

Scancom PLC (MTN Ghana)

MTN Ghana Annual Results

for the year ended 31 December 2019

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Scancom PLC (MTN Ghana)



Scancom PLC (MTN Ghana)
(Incorporated in Ghana)
Registration number: PL000322016
ISIN: GHEMTN051541
Share code: MTNGH
("MTN Ghana" or "Scancom PLC")

MTN Ghana annual results for the year ended 31 December 2019

Salient features

- Subscribers
 - Subscribers increased by 12.3% to 22.6 million (+11.2% to 19.8 million*).
 - Data subscribers increased by 28.6% to 20.1 million (active data subscribers up by 26.6% to 8.1 million#).
 - Registered Mobile Money subscribers increased by 10.6% to 15.1 million (active MoMo subscribers up by 8.9% to 9.1 million*).
- Service revenue up by 22.8% to GH¢ 5,148 million.
- EBITDA up by 65.7% to GH¢ 2,630 million (up by 38.6% to GH¢ 2,200 million under IAS 17).
- EBITDA margin up by 13.2 percentage points (pp) to 50.8% (up by 4.8 pp to 42.5% under IAS 17).
- Capex for the period was GH¢ 1,112 million¹ (GH¢ 1,058 million under IAS 17).
- Final dividend of GH¢0.04 per share recommended.

IFRS 16 and IAS 17 comparison

	IFRS 16 as at 31 December 2019	IAS 17 as at 31 December 2019	IAS 17 as at 31 December 2018
	GH¢ 000	GH¢ 000	GH¢ 000
Total revenue	5,181,836	5,181,836	4,218,847
Service revenue	5,148,158	5,148,158	4,193,815
EBITDA	2,630,433	2,200,219	1,587,629
EBITDA margin %	50.8%	42.5%	37.6%
Capex	1,112,489¹	1,058,118	825,196
Profit before tax	1,443,374	1,575,456	1,079,194
Profit after tax	1,007,958	1,107,021	754,676

* Aligned with the MTN Group definition, subscribers are SIMs which generate or participate in an event that generates revenue for the company. Out of bracket numbers conform to the respective regulator subscriber definition.

Active data subscribers as per MTN Group definition are data subscribers who have used more than 5MB in a month.

¹ Capex under IFRS 16 is made up of Capex spend (GH¢1,058m) and RoU assets (GH¢54m) for the period.

Scancom PLC (MTN Ghana) annual results for the year ended 31 December 2019



MTN Ghana annual results for the year ended 31 December 2019

Commentary

MTN Ghana delivered a strong performance for the year in a competitive industry, maintaining market leadership with 55.21%² market share. Service revenue increased by 22.8% year-on-year (YoY), underpinned by growth in revenue from voice, data and Mobile Money (MoMo).

Double-digit growth in voice revenue (up 19.4% YoY) was driven by an increase in the number of active subscribers* (+11.2%), the benefits of various customer value management (CVM) initiatives and pro-consumer activity, as well as continued improvements to our network. As new lines of revenue continued to grow much faster than the traditional business, voice revenue's contribution to service revenue decreased from 46.3% to 45.0%.

Solid data revenue growth (up 32.5% YoY) was attributable to growth in active data users[#] (+26.6%), growth in the number of smartphones (+18.5%) on the network and an increase in data usage (up 85.9% to 256,301 Terabytes). Data revenue's contribution to service revenue expanded from 26.3% to 28.4%.

Mobile Money revenue continued to grow strongly (up 28.0%) in a year in which we marked the 10th anniversary of MoMo in Ghana. MoMo growth was attributable to an increase in the number of active subscribers* (+8.9%), commissions on cash-in-cash-out transactions, increased transactional activity of person-to-person (P2P) transactions as well as good growth in more advanced services – such as retail merchant payments. MoMo revenue's contribution to service revenue expanded from 17.9% to 18.6%.

Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 65.7% with a YoY EBITDA margin expansion of 13.2 percentage points (pp) to 50.8%. Under IAS 17 and adjusting for the management fee, the like-for-like EBITDA margin expanded by 5.9 pp to 43.5% (2018 EBITDA margin: 37.6%). The margin improvement was supported by lower operating expenses, prudent revenue initiatives as well as distribution efficiencies.

