

**MTN Zakhele Futhi (RF) Limited**

**Interim Financial Results**

**for the six-months ended 30 June 2023**

# Index

The reports and statements set out below comprise the interim report presented to the shareholders.

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## **Preparer**

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## **Supervised by**

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# Results Overview

*Performance for the six months ended 30 June 2023*

## Financial performance

MTN Zakhele Futhi (RF) Limited's ("MTN Zakhele Futhi" or "the Company") financial performance is based entirely on the MTN Group Limited ("MTN") share price and any dividend declared and received from MTN during the year.

At 30 June 2023, the Company recognised a profit after taxation of R91.1 million (30 June 2022: R294,7 million loss). The profit in the period under review is largely attributable to the dividend income received.

MTN's share price at 30 June 2023 was R138.15, representing a R6.11 increase in the share price since 30 June 2022. It however must be noted that the share price increased by R10.85 from 31 December 2022.

The revaluation of the derivative financial instrument resulted in a loss of R164.3 million (30 June 2022: R624.7 million loss) being recognised in the statement of profit or loss.

A fair value gain as a result of the re-measurement of the investment in MTN shares at 30 June 2023 of R434.7 million (30 June 2022: R1 533,8 million loss) was recognised in the statement of comprehensive income.

## Repayment of MTN Zakhele Futhi's debt

The Company received R253 million (30 June 2022: R230 million) in dividend income from MTN. This income was used firstly to pay the Company's permitted operational costs and tax with the remainder of the dividend income being used to pay dividends owing to the preference shareholders and to reduce the capital portion of the debt owing to the preference shareholders.

R131.7 million (30 June 2022: R72,4 million) of the dividend income was applied towards the voluntary early redemption of the preference shares during the 6-month period ended 30 June 2023. This will ultimately result in a reduction of dividends payable on the preference shares over the life of these instruments.

## Review

The interim financial results for the six-months ended 30 June 2023 have been reviewed by SizweNtsalubaGobodo Grant Thornton Inc., the independent auditor of MTN Zakhele Futhi in line with the guidance provided in the International Standard of Review Engagements (ISRE) 2410, Review Financial Statements of Interim Financial Information Performed by the Independent Auditor of the Entity and they have expressed an unmodified review opinion.

The directors have concluded that a material uncertainty exists around the application of the going concern assumption for the Company over the next 12-month period. The material uncertainty arises due to the significant reliance required to be placed on MTN in order for MTN Zakhele Futhi to be considered liquid and solvent.

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS**

**TO THE SHAREHOLDERS OF MTN ZAKHELE FUTHI (RF) LIMITED**

We have reviewed the condensed financial statements of MTN Zakhele Futhi (RF) Limited (the company) that comprise the condensed statement of financial position as at 30 June 2023 and the condensed statement of profit or loss, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the period then ended 30 June 2023, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 16.

**Directors' Responsibility for the interim Financial Statements**

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the South African Institute of Chartered Accounts (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF MTN ZAKHELE FUTHI (RF) LIMITED  
for the six months ended 30 June 2023

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements of MTN Zakhele Futhi (RF) Limited for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

**Material uncertainty relating to going concern**

We draw attention to note 10 in the condensed financial statements, which indicates that the provider of the notional vendor finance, has provided an expression of intent to support the company for the period 1 April 2024 to 31 August 2024 to enable it to meet its cash requirements. As stated in note 10, these events or conditions, along with other matters as set forth in note 10, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



