MTN Zakhele Futhi (RF) Limited

Annual Financial Statements

for the year ended **31 December 2021**

MTN Zakhele Futhi (RF) Limited
(Registration number 2016/268837/06)
Annual Financial Statements for the year ended 31 December 2021

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The reports and statements set out below comprise the annual financial statements presented to the shareholders:

Prepared by

Siyabonga Zokoza
Senior Financial Officer: Central Finance – Nedbank Limited

Reviewed by

Jaynesh Padayachy CA(SA)
Senior Financial Manager: Central Finance – Nedbank Limited

Phegello Moloto CA(SA)
Senior Financial Manager: Central Finance – Nedbank Limited

Board of directors

For the year ended 31 December 2021

Belinda Mapongwana (48)

Bachelor of Social Science (UCT), Bachelor of Laws (UCT), Master of Laws (International Business Law) (Vrije Universiteit, Amsterdam), Postgraduate Certificate in Compliance Management (UCT)

Independent Non-executive Director (Appointed: 22 June 2020; Appointed as Independent Non-executive Chairperson on 16 September 2020)

Member of the Audit, Risk & Compliance Committee (Appointed: 9 April 2021)

Belinda is currently the non-executive director of Nordex Energy SA, TUHF Limited, TUHF Holdings Limited, TUHF Equity Proprietary Limited, and Prosirius Proprietary Limited. She is also a member of the board of Hilton College.

She is an admitted attorney with over 15 years post-admission experience. She specialises in all aspects of mergers and acquisition transactions, corporate commercial law, compliance, risk and corporate governance. She spent some time in New York where she worked on several mergers and acquisitions, private equity and structured finance transactions. Belinda has experience in compliance and risk management having worked in investment banks in Johannesburg, New York and London.

Belinda is the founder of Mapongwana Attorneys Inc. a 100% black woman-owned boutique law firm that offers specialist legal services in corporate and commercial law. Belinda is also the Chairperson of the Nordex Education Trust and a member of the UNISA Council.

Sindisiwe N Mabaso-Koyana (52)

CA(SA), B Comm (Natal), Post Graduate Diploma in Accounting (Natal)

Non-executive Director (Appointed: 6 June 2017; Resigned as Independent Non-executive Chairperson on 16 September 2020)

Sindi is currently the Chairperson of African Women Chartered Accountants (AWCA) Investment Holding Company and the Chairperson of the Advanced Group of Companies. She is the founder member and former President of the African Women of Chartered Accountants. Her other board positions include that of a non-executive director for MTN Group Limited, Toyota South Africa Motors (Pty) Ltd and Sun International Limited.

Sindi is a Chartered Accountant by profession with experience in financial management, auditing and governance in both the public and private sector. She is a renowned leader and champion in growth and development of young women. She has been named by The Financial Mail as one of the top 20 most powerful business women in South Africa and was a finalist for the Business Woman of the Year Award in 2004. In 2013 she was nominated by The CEO Magazine as the most Influential Women in Business and Public Sector.

Edward Pitsi (38)

CA(SA), Masters in Finance (University of Pretoria), EMBA (INSEAD)

Independent Non-executive Director (Appointed: 22 June 2020)

Member of the Audit, Risk & Compliance Committee (Appointed: 16 September 2020)

Edward is currently a non-executive director of Ethos Mid-Market Fund I Proprietary Limited, Autozone Holdings Proprietary Limited, Kevro Holdings Proprietary Limited, Gammatek Holdings Proprietary Limited, Synerlytic Holdings Proprietary Limited and Crossfin Technology Holdings Proprietary Limited.

Edward is the Managing Partner at Ethos Mid-Market Fund which holds 4.05% of the MTN Zakhele Futhi issued ordinary share capital. Prior to joining Ethos, he worked in the Acquisition and Leveraged Finance team at Barclays Africa Group after completing his articles at PriceWaterhouseCoopers. He has investment experience across various sectors including but not limited to TIC, Technology and Connectivity, Automotive, Industrials and Business Services.

Board of directors

For the year ended 31 December 2021

Grant G Gelink (72)

CA(SA), BComm, BCompt (Hons)

Independent Non-executive Director (Appointed: 9 June 2017)

Chairman of the Audit, Risk & Compliance Committee (Appointed: 9 June 2017)

Grant is a non-executive director of FirstRand Limited, Grindrod Limited, Allied Electronics Limited and Rain Group Holdings Proprietary Limited.

He was the chief executive of Deloitte & Touche from 2006 to 2012. His vast experience at Deloitte spans over 26 years and includes being Lead Client Service Partner across a number of different industries servicing clients such as Barloworld, Imperial Holdings, Murray & Roberts, Nedbank, Sappi, South African Airways and Transnet.

Manana Nhlanhla (69)

BSc and Masters in Information Science

Non-executive Director (Appointed: 22 June 2020)

Member of the Audit, Risk & Compliance Committee (Appointed: 16 September 2020; Resigned: 9 April 2021)

Manana is a non-executive director of Mion Holdings Proprietary Limited, RCL Foods Limited, Manyoro Limited, Prospect Resources Limited (Australia), Vunani Fund Managers Limited and Zimbabwe Crocodiles Limited.

She is a former university lecturer in Information Science. Over the past 20 years Manana has been involved in leading Mion Holdings, a private equity company that owns 8.2% of the shares in MTN Zakhele Futhi. Under Mion Holdings Manana runs KALIPA Foundation which sponsors education and Trustee of the Do-More-Foundation started by RCL Foods

Chairperson's report

For the year ended 31 December 2021

Introduction

In 2016 MTN Group Limited "MTN Group" set up MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi or the Company), a vehicle for qualifying black South Africans to invest in MTN Group , a leading emerging markets telecoms service provider.

MTN Zakhele Futhi has an approximate 4% shareholding in MTN Group. This investment is the Company's only asset. The Company also administers the associated funding of this investment – being the preference shares subscribed for by third party debt providers and a notional vendor finance facility obtained from MTN Group.

On 25 November 2019, MTN Zakhele Futhi listed on the BEE Segment of the JSE marking the end of the "Minimum Investment Period". The listing provides shareholders with the ability to trade their shares between qualifying black people and black groups on the open market during the remaining Empowerment Period (which ends on 23 November 2024).

80.6% of the shareholders subscribed for fewer than 500 ordinary shares showing the true broad-based nature of the scheme.

Impact of Covid-19

On 15 March 2020 the President of the Republic of South Africa declared South Africa to be in a "National State of Disaster" due to the increasing impact of the Covid-19 virus in South Africa. The Covid-19 pandemic has had an unprecedented global impact to which MTN Zakhele Futhi has not been immune. As with those shares listed on the global stock exchanges, the prices of shares on the JSE, and the shares of MTN and MTN Zakhele Futhi, were adversely impacted.

On the 12th March 2021, the MTN Board suspended its dividend policy and anticipates communicating a revised medium-term dividend policy when it announces its 2021 results in March 2022. As MTN Zakhele Futhi's only material investment and asset consists of shares in MTN ("MTN Shares"), the Company is entirely dependent on the receipt of dividends from the MTN Shares. The suspension of MTN's dividend policy has therefore had a significant impact on the ability of MTN Zakhele Futhi to continue as a going concern.

To assist MTN Zakhele Futhi in meeting its cash requirements for the 2021 financial year end, MTN Group, through its subsidiary Mobile Telephone Networks Holdings Limited ("MTN Holdings"), agreed to advance an amount of up to R75,0 million to MTN Zakhele Futhi to enable it to meet its cash requirements for the period up to the 2021 financial year end.

We would like to thank MTN Group and MTN Holdings for their ongoing commitment to and support of MTN Zakhele Futhi and its shareholders.

The amounts provided by MTN Holdings to address the liquidity issues being faced by MTN Zakhele Futhi have negatively impacted the gearing in the Company due to the interest-bearing nature of all funding provided by MTN Holdings. The MTN Zakhele Futhi board will continue with their efforts to protect the investment made by its shareholders.

Subsequent to year end, MTN Group declared a final dividend of 300 cents per share on 9 March 2022. This will ensure that MTN Zakhele Futhi has enough cash to meet its cash requirements for the 2022 financial year end.

Changes to the MTN Zakhele Futhi Audit, Risk & Compliance Committee membership

During the 2021 financial year, Manana Nhlanhla resigned as a member of the Audit, Risk & Compliance Committee and Belinda Mapongwana was appointed in her stead.

Chairperson's report

For the year ended 31 December 2021

Financial performance

The Company's financial performance is based entirely on the MTN Group share price and any dividend declared and received from MTN Group during the year.

At 31 December 2021, the Company recognised a profit after taxation of R869,5 million (2020: R146,1 million loss). The profit is attributable to the gain on the re-measurement of the derivative financial instrument. The gain on the re-measurement of the derivative financial instrument is largely due to the significant increase in the MTN Group share price from R60,19 at 31 December 2020 to R170,71 at 31 December 2021.

The increase in the MTN Group share price since the prior financial year also resulted in a fair value gain of R5 649,1 million (2020: R1 139,8 million) being recognised in the statement of comprehensive income.

Refinancing of MTN Zakhele Futhi's debt

At the onset of the transaction, the preference shares in this structure were redeemable after five years from the date of issue, being 23 November 2021. During December 2020 the scheduled redemption date was extended to 23 November 2022. In addition, during September 2021 the holders of the preference shares agreed to extend this date to 23 November 2024. The extension of the redemption date of the preference shares has had a positive effect on the liquidity issues faced by the Company during the year.

Shareholder support (IMPORTANT)

Effective and efficient shareholder communication is essential to ensure that shareholders are kept up to date. The Company will continue to use SMS communication as their main means of communication. Notices of the Annual General Meetings will be sent by email, SMS or post to all registered shareholders. To enable MTN Zakhele Futhi to effectively communicate with shareholders and maintain up to date records, shareholders are requested to notify the MTN Zakhele Futhi Administrator of all changes to their SMS contact details, postal address, status and banking details.

Shareholders, even those not wishing to trade their MTN Zakhele Futhi shares, are requested to register their share custodial and trading accounts and can elect to use either the facilitated stockbroker (Nedbank Private Wealth) or an independent stockbroker. No shares may be bought or sold without a share trading account, so you are encouraged to do this well before the scheme ends.

Please visit the MTN Zakhele Futhi website on **www.mtnzakhelefuthi.co.za** for details on how to register your share custodial and trading account, or how to submit your data changes.

Shareholders are encouraged to familiarise themselves with the information published from time to time on the MTN Zakhele Futhi website and we once again encourage all our shareholders to make sound investment decisions when electing to sell, hold or buy their MTN Zakhele Futhi shares in order to maximise the true value of their investment.