We continued to invest in our network and rolled out 280 2G, 557 3G, 900 4G and 100 rural telephony sites.

On the regulatory front, during the year the Payment Systems and Services Act 2019 was passed into law which governs the way mobile money services are conducted. As required of existing players, we have applied for the new licence.

MTN Ghana continues to engage with regulatory stakeholders and maintains a firm focus on achieving continued improvements in customer experience.

Following the expiry of certain technology licences in 2019, the NCA has renewed our 2G licence for 15 years. We have submitted applications for the renewal of our International Gateway and Fixed Access licences, which are pending NCA approval.

² Sourced from the NCA Industry Information – Telecom Subscriptions for December 2019 report dated 10 February 2020 (www.nca.org.gh).

* Aligned with the MTN Group definition, subscribers are SIMs which generate or participate in an event that generates revenue for the company. Out of bracket numbers conform to the respective regulator subscriber definition.

Active data subscribers as per MTN Group definition are data subscribers who have used more than 5MB in a month..



MTN Ghana annual results for the year ended 31 December 2019

Commentary (continued)

We continued to invest in our communities, with the MTN Ghana Foundation support reaching a total of 149 projects since inception in 2007. In 2019, the foundation initiated eight new projects in education, three in health and one in economic empowerment.

The board declared an interim dividend of 2 pesewas per share after reviewing the mid-year performance of the company. After reviewing the full year performance of the company, the board shall be recommending a final dividend of 4 pesewas per share, bringing the total dividend for the 2019 year to 6 pesewas per share. This represents 73.1% of profit after tax and a 20.0% increase in dividend per share.

2019 marked the 'year of the customer' for MTN Ghana and in 2020 we are building on that foundation as we transition from a traditional mobile telecommunications operator to an emerging digital operator. In line with our transition journey, MTN Ghana has declared 2020 as the 'year of the customer: the digital experience' with a focus on digitalisation as a tool to enhance customer experience as well as create value for our shareholders.

MTN Ghana annual results for the year ended 31 December 2019

Final dividend recommendation

Notice is hereby given that the company's directors will be recommending to the shareholders at the annual general meeting to be held on 13 May 2020, the payment of a final dividend of GH¢ 0.04 per share for the 2019 financial year. This is subject to deduction of appropriate taxes. The number of ordinary shares in issue at the date of this declaration is 12,290,474,360.

Scancom PLC's tax reference number is **C0003632776**. In compliance with the requirements of GSE rules, the salient dates relating to the payment of the dividend are as follows:

Ex-Dividend Date	Tuesday, 28 April 2020
Qualifying Date	Thursday, 30 April 2020
Dividend Payment date	Monday, 25 May 2020

All shareholders registered in the books of Scancom PLC at the close of business on Thursday, 30 April 2020 will qualify for the final dividend.

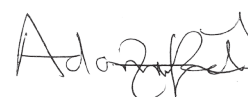
In view of the foregoing, the ex-dividend date has been set as Tuesday, 28 April 2020. Consequently, an investor purchasing MTNGH shares before this date will be entitled to the final dividend. However, an investor buying MTNGH shares on or after Tuesday, 28 April 2020 will not be entitled to the final dividend.

On Monday, 25 May 2020 the dividend will be transferred electronically to the bank accounts or Mobile Money wallets of shareholders who make use of these facilities.

The dividend statement was approved by the board of directors on 25 February 2020 and signed on its behalf by:



Ishmael Yamson
Chairman



Selorm Adadevoh
Chief executive officer



MTN Ghana annual results for the year ended 31 December 2019

Report of the directors

The directors have pleasure in submitting their report together with the summary financial statements of Scancom Plc ("the Company") and its subsidiary (together "the Group") for the year ended 31 December 2019. The summary financial statements have been extracted from the full set of annual financial statements and show the summary statements of financial position, summary statements of comprehensive income, summary statements of changes in equity, summary statements of cash flows and selected notes that the directors determine are necessary to provide useful information to the shareholders in summary.

Nature of business

The principal activities are the provision of telecommunication services including voice, data, enterprises solutions, the provision of mobile financial services, the development of strategic partnerships to provide advance services and the provision of consultancy services in the mobile banking space.