**Sizwe Ntsaluba Gobodo Grant Thornton Inc.**

**Nhlanhla Sigasa CA (SA)**

Director  
Registered Auditor

31 August 2023  
20 Morris Street East, Woodmead, 2191

# Condensed Statement of Financial Position

as at 30 June 2023

	Notes	30 June 2023 Reviewed R'000	30 June 2022 Reviewed R'000	31 December 2022 Audited R'000
<b>Assets</b>				
<b>Non-Current Assets</b>				
Investment in equities	6	7 061 429	6 749 121	6 506 839
		<b>7 061 429</b>	<b>6 749 121</b>	<b>6 506 839</b>
<b>Current Assets</b>				
Current tax receivable		-	-	1
Cash and cash equivalents		79 083	29 339	23 230
Cash and cash equivalents – restricted funds		3 349	3 256	3 259
Other receivables		844	458	549
		<b>83 276</b>	<b>33 053</b>	<b>27 039</b>
<b>Total Assets</b>		<b>7 144 705</b>	<b>6 782 174</b>	<b>6 533 878</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital		2 468 336	2 468 336	2 468 336
Reserves		515 175	983 927	209 205
Accumulated profit		1 506 253	1 363 036	1 286 302
		<b>4 489 764</b>	<b>4 815 299</b>	<b>3 963 843</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Borrowings	8	720 267	856 671	881 193
Derivative financial instrument	7	1 763 175	791 415	1 598 853
Deferred tax		152 224	305 580	67 926
		<b>2 635 666</b>	<b>1 953 666</b>	<b>2 547 972</b>
<b>Current Liabilities</b>				
Borrowings	8	10 939	8 832	16 660
Other liability		2 612	2 673	2 614
Trade and other payables		5 369	1 518	2 789
Current tax payable		353	186	-
		<b>19 273</b>	<b>13 209</b>	<b>22 063</b>
<b>Total Liabilities</b>		<b>2 654 939</b>	<b>1 966 875</b>	<b>2 570 035</b>
<b>Total Equity and Liabilities</b>		<b>7 144 705</b>	<b>6 782 174</b>	<b>6 533 878</b>

# Condensed Statement of Profit or Loss

for the 6 months ended 30 June 2023

		6 months ended 30 June 2023 Reviewed R'000	6 months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
	Notes			
Dividend income	5	253 557	230 506	230 506
Directors emoluments		(557)	(521)	(1 098)
Other operating expenses		(7 460)	(7 538)	(14 481)
<b>Operating profit</b>		<b>245 540</b>	<b>222 447</b>	<b>214 927</b>
Finance income		2 158	669	1 333
Finance costs incurred on financial liabilities measured at amortised cost		(27 164)	(32 894)	(65 243)
Loss on re-measurement of the derivative financial instrument		(164 322)	(624 707)	(1 432 145)
			-	
<b>Profit/(Loss) before taxation</b>		<b>56 212</b>	<b>(434 485)</b>	<b>(1 281 128)</b>
Income tax		34 911	139 747	307 637
<b>Profit/(Loss) for the period</b>		<b>91 123</b>	<b>(294 738)</b>	<b>(973 491)</b>
<b>Basic and diluted loss / earnings per share (cents)</b>	13	<b>(59,3)</b>	<b>153,98</b>	<b>(19,49)</b>

# Condensed Statement of Comprehensive Income

for the 6 months ended 30 June 2023

		6 months ended 30 June 2023 Reviewed R'000	6 months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
<b>Profit / (Loss) for the period</b>		<b>91 123</b>	<b>(294 738)</b>	<b>(973 491)</b>
<b>Other comprehensive income /(loss)– items that will subsequently be reclassified to profit or loss:</b>		434 798	(1 533 832)	(1 706 535)
Gain/(Loss) on re-measurement of the investment in equities		554 589	(1 976 587)	(2 218 868)
Deferred tax on gain/(loss) on re-measurement of the financial asset		(119 791)	442 755	512 333
<b>Total comprehensive income/(loss) for the period</b>		<b>525 921</b>	<b>(1 828 570)</b>	<b>(2 680 026)</b>

# Condensed Statement of Changes in Equity

for the 6 months ended 30 June 2023

	6 months ended 30 June 2023 Reviewed R'000	6 months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
<b>Share Capital</b>	<b>2 468 336</b>	<b>2 468 336</b>	<b>2 468 336</b>
Balance at the beginning of the period	2 468 336	2 468 336	2 468 336
Issue of shares during the period		-	-
<b>Investment in equities reserve</b>	<b>1 934 850</b>	<b>1 672 755</b>	<b>1 500 052</b>
Balance at the beginning of the period	1 500 052	3 206 587	3 206 587
Other comprehensive income/(loss) for the period	434 798	(1 533 832)	(1 706 535)
<b>Other reserve</b>	<b>(1 418 675)</b>	<b>(688 828)</b>	<b>(1 290 847)</b>
Balance at the beginning of the period	(1 290 847)	(204 055)	(204 055)
Transfer between reserves *	(128 828)	(484 773)	(1 086 792)
<b>Total reserves</b>	<b>515 175</b>	<b>983 927</b>	<b>209 205</b>
<b>Accumulated profit</b>	<b>1 506 253</b>	<b>1 363 036</b>	<b>1 286 302</b>
Balance at the beginning of the period	1 286 302	1 173 001	1 173 001
Profit/(Loss) for the period	91 123	(294 738)	(973 491)
Transfer between reserves *	128 828	484 773	1 086 792
<b>Total equity at the end of the period</b>	<b>4 489 764</b>	<b>4 815 299</b>	<b>3 963 843</b>

\* The transfer between reserves arises in respect of the gain/(loss) 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, where applicable.