Prospects

Due to the nature and purpose of MTN Zakhele Futhi, its prospects are aligned with the prospects of the MTN Group. The MTN Zakhele Futhi board will continue with their efforts to provide support and value to its shareholders.

Annual General Meeting

Given the current status of the Covid-19 pandemic, our ongoing concern for the health and safety of our stakeholders, as well as the wider potential reach of a virtual AGM and lower costs thereof, the Company will once again hold its annual general meeting through electronic means and shareholders will not be able to attend this meeting in person.

We would like to encourage shareholders to attend the annual general meeting to be held virtually. Further details of the time, date and venue will be communicated to shareholders in due course.

Chairperson's report

For the year ended 31 December 2021

Appreciation

While the 2021 financial year has been challenging for MTN Zakhele Futhi, we remain optimistic and are encouraged by the support we have received from the MTN Group.

I would like to thank my fellow board members, all our stakeholders and partners for their commitment and support to ensure that MTN Zakhele Futhi is a valuable investment for its shareholders.

Belinda Mapongwana

Chairperson

4 April 2022

Audit, risk & compliance committee report

For the year ended 31 December 2021

The MTN Zakhele Futhi audit, risk and compliance committee presents its report in terms of section 94(7)(f) of the Companies Acts and as recommended by King IV in respect of the financial year ended 31 December 2021.

Membership and meeting attendance

The Company constituted the audit, risk and compliance committee on 15 November 2016. Members of the committee are formally nominated by the board and ratified by the shareholders at the next annual general meeting. Members of the audit, risk and compliance committee were all independent non-executive directors of the Company. The composition of the committee and the attendance at meetings by its members are set out below:

Members	Attendance
Grant Gelink	2/2
Edward Pitsi	2/2
Manana Nhlanhla (1)	1/2
Belinda Mapongwana (2)	2/2

(1) Appointed as a member of the audit, risk & compliance committee on 16 September 2020. Resigned as a member on 9 April 2021.

(2) Appointed as a member of the audit, risk & compliance committee on 9 April 2021.

Biographical details of members at 31 December 2021 are set out on pages 2 to 3 of this annual report.

The external auditors attend all audit, risk and compliance committee meetings. The committee meets at least twice a year.

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies Regulation, 2011. Although Belinda Mapongwana also holds the position as Chairperson of the Board, the Committee believes that she meets the independence criteria as set out in the Companies Act and will be able to effectively discharge her duties. The effectiveness of the committee as a whole and its individual members are assessed on an annual basis.

The audit, risk and compliance committee perform the duties laid upon it by section 94(7) of the Companies Act, by holding meetings with the key role-players on a regular basis and by the unrestricted access granted to the external auditors.

Independence of the external auditor

The Company's external auditor is SizweNtsalubaGobodo Grant Thornton Inc. The fee paid to the auditor for the year under review is disclosed in note 13 to the annual financial statements.

The committee satisfied itself through enquiry that the external auditor is independent, as defined by the Companies Act and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Companies Act that internal governance processes within the firm support and demonstrate the claim to independence.

The audit, risk and compliance committee agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved, taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

Expertise and experience of finance function

The committee satisfied itself that the composition, experience and skills set in the finance function meets the Company's requirements.

The administration of the Company's statutory records and accounting is outsourced to Nedbank Limited, acting through its Share Scheme Administration Division.
The authority and responsibility for all management decisions lies with the board of director.

Audit, risk & compliance committee report

For the year ended 31 December 2021

Execution of functions of the audit risk and compliance committee

The committee is satisfied that, in respect of the financial year under review, it has discharged its duties and responsibilities in accordance with its terms of reference and in terms of the Companies Act.

The committee performed the following activities during the year under review:

- reviewed the reports of the external auditors regarding their audit and where necessary requested appropriate responses from the service providers appointed by the board of directors;
- reviewed and approved the policy for non-audit services that may be provided by the external auditors. This policy sets out those services that may be provided by the external auditors and the required authorisation process;
- approved the non-audit related services, where applicable, performed by the external auditors during the year in accordance with the policy established and approved by the board;
- approved the fees and engagement terms of the external auditors for the 2021 audit;
- considered the independence and objectivity of the external auditors and ensured that the scope of additional services provided did not impair their independence;
- recommended the external auditors for re-appointment; and
- reviewed legal matters that could have a significant impact on the organisation's annual financial statements.

After assessing the requirements set out in section 94(8)(a)-(c) of the Companies Act, the committee is satisfied with the independence and objectivity of the external auditors.

Following the review by the committee of the annual financial statements of the Company for the year ended 31 December 2021 and based on the information provided to it, the committee considers that, in all material respects, the Company complies with the provisions of the Companies Act, International Financial Reporting Standards and the Listing Requirements of the JSE Limited relating to Asset Backed Securities and that the accounting policies applied are appropriate and consistent. The committee recommended the Company's annual financial statements for the year ended 31 December 2021 for approval by the board on 4 April 2022.

The committee concurs with the board of directors that the adoption of the going concern assumption in preparation of the annual financial statements, is appropriate.

Grant Gelink

Chairperson: Audit, Risk & Compliance Committee

4 April 2022

Directors responsibilities and approval

For the year ended 31 December 2021

The directors are required in terms of the South African Companies Act 71 of 2008 (Companies Act) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. The annual financial statements fairly present the state of affairs of the Company as at the end of the year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS) and the Listing Requirements of the JSE Limited relating to Asset Backed Securities. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees of Nedbank Limited, in its capacity as the administrator of the Company, are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are responsible for the Company's system of internal control and are of the opinion that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The going concern assumption has been adopted in preparing the Company's annual financial statements. The directors have reviewed the company's cash flow forecast for the 12-month period to 31 December 2022 and, in light of this review and the current financial position, they are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the Company's external auditor and their report is presented on pages 15 to 18.

The annual financial statements set out on pages 19 to 54, were approved by the board on 4 April 2022 and were signed on their behalf by:

Belinda Mapongwana
Chairperson: Board of Directors

4 April 2022

Grant Gelink
Chairperson: Audit, Risk & Compliance Committee

4 April 2022

Company secretary's certification

For the year ended 31 December 2021

We certify that to the best of our knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, all such returns and notices required of a public company in terms of section 88(2) (e) of the Companies Act, No 71 of 2008, as amended, in respect of the period ended 31 December 2021 and that such returns and notices are, to the best of our knowledge and belief, true, correct and up to date.

Nedbank Limited
Company Secretary

4 April 2022

Directors report

For the year ended 31 December 2021

The directors have pleasure in presenting their report, for the year ended 31 December 2021.

MTN Zakhele Futhi is a special purpose company which only has non-executive directors and does not employ any employees. The Company has engaged various service providers with the necessary expertise and experience to provide all services required by MTN Zakhele Futhi to effectively carry out its functions and activities. The board of directors retain full authority and responsibility for all management decisions taken and carried out by its service providers.

The MTN Zakhele Futhi board recognises that, at the core of MTN Zakhele Futhi's corporate governance system, it is ultimately responsible and accountable for the performance and affairs of the Company. The board embraces the principles of good corporate governance as set out in the guidelines of the Code of Good Governance Principles for South Africa as laid out in the King Report on Corporate Governance. As required by the Listing Requirements of the JSE Limited relating to Asset Backed Securities the MTN Zakhele Futhi board has implemented the recommendations of the King Code through the application of the King Code disclosure and application regime.

The principles relating to the appointment of a Chief Executive Officer and Chief Financial Officer to the board to achieve a balance of power have not been applied. The Company has engaged service providers with the necessary expertise and experience to provide all services required by the Company in this regard, with the ultimate responsibility residing with the board of directors. This has been the case for the full period under review.

There is a policy evidencing a clear balance of power and authority at board level to ensure that no director has unfettered powers of decision making.

MTN Zakhele Futhi is committed to business integrity, transparency and professionalism in all its activities to ensure that it acts ethically and responsibly to enhance the value of its business and benefit of all stakeholders.

The material risks applicable to MTN Zakhele Futhi are available in the Pre-Listing Statement issued on 11 November 2019. The Pre-Listing Statement is available on https://www.mtnzakhelefuthi.co.za/docs. An additional risk relating to the adverse effect of Covid-19 on the financial results of the Company was identified during the 2020 financial year, which continued in 2021. Further disclosure in respect of this risk and the resulting impact on MTN Zakhele Futhi has been provided in Note 8 and Note 21 of the annual financial statements.

1. Incorporation and nature of business

MTN Zakhele Futhi was incorporated as a public company under the laws of the Republic of South Africa on 21 June 2016.

The Company is incorporated as the special purpose investment vehicle to effect MTN Group's Broad Based Black Economic Empowerment ("BBBEE") transaction. The implementation of the scheme followed the approval of the necessary elements of the BBBEE transaction by the shareholders of MTN Group on 7 October 2016.

MTN Zakhele Futhi is engaged in acquiring and holding shares in MTN Group on behalf of the participating black public.

Due to the nature of the Company, MTN Zakhele Futhi has received a condonation from the Companies Tribunal of the Republic of South Africa from establishing a Social and Ethics Committee. This condonation is in place for a five-year period which expires in March 2024.

During the financial year MTN Zakhele Futhi was in compliance with the provisions of the Companies Act and applicable laws of the Republic of South Africa and was operating in conformity with its Memorandum of Incorporation.

2. Operating and financial review

The operating results and state of affairs of the Company are fully set out in the attached annual financial statements.

Net profit after tax of the Company for the year was R869,5 million (2020: R145,9 million) after tax expenses of R0.05 million (2020: R0,2 million).

3. Share capital

The issued share capital consisted of 8 ordinary shares issued on incorporation at no par value. A total of 123 416 818 ordinary shares were issued subsequently on 23 and 24 November 2016 as part of the BBBEE transaction. The shares were issued at R20 per share on the date of issue.

Directors report

For the year ended 31 December 2021

The ordinary shares were listed on the JSE Limited on 25 November 2019.

4. Dividends

No ordinary dividends were declared or paid during the current or prior year.

5. Directorate

The Company has a unitary board comprising of five non-executive directors and is committed to ensuring that there is a clear balance of power and authority at the board of directors' level. This is evident in the Memorandum of Incorporation where the powers of the directors have been clearly stipulated. The aim is to promote objectivity and reduce the possibility of conflicts of interest.

The directors of the Company in office for the period of this report are as follows:

Director	Appointment / Resignation
Sindisiwe Mabaso-Koyana	Appointed 6 June 2017
Grant Gelink	Appointed 9 June 2017
Belinda Mapongwana	Appointed 22 June 2020
Edward Pitsi	Appointed 22 June 2020
Manana Nhlanhla	Appointed 22 June 2020

6. Auditors

SizweNtsalubaGobodo Grant Thornton Inc., will, subject to shareholders approval at the annual general meeting, continue in office in accordance with section 90 of the Companies Act.

