS Broadband Limited.

The Companies within the Group are regarded as tax resident in Nigeria in line with the provisions of the Companies Income Tax Act and as such taxable in Nigeria.

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13 Property, plant and equipment - Total Group

	Land and buildings	Leasehold improvements	Network infrastructure	Information systems, furniture and office equipment	Capital work-in-progress	Motor vehicles	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 31 December 2018							
Cost	30,106,833	20,519,534	1,044,144,137	38,120,809	69,461,417	5,975,096	1,208,327,826
Accumulated depreciation and impairment	(18,492,073)	(6,110,911)	(550,526,181)	(22,690,812)	-	(3,484,305)	(601,304,282)
Net book value	11,614,760	14,408,623	493,617,956	15,429,997	69,461,417	2,490,791	607,023,544
Cost							
Balance at 1 January 2019	30,106,833	20,519,534	1,044,144,137	38,120,809	69,461,417	5,975,096	1,208,327,826
Additions	65,304	116,380	20,861,986	494,958	74,606,495	3,871	96,148,994
Reallocation	329,411	26,671	72,575,166	3,313,281	(77,846,198)	-	(1,601,669)
Reclassifications	-	-	-	-	(545,216)	(3,871)	(549,087)
Write-offs	-	-	(3,041,030)	-	-	-	(3,041,030)
Disposals	-	-	(23,695,268)	(3,543,053)	-	(2,555)	(27,240,876)
Balance at 30 June 2019	30,501,548	20,662,585	1,110,844,991	38,385,995	65,676,498	5,972,541	1,272,044,158
Balance at 1 January 2019	(18,492,073)	(6,110,911)	(550,526,181)	(22,690,812)	-	(3,484,305)	(601,304,282)
Depreciation for the period	(655,027)	(242,326)	(66,762,433)	(4,679,455)	-	(271,497)	(72,610,738)
Impairment reversal	-	-	3,008,348	-	-	-	3,008,348
Disposals	-	-	23,397,308	3,524,169	-	2,427	26,923,904
Balance at 30 June 2019	(19,147,100)	(6,353,237)	(590,882,958)	(23,846,098)	-	(3,753,375)	(643,982,768)
At 31 December 2018	11,614,760	14,408,623	493,617,956	15,429,998	69,461,417	2,490,791	607,023,544
At 30 June 2019	11,354,448	14,309,348	519,962,033	14,539,897	65,676,498	2,219,166	628,061,390

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

Included in land and building category is land of N5.37 billion not depreciated.

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

Write off relates to obsolete network infrastructure fully impaired.

Impairment reversal relates to obsolete network infrastructure previously impaired and now written off.

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13 Property, plant and equipment - Total

Company	Land and buildings	Leasehold improvements	Network infrastructure	Information systems, furniture and office equipment	Capital work-in-progress	Motor vehicles	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 31 December 2018							
Cost	30,103,884	20,519,534	1,043,763,617	38,098,244	69,461,417	5,964,352	1,207,911,048
Accumulated depreciation and impairment	(18,492,073)	(6,110,911)	(550,200,339)	(22,671,296)	-	(3,473,561)	(600,948,180)
Net book value	11,611,811	14,408,623	493,563,278	15,426,948	69,461,417	2,490,791	606,962,868
Cost							
Balance at 1 January 2019	30,103,884	20,519,534	1,043,763,617	38,098,244	69,461,417	5,964,352	1,207,911,048
Additions	65,304	116,380	20,861,986	494,958	74,606,495	3,871	96,148,994
Reallocation	329,411	26,671	72,575,166	3,313,281	(77,846,203)	-	(1,601,674)
Reclassifications	-	-	-	-	(545,216)	(3,871)	(549,087)
Write-offs	-	-	(3,041,030)	-	-	-	(3,041,030)
Disposals	-	-	(23,695,268)	(3,543,053)	-	(2,555)	(27,240,876)
Balance at 30 June 2019	30,498,599	20,662,585	1,110,464,471	38,363,430	65,676,493	5,961,797	1,271,627,375
Balance at 1 January 2019	(18,492,073)	(6,110,911)	(550,200,339)	(22,671,296)	-	(3,473,561)	(600,948,180)
Depreciation for the period	(655,027)	(242,326)	(66,762,433)	(4,679,455)	-	(271,497)	(72,610,738)
Impairment reversal	-	-	3,008,348	-	-	-	3,008,348
Disposals	-	-	23,397,309	3,524,169	-	2,427	26,923,905
Balance at 30 June 2019	(19,147,100)	(6,353,237)	(590,557,115)	(23,826,582)	-	(3,742,631)	(643,626,665)
Carrying amounts							
At 31 December 2018	11,611,811	14,408,623	493,563,278	15,426,948	69,461,417	2,490,791	606,962,868
At 30 June 2019	11,351,499	14,309,348	519,907,356	14,536,848	65,676,493	2,219,166	628,000,710

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

Included in land and building category is land of N5.37 billion not depreciated.