Dividend

Dividend amounting to GH¢614 million (GH¢ 0.05 per share) were paid in 2019 (2018: GH¢1,313 million, GH¢ 0.0437 per share). This consisted of an interim dividend of GH¢245 million for the financial year ended 31 December 2019 and a final dividend of GH¢ 369 million for the financial year ended 31 December 2018. The directors recommend the payment of GH¢ 492 million (GH¢ 0.04 per share) as final dividend to shareholders.

Localisation

In June 2016, the National Communications Authority ("NCA") issued a provisional authorisation to Scancom Plc to operate and provide mobile broadband services in the 800MHz band. The licence required Scancom Plc to fulfil certain conditions including listing on the Ghana Stock Exchange. The initial public offering (IPO) was completed with the listing on the Ghana Stock Exchange on 5 September 2018.

Holding company & Subsidiary

Scancom Plc was incorporated as a private limited liability company on 14 April 1994 and commenced operations on 9 September 1994. The Company's regulations were amended on 13 October 2016 to become a public company and its shares were listed on the Ghana Stock Exchange on 5 September 2018. Its ultimate holding company is MTN Group Limited, a company incorporated in the Republic of South Africa and listed on the Johannesburg Stock Exchange. The registered address of the business is MTN House, Plot OER 6, Independence Avenue, West Ridge, Accra. The principal activities are the provision of telecommunication services including voice, data, enterprises solutions, the provision of mobile financial services, the development of strategic partnerships to provide advance services and the provision of consultancy services in the mobile banking space. The consolidated financial statements are for the Group consisting of the Company, Scancom Plc and its subsidiary, MobileMoney Limited.



MTN Ghana annual results for the year ended 31 December 2019

Auditor

The Group's auditor, Messrs. PricewaterhouseCoopers, has expressed willingness to continue in office in accordance with Section 139 (5) of the Companies Act, 2019 (Act 992). Audit fees for the year ended 31 December 2019 were GH¢4,335,000.

Capacity building of directors

Directors of MTN, in 2019, have been engaged in a combination of instructor led courses as well as local and international conferences and seminars, aimed at strengthening their skills and abilities in the exercise of their duties as directors. Trainings covered a broad spectrum of areas including, corporate governance, transfer pricing, taxation and world trends in the telecommunications landscape. As part of the quarterly meetings of the Board, directors received updates in areas of the business such as marketing, technology covering network and information systems, and mobile financial services.

Approval of the annual report and financial statements

The annual report and financial statements of the Company and Group were approved by the board of directors on 25 February 2020 and are signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Ishmael Yamson', is positioned above the name and title.

Ishmael Yamson
Chairman

A handwritten signature in black ink, appearing to read 'Selorm Adadevoh', is positioned above the name and title.

Selorm Adadevoh
Chief executive officer



INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF SCANCOM PLC

Our opinion

In our opinion, the accompanying summary financial statements of Scancom Plc (the "Company") and its subsidiary (together the "Group"), are consistent, in all material respects, with the audited financial statements of the Company standing alone and the Group for the year ended 31 December 2019, on the basis described in the notes.

The summary financial statements

The summary financial statements derived from the audited financial statements for the year ended 31 December 2019 comprise:

- the summary separate and consolidated statements of financial position as at 31 December 2019;
- the summary separate and consolidated statements of comprehensive income for the year then ended;
- the summary separate and consolidated statements of changes in equity for the year then ended;
- the summary separate and consolidated statements of cash flows for the year then ended; and
- the related notes to the summary separate and consolidated financial statements.

The summary separate and consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Companies Act, 2019 (Act 992). Reading the summary separate and consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited separate and consolidated financial statements and the auditor's report thereon. The audited financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the audited separate and consolidated financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 26 February 2020. That report also include the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the audited separate and consolidated financial statements of the current period.

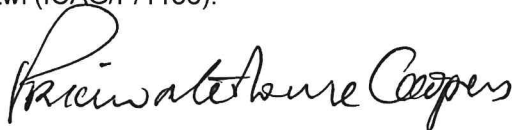
Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary separate and consolidated financial statements on the basis described in the notes.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

The engagement partner on the audit resulting in this independent auditor's report is Michael Asiedu-Antwi (ICAG/P/1138).