7. MTN Zakhele Futhi Debt Covenants

The MTN Zakhele Futhi preference shares are subject to a trigger event if the one day VWAP of the MTN shares is R38 or less. The Company is subject to compliance with various debt covenants which are monitored on a monthly basis and adequately disclosed in note 8 of the annual financial statements.

During 2021, there were no continuing trigger events and MTN Zakhele Futhi is in compliance with its debt covenant requirements at year end.

8. Secretary

Nedbank Limited, acting through its Group Secretariat, was appointed on 15 February 2017 as Company Secretary.

The address of the Company Secretary is:

Postal and physical address:	135 Rivonia Road Sandown Johannesburg 2193

9. Directors' interests in shares

As at 31 December 2021, the directors of the Company held the following number of direct or indirect beneficial interests in the issued ordinary shares of the company:

	2021		2020	
	Direct	**Indirect**	**Direct**	**Indirect**
Sindisiwe Mabaso-Koyana		50 000	-	50 000
Grant Gelink	61 081	-	61 023	-
Belinda Mapongwana	-	-	-	-
Edward Pitsi	-	5 000 000	-	5 000 000
Manana Nhlanhla	-	10 065 658	-	10 065 658
	61 081	**15 115 658**	**61 023**	**15 115 658**

The register of directors' and others interests in shares of the Company is available to shareholders on request.

There have been no changes in beneficial interests of the directors that occurred between the end of the reporting period and the date of this report.

10. Meetings held by the board

The board held 4 meetings during 2021 and the members attended the meetings as follows:

	Attended
Sindisiwe Mabaso-Koyana	2/4
Grant Gelink	4/4
Belinda Mapongwana	4/4
Edward Pitsi	3/4
Manana Nhlanhla	3/4

11. Borrowing powers

Borrowing capacity is determined by the directors and is limited in terms of the Memorandum of Incorporation.

12. Events after the reporting date

MTN Group Limited declared a final dividend of 300 cents on 9 March 2022.

No other significant events have occurred between the reporting date and 4 April 2022 that require adjustment or disclosure.

Directors report

For the year ended 31 December 2021

13. Going concern

The directors have reviewed the Company's budget and cash flow forecast for the year ahead. On the basis of this review, and in light of the current financial position of the Company and the dividend declared from MTN, the directors are satisfied that the Company has sufficient funds for the foreseeable future to continue as a going concern.

The annual financial statements set out on pages 19 to 54, which have been prepared on the going concern basis, were approved by the board on 4 April 2022 and were signed on its behalf by:

Belinda Mapongwana

Chairperson

4 April 2022

SNG Grant Thornton

An instinct for growth™

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Woodmead, 2191
P.O. Box 2939
Saxonwold, 2132
T: 011 231 0600

Independent auditor's report to the shareholders of MTN Zakhele Futhi (RF) Limited

Opinion

We have audited the financial statements of MTN Zakhele Futhi (RF) Limited ("the company"), set out on pages 19 to 54, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MTN Zakhele Futhi (RF) Limited as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

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

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>

Derivative financial instrument

Refer to notes 3, and 25 of the annual financial statements for detailed disclosure of the derivative financial instrument

The derivative financial instrument is classified as a financial instrument at fair value through profit or loss. The company obtained notional vendor finance (“NVF”) to facilitate the purchase of the MTN Group Limited (“MTN Group”) shares. MTN Group issued 25 721 165 NVF shares to the company at a total subscription price of R2 572 on 23 November 2016. MTN Group has a call option against the company in respect of the shares included in the NVF facility.

As of 31 December 2021; financial liabilities carried at fair value through profit or loss represented 8% of total financial liabilities classified as level 3 in the fair value hierarchy as prescribed by IFRS 13 Fair Value Measurement.

Financial instruments that are classified as level 2 or level 3 in the fair value hierarchy will have some element of estimation uncertainty inherent in their value, and the uncertainty is higher for level 3 financial instruments which, by their nature, are unobservable. These portfolios include certain derivative financial instruments.

In addition, the notional outstanding debt at a given point in time is dependent on the dividends generated by MTN Group during the life of the option.

The structure therefore represents a path dependent option which may increase the estimation uncertainty.

Due to the significant judgment applied by the company and the extensive audit work that had to be performed, the valuation of the derivative financial instrument was considered a key audit matter.

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Our audit procedures included the following:

We identified relevant controls over the valuation of financial instruments and evaluated the design and implementation of those controls.
We assessed the models used by the company, the interest and dividends rates applied at year-end, and reperformed the valuation by agreeing valuation inputs to independently sourced data;
We considered sensitivities to key factors including assessing the impact of change in the interests and dividends rates applied, the MTN Group share price and its volatility.
We independently recalculated the expected fair values to evaluate if the company’s estimates are within a reasonable range in comparison with our independent expectation;
We also assessed the disclosures made relating to the valuation of the derivative financial instrument to ensure consistency with the requirements of the relevant accounting standards and with the methodologies applied by the company.

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Debt covenants

Refer to notes 8, and 25 of the annual financial statements for detailed disclosure of the debt covenants

The impact of the volatility of the MTN Group share price on debt covenants. A breach in covenants would result in the preference share debt becoming due and payable at the request of the preference shareholder.

Due to the significant pervasive impact of the debt covenants on the company and the extensive audit work that had to be performed, the audit of the debt covenants was considered a key audit matter.

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Our audit procedures included the following:

We assessed the loan agreements and correspondence issued by the preference share agents with the relevant counterparties for any breaches of the debt covenants.
We also assessed the disclosures made relating to the debt covenants to ensure consistency with the requirements of the relevant accounting standards.

</td></tr>
</table>

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that SizweNtsalubaGobodo Grant Thornton has been the auditor of MTN Zakhele Futhi (RF) Limited for 6 years.

SizweNtsalubaGobodo Grant Thornton Inc.
Registered Auditor

Per Nhlanhla Sigasa CA(SA)
Director
Registered Auditor

4 April 2022

SizweNtsalubaGobodo Grant Thornton Inc.
SNG Grant Thornton Office Park
20 Morris Street East
Woodmead
2191

Statement of financial position

As at 31 December 2021

	Notes	**31 December 2021 R '000**	31 December 2020 R'000
ASSETS			
Non-current assets			
Investment in equities	2	8 725 707	3 076 564
		8 725 707	**3 076 564**
Current assets			
Current tax receivable		1	2
Cash and cash equivalents	5	2 126	6 578
Cash and cash equivalents - restricted funds	5	3 288	3 350
Other receivables	4	657	879
		6 072	**10 809**
Total assets		**8 731 779**	**3 087 373**
EQUITY AND LIABILITES			
Equity			
Share capital	6	2 468 336	2 468 336
Reserves	7	3 002 532	(2 597 457)
Accumulated profit		1 173 001	1 179 892
		6 643 869	**1 050 771**
LIABILITIES			
Non-Current Liabilities			
Borrowings	8	924 384	922 340
Derivative financial instrument	3	166 708	1 080 510
Deferred tax	9	888 269	-
		1 979 361	**2 002 850**
Current Liabilities			
Borrowings	8	12 478	12 702
Advance from MTN	10	91 027	15 266
Other liability	12	2 743	2 860
Trade and other payables	11	2 300	2 924
		108 548	**33 752**
Total Liabilities		**2 087 909**	**2 036 602**
Total Equity and Liabilities		**8 731 779**	**3 087 373**

Statement of profit or loss

For the year ended 31 December 2021

	Notes	**31 December 2021 R '000**	31 December 2020 R '000
Dividend Income	26	-	272 766
Directors' emoluments	20	(1 170)	(1 037)
Other operating expenses	13	(17 813)	(15 445)
Operating loss/profit		**(18 983)**	**256 284**
Finance income	14	197	818
Finance costs incurred on financial liabilities measured at amortised cost	15	(62 737)	(31 246)
Gain/(Loss) on re-measurement of the derivative financial instrument	16	913 801	(79 735)
Profit before taxation		**832 278**	**146 121**
Income tax benefit/(expense)	17	37 289	(229)
Profit for the year		**869 567**	**145 892**
Basic and diluted earnings per share (cents)	27	**(5,58)**	**182,81**

Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	**31 December 2021 R '000**	31 December 2020 R '000
Profit for the year		**869 567**	**145 892**
Other comprehensive income:			
Items that may not be reclassified to profit or loss:		**4 723 531**	**(1 139 847)**
Gain/(Loss) on re-measurement of the investment in equities	7	5 649 143	(1 139 847)
Deferred tax on gain on re-measurement of the investment in equities*		(925 612)	
Total comprehensive gain/(loss) for the year		**5 593 098**	**(993 955)**

***Note: The deferred tax on gain of re-measurement of the investment in equities is made up of the current year movement of (R1 265 407 992) and the deferred tax asset previously unrecognised of R339 795 521.**

Statement of changes in equity

For the year ended 31 December 2021

	Share capital R '000	Investment in equities reserve R '000	Other reserve* R '000	Total reserves R '000	Accumulated profit/ (loss) R '000	Total equity R '000
Balance at 1 January 2020	**2 468 336**	**(377 097)**	**(1 000 778)**	**(1 377 875)**	**954 265**	**2 044 726**
Profit for the year	-	**-**	**-**	**-**	**145 892**	**145 892**
Other comprehensive loss	-	**(1 139 847)**	**-**	**(1 139 847)**	**-**	**(1 139 847)**
Total comprehensive loss the year	**-**	**(1 139 847)**	**-**	**(1 139 847)**	**145 892**	**(993 955)**
Transfer between reserves**	-	**-**	**(79 735)**	**(79 735)**	**79 735**	**-**
Balance at 31 December 2020	**2 468 336**	**(1 516 944)**	**(1 080 513)**	**(2 597 457)**	**1 179 892**	**1 050 771**
Balance at 1 January 2021	**2 468 336**	**(1 516 944)**	**(1 080 513)**	**(2 597 457)**	**1 179 892**	**1 050 771**
Profit for the year					869 567	869 567
Other comprehensive gain		4 723 531		4 723 531		4 723 531
Total comprehensive (loss)/income for the year	**2 468 336**	**3 206 587**	**(1 080 513)**	**2 126 074**	**2 049 459**	**6 643 869**
Transfer between reserves**			876 458	876 458	(876 458)	
Balance at 31 December 2021	**2 468 336**	**3 206 587**	**(204 055)**	**3 002 532**	**1 173 001**	**6 643 869**
Notes	6	7	7			

* The other reserve account is used to record the losses and gains recognised on the re-measurement of the derivative financial instrument.

** The transfer between reserves arises in respect of the gain on re-measurement of the derivative financial instrument that was recorded in profit and loss. The amount transferred is net of the related deferred tax.