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

Write off relates to obsolete network infrastructure fully impaired.

Impairment reversal relates to obsolete network infrastructure previously impaired and now written off.

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14 Right of use assets

	Network infrastructure	Base station land	Property leases	Office equipment	Motor vehicles	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cost						
Balance at 1 January 2019	-	-	-	-	-	-
Opening balance adjustment - 1 January 2019	505,583,125	6,091,470	1,189,730	417,388	-	513,281,713
Additions	6,057,142	705,020	2,780,204	-	64,048	9,606,414
Reclassifications	-	-	-	-	-	-
Balance at 30 June 2019	511,640,267	6,796,490	3,969,934	417,388	64,048	522,888,127
Balance at 1 January 2019						
Balance at 1 January 2019	-	-	-	-	-	-
Depreciation for the period	(25,623,841)	(1,159,898)	(518,430)	(68,986)	(6,672)	(27,377,827)
Balance at 30 June 2019	(25,623,841)	(1,159,898)	(518,430)	(68,986)	(6,672)	(27,377,827)
Carrying amounts						
At 1 January 2019	505,583,125	6,091,470	1,189,730	417,388	-	513,281,713
At 30 June 2019	486,016,426	5,636,592	3,451,504	348,402	57,376	495,510,300

Opening balance adjustments relate to the adoption of IFRS 16 on 1 January 2019.

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15 Intangible assets

Group	Goodwill N '000	Licences N '000	Software N '000	Total N '000
Balance at 31 December 2018				
Cost	10,016,039	178,187,354	51,352,952	239,556,345
Accumulated amortisation and impairment	-	(93,631,803)	(26,556,419)	(120,188,222)
Net book value	10,016,039	84,555,551	24,796,533	119,368,123
Cost				
Balance at 1 January 2019	10,016,039	178,187,354	51,352,952	239,556,345
Additions	-	6,170,577	994,552	7,165,129
Reallocation	-	-	1,601,674	1,601,674
Disposals	-	-	(9,340,321)	(9,340,321)
Balance at 30 June 2019	10,016,039	184,357,931	44,608,857	238,982,827
Balance at 1 January 2019	-	(93,631,803)	(26,556,419)	(120,188,222)
Amortisation for the period	-	(7,693,839)	(6,782,980)	(14,476,819)
Disposals	-	-	9,340,321	9,340,321
Balance at 30 June 2019	-	(101,325,642)	(23,999,078)	(125,324,720)
Carrying amounts				
At 31 December 2018	10,016,039	84,555,551	24,796,533	119,368,123
At 30 June 2019	10,016,039	83,032,289	20,609,779	113,658,107
Company				
Balance at 31 December 2018				
Cost	-	129,431,276	51,352,952	180,784,228
Accumulated amortisation and impairment	-	(77,120,158)	(26,556,419)	(103,676,577)
Net book value	-	52,311,118	24,796,533	77,107,651
Cost				
Balance at 1 January 2019	-	129,431,276	51,352,952	180,784,228
Additions	-	6,165,576	994,552	7,160,128
Reallocation	-	-	1,601,674	1,601,674
Disposals	-	-	(9,340,321)	(9,340,321)
Balance at 30 June 2019	-	135,596,852	44,608,857	180,205,709
Accumulated amortisation and impairment				
Balance at 1 January 2018	-	(77,120,158)	(26,556,419)	(103,676,577)
Amortisation for the year	-	(5,016,903)	(6,782,980)	(11,799,883)
Disposals	-	-	9,340,321	9,340,321
Balance at 30 June 2019	-	(82,137,061)	(23,999,078)	(106,136,139)
Carrying amounts				
At 31 December 2018	-	52,311,118	24,796,533	77,107,651
At 30 June 2019	-	53,459,791	20,609,779	74,069,570

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

Goodwill relates to the acquisition of Visafone Communications Limited on 31 December 2015.