PricewaterhouseCoopers (ICAG/F/2020/028)
Chartered Accountants
Accra, Ghana
26 February 2020



Summary financial statements for the year ended 31 December 2019

Summary statements of comprehensive income (All amounts are in thousands of Ghana cedis)

	Group	Company	Group	Company
	For the year ended 31 December 2019	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2018
	GH¢ 000	GH¢ 000	GH¢ 000	GH¢ 000
Revenue from contracts with customers	5,181,836	4,237,407	4,218,847	3,471,007
Direct network operating costs	(624,043)	(623,985)	(889,026)	(888,987)
Cost of handsets and other accessories	(98,861)	(98,861)	(87,262)	(87,011)
Interconnect and roaming costs	(282,706)	(282,706)	(381,838)	(381,838)
Employee benefits expense	(231,559)	(224,994)	(188,392)	(184,365)
Selling, distribution and marketing expenses	(928,190)	(468,497)	(797,561)	(446,205)
Other operating expenses	(386,044)	(356,336)	(287,139)	(283,246)
Earning Before Interest Tax	2,630,433	2,182,028	1,587,629	1,199,355
Depreciation and Amortisation	(701,307)	(699,978)	(382,413)	(382,301)
Depreciation	(701,307)	(699,978)	(382,413)	(382,301)
Amortisation	(100,237)	(99,974)	(81,154)	(81,063)
Operating profit	1,828,889	1,382,076	1,124,062	735,991
Finance income	76,773	534,434	75,693	70,608
Finance costs	(462,288)	(460,940)	(120,561)	(120,404)
Profit before income tax	1,443,374	1,455,570	1,079,194	686,195
National fiscal stabilisation levy	(72,169)	(48,778)	(53,960)	(34,310)
Income tax expense	(363,247)	(246,623)	(270,558)	(172,371)
Profit after income tax	1,007,958	1,160,169	754,676	479,514
Other comprehensive income	-	-	-	-
Total comprehensive income	1,007,958	1,160,169	754,676	479,514
Attributable to:				
Equity holders of the company	1,007,958	1,160,169	754,676	479,514
Diluted/Basic Earnings per share	GH¢ 0.082	GH¢ 0.094	GH¢ 0.067	GH¢ 0.043

Summary financial statements for the year ended 31 December 2019

Summary statements of financial position (All amounts are in thousands of Ghana cedis)

	Group	Company	Group	Company
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2019	2019	2018	2018
	GH¢ 000	GH¢ 000	GH¢ 000	GH¢ 000
Non-current assets	5,162,022	5,156,433	3,060,546	3,059,107
Property, plant and equipment	3,018,008	3,012,671	2,549,095	2,548,171
Right of Use assets	1,574,776	1,574,776	-	-
Intangible assets	448,276	447,974	418,536	417,971
Investment in subsidiary	-	50	-	50
IRU assets	82,224	82,224	76,303	76,303
Contract asset	3,841	3,841	5,353	5,353
Capitalised contract cost	34,897	34,897	11,259	11,259
Current assets	4,796,628	1,244,841	1,156,334	1,010,918
Inventories	15,780	15,780	10,305	10,305
Trade receivables	378,431	358,243	370,038	329,855
Other assets	51,802	50,971	100,337	100,337
Other financial assets at amortised cost	98,718	101,197	47,135	158,648
Income tax assets	374,353	363,023	206,862	211,937
National stabilisation levy receivable	2,363	4,214	4,207	5,218
IRU assets	10,867	10,867	10,925	10,925
Mobile money float	3,405,579	-	-	-
Cash and cash equivalents	458,735	340,546	406,525	183,693
Total assets	9,958,650	6,401,274	4,216,880	4,070,025
Equity	2,803,826	2,680,875	2,410,392	2,135,230
Stated capital	1,097,504	1,097,504	1,097,504	1,097,504
Retained earnings	1,706,322	1,583,371	1,312,888	1,037,726
Non-current liabilities	2,134,200	2,140,051	653,090	653,083
Borrowings	225,421	225,421	338,854	338,854
Deferred tax liabilities	339,399	345,250	304,206	304,199
Lease liabilities	1,560,009	1,560,009	-	-
IRU liability	5,601	5,601	6,260	6,260
Provisions	3,770	3,770	3,770	3,770