Statement of cash flows

For the year ended 31 December 2021

	Notes	**31 December 2021 R '000**	31 December 2020 R '000
Cash flows from operating activities			
Cash used in operations	18	(19 382)	(16 807)
Dividends received		-	272 766
Interest income received	14	197	818
Finance costs paid		(50 392)	(70 592)
Tax paid	19	(58)	(226)
Net cash from operating activities		**(69 635)**	**185 959**
Cash flows from financing activities			
Redemption of cumulative redeemable non-participating preference	8	-	(212 620)
Receipt of advance from MTN	10	72 133	15 000
Capitalisation of refinancing fees incurred		(6 896)	-
Cash refunded to unsuccessful participants		(116)	(217)
Net cash from financing activities		**65 121**	**(197 837)**
Total cash movement for the year		**(4 514)**	**(11 878)**
Cash at the beginning of the year		9 928	21 806
Total cash at the end of the year	5	**5 414**	**9 928**

Accounting policies

For the year ended 31 December 2021

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 General Information

MTN Zakhele Futhi is an investment Company that was specifically formed to facilitate the implementation of a BBBEE transaction by MTN Group aimed at maintaining MTN Group's BBBEE status in support of South Africa's Broad Based Black Economic Empowerment Codes of Good Practice.

MTN Zakhele Futhi is a public company incorporated in the Republic of South Africa. The Company has registered its office at 135 Rivonia Road, Sandown, 2196, Johannesburg.

1.2 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these annual financial statements, the Companies Act 71 of 2008 of South Africa, as amended and the Listings Requirements of the JSE Limited relating to Asset Backed Securities.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Company's functional currency.

Amounts are rounded to the nearest thousand Rand.

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions.

It also requires management to exercise their judgement in the process of applying the Company's accounting policies. Actual results may differ from these estimates. Refer to note 1.13 for the critical accounting estimates and judgements used in the preparation of the annual financial statements.

1.3 Financial instruments

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

Offsetting of financial instruments

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

1.3 Financial instruments (continued)

Classification and measurement

The Company classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial liabilities at amortised cost

Classification is determined by both the Company's business model for managing the financial instrument and the contractual characteristics of the financial instrument. Classification is re-assessed on an annual basis, except for derivatives and financial instruments designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

All income and expenses relating to financial instruments that are recognised in profit or loss are presented within finance costs, finance income or dividends received, except for the impairment losses which are presented within other operating expenses.

Financial instruments are recognised initially at fair value, for instruments not at fair value through profit or loss, adjusted for any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below:

- **Financial assets at fair value through profit or loss**

  Financial assets at fair value through profit or loss are financial assets with a different business model other than "hold to collect" or "hold to collect and sell". Furthermore, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principle and interest (SPPI) are accounted for at FVTPL. Derivative financial instruments fall into this category unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current.

  Assets in this category are measured at fair value with gains and losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- The Company has made the irrevocable election to account for the investment in MTN shares, not classified as a derivative financial instrument, at fair value through other comprehensive income.

- **Financial assets at amortised cost**

  Financial assets are measured at amortised cost if the asset meets the following conditions (and are not designated as FVTPL):
  - they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
  - the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

  They are included in current assets except for maturities greater than 12 months after the end of the reporting period which are classified as non-current. After initial recognition, these are measured at amortised cost using the effective interest rate method. Discounting is omitted where the effect of discounting is immaterial. The entity's financial assets measured at amortised cost comprise other receivables and cash and cash equivalents.

1.3 Financial instruments (continued)

- **Financial assets at fair value through other comprehensive income**

- The Company has made the irrevocable election, in terms of IFRS 9.5.7.5 to account for the investment in MTN Group Limited shares, not classified as a derivative financial instrument, at fair value through other comprehensive income. This election has been made due to the nature of the asset and the business model applied in managing this financial instrument.

  Any gains and losses recognised in other comprehensive income will not be recycled upon de-recognition of the asset.

- **Financial liabilities at amortised cost**

  Financial liabilities comprise trade and other payables, borrowings, the advance received from MTN and other non-current liabilities (excluding provisions).

  Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company has designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest related charges and, if applicable, changes in an instruments fair value that are reported in profit or loss are included within finance costs.

  Borrowings and the advance received form MTN are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Refer to note 1.7 below for the accounting policy applicable to the preference shares and advance received from MTN.

De-recognition and Modifications

Financial assets are derecognised when the contractual rights to receive cash flows from the financial asset have expired or when the financial asset and substantially all the risks and rewards of ownership are transferred.

Financial liabilities are derecognised when:

- the contractual rights or obligations specified in the contract expire or are extinguished, discharged, or cancelled;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

If the contractual cash flows of a financial liability measured at amortised cost are modified (renegotiated or rescheduled), the Company considers whether this is a substantial modification to the original terms. If the changes are considered to be a substantial modification, the Company derecognises the original financial liability and recognises a “new” liability at fair value, adjusted for transaction costs. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition. If the changes are considered to be an unsubstantial modification, the Company does not derecognise the original financial liability. In such instances a modification gain or loss is calculated as the difference between the present value of the “new” cash flows discounted at the “old” effective interest rate and the carrying value of the financial liability on the date of modification. The modification gain or loss is recognised in the profit or loss.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the note specific to that asset or liability.

Transfers between fair value levels (level 1, level 2 and level 3) occur when a manner in which the fair value is determined has changed.

1.3 Financial instruments (continued)

- **Investment in equities**

  Investments in equities are measured at fair value through other comprehensive income. The fair value of the investments in equities are determined by reference to their quoted closing bid price at the reporting date.

- **Other receivables**

  Other receivables are classified as financial assets measured at amortised cost. The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date, unless it is short-term in nature, in which case its amortised cost approximates fair value.

- **Derivative financial instrument**

  Derivative financial instruments are classified at fair value through profit or loss.

  A derivative is a financial instrument or other contract with all of the following characteristics:
  - it's value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange or other variable,
  - it requires no initial net investment or an initial investment that is smaller than would be for other types,
  - it is settled at a future date. Derivatives are classified at fair value through profit or loss.

  Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and attributable transaction costs are expensed. Subsequently, derivative financial instruments are remeasured at their fair value and movements are recognised immediately in profit or loss.

  The fair value of the derivative financial instrument which relate to the existing option, is estimated using valuation techniques. A Monte Carlo methodology was adopted to value the option. The Monte Carlo simulation allows for the option model to consider the dependencies which exist between the company value, the dividends paid, the notional funding value and the remitted value. Refer to note 3 for the respective assumptions used in the valuation.

- **Non-derivative financial liabilities**

  Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date, unless it is short-term in nature, in which case its amortised cost approximates fair value.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred loss model under IAS 39. The expected credit loss model requires to the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 requires the company to recognise a loss allowance for expected credit losses on:
- trade receivables
- debt investments measured subsequently at amortised cost or at FVOCI

In particular, IFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss (ECL) if the credit risk on the financial instrument increased significantly since the initial recognition or if the financial instrument is a purchased or originated credit − impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit − impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables in certain circumstances.

1.3 Financial instruments (continued)

Impairment of financial assets (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘stage 1’)
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('stage 2’)

Stage 3 would represent those financial assets that have objective evidence of impairment at the reporting date.

An ECL assessment has been performed for all qualifying financial assets in accordance with IFRS 9. No impairment loss has been identified through this assessment.

1.4 Other receivables

Other receivables consist of accrued interest on the call accounts and prepayments relating to administration expenses that were paid in advance.

1.5 Trade and other payables

Trade and other payables are initially measured at fair value less transaction costs and are subsequently measured at amortised cost, using the effective interest rate method. These payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities**.**

1.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Company. Bank overdrafts are included within current liabilities on the balance sheet unless the entity has a legally enforceable right to set off the amounts and intends to settle on a net basis or realise the asset and settle the liability simultaneously.

Restricted funds are deposits held and are not available for use by the Company, as these are legally due to unidentified depositors.

1.7 Borrowings (Preference shares/Advance received from MTN)

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of profit or loss as interest expense.

1.8 Tax

Current tax assets and liabilities

Current tax is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of the current period exceeds the amount due for this period, the excess is recognised as an asset.

Current tax liabilities (assets) are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.8 Tax (continued)

Deferred tax assets and liabilities

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax expense

The tax (credit)/expense for the period comprises current and deferred tax.

Current and deferred taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised:
- in other comprehensive income; or
- directly in equity.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 1.7).

Incremental external costs directly attributable to the issue of new shares or options, other than in connection with a business combination, are shown in equity as a deduction, net of tax, from the proceeds.

1.10 Dividends payable

Dividends payable are recognised as a reduction from equity in the period in which they are approved by the Company's shareholders.

Accounting policies

For the year ended 31 December 2021

1.11 Income recognition

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Dividend income

Dividend income is recognised in profit or loss when the right to receive payment is established.

1.12 Directors' emoluments

Remuneration to directors in respect of the services rendered during the reporting period is expensed in that reporting period.

1.13 Significant judgements and sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on several factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the annual financial statements, are outlined as follows:

Income taxes

Where applicable tax legislation is subject to interpretation, the Company makes assessments, based on expert tax advice, of the relevant tax that is likely to be paid and provides accordingly. When the final outcome is determined and there is a difference, this is recognised in the period in which the final outcome is determined.

For purposes of the annual financial statements we have assumed that the tax will be borne by MTN Zakhele Futhi. Deferred tax has been calculated at capital gains tax rate as the increase in the investment in MTN Group shares will only be realised on the sale thereof.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The derivative instrument is based on assumptions as set out in note 3, these judgements and estimates are subject to change.

The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

1.13 Significant judgements and sources of estimation uncertainty (continued)

Impairment of fair value through other comprehensive income financial assets

The Company follows the guidance of IFRS 9 to determine when a fair value through other comprehensive income equity investment is impaired. This determination requires significant judgement.

In determining the need to impair the other comprehensive income equity instrument, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

The Company determines that fair value through other comprehensive income equity instruments are impaired and recognised as such in other comprehensive income when there has been a significant or prolonged decline in the fair value below its cost. In making this judgement, the Company evaluates, among other factors, the normal volatility in the fair value. In addition, the impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry or sector, or operational and financing cash flows or significant changes in technology.

There is no evidence of impairment of the MTN Group shares held by the Company at year end.

1.14 Expenses

All expenses have been accounted for on the accrual basis. The expenditure is classified in accordance with the nature of the expense.

Expenses for the Company include expenses of Jabisan 04 (RF) Proprietary Limited and the BFC2 Owner Trust.