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16 Investment in subsidiaries	Group		Company	
	30 June 2019 N'000	31 December 2018 N'000	30 June 2019 N'000	31 December 2018 N'000
Visafone Communications Limited	-	-	43,778,000	43,778,000
XS Broadband Limited	-	-	500,000	500,000
Yello Digital Financial Services Limited	-	-	50,000	50,000
Total investment	-	-	44,328,000	44,328,000
Impairment in investment	-	-	(500,000)	(500,000)
	-	-	43,828,000	43,828,000
17 Other non current assets				
Contract acquisition cost	4,435,088	3,766,048	4,435,088	3,766,048
Non-current prepayments	13,151,778	15,726,985	13,151,778	15,726,985
	17,586,866	19,493,033	17,586,866	19,493,033
18 Current investments				
US Dollar deposits held at amortised cost	8,292,880	7,651,077	8,292,880	7,651,077
Treasury bills held at amortised cost	75,634,853	56,080,918	75,634,853	56,080,918
Treasury bills held at FVOCI	4,306,643	434,066	4,306,643	434,066
Treasury bills held at FVTPL	10,081,125	1,302,198	10,081,125	1,302,198
Treasury bonds held at FVTPL	2,009,043	-	2,009,043	-
	100,324,544	65,468,259	100,324,544	65,468,259
19 Inventories				
Handsets and accessories	721,389	1,472,329	721,389	1,479,059
Starter packs	969,459	1,600,467	976,187	1,600,467
	1,690,848	3,072,796	1,697,576	3,079,526
Inventory write-down	(524,570)	(1,534,030)	(524,570)	(1,534,030)
	1,166,278	1,538,766	1,173,006	1,545,496
There was an inventory write down reversal of N1 billion recognised in the cost of handsets and accessories in the statement of profit and loss.				
20 Trade and other receivables				
Trade receivables	38,790,392	32,790,123	37,929,867	32,110,907
Trade receivables - related parties	1,338,627	6,821,267	1,349,195	6,821,267
Allowance for expected credit losses	(6,604,941)	(15,338,738)	(5,836,838)	(14,761,742)
Net trade receivables	33,524,078	24,272,652	33,442,224	24,170,432
Sundry receivables and advances	193,539	268,265	193,562	268,288
Other receivables	10,783,847	4,721,131	10,773,624	4,692,691
Non-financial instruments				
Prepayments	19,509,697	25,082,062	19,432,873	25,080,863
Less: non current prepayments	(13,151,778)	(15,726,985)	(13,151,778)	(15,726,985)
Trade and other receivables - current	50,859,383	38,617,125	50,690,505	38,485,289
21 Restricted cash				
Restricted cash deposits	26,460,418	37,219,023	26,410,419	37,169,023

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

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22 Borrowings	Group		Company	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
The maturity of the loans is as follows:	N'000	N'000	N'000	N'000
Payable within one year (included in current liabilities)	67,644,803	143,875,889	67,644,803	143,875,889
More than one year but not exceeding two years	46,386,035	12,762,693	46,386,035	12,762,693
More than two years but not exceeding five years	126,938,646	18,675,656	126,938,646	18,675,656
More than five years	54,142,434	-	54,142,434	-
Amounts included in non-current liabilities	227,467,115	31,438,349	227,467,115	31,438,349

22.2 Summary of borrowing arrangements

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

Facility	Type	Outstanding balance as at 30 June 2019
Local facility D (Existing)	N329.25 billion local currency term loan maturing November 2019, variable interest loan, linked to average 3-Month NIBOR plus a margin of 1%.	N43.1 billion
Local facility M (New)	N200 billion local currency term loan maturing in 2025, variable interest loan, linked to average 3-Month NIBOR plus a margin of 1.75%.	N200 billion
Foreign facility F	USD 300 million Export Credit Agency Backed Facility from KfW-IPEX Bank, variable interest loan facilities linked to the 6-Month LIBOR plus a 1.05% margin.	USD 21 million
Foreign facility G	USD 300 million Chinese Banks' Syndicated Buyers Credit Facility with interest rate is linked to the 6-Month LIBOR plus a margin of 3.04%.	USD 17 million
Foreign facility H	USD 329 million Export Credit Agency backed Facility from KfW-IPEX Bank and Citibank. Tranche H1 and H3 are variable interest loan facilities linked to the 6-Month LIBOR plus a 1.15% margin, while H2 is a fixed interest rate loan at 2.18% p.a.	USD 51.3 million
Foreign facility J	Syndicated Buyer's Credit Facility with floating interest rate facilities at LIBOR plus a margin of 5.5%.	USD 65.5 million