Summary financial statements for the year ended 31 December 2019

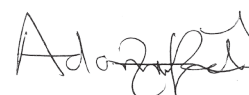
Summary statements of financial position (continued) (All amounts are in thousands of Ghana cedis)

	Group	Company	Group	Company
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2019	2019	2018	2018
	GH¢ 000	GH¢ 000	GH¢ 000	GH¢ 000
Current liabilities	5,020,624	1,580,348	1,153,398	1,281,712
Trade and other payables	1,055,852	1,022,059	911,051	1,039,785
Obligations to electronic money holders	3,405,579	-	-	-
Contract liability	80,934	80,934	89,838	89,838
Provisions	49,019	48,115	51,987	51,567
Lease liabilities	148,726	148,726	-	-
IRU liability	512	512	522	522
Borrowings	280,002	280,002	100,000	100,000
Total liabilities	7,154,824	3,720,399	1,806,488	1,934,795
Total equity and liabilities	9,958,650	6,401,274	4,216,880	4,070,025

The summary financial statements were approved by the board of directors on 25 February 2020 and signed on its behalf by:



Ishmael Yamson
Chairman



Selorm Adadevoh
Chief executive officer

Summary financial statements for the year ended 31 December 2019

Summary statement of changes in equity – Group (All amounts are in thousands of Ghana cedis)

Year ended 31 December 2019	Stated capital	Retained earnings	Total equity
	GH¢ 000	GH¢ 000	GH¢ 000
Balance at 1 January 2019	1,097,504	1,312,888	2,410,392
Profit for the year	-	1,007,958	1,007,958
Other comprehensive income	-	-	-
Total comprehensive income	-	1,007,958	1,007,958
Transactions with owners:			
Dividend declared	-	(614,524)	(614,524)
Balance at 31 December 2019	1,097,504	1,706,322	2,803,826
Year ended 31 December 2018			
Balance at 31 December 2017 as originally presented	1,363	1,867,274	1,868,637
Change in accounting policy	-	3,744	3,744
Restated total equity at 1 January 2018	1,363	1,871,018	1,872,381
Profit for the year	-	754,676	754,676
Other comprehensive income	-	-	-
Total comprehensive income	-	754,676	754,676
Transactions with owners:			
Issue of shares	1,096,141	-	1,096,141
Dividend declared	-	(1,312,806)	(1,312,806)
Balance at 31 December 2018	1,097,504	1,312,888	2,410,392

Summary financial statements for the year ended 31 December 2019

Summary statement of changes in equity – Company (All amounts are in thousands of Ghana cedis)

Year ended 31 December 2019	Stated capital	Retained earnings	Total equity
	GH¢ 000	GH¢ 000	GH¢ 000
Balance at 1 January 2019	1,097,504	1,037,726	2,135,230
Profit for the year	-	1,160,169	1,160,169
Other comprehensive income	-	-	-
Total comprehensive income	-	1,160,169	1,160,169
Transactions with owners:			
Dividend declared	-	(614,524)	(614,524)
Balance as at 31 December 2019	1,097,504	1,583,371	2,680,875
Year ended 31 December 2018			
Balance at 31 December 2018 as originally presented	1,363	1,867,274	1,868,637
Change in accounting policy	-	3,744	3,744
Restated total equity at 1 January 2018	1,363	1,871,018	1,872,381
Profit for the year	-	479,514	479,514
Other comprehensive income	-	-	-
Total comprehensive income	-	479,514	479,514
Transactions with owners:			
Issue of shares	1,096,141	-	1,096,141
Dividend declared	-	(1,312,806)	(1,312,806)
Balance at 31 December 2018	1,097,504	1,037,726	2,135,230

Summary financial statements for the year ended 31 December 2019

Summary statements of cash flows

(All amounts are in thousands of Ghana cedis)