Administration expenses of the Company and Jabisan 04 (RF) Proprietary Limited are limited to the amounts set out in clause 3.1 of Annexe A of the Company’s Memorandum of Incorporation i.e. R15 million per annum prior to the commencement of the BEE Listing Period (as defined in the Company's Memorandum of Incorporation), with an escalation allowance each year of the higher of 10% per annum or year-on-year changes in the CPI, on written approval of the Preference Share Agent and MTN Group plus the Administration Contingency Amount, plus an amount not exceeding R5 million in aggregate over the term of the Transaction (as defined in the Company's Memorandum of Incorporation) in relation to the specific categories of costs and expenses set out in clause 3.1.2 of Annexe A of the Company's Memorandum of Incorporation.

Administration expenses include all service provider expenses payable by the Company per the Transaction Documents (as defined in the Company's Memorandum of Incorporation).

Notes to the Financial Statements

For the year ended 31 December 2021

		31 December 2021	31 December 2020
		R'000	R'000
2.	**Investment in equities**		
	MTN Group Limited shares	8 725 707	3 076 564
	Reconciliation of the financial asset at fair value through other comprehensive income		
	Balance at the beginning of the year	3 076 564	4 216 411
	Gain/(loss) on re-measurement of the investment in equities	5 649 143	(1 139 847)
	Balance at the end of the year	**8 725 707**	**3 076 564**

The investment consists of 51 114 213 (2020: 51 114 213) MTN Group Limited shares. The total investment together with the derivative financial instrument (refer note 3) comprises approximately 4% of MTN Group's issued share capital.

The shares were acquired for cash at a price of R4 593 511 342 on 23 November 2016.

The fair value of the investment is based on a quoted market price of R170,71 (2020:R60,19) per share as listed on the JSE Limited at 31 December 2021. The total gain recorded in other comprehensive income for the current financial year is R5 649 142 821,with a loss in the previous financial year (2020: R1 139 846 950).

3. Derivative financial instrument

As part of the implementation of the MTN Group BBBEE scheme, MTN Zakhele Futhi obtained notional vendor finance ("NVF") to facilitate the purchase of MTN Group shares. MTN Group issued 25 721 165 NVF shares to MTN Zakhele Futhi at a total subscription price of R2 572 on 23 November 2016. MTN Group has a call option against MTN Zakhele Futhi in respect of the shares included in the NVF facility.

The notional outstanding debt at a given point in time is dependent on the dividends generated by MTN Group during the life of the option. The structure therefore represents a path dependent option. The Monte Carlo simulation was applied as the valuation technique, which is in line with standard market practice.

The value of the option at year end was a liability of R166 707 970 (2020: R1 080 509 393). The significant inputs into the model were the market share price of MTN Group shares of R170,71 (2020: R60,19), volatility of 51,41% (2020: 47,08%), a dividend yield of 4,38% (2020: 11,59%) and an expected option life of eight years from inception and an annual risk-free rate of 5,75% (2020: 4,31%).

Notes to the Financial Statements

For the year ended 31 December 2021

		31 December 2021 R'000	31 December 2020 R'000
3.	**Derivative financial instrument (continued)**		
	In terms of the NVF agreement, the notional funding provided by MTN Group earns notional interest at 80% of Prime (NACM).		
	The notional vendor balance accrued R261 424 692 (2020: R276 million) in interest for the year ended 31 December 2021. The notional vendor finance at year end was R4 792 million (2020: R4 531 million)		
	Financial liability at fair value through profit and loss		
	Balance at the beginning of the year	(1 080 510)	(1 000 775)
	Fair value adjustments recorded in profit and loss	913 801	(79 735)
	Fair value at end of the year	**(166 708)**	**(1 080 510)**
4.	**Other receivables**		
	Accrued interest income	9	16
	Prepayments	474	689
	Amount owing by MTN	174	174
		657	**879**
	The carrying amount of the other receivables approximates fair value.		
5.	**Cash and cash equivalents**		
	Cash and cash equivalents consist of:		
	Bank balances	2 126	6 578
	Restricted funds	3 288	3 350
		5 414	**9 928**

Cash and cash equivalents are denominated in South African Rands.

The carrying amount of the cash and cash equivalents approximates fair value.

R3,2 million (2020: R3,3 million) is held by the Company for unsuccessful applicants that need to be refunded due to the fact that bank deposit references did not allow their deposits to be matched to their application for MTN Zakhele Futhi shares. This resulted in shares not being allocated to these applicants during the initial offer period. Funds are being refunded as and when applicants present themselves. The Company is not obliged to pay interest to the applicants on the amounts refundable. These funds are not available to the Company for its own use and are therefore classified as restricted funds.

Notes to the Financial Statements

For the year ended 31 December 2021

		31 December 2021	31 December 2020
		R'000	R'000
6.	**Share capital**		
	Authorised share capital		
	300 000 000 ordinary shares of no par value		
	3 200 000 cumulative redeemable non-participating preference shares		
	Issued share capital		
	8 ordinary shares of no par value issued on incorporation	*	*
	123 416 818 ordinary shares of no par value (issued on 23 and 24 November 2016)	2 468 336	2 468 336
		2 468 336	**2 468 336**

**Amount less than R1 000*

Issued cumulative redeemable non-participating preference shares are classified as borrowings (note 8).

The MTN Zakhele Futhi ordinary shares were subject to a minimum investment period of three years, from 24 November 2016 to 23 November 2019. Restricted trading of the MTN Zakhele Futhi ordinary shares is permissible between eligible individuals and groups, between the fourth to eighth years (ending 24 November 2024).

		31 December 2021	31 December 2020
7.	**Reserves**		
	Reserves consist of:		
	Investment in equities reserve	3 206 587	(1 516 944)
	Other reserve	(204 055)	(1 080 513)
		3 002 532	**(2 597 457)**
	Investment in equities reserve		
	Balance at the beginning of the year	(1 516 944)	(377 097)
	Gain/(Loss) on the revaluation of the investment in equities financial asset	5 649 143	(1 139 847)
	Deferred tax on the revaluation of the investment in equities financial asset*	(925 612)	-
	Balance at the end of the year	**3 206 587**	**(1 516 944)**

*Note: The deferred tax on gain of re-measurement of the investment in equities is made up of the current year movement of R1 265 407 992 and the deferred tax asset previously unrecognised of R339 795 521.

Notes to the Financial Statements

For the year ended 31 December 2021

Other reserve	**31 December 2021**	31 December 2020
	R'000	R'000
Balance at the beginning of the year	(1 080 513)	(1 000 778)
Transfer of gain/(loss) on revaluation of the derivative financial instrument*	913 801	(79 735)
Deferred tax on the revaluation of the derivative financial instrument**	(37 343)	-
Balance at the end of the year	**(204 055)**	**(1 080 513)**

*The transfer between reserves arises in respect of the gain on the remeasurement of the derivative financial instrument that is recorded in profit or loss. The amount transferred is net of deferred tax calculated at the Capital Gains Tax (CGT) rate.

**Note: The deferred tax on gain of re-measurement of the derivative financial instrument is made up of the current year movement of R204 691 519 and the deferred tax asset previously unrecognised of R242 034 680.

8. Borrowings

Borrowings consist of the cumulative redeemable non-participating preference shares.

Long-term portion	924 384	922 340
Short-term portion	12 478	12 702
	936 862	**935 042**
Reconciliation of the cumulative redeemable non-participating preference shares		
Balance at the beginning of the year	935 042	1 187 778
Capitalisation of transaction costs	(6 896)	(504)
Redemption of non-participating preference shares (redeemed at a par value of R1 000)	-	(212 620)
Interest paid on cumulative redeemable non-participating preference shares	(50 392)	(70 592)
Gain on IFRS 9 modification adjustment	(2 204)	(19 521)
Accrued interest at the effective interest rate	61 312	50 501
Balance at the end of the year	**936 862**	**935 042**

The above borrowings have been indirectly secured through the back-to-back preference shares issued by Jabisan 04 (RF) Proprietary Limited ("Jabisan 04").

MTN Zakhele Futhi issued cumulative redeemable non-participating MTN Zakhele Futhi preference shares ("MTN Zakhele Futhi preference shares") to Jabisan 04 on 23 November 2016 at an issue price of R1 000 per MTN Zakhele Futhi preference share. The MTN Zakhele Futhi preference shares were redeemable after 5 years from the date of issue i.e. 23 November 2021. During December 2020 the scheduled redemption date was extended to 23 November 2022. In addition, during September 2021, agreements were concluded in relation to amendments to the terms of the MTN Zakhele Futhi preference shares and the refinancing of the Jabisan 04 preference share funding agreements and the holders of the cumulative redeemable preference shares agreed to extend the scheduled redemption date of the Jabisan 04 preference shares and the MTN Zakhele Futhi preference shares to 23 November 2024, i.e. 8 (eight) years from the issue date. The revised terms of the preference shares, including the MTN Zakhele Futhi preference shares include a favourable change to the dividend rate applicable to the preference shares, being a reduction of 2.5% from 75% to 72.5% of the prime lending rate quoted by FirstRand Bank Limited (acting through its Rand Merchant Bank division), expressed as a simple rate of interest (compounded on each scheduled preference dividend date).

The MTN Zakhele Futhi preference shares accrue dividends (in arrears), which are payable on 30 April and 30 September over the term of the MTN Zakhele Futhi preference shares, or such earlier or later date as may be agreed in writing by MTN Zakhele Futhi and the Preference Share Agent at least 5 business days prior to 30 April or 30 September of any year during the term of the MTN Zakhele Futhi preference shares. Subject to the relevant conditions, the accrued dividends may be rolled up to the agreed maximum amount (being an amount calculated on the date the relevant priority of payments set out in the memorandum of incorporation of MTN Zakhele Futhi, equal to no more than 105% of the issue price of the unredeemed MTN Zakhele Futhi preference shares plus all accrued and/or accumulated preference share dividends in relation to such shares).

MTN Zakhele Futhi is structured robustly and is supported by MTN in multiple ways. Over the eight-year life of the scheme, the potential for unforeseen, but material and sudden, movements in market prices was provided for, and a mechanism was included in the Transaction Documents to enable MTN to voluntarily take over the third-party funding in these circumstances, through the exercise of a call option to purchase the unredeemed preference shares.