23 Trade and other payables	Group		Company	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	N'000	N'000	N'000	N'000
Trade payables	27,622,879	18,607,910	27,295,492	17,698,675
Trade payables - related parties	21,707,128	39,652,033	20,678,833	39,652,033
Sundry payables	2,042,855	1,229,176	1,934,828	1,121,150
Accrued expenses	121,375,057	140,869,024	120,873,153	139,927,596
Other payables	155,687,306	13,357,067	153,311,434	12,655,547
	328,435,225	213,715,210	324,093,740	211,055,001

Included in other payables is N144 billion payable for the redemption of preference shares.

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24 Other current liabilities

	Group		Company	
	30 June 2019 N'000	31 December 2018 N'000	30 June 2019 N'000	31 December 2018 N'000
24.1 Regulatory fine liability				
Opening balance 1 January	105,127,783	192,775,764	105,127,783	192,775,764
Time value accretion (note 8)	4,872,217	22,352,019	4,872,217	22,352,019
Payment	(110,000,000)	(110,000,000)	(110,000,000)	(110,000,000)
Closing balance	-	105,127,783	-	105,127,783
24.2 Others include:				
Contract liabilities	45,404,774	42,738,547	47,611,134	42,684,874
Provisions	26,415,156	21,359,196	26,415,156	21,359,196
Indefeasible right of use liability	146,719	-	146,719	-
Total other current liabilities	71,966,649	169,225,526	74,173,009	169,171,853

25 Deferred tax and other non-current liabilities

25.1 Deferred tax

Opening Balance	109,266,019	87,176,559	100,191,396	76,592,596
Charge to profit or loss	4,259,364	23,598,801	4,259,363	23,598,800
Prior year over provision	(754,671)	-	-	-
Arising on consolidation	-	(1,509,341)	-	-
	112,770,712	109,266,019	104,450,759	100,191,396

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

	Group		Company	
	30 June 2019 N'000	31 December 2018 N'000	30 June 2019 N'000	31 December 2018 N'000
25.2 Provisions				
At beginning of period	21,425,130	13,262,957	21,425,130	13,262,957
Additions	12,285,188	19,564,818	12,285,188	19,564,818
Unused amounts reversed	(452,958)	(2,102,884)	(452,958)	(2,102,884)
Utilised	(6,773,450)	(9,299,761)	(6,773,450)	(9,299,761)
At end of period	26,483,910	21,425,130	26,483,910	21,425,130
Current	26,415,156	21,359,196	26,415,156	21,359,196
Non-current	68,754	65,934	68,754	65,934
25.3 Other non-current liabilities				
Share based payment liability	654,791	654,791	654,791	654,791
Derivatives	-	14,152	-	14,152
Indefeasible right of use liability	488,309	-	488,309	-
	1,143,100	668,943	1,143,100	668,943
Total deferred tax and other non-current liabilities	113,982,566	110,000,896	105,662,613	100,926,273

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26 Lease liabilities

At the year end the Group had outstanding obligations under lease commitments which fall due as follows:

	Group		Company	
	30 June 2019 N'000	31 December 2018 N'000	30 June 2019 N'000	31 December 2018 N'000
As at 1 January (opening balance adjustment)	506,000,514	-	506,000,514	-
Additions	8,708,387	-	8,708,387	-
Accretion	33,459,645	-	33,459,645	-
Payments	(49,281,101)	-	(49,281,101)	-
As at 30 June	498,887,445	-	498,887,445	-
Current	29,541,021	-	29,541,021	-
Non-current	469,346,424	-	469,346,424	-
	498,887,445	-	498,887,445	-

27. Current tax liabilities

Opening balance	54,131,436	25,996,641	53,667,534	25,451,993
Provision for the period - company income tax	35,106,499	46,659,079	34,873,975	46,403,534
Provision for the period - education tax	4,255,233	6,908,057	4,255,233	6,891,950
Provision for the period - capital gains tax	-	38	-	38
Tax paid	(19,726,573)	(21,269,927)	(19,427,421)	(20,955,224)
Withholding tax credit	(3,095,638)	(3,825,060)	(3,095,638)	(3,825,060)
Reclassification	-	(337,392)	-	(299,697)
Closing balance	70,670,957	54,131,436	70,273,683	53,667,534