	Group For the year ended 31 December 2019 GH¢ 000	Company For the year ended 31 December 2019 GH¢ 000	Group For the year ended 31 December 2018 GH¢ 000	Company For the year ended 31 December 2018 GH¢ 000
Cash generated from operations	2,554,868	2,039,667	1,616,438	1,286,249
Interest received	44,435	24,684	24,455	19,462
Interest paid	(366,626)	(366,626)	(68,996)	(68,996)
Dividend received from subsidiary	-	480,000	-	-
Dividend paid	(614,524)	(614,524)	(1,381,806)	(1,381,806)
Income tax paid	(607,545)	(468,659)	(338,017)	(244,912)
National stabilisation levy	(70,325)	(47,774)	(55,663)	(37,024)
Net cash generated from/ (used in) operations	940,283	1,046,768	(203,589)	(427,027)
Cash flow from investing activities				
Acquisition of property, plant and equipment	(708,913)	(708,913)	(606,898)	(606,898)
Acquisition of intangible assets	(107,964)	(107,964)	(149,880)	(149,224)
Investment in subsidiary	-	-	-	(50)
Proceeds from disposal of property, plant and equipment	244	244	607	607
Acquisition of additional IRU capacity	(19,658)	(19,658)	(26,673)	(26,673)
Net cash used in investing activities	(836,291)	(836,291)	(782,844)	(782,238)
Cash flows from financing activities				
Proceeds from share issues	-	-	1,096,141	1,096,141
Repayment of borrowing	(200,000)	(200,000)	-	-
Proceeds from borrowing	265,000	265,000	100,000	100,000
Principal element of lease payments	(119,046)	(119,046)	-	-
Net cash (used in)/ generated from financing activities	(54,046)	(54,046)	1,196,141	1,196,141
Movement in cash and cash equivalents	49,946	156,431	209,708	(13,124)
At beginning of the year	406,525	183,693	196,730	196,730
Exchange gain on cash and cash equivalents	2,264	422	87	87
At end of year	458,735	340,546	406,525	183,693

Scancom PLC (MTN Ghana) annual results for the year ended 31 December 2019



Summary financial statements for the year ended 31 December 2019

Notes

1. Independent review

The directors of Scancom PLC (“the Group”) take full responsibility for the preparation of the annual financial information. The annual financial information has been audited by our auditor, PricewaterhouseCoopers (PwC), in accordance with the International Standards on Auditing. PwC has expressed an unmodified opinion thereon.

2. General information

Scancom PLC was incorporated as a private limited liability company on 14 April 1994 and commenced operations on 9 September 1994. The Company’s regulations were amended on 13 October 2016 to become a public company and its shares were listed on the Ghana Stock Exchange on 5 September 2018. Its ultimate holding company is MTN Group Limited, a company incorporated in the Republic of South Africa and listed on the Johannesburg Stock Exchange. The registered address of the business is MTN House, Plot OER 6, Independence Avenue, West Ridge, Accra.

The principal activities are the provision of telecommunication services including voice, data, enterprises solutions, the provision of mobile financial services, the development of strategic partnerships to provide advance services and the provision of consultancy services in the mobile banking space.

The consolidated financial statements are for the Group consisting of the Company, Scancom PLC and its subsidiary, MobileMoney Limited.

3. Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standard Board (IASB), and interpretations issued by the IFRS interpretations committee (IFRSIC) of IASB that are effective as at 31 December 2019, and the requirements of the Companies Act, 2019 (Act 992). The annual financial statements have been prepared on the historical cost basis.

Principal accounting policies

The Group has adopted relevant new, revised or amended accounting pronouncements as issued by International Accounting Standards Board (IASB) which were effective for the Group from 1 January 2019. The following standard had significant impact: IFRS 16, leases. The accounting policies adopted in the preparation of the annual financial information are in terms of IFRS and consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except the effects of IFRS 16, leases .



Summary financial statements for the year ended 31 December 2019

Notes (continued)

Functional and presentation currency

Items included in this annual financial information are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial information is presented in Ghana cedis, which is the functional and presentation currency of the Group.