The MTN Zakhele Futhi preference shares are subject to a trigger event if the one day VWAP of the MTN shares is R38 or less. This trigger event was revised during the year, with the consent of the MTN Zakhele Futhi shareholders, the preference shareholders, the Company and MTN, from a one-day VWAP of R50 to a one-day VWAP of R38. The MTN Zakhele Futhi preference shares and are also subject to the following debt covenants:

MTN Net Debt to EBITDA	Trigger Event		Volatility Protection	
	Total Share Cover Ratio	Top-Up Required	Volatility Protection Share Cover Ratio	Top-Up Required
< 2.00 times	2.00 times	2.90 times	2.30 times	2.60 times
> = 2.00 times	2.20 times	3.20 times	2.60 times	2.90 times

The Total Share Cover Ratio is, as at any date, the ratio A:B where:

- A is the number of MTN Shares reflected in the Subject Share Security Account multiplied by the Five Day VWAP of the MTN Shares; and

- B is (a) the aggregate MTN Zakhele Futhi Redemption Amount (excluding any MTN Zakhele Futhi Margin Dividend) of the MTN Zakhele Futhi unredeemed preference shares as at that date calculated on the basis that the MTN Zakhele Futhi unredeemed preference shares were to be redeemed on that date; less (b) the aggregate of all amounts standing to the credit of the Jabisan 04 Collection Account, MTN Zakhele Futhi Collection Account, the MTN Zakhele Futhi Security Account, Jabisan 04 Top up Loan Account and the MTN Zakhele Futhi Top up Loan Account on that date.

The Volatility Protection Share Cover Ratio is, at any date, the ratio of A:B where:

- A is the MTN Shares in the Subject Share Security Account multiplied by the one-day VWAP of the MTN Shares; and
- B is (a) the aggregate MTN Zakhele Futhi Redemption Amount (excluding any MTN Zakhele Futhi Margin Dividend) of the MTN Zakhele Futhi unredeemed preference shares as at that date calculated on the basis that the MTN Zakhele Futhi unredeemed preference shares were to be redeemed on that date; less (b) the aggregate of all amounts standing to the credit of the Jabisan 04 Collection Account, MTN Zakhele Futhi Collection Account, the MTN Zakhele Futhi Security Account, Jabisan 04 Top up Loan Account and the MTN Zakhele Futhi Top up Loan Account on that date.

If the above covenants are triggered the holders of the back-to-back preference shares issued by Jabisan 04 will, amongst other things, have the right to enforce the sale of sufficient MTN Group shares to repay their outstanding debt.

There are no continuing trigger events and MTN Zakhele Futhi is in compliance with its debt covenant requirements at year end.

The following security and credit support are held as at 31 December 2021:

First Ranking Guarantee, given by MTN Zakhele Futhi in respect of the obligations of Jabisan 04 under the Jabisan 04 preference shares (cumulative redeemable non-participating preference shares) issued by Jabisan 04 to the Jabisan 04 Preference Shareholders on 23 November 2016.

MTN Zakhele Futhi Pledge and Cession given by MTN Zakhele Futhi in favour of the Jabisan 04 Preference Shareholders in terms of which MTN Zakhele Futhi pledges and cedes in security the Subject Shares (the MTN Shares held by MTN Zakhele Futhi from time to time) for its obligations under the First Ranking Guarantee.

MTN Zakhele Futhi Reversionary Pledge and Cession by MTN Zakhele Futhi in favour of MTN Group Limited and Mobile Telephone Networks Holdings Limited and each Subordinated MTN Acceded Nominee ("MTN Group Entities") in terms of which MTN Zakhele Futhi pledges and cedes in security its Primary Reversionary Rights to the Subject Shares (the MTN Shares held by MTN Zakhele Futhi from time to time) for its obligations in respect of certain Transaction Documents.

MTN Zakhele Futhi Account Cession by MTN Zakhele Futhi in favour of the Jabisan 04 Preference Shareholders in terms of which MTN Zakhele Futhi cedes in security the MTN Zakhele Futhi Account Rights (and any other assets designated as Collateral) for its obligations under the First Ranking Guarantee.

MTN Zakhele Futhi Reversionary Account Cession by MTN Zakhele Futhi in favour of the MTN Group Entities in terms of which MTN Zakhele Futhi cedes in security the MTN Zakhele Futhi Account Rights (and any other assets designated as Collateral) for its obligations in respect of certain Transaction Documents.

Notes to the Financial Statements

For the year ended 31 December 2021

	31 December 2021 R'000	31 December 2020 R'000
MTN Subordination and Undertaking Agreement entered into between the Jabisan 04 Preference Shareholders, Jabisan 04, MTN Zakhele Futhi, FirstRand Bank Limited, actng through its Rand Merchant Bank division (in its capacity as Preference Share Agent), MTN Group Limited and Mobile Telephone Networks Holdings Limited in terms of which the MTN Group Entities (i) subordinate their claims against MTN Zakhele Futhi in favour of Jabisan 04 and the holders of the Jabisan 04 preference shares and (ii) subordinate their claims against Jabisan 04 in favour of the Jabisan 04 Preference Shareholders; and MTN Holdings provides a limited recourse guarantee in favour of the Jabisan 04 Preference Shareholders.		

The MTN Group shares (being 76 835 378 ordinary shares) are held at FirstRand Bank Limited, acting through its RMB Custody and Trustee Services division (in its capacity as Security Custodian).

9. Deferred tax liability

	31 December 2021 R'000	31 December 2020 R'000
Balance at the beginning of the year	-	-
Revaluation of available-for-sale financial asset recorded in OCI	925 612	-
Revaluation of derivative financial asset recorded in P&L	(37 343)	-
Balance at end of the year	**888 269**	**-**

Deferred tax on the revaluation of the investment in equities and the derivative financial instrument are raised at the CGT rate of 22.4%.

Note: The deferred tax on gain of re-measurement of the Derivative financial instrument is made up of the current year movement of (R204 691 519) and the deferred tax asset previously unrecognised R242 034 778.

10. Advance from MTN

Reconciliation of the advance from MTN	**31 December 2021 R'000**	31 December 2020 R'000
Balance at the beginning of the year	15 266	-
Receipt of advance	72 133	15 000
Accrued interest at the effective interest rate	3 629	266
Balance at the end of the year	**91 028**	**15 266**

In order to allow MTN Zakhele Futhi to meet all its financial obligations and continue in operation until the next dividend declaration, MTN Group, through its subsidiary Mobile Telephone Network Holdings Limited, advanced R15,0 million to MTN Zakhele Futhi on 22 September 2020. A further advance of R75,0 million was granted to MTN Zakhele Futhi on 23 April 2021

The advance bears interest at the South African prime rate and is repayable from amounts in the provisions account which are used for allowable administration costs (as included in the Transaction Documents), or otherwise in accordance with the Transaction Documents, when MTN Zakhele Futhi has sufficient funds on hand.

The carrying amount of the advance received from MTN approximates fair value.

Notes to the Financial Statements

For the year ended 31 December 2021

		31 December 2021 R'000	31 December 2020 R'000
11.	**Trade and other payables**		
	Administration costs	527	224
	Director's and secretarial fees	257	656
	Professional fees and other	1 516	2 044
	Balance at the end of the year	**2 300**	**2 924**
	The carrying amount of the trade and other payables approximates fair value.		
12.	**Other liability**		
	The other liability consists of amounts due and payable to unsuccessful applicants. Shares were not allocated to these applicants during the initial offer period due to incorrect references being used on their payments resulting in their deposits not being matched to their underlying application.		
	Balance at the end of the year	**2 743**	**2 860**
	The carrying amount of the other liability approximates fair value.		
13.	**Other operating expenses**		
	Administration and preference agent fees	(8 976)	(8 437)
	Auditors remuneration	(979)	(944)
	Securities transfer tax	(960)	(532)
	Legal and other professional fees	(2 790)	(2 530)
	Secretarial expenses	(96)	(98)
	Annual general meeting, including printing and postage	(872)	(1 787)
	Expenses paid on behalf of Jabisan 04 and BFC 2 Owner Trust	-	(800)
	Listing Expenses	-	(316)
	Other expenses	-	(1)
	*Impairment	(3 139)	-
		(17 813)	**(15 445)**

In accordance with the underlying Transaction Document the Company pays all the expenses of Jabisan 04 (RF) Proprietary Limited and BFC 2 Owner Trust. The major expenses paid in respect of these include audit fees and securities transfer taxation paid on the redemption of preference shares by Jabisan 04.

* The impairment relates to the amount that is not recoverable from Jabisan, MTN ZF transferred R3,1mill to Jabisan as part of the refinancing project, which Jabisan had to pay the preference shareholders for their participation in the refinancing project, as Jabisan does not hold any cash, this amount is considered non recoverable and thus impaired.

Notes to the Financial Statements

For the year ended 31 December 2021

		31 December 2021	31 December 2020
		R'000	R'000
14.	**Finance income**		
	Interest income is earned from investments in financial assets.		
	Interest income from bank and cash	**197**	**818**
15.	**Finance costs incurred on financial liabilities measured at amortised cost**		
	Interest expense – borrowings (accrued dividends)	50 169	61 129
	Interest expense – advance from MTN	3 629	266
	Gain on IFRS 9 modification adjustment	(2 204)	(19 521)
	Effective interest rate adjustment	11 143	(10 628)
		62 737	**31 246**
16.	**Gain/(Loss) on re-measurement of the derivative financial instrument**		
	Fair value gains/losses arise on financial instruments recognised at fair value through profit or loss.		
	Gain/(loss) on revaluation of the derivative financial instrument	**913 801**	**(79 735)**
17.	**Income tax expense**		
	Major components of the tax expense include:		
	Current taxation		
	Normal taxation	**(55)**	**(229)**
	Deferred taxation		
	Current year tax movement	**(204 691)**	
	Deferred tax previously unrecognised	**242 035**	
		37 289	**(229)**
	Reconciliation of the tax credit		
	The income tax expenses for the year is reconciled to the effective rate of tax as follows:		
	Applicable rate	28.00%	28.00%
	Exempt dividends	-	(52.27%)
	Expenses not deductible for tax*	2.75%	9.15%
	Difference between CGT and statutory tax on the revaluation of the derivative instrument	(6.15)%	3.06%
	Recognition of previously unrecognised deferred tax asset	(29.08%)	
	Unrecognised deferred tax asset	-	12.22%
	Effective tax rate	**(4.48%)**	**0.16%**

Deferred tax on the fair value adjustment of the derivative financial instrument is raised at the CGT rate (22.4%).

*Detailed expenses not deducted for tax purposes are not disclosed as all expenses are treated as non-deductible for tax purposes (IAS 12 par 81c).