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	Group		Company	
	For the six months ended 30 June 2019 N'000	For the six months ended 30 June 2018 N'000	For the six months ended 30 June 2019 N'000	For the six months ended 30 June 2018 N'000
28 Cash generated from operations				
Profit before tax	141,797,382	108,354,920	143,630,225	110,696,266
<i>Adjustments for non cash items:</i>				
Finance cost (note 8)	59,090,621	40,512,561	59,090,621	40,023,744
Finance Income (note 8)	(10,484,838)	(12,366,468)	(10,484,840)	(12,420,885)
Depreciation of property, plant and equipment (note 13)	72,610,738	68,341,298	72,610,738	68,341,298
Depreciation of right of use assets (note 14)	27,377,827	-	27,377,827	-
(Reversal of impairment)\ impairment of property, plant and equipment (note 13)	(3,008,348)	758,926	(3,008,348)	758,926
Amortisation of intangible assets (note 15)	14,476,819	13,028,580	11,799,883	10,351,921
Loss on disposal of assets held for sale (note 10)	-	7,170	-	7,170
Loss on disposal of property, plant and equipment (note 10)	(93,087)	(236,085)	(93,087)	(236,129)
Fixed assets written off	2,992,220	-	2,992,220	44
Amortisation of contract acquisition cost	1,305,090	1,246,674	1,305,090	1,246,674
Reversal of bad debts written off	9,338,795	7,746,898	9,338,795	7,746,898
Reversal of Impairment of contract with customers	(8,733,799)	(11,106,181)	(8,924,905)	(9,385,165)
Write back of impairment of assets held for sale	-	(6,996)	-	(6,996)
Impairment/(reversal of impairment) of trading inventory	(1,009,460)	585,935	(1,009,460)	585,535
PPE expensed	549,087	-	549,087	1,099
Increase in provisions	11,830,230	9,717,961	11,830,230	9,717,961
	318,039,277	226,585,193	317,004,076	227,428,361
Changes in working capital:				
Decrease in inventories	1,381,948	2,636,292	1,381,950	2,639,568
(Increase)/decrease in trade and other receivables	(15,824,300)	2,034,382	(13,482,284)	(3,283,512)
Decrease in trade and other payables	(26,839,808)	(30,668,511)	(21,003,536)	(16,829,943)
Movement in indefeasible right of use liability	635,028	-	635,028	-
Decrease in provisions	(12,937,848)	(7,422,350)	(12,937,848)	(7,422,350)
Increase in contract liabilities	2,666,227	1,211,748	3,582,974	1,136,801
	(50,918,753)	(32,208,439)	(41,823,716)	(23,759,435)
Cash generated from operations	267,120,524	194,376,754	275,180,360	203,668,926

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29 Equity

29.1 Authorised:	30 June 2019 N'000	31 December 2018 N'000
500,000,000 ordinary shares of N1 each	-	500,000
4,500,000 "B" ordinary shares of N1 each	-	4,500
402,590,263 preference shares of US\$0.005c each	-	239,420
27,850,000,000 ordinary shares of N0.02 each	557,000	-
	557,000	743,920

29.2 Issued and fully paid:	30 June 2019 N '000	31 December 2018 N '000
402,590,263 ordinary shares of N1 each	-	402,590
4,500,000 (December 2017: 4,500,000) "B" ordinary shares of N 1 each	-	4,500
402,590,263 preference shares of US\$ 0.005c each	-	239,420
20,354,513,050 ordinary shares of N0.02 each	407,090	-
	407,090	646,510

29.3 Share premium

4,500,000 "B" ordinary shares of N 3,779.89 each	17,009,500	17,009,500
138,960 ordinary shares of N 1,488.15 each	206,793	206,793
402,590,263 US\$ 0.005c Preference shares of \$0.987c each	-	47,282,173
	17,216,293	64,498,466

29.4 At an Extraordinary General Meeting of the Company on 31 January 2019, an ordinary resolution was passed to sub-divide the ordinary shares of the Company from One Naira (N1.00k) each to 2 kobo each. This became effective with the listing of the Company's shares by introduction on the Nigerian Stock Exchange (NSE). The sub-division led to the increase of the nominal value of the ordinary shares from 557,000,000 to 27,850,000,000 shares.

At a General Meeting of the holders of ordinary shares on 31 January 2019, a special resolution was passed to delink the ordinary shares of the Company from the preference shares. This became effective with the listing of the Company's shares by introduction on the NSE.