4. Mobile Money floats

MobileMoney Limited is an electronic money issuer that provide mobile money (MoMo) services. Mobile money services involve the issuing of electronic money into a MoMo wallet which is recorded on mobile phones for immediate and later use in return for cash. The service is rendered via MoMo agents and merchants who provide services to the Group’s MoMo customers. MoMo agents are recruited by MobileMoney Limited to facilitate customer activities including depositing cash and loading of electronic cash into wallets. The service is also performed through the subsidiary’s branches.

The wallet represents a “store” of MoMo, and at any moment, all monetary value stored on a MoMo wallet is backed by an equivalent cash deposit held with partner banks in Ghana.

Mobile money operation is regulated by the Bank of Ghana through its regulations and guidance. Until May 2019 when the Payment Systems and Services Act was passed, mobile money operations were governed by the Payment Services Regulation.

Mobile money float and obligations to electronic money holders are presented in the statement of financial position at cost. Mobile money float includes all subscriber funds held with partner banks. Obligations to electronic money holders include all balances on electronic wallets of customers and represent an obligation to the electronic money issuer.

5. Adoption of IFRS 16 on 1 January 2019

The Group adopted IFRS 16 on 1 January 2019, which introduced a single on-balance sheet accounting model for lessees. As a result, the Group as a lessee, has recognised Right of Use (RoU) 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 recognised an operating lease expense for these leases with respect to the RoU assets. On the cash flow impact, cash generated from operations increased as operating lease costs are no longer included in this category. However, interest paid increased resulting from the inclusion of the interest portion of the lease liability.



Summary financial statements for the year ended 31 December 2019

Notes (continued)

5. Adoption of IFRS 16 on 1 January 2019 (continued)

The Group adopted IFRS 16 on a retrospective basis using the simplified transition approach on 1 January 2019 and did not restate comparative amounts prior to first adoption. The reclassifications and adjustments arising from the adoption of IFRS 16 were therefore recognised in the opening statement of the financial position on 1 January 2019. The individual leases include network sites, retail shops and residential apartments, with its related rental contract typically drafted for fixed periods with renewal period options.

From 1 January 2019, the Group recognised Right of Use assets and lease liabilities at the lease commencement date. The recognised RoU assets are in line with the below assets, the cost value of which are:

	31 December 2019	1 January 2019
	GH¢m	GH¢m
Network infrastructure	1,712	1,662
Land and buildings	105	100
Right of Use assets	1,817	1,762

The lease liability is initially measured at the present value of the fixed payment and the variable lease payment (annual escalations) and subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Change in future lease payments arising from price increases are included in the lease liability.

The Right of Use assets are initially measured at cost comprising the amount of the initial measurement of the lease liability and lease payments made at or before the commencement date. The Right of Use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability.

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.

Summary financial statements for the year ended 31 December 2019

Notes (continued)

5.1 Impact on financial information

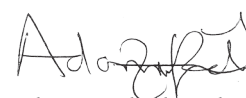
Following the initial application of IFRS 16, leases previously classified as operating leases, were capitalised and recognised on the face of the statement of financial position. As a result, the Group recognised a total of GH¢ 1,762 million ROU assets as at 1 January 2019, with a carrying value of GH¢ 1,575 million as at 31 December 2019 whilst lease liabilities amounting to GH¢ 1,744 million were recognised as at 1 January 2019 with a carrying value of GH¢ 1,709 million as at 31 December 2019.

Consequently, the Group has recognised depreciation and finance costs, instead of operating lease expense (GH¢430 million) which would have been recognised under IAS 17. During the year ended 31 December 2019, the Group recognised GH¢242 million of depreciation charges and GH¢320 million of interest costs and forex losses.

The summary financial information for the year ended 31 December 2019 on pages 8 to 17 were approved by the board of directors on 25 February 2020 and signed on its behalf by:



Ishmael Yamson
Chairman



Selorm Adadevoh
Chief executive officer

Contact

Jeremiah Opoku
Investor Relations
Scancom PLC (MTN Ghana)
jeremiah.opoku@mtn.com

Pala Asiedu Ofori
Company Secretary
Scancom PLC (MTN Ghana)
pala.asieduofori@mtn.com

Please visit <https://www.mtn.com.gh/investors/financial-reports> to download our financials and other investor information.

Scancom PLC (MTN Ghana) annual results for the year ended 31 December 2019