		31 December 2021 R'000	31 December 2020 R'000
18.	**Cash used in operations**		
	Profit/(loss) before taxation	**832 278**	**146 121**
	Adjusted for:		
	Interest income	(197)	(818)
	Finance costs incurred on financial liabilities measured at amortised cost	62 737	31 246
	(Gain)/loss on re-measurement of the derivative financial instrument	(913 801)	79 735
	Dividend income	-	(272 766)
	Changes in working capital:		
	Decrease/Increase in trade and other receivables	224	(208)
	Decrease in trade and other payables	(623)	(117)
		(19 382)	**(16 807)**
19.	**Tax paid**		
	Balance at the beginning of the year	(2)	5
	Current tax for the year recognised in profit or loss	(55)	(229)
	Balance at the end of the year	(1)	(2)
		(58)	**(226)**

20. Related parties

Relationships

Preference shareholder:	Jabisan 04 (RF) Proprietary Limited
Ordinary shareholder of preference shareholder:	BFC2 Owner Trust
Provider of notional vendor finance:	MTN Group Limited
Provider of advance:	Mobile Telephone Network Holdings Limited
Non-executive directors:	
	Sindisiwe Mabaso-Koyana
	Grant Gelink
	Belinda Mapongwana [2]

Notes to the Financial Statements

For the year ended 31 December 2021

Edward Pitsi (2)

Manana Nhlanhla (2)

	31 December 2021 R'000	31 December 2020 R'000
20. Related parties (continued)		
Related party balances:		
Preference share liability		
Jabisan 04 (RF) Proprietary Limited	972 326	956 347
Advance received		
Mobile Telephone Network Holdings Limited	72 133	15 000
Ordinary share capital held by related party		
MTN Group Limited	365 540	365 540
Related party transactions:		
Dividend received from related party		
MTN Group Limited	-	(272 766)
Interest paid to related parties		
Jabisan 04 (RF) Proprietary Limited	50 392	70 592
Interest payments accrued in respect of related parties		
Mobile Telephone Network Holdings Limited	3 628	266
Expenses paid on behalf of related parties	**3 139**	**1 075**
Jabisan 04 (RF) Proprietary Limited	3 139	1 075
BFC2 Owner Trust	-	-
Remuneration of the board of directors – directors fees*		
Sindisiwe Mabaso-Koyana	130	287
Sonja De Bruyn (1)	-	78
Grant Gelink	243	232
Belinda Mapongwana (2)	389	159
Edward Pitsi (2)	234	147
Manana Nhlanhla (2)	172	134
	1 169	**1 037**

(1) Resigned on 22 June 2020.

(2) Appointed on 22 June 2020.

** VAT (at a rate of 15%) is charged by the non-executive directors where applicable.*

The directors do not consider the key service providers to be "key management personnel" as defined in IAS 24, *Related Party Disclosure*.

These transactions above with the relevant providers and management are considered to be equivalent to those at an arm's length transaction.

21. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

On 12 March 2021 MTN Zakhele Futhi, together with MTN, sent a request to the third-party funders to allow the MTN Subordination and Undertaking Agreement to be amended to allow MTN or MTN Holdings to advance sufficient funds to the Company to address any liquidity shortfall of the Company. The third party funders were amenable to this request and the MTN Subordination and Undertaking Agreement has been amended to allow for funds received from MTN or an MTN group Company that is a party to the MTN Subordination and Undertaking Agreement to be utilised by MTN Zakhele Futhi to pay both scheduled payments owing to the third-party funders and operational and other costs and taxes as they become due and payable.

On 16 April 2021, MTN Holdings agreed to advance an aggregate amount of R75,0 million to MTN Zakhele Futhi to assist the Company in meeting its immediate liquidity shortfall. These amounts were advanced in order to assist the Company in meeting its operational and other payment obligations until the date of receipt of the next dividend from MTN.

The directors have assessed the going concern assumption after consideration of the following:

- The receipt of a letter of support from MTN indicating their intention to support MTN Zakhele Futhi in the event that it faces any further liquidity challenges. Although this letter should not in any way be construed as a guarantee of support or firm undertaking by MTN, MTN has demonstrated its willingness to exercise its call option and acquire the third party preference share funding (in order to preserve the MTN Zakhele Futhi transaction) when the trigger events relating to the preference share funding occurred in March 2020 and were ongoing.
- The preference share funding redemption date has been extended to November 2024. The third-party funding is therefore not repayable within the next 12-month period.
- MTN declared a final dividend of 300 cents per share on 9 March 2022. Subject to certain consents and/or waivers being obtained from the preference share funders, this will ensure that MTN Zakhele Futhi has enough cash to meet its preference share obligations and operational requirements for the next 12 months.
- In the event that the funders do not provide the consents and/or waivers referred to above, then, as a result of amendments to the preference share terms during 2021:
    - the accrued dividends may, subject to the applicable conditions, be rolled up to the agreed maximum amount - being an amount calculated on the date the relevant priority of payments set out in the memorandum of incorporation of MTN Zakhele Futhi, equal to no more than 105% of the issue price of the unredeemed MTN Zakhele Futhi preference shares plus all accrued and/or accumulated preference share dividends in relation to such shares; and
    - this ability to roll up dividends is an additional factor which, if applied, is expected to enable MTN Zakhele Futhi to meet its preference share obligations and operational requirements for the next 12 months.

Based on the above and the Company's forecasts and projections, taking account of reasonable possible changes in investment performance, show that the Company will be able to operate within the level of its current funding.
The directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future.

22. Events after the reporting period

MTN declared a final dividend of 300 cents per share on 9 March 2022.

The financial effect of the declaration of the dividend by the MTN group is an estimated dividend income of R230 506 134, which is calculated as follows 76 835 378 shares * 300 cents.

Following the initial announcement by the Minister of Finance, on 24 February 2021 that the corporate income tax rate will change from 28% to 27%, the Minister further announced on 23 February 2022 that this change is effective for years of assessment ending on or after 31 March 2023. Current and deferred tax balances are reflected at 28% at 31 December 2021, as this is the rate that was substantively enacted. The change in the corporate income tax rate is considered a non-adjusting event after the reporting period and is only applicable for the 2023 financial year.

No other significant events have occurred between the reporting date and 4 April 2022 that require adjustment or disclosure.

23. Contingencies, commitments and guarantees

There is no reimbursement to any third party for potential obligations of the Company that have not been accrued for at year end. The Company did not have any contingent liabilities at year end.

24. Categories of financial instruments

The financial instruments of the Company have been classified as follows:

	Financial assets			Financial liabilities	Total financial instruments	
31 December 2021	**Fair value through other comprehen sive income**	**Amortised cost**	**Financial assets at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Assets						
Investment in equities	8 725 707	-	-	-	8 725 707	8 725 707
Other receivables	-	182	-	-	182	182
Cash and cash equivalent	-	5 414	-	-	5 414	5 414
Liabilities						
Derivative financial instrument	-		(166 708)	-	(166 708)	(166 708)
Borrowings	-		-	(936 862)	(936 862)	(936 862)
Advance from MTN	-		-	(91 027)	(91 027)	(91 027)
Trade and other payables	-		-	(1 907)	(1 907)	(1 907)
Other liability	-		-	(2 743)	(2 743)	(2 743)

24. Categories of financial instruments (continued)

	Financial assets			Financial liabilities	Total financial instruments	
31 December 2020	**Fair value through other comprehensive income**	**Amortised cost**	**Financial assets at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Assets						
Investment in equities	3 076 564	-	-	-	3 076 564	3 076 564
Other receivables	-	190	-	-	190	190
Cash and cash equivalent	-	9 928	-	-	9 928	9 928
Liabilities						
Derivative financial instrument	-	-	(1 080 510)	-	(1 080 510)	(1 080 510)
Borrowings	-	-	-	(935 042)	(935 042)	(1 012 152)
Advance from MTN	-	-	-	(15 266)	(15 266)	(15 266)
Trade and other payables	-	-	-	(2 924)	(2 924)	(2 924)
Other liability	-	-	-	(2 860)	(2 860)	(2 860)

25. Financial risk management and financial instruments

a. Financial risk management

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

b. Fair value estimation

In terms of IFRS 13*, Fair Value Measurement*, financial instruments that are measured in the statement of financial position at fair value require disclosure of the fair value by level in terms of the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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)
- Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The Company's policy is to recognised transfers into and transfers out of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. During the year under review there have been no transfers between any of the levels.

The fair value of the investment in equity financial assets is based on the MTN Group share price, as listed on the JSE Limited. The fair value of the derivative financial asset is based on a valuation model. The input to this model includes the MTN Group share price, which is an observable input in the market. Other inputs include interest rates on borrowings and dividend rates on the preference share funding, which inputs are not observable in the market. The assumptions and model used are disclosed in note 3.

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The table below presents the Company's assets and liabilities that are measured at fair value (where the fair value does not approximate the financial instruments carrying amount) and those measured at amortised cost whose fair value is disclosed.

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
31 December 2021				
Recurring fair value measurement				
Investment in equities	8 725 707	-	-	8 725 707
Derivative financial instrument	-	-	(166 708)	(166 708)
Amortised cost measurement				
Borrowings	-	(999 990)	-	(999 990)
31 December 2020				
Recurring fair value measurement				
Investment in equities	3 076 564	-	-	3 076 564
Derivative financial instrument	-	-	(1 080 510)	(1 080 510)
Amortised cost measurement				
Borrowings	-	(1 012 151)	-	(1 012 151)

There were no transfers between level 1, 2 or 3 during the financial year.

c. Derivative financial instrument

Sensitivity analysis – impact of change in the MTN Group share price

The table below summarises the impact of increases/(decreases) of the MTN Group share price on profit or loss and the impact on equity.

The analysis is based on the assumption that the MTN Group share price increases/(decreases) by 10% with all other variables held constant.

		Impact on post-tax profit and equity	
		31 December 2021	31 December 2020
		R'000	R'000
10%	increase	327 013	(67 294)
10%	decrease	(299 184)	90 388

Sensitivity analysis – impact of change in interest rate

The table below summarises the impact of increases/(decreases) in the interest rate on the borrowings on profit or loss and the impact on equity.

The analysis is based on the assumption that the interest rate increased/decreased by 1% with all other variables held constant.

	Impact on post-tax profit and equity	
	31 December 2021	31 December 2020

		R'000	R'000
1%	increase	18 887	6 266
1%	decrease	(18 927)	(6 279)

Sensitivity analysis – impact of change in volatility

The table below summarises the impact of increases/(decreases) in the volatility of the MTN Group share price on profit or loss.

The analysis is based on the assumption that the volatility percentage applied in the valuation model increased/decreased by 5% with all other variables held constant.

		Impact on post-tax profit	
		31 December 2021	31 December 2020
		R'000	R'000
5%	increase	181 219	147 666
5%	decrease	(170 917)	(149 505)

Sensitivity analysis – impact of dividend yield

The table below summarises the impact of increases/(decreases) in the dividend yield of the MTN Group share price on profit or loss. The analysis is based on the assumption that the dividend yield applied in the valuation model increased/decreased by 1% with all other variables held constant.