Following the delinking of the ordinary shares from the preference shares, the 4,500,000 Class B ordinary shares have been renamed ordinary shares by way of a special resolution passed by the Board of Directors.

The premium and par value of the preference shares of 402,590,263 were reclassified from share capital and share premium to a redemption account as a result of the listing of MTN Nigeria's ordinary shares on the floor of the NSE. This is a precondition stated in the Company's Articles of Association. This was approved by a resolution dated 24 April 2019.

In line with the Companies and Allied Matters Act, 2011 (CAMA), a sum equal to the nominal amount of the par value of the redeemable preference shares was reclassified out of retained earnings to a Capital Redemption Reserve Fund (CRRF).

30 Earnings per share (EPS)

Earnings per share of N4.86 (June 2018: N3.61) is based on the profit for the period of N98.93 billion (June 2018: N73 billion) and on 20,354,513,050 ordinary shares in issue at the end of the period (June 2018: 407,090,263).

EPS for June 2018 was restated as a result of the sub-division of ordinary shares of N1.00 each (407,090,263 ordinary shares) to 2 kobo each (20,354,513,050 ordinary shares) in 2019.

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30 Earnings per share (EPS) continued

The Directors declared interim dividends of N60 billion for the period ended June 2019 (year ended 31 December 2018: N73 billion fully paid).

31 Related party transactions

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

Various transactions are entered into by the Company and its subsidiaries during the year with related parties. The terms of these transactions are at arm's length. Intra-group transactions are eliminated on consolidation.

Holding and ultimate holding companies

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

The following are related parties to the entity

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

	30 June 2019 N '000	31 December 2018 N '000
Parent Company: MTN International (Mauritius) Limited		
Dividends paid (excluding withholding tax):		
MTN International (Mauritius) Ltd	-	73,000,000

Other parties related to parent Company. These are subsidiaries and associates of MTN Group

		Sales to related parties N '000	Purchases from related parties N '000	Due from related parties N '000	Due to related parties N '000
Within the Company					
Visafone Nigeria	30 June 2019	351,358	-	992,695	-
	31 December 2018	764,351	-	894,149	-
XS Broadband	30 June 2019	-	-	668,101	-
	31 December 2018	-	-	668,101	-
Yellow Digital	30 June 2019	-	-	10,567	-
	31 December 2018	-	-	-	-

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31 Related party transactions (continued)		Sales to related parties	Purchases from related parties	Due from related parties	Due to related parties
		N '000	N '000	N '000	N '000
Within the Group					
MTN Afghanistan	30 June 2019	-	-	256	-
	31 December 2018	-	-	259	-
MTN Benin	30 June 2019	660,645	1,158,518	445,158	730,084
	31 December 2018	8,581,415	16,601,877	1,120,783	2,625,094
MTN Cameroon	30 June 2019	421,446	151,373	2,062,792	673,131
	31 December 2018	5,138,451	1,806,406	1,479,451	557,781
MTN Congo Brassaville	30 June 2019	5,739	2,382	14,113	6,011
	31 December 2018	13,329	4,802	7,346	4,576
MTN Cote d'Ivoire	30 June 2019	138,517	58,161	306,706	149,660
	31 December 2018	2,201,551	763,845	757,745	426,926
MTN Cyprus	30 June 2019	-	-	-	-
	31 December 2018	64	522	-	-
MTN Dubai	30 June 2019	-	-	-	1,170,914
	31 December 2018	44,077	10,080,752	-	286,193
MTN Ghana	30 June 2019	404,651	582,853	805,084	868,483
	31 December 2018	4,752,964	3,734,487	946,703	1,135,802
MTN Global Connect	30 June 2019	135,261	289,006	-	245,244
	31 December 2018	-	-	164,266	-
MTN Group Management Services	30 June 2019	-	-	861,144	-
	31 December 2018	-	-	814,428	-
MTN Guinea Bissau	30 June 2019	1,810	1,801	4,563	588
	31 December 2018	204	-	5,162	2,056
MTN Guinea Conakry	30 June 2019	373	-	13,185	-
	31 December 2018	6,329	636	12,947	-
MTN Holdings	30 June 2019	-	-	-	13,335
	31 December 2018	-	-	-	13,218
MTN International (Mauritius) Limited	30 June 2019	-	-	-	117,623,234
	31 December 2018	-	-	-	8,483,323
MTN Irancell	30 June 2019	-	-	-	-
	31 December 2018	64	304	-	-
Lonestar Communications Corporations (Liberia)	30 June 2019	365	-	14,722	-
	31 December 2018	13,800	3,859	14,155	-
MTN Rwanda	30 June 2019	2,960	5,665	11,118	5,158
	31 December 2018	1,094	4,005	5,372	7,201
MTN Namibia	30 June 2019	-	1,032	2	317
	31 December 2018	-	-	14	-
MTN Sudan	30 June 2019	21,539	21,008	75,827	54,633
	31 December 2018	166,189	92,552	54,904	34,027
MTN South Sudan	30 June 2019	295	-	2,819	-
	31 December 2018	17,740	451	635	-

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31 Related party transactions (continued)		Sales to related parties N '000	Purchases from related parties N '000	Due from related parties N '000	Due to related parties N '000
MTN South Africa	30 June 2019	414,165	621,902	660,570	677,647
	31 December 2018	-	-	634,016	174,122
MTN Swaziland	30 June 2019	-	-	-	23
	31 December 2018	93	159	-	23
MTN Syria	30 June 2019	-	-	-	-
	31 December 2018	92	411	-	-
MTN Uganda	30 June 2019	7,604	10,447	2,622	4,279
	31 December 2018	89,477	20,512	11,314	16,750
MTN Yemen	30 June 2019	-	-	-	-
	31 December 2018	-	39	-	-
MTN Zambia	30 June 2019	6,846	3,803	26,224	5,727
	31 December 2018	86,178	5,304	17,691	8,182
Global Trading Company	30 June 2019	-	552,596	-	3,316,767
	31 December 2018	-	5,009,354	-	2,795,104
Interserve Overseas Ltd	30 June 2019	-	2,113,860	-	8,057,767
	31 December 2018	-	-	-	10,762,382
INT Towers Limited	30 June 2019	-	-	-	-
	31 December 2018	-	-	775,880	-
IHS Towers	30 June 2019	-	-	-	-
	31 December 2018	-	75,491,544	-	12,319,273
Mobile Telephone Networks (Pty) Ltd	30 June 2019	-	-	-	-
	31 December 2018	7,238,744	3,972,116	-	-

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32 Financial instruments

32.1 Accounting classes and fair values

	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive income	Total Carrying Amount
	N '000	N '000	N '000	N '000
30 June 2019				
Current financial assets				
Trade and other receivables	44,501,464	-	-	44,501,464
Current investments	85,936,776	10,081,125	4,306,643	100,324,544
Derivative asset	-	5,765	-	5,765
Cash at bank and on hand	46,724,035	-	-	46,724,035
Restricted cash	26,460,418	-	-	26,460,418
	203,622,693	10,086,890	4,306,643	218,016,226
Non-current financial liabilities				
Borrowings	227,467,115	-	-	227,467,115
	227,467,115	-	-	227,467,115
Current financial liabilities				
Trade and other payables	27,622,879	-	-	27,622,879
Current borrowings	67,644,803	-	-	67,644,803
Accrued expenses	121,375,057	-	-	121,375,057
Other payables	155,687,306	-	-	155,687,306
Trade payables - related parties	21,707,128	-	-	21,707,128
	394,037,173	-	-	394,037,173
	621,504,288	-	-	621,504,288
31 December 2018				
Current financial assets				
Trade and other receivables	29,262,047	-	-	29,262,047
Current Investments	63,731,995	1,302,198	434,066	65,468,259
Cash at bank and on hand	53,011,748	-	-	53,011,748
Restricted cash	37,219,023	-	-	37,219,023
	183,224,813	1,302,198	434,066	184,961,077

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32 Financial instruments (continued)

32.1 Accounting classes and fair values (continued)

	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive income	Total Carrying Amount
31 December 2018	N '000	N '000	N '000	N '000
Non-current financial liabilities				
Borrowings	31,438,349	-	-	31,438,349
Derivatives	-	14,152	-	14,152
	31,438,349	14,152	-	31,452,501
Current financial liabilities				
Trade and other payables	18,607,910	-	-	18,607,910
Accrued expenses	140,869,024	-	-	140,869,024
Other payables	13,357,067	-	-	13,357,067
Intercompany payables	39,652,033	-	-	39,652,033
Borrowings	143,875,889	-	-	143,875,889
Regulatory fine payable	105,127,783	-	-	105,127,783
	643,239,939	-	-	643,239,939
	674,678,288	14,152	-	674,692,440

Accrued expenses have been included in financial liabilities as there are contractual obligations to settle in cash.