		Impact on post-tax profit	
		31 December 2021	31 December 2020
		R'000	R'000
1%	increase	(30 850)	(49 991)
1%	decrease	31 845	54 229

d. Financial assets

Price risk

The Company is exposed to equity securities price risk because of investments held by the Company which are classified on the statement of financial position either as financial assets at fair value through other comprehensive income or as financial assets at fair value through profit or loss. The Company's exposure to equity securities price risk is limited to the MTN Group Limited share price.

The table below summarises the impact of increases/(decreases) of the MTN Group Limited share price. The analysis is based on the assumption that the MTN Group share price had increased/(decreased) by 10% with all other variables held constant.

		Impact on other comprehensive income before tax	
		31 December 2021	**31 December 2020**
		R'000	**R'000**
10%	increase	872 571	113 984
10%	decrease	(872 571)	(113 984)

e. Borrowings

Cash flow and fair value interest risk

The entity's interest rate risk arises from long-term borrowings by means of preference shares and the advance received from MTN which are based on variable rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, which is partially offset by cash held at variable rates.

The Company analyses its interest rate exposure periodically. Scenarios are generally simulated taking into consideration repricing of preference share funding in terms of the derivative model to further reduce exposure to interest rate changes and, in certain cases refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Sensitivity analysis

The Company has used a sensitivity analysis technique that measures the estimated change to the statement of profit or loss and other comprehensive income of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December 2020, for each class of financial instrument, with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, markets rarely change in isolation.

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

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables remain constant.

		Upward change in interest rate	Downward change in interest rate
		R'000	**R'000**
31 December 2021			
1%	movement	11 687	(23 398)
31 December 2020			
1%	movement	2 719	(6 710)

f. Liquidity risk

The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through an on-going review of future commitments and credit facilities.

The Company ensures it has sufficient cash on demand (currently the company is maintaining a positive cash position) to meet expected operational expenses, including the servicing of financial obligations; and having regard to the limitation of the cash flow waterfall provided in the funding agreements.

The Company is primarily dependent on dividends from MTN Group Limited to service its obligations and to a very small extent on interest received. The liquidity risks are considered high due to the Company being dependent on the receipt of a dividend from MTN to service its financial obligations.

The Company however remains confident that the available cash resources and borrowing facilities, post the receipt of the financial assistance from MTN, will be sufficient to meet its funding requirements. Subject to the rights of the preference shareholders, cash may also be used to repay the Notional Vendor Finance to MTN Group Limited. Refer to Note 21 for further information impacting the Company's liquidity.

The cash and cash equivalents exclude the restricted funds of R2.74 million (2020: R2.85 million) due to unidentifiable applicants as this cash is not available to the Company for use.

Available liquid resources, subject to the securities described in note 8 are as follows:

	31 December 2021 R'000	31 December 2020 R'000
Cash at bank and on hand	2 126	6 578
Other receivables	182	190
	2 308	**6 768**

The table below analyses the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Payable in one year R'000	Payable more than one year but less than five years R'000	Payable more than five years R'000	Carrying Amount R'000
31 December 2021				
Borrowings	48 712	1 090 230		936 862
Advance from MTN	91 027			91 027
Other payables	2 302			2 302
Other liability	2 743			2 743
31 December 2020				
Borrowings	50 392	1 018 689*	-	935 042
Advance from MTN	15 266	-	-	15 266
Other payables	2 924	-	-	2 924
Other liability	2 860	-	-	2 860

***** In the prior year the maturity analysis showed discounted future cash flows and not undiscounted future cash flows as required by IFRS 7. This disclosure has been amended in the current year financial statements and is considered immaterial; hence no further disclosures have been made.

g. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the preference share liabilities (excluding derivative financial liabilities) (disclosed in notes 8), advance from MTN (disclosed in note 10), cash and cash equivalents (disclosed in note 5), and equity as disclosed in the statement of financial position.

Income generated by the entity will first be utilised for the purpose of settling any obligations in respect of borrowings before dividends are declared.

The borrowings (preference shares) have debt covenants, the details of which have been included in note 8. The security and credit support disclosed in note 8 have a remaining contractual period up to 23 November 2024.

h. Credit risk

Credit risk, or the risk of financial loss to the Company rises due to counterparties not meeting their contractual obligations.

Credit risk is managed on an entity basis. Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and outstanding receivables. The Company deposits cash only with major banks with high-quality credit standings and limits exposure to any one counterparty. There are no material receivables and all financial assets are fully performing with no history of defaults.

The Company will continue to manage its credit risk relating to financial instruments by only transacting with credit-worthy counterparties.

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

There are no financial assets held that are past due and not impaired.

Cash and cash equivalents

The cash and cash equivalents are held at FirstRand Bank. This financial institution is a highly rated entity in the South African environment and the credit quality of this institution has therefore been assessed as acceptable.

26. Dividend income

During the 2021 financial year MTN Zakhele Futhi received no dividends from MTN Group.

MTN Zakhele Futhi holds 51 114 213 MTN Group shares as a fair value through other comprehensive income financial asset (note 2) and 25 721 165 MTN Group Listed shares through an NVF facility (note 3). The Company held 76 835 378 MTN Group shares throughout the financial year.

The total dividend income received by MTN Zakhele Futhi from MTN Group during the financial period was R0 (2020: R272 765 592).

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For the year ended 31 December 2021

		31 December 2021 R'000	31 December 2020 R'000
27.	**Basic and diluted earnings per share**		
	Number of ordinary shares in issue at year end ('000)	**123 417**	**123 417**
	Weighted average number of shares ('000)	**123 417**	**123 417**
	Profit/(loss) for the year	869 567	145 892
	Adjusted for:		
	- (Gain)/loss on remeasurement of the derivative financial instrument	(876 458)	79 735
	(Loss)/Profit attributable to shareholders	**(6 891)**	**225 627**
	Basic and diluted earnings per share (cents)	**(5,58)**	**182,81**

There are no items included in the calculation of profit attributable to shareholders which are required to be excluded in terms of circular 2/2015, Headline Earnings, in the calculation of headline earnings per share.

28. Net Asset Value

The Net Asset Value Per Share (NAVPS) is a metric used to assess the value of one share. The NAVPS is obtained by dividing the net asset value of the scheme by the number of outstanding shares.

Net Asset Value = (Total Assets – Total Liabilities)/Total number of Outstanding Shares

= (8 731 779 - 2 087 909)/123 416 818

= 6 643 869/123 416 818

= 53.83 per share

Notes to the Financial Statements

For the year ended 31 December 2021

29 New standards and interpretations

29.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations. The adoption of these standards did not have a material impact on the annual financial statements.

International Financial Reporting Standards and amendments effective for the first time for the 31 December 2021 year end		
Standard	**Details of the development**	**Effective date**
IAS 39 Financial Instruments: Recognition and Measurement	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform (for example, the change in an interest rate benchmark from IBOR to an alternative benchmark rate). The amendments enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. Companies are required to amend their hedging relationships to reflect: • designating an alternative benchmark rate as the hedged risk. • changing the description of the hedged item, including the designated portion, or of the hedging instrument; or • changing the description of how the entity would assess hedge effectiveness (IAS 39 only). The Board amended IFRS 7 to require a company to make additional disclosures in its financial statements so that investors can better understand the reform's effects on that company. The additional disclosure requirements are designed to balance the benefits to investors with a company's costs to provide the additional information. These objective-based disclosure requirements limit the costs of applying the amendments by allowing companies to choose their own methods for disclosing the required information.	1 January 2021
Covid-19-Related Rent	As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a	1 April 2021

Concessions beyond 30 June 2021 – Amendments to IFRS 16	lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient is met.	

29.2 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which are relevant to its operations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2020, or later periods. It is expected that the Company will adopt the new pronouncements on their effective dates in accordance with the requirements of the pronouncements. The Company is in the process of assessing the impact of these standards and interpretation on the annual financial statements.

Standard	Details of the development	Effective date
Annual improvement process Amendment to IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The Board proposes to amend paragraph B3.3.6 to clarify that the reference to fees in the 10 per cent test includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.	Annual periods beginning on or after 1 January 2022.
Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets	Onerous contracts – costs of fulfilling a contract: The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Earlier application is permitted.	Annual periods beginning on or after 1 January 2022.
Amendments to IAS 8: Definition of Accounting Estimates	The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. • The definition of a change in accounting estimates has been replaced with a new	Annual periods beginning on or after 1 January 2023.

	definition which defines accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". • Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. • The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. • A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.	
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways: • An entity is now required to disclose its material accounting policy information instead of its significant accounting policies; • several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material; • the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; • the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and • the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. In addition, IFRS Practice Statement 2 has been	Annual periods beginning on or after 1 January 2023.

	amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.	
IFRS 17, Insurance Contracts	The IASB issued IFRS 17 in May 2017 as a replacement for the IFRS 4: Insurance Contracts. The new IFRS 17 standard is effective for reporting periods beginning on or after 1 January 2023. The new rules will affect the financial statements and key performance indicators of all entities in the group that issue insurance contracts or investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.

Annexure A: Shareholder information

For the year ended 31 December 2021

Shareholders beneficially holding in excess of 5% of the issued ordinary share capital of the company at 31 December 2021 are as follows:

	31 December 2021		31 December 2020	
	Number of shares	**% of issued share capital**	**Number of shares**	**% of issued share capital**
MTN Group Limited	18 277 026	14.8%	18 277 026	14.8%
Mion Securities (RF) (Pty) Ltd	10 065 658	8.2%	10 065 658	8.2%

The Company's shareholder analysis at 31 December 2021 was as follows:

Ownership Range:

	Number of shareholders	Percentage of shareholders (%)	Number of shares owned	Percentage of issued share capital (%)
1 – 100 shares	31 763	37.8%	3 152 718	2,55%
101 – 500 shares	36 214	43.1%	10 324 012	8,37%
501 – 1 000 shares	6 864	8.2%	5 760 592	4,67%
1 001 – 10 000 shares	8 447	10%	23 961 681	19,42%
10 001 – 50 000 shares	645	0.8%	12 813 334	10,38%
More than 50 000 shares	122	0.1%	67 404 481	54,62%
	84 055	**100.0%**	**123 416 818**	**100.0%**

Type of shareholder:

	Number of shareholders	Percentage of shareholders (%)	Number of shares owned	Percentage of issued share capital (%)
Individuals	83 266	99,1%	65 722 501	53,25%
Groups	789	0,9%	57 694 317	46,75%
	84 055	**100.0%**	**123 416 818**	**100.0%**

	Number of shareholders	Percentage of shareholders (%)	Number of shares owned	Percentage of issued share capital (%)
Public	84 050	99,994%	89 963 053	72,90%
Non – public				
- MTN Group Limited	1	0,001%	18 277 026	14,80%
- MTN Zakhele Futhi Directors	4	0,005%	15 176 739	12,30%
	84 055	**100.0%**	**123 416 818**	**100.0%**