32.2 Fair value estimation

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

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

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

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

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

	Level 1 N '000	Level 2 N '000	Level 3 N '000	Total N '000
30 June 2019				
Assets				
Treasury bills at fair value through profit or loss	10,081,125	-	-	10,081,125
Treasury bills at fair value through other comprehensive income	4,306,643	-	-	4,306,643
Treasury bonds at fair value through profit or loss	2,009,043	-	-	2,009,043
	16,396,811	-	-	14,387,768
Liabilities				
At fair value through profit or loss	-	-	-	-
	-	-	-	-

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32 Financial instruments (continued)

32.2 Fair value estimation (continued)

	Level 1 N '000	Level 2 N '000	Level 3 N '000	Total N '000
31 December 2018				
Assets				
Treasury bills at fair value through profit or loss	1,302,198	-	-	1,302,198
Treasury bills at fair value through other comprehensive income	434,066	-	-	434,066
	1,736,264	-	-	1,736,264

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

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

The fair values of the majority of the non-current liabilities measured at amortised cost are also not significantly different from their carrying values.

32.3 Financial assets and liabilities subject to offsetting

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

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

	Gross amount N '000	Amount offset N '000	Net amount N '000
30 June 2019			
Current financial assets			
Interconnect receivables	25,057,480	12,148,706	12,908,774
	25,057,480	12,148,706	12,908,774
Current financial liabilities			
Interconnect payables	12,148,706	12,148,706	-
	12,148,706	12,148,706	-
31 December 2018			
Current financial assets			
Interconnect receivables	21,129,283	10,149,839	10,979,444
	21,129,283	10,149,839	10,979,444
Current financial liabilities			
Interconnect payables	13,908,787	10,149,839	3,758,948
	13,908,787	10,149,839	3,758,948

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

	Group		Company	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	N'000	N'000	N'000	N'000
Commitments for the acquisition of property, plant, equipment and software				
Contracted but not provided for	67,465,825	74,797,143	67,465,825	74,797,143
Approved but not contracted for	109,538,534	41,174,699	109,538,534	41,174,699
Total commitments for property, plant, equipment and software	177,004,359	115,971,842	177,004,359	115,971,842

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

34 Transfer of Visafone Communication Limited 800MHz license and spectrum to MTN Nigeria

During the period, the Nigerian Communications Commission (NCC) granted Visafone Communications Limited the approval to transfer its 800mHz licence and spectrum to MTN Nigeria Plc. The Group is currently assessing the legal and regulatory ramifications of this transfer.

35 Contingent liabilities

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

The Group has N15.2 billion (December 2018: N22.71 billion) contingent liabilities arising from claims and litigations in the ordinary course of business and the Group is defending these actions. There matters are currently being considered by various courts and the timing of the judgements are unknown. In the opinion of the directors, which is based on advice from the legal counsels, no material loss is expected to arise from these claims and litigations.

36 Events after the reporting period

36.1 Following the expiration of their tenure and in compliance with applicable codes of Corporate Governance, the under listed Non-Executive Directors are retiring from the Board with effect from 2nd September 2019:

Dr. Pascal Dozie, CON; Chairman	Mallam Ahmed Dasuki; Non-Executive Director
Col. Sani Bello (Rtd); Non-Executive Director	Mr. Babatunde Folawiyo; Non-Executive Director
Chief Victor Odili, OON; Non-Executive Director	Mr. Gbenga Oyebode, MFR; Non-Executive Director

The outgoing directors will be replaced with the following directors with effect from 2nd September 2019:-

Mr. Ernest Ndukwe, OFR; Chairman designate	Mrs. Omobola Johnson; Non-Executive Director
Mr. Michael Onochie Ajukwu; Non-Executive Director	Mr. Andrew Alli; Non-Executive Director
Mr. Muhammad K. Ahmad, OON; Non-Executive Director	Mrs. Ifueko Okauru; Non-Executive Director
Mr. Abubakar B. Mahmoud, SAN (OON); Non-Executive Director	

36.2 On the 24th of July 2019, the Board approved interim dividend of N60 billion for the period ended June 2019.

36.3 On the 25th of July 2019, the Company's subsidiary, Yello Digital Financial Services Limited obtained a super-agent licence from the Central Bank of Nigeria which would enable it build an agent network and accelerate the growth of the fintech business.