This transfer of the net gain/(loss) from retained earnings to the non-distributable reserve is affected as the gain/(loss) is currently not distributable.



# Condensed Statement of Cash Flows

for the 6 months ended 30 June 2023

	6 months ended 30 June 2023 Reviewed R'000	6 months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
<b>Cash flows from operating activities</b>			
Cash used in operations	(5 732)	(8 682)	(14 982)
Dividend received	253 557	230 506	230 506
Interest income received	2 158	669	1 333
Finance costs paid	(62 011)	(29 528)	(29 527)
Tax paid	(229)	-	(373)
<b>Net cash from operating activities</b>	<b>187 743</b>	<b>192 965</b>	<b>186 957</b>
<b>Cash flows from financing activities</b>			
Redemption of cumulative redeemable non-participating preference shares	(131 798)	(72 438)	(72 438)
Repayment of the MTN Advance	-	(96 181)	(96 181)
Receipt of advance from MTN	-	2 867	2 867
Cash refunded to unsuccessful participants	(2)	(32)	(130)
<b>Net cash from financing activities</b>	<b>(131 800)</b>	<b>(165 784)</b>	<b>(165 882)</b>
<b>Total cash at the beginning of the period</b>	<b>26 489</b>	<b>5 414</b>	<b>21 075</b>
<b>Total cash movement for the period</b>	<b>55 943</b>	<b>27 181</b>	<b>5 414</b>
<b>Total cash at the end of the period</b>	<b>82 432</b>	<b>32 595</b>	<b>26 489</b>

# Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2023

## 1. General information

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's 2016 Broad Based Black Economic Empowerment ("BBBEE") transaction.

## 2. Basis of preparation

The condensed financial information has been prepared in accordance with and containing information required by International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34: Interim Financial Reporting, and the interpretation of these standards as adopted by the Independent Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act, 71 of 2008 as amended and the Listings Requirements of the JSE Limited ("JSE") relating to Asset Backed Securities.

## 3. Accounting policies

The accounting policies adopted are in terms of IFRS and consistent with and as described in the annual financial statements. During the period under review, the Company adopted all the IFRS and interpretations that were effective and deemed applicable to the Company. The accounting policies are consistent with those of the prior financial period.

## 4. Contingent liabilities and commitments

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

A dispute has arisen between MTN Zakhele Futhi and a service provider regarding fees payable which resulted in arbitration.

## 5. Dividend income

During the period, MTN Zakhele Futhi received dividends from its investment in MTN shares.

The total dividend income received by MTN Zakhele Futhi from MTN during the financial period was R253 556 747 (30 June 2022: R230 506 134).

## 6. Investment in equities

The investment consists of 51 114 213 (30 June 2022: 51 114 213) MTN shares. The total investment, including the derivative financial instrument (refer to note 7), comprises a total of 76 835 378 MTN shares, representing approximately 4% of the MTN 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 R138.15 (30 June 2022: R132,04) per share as listed on the JSE at 30 June 2023. The total gain recorded in other comprehensive income for the current financial period is R554 589 211 (30 June 2022: R1 976 586 617 loss).

	6 months ended 30 June 2023 Reviewed R'000	6 months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
Balance at the beginning of the period	6 506 839	8 725 707	8 725 707
Gain/(Loss) on re-measurement of investment in equities	554 589	(1 976 586)	(2 218 868)
<b>Balance at the end of the period</b>	<b>7 061 428</b>	<b>6 749 121</b>	<b>6 506 839</b>

# Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2023

## 7. Derivative financial instrument

As part of the implementation of the MTN BBBEE scheme, MTN Zakhele Futhi obtained Notional Vendor Finance ("NVF") to facilitate the purchase of MTN shares. MTN issued 25 721 165 NVF shares to MTN Zakhele Futhi at a total subscription price of R2 572 on 23 November 2016. MTN 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 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 the standard market practice.

The valuation of the option at 30 June 2023 was a liability of R1 763 174 868 (30 June 2022: 791 414 920 liability).

The significant inputs into the model at the valuation date were as follows:

- the market price of MTN shares of R138.15 (30 June 2022: R132.04);
- the NVF balance of approximately R5 361 million (30 June 2022: R4 941 million);
- volatility of 35.15% (30 June 2022: 56.2%);
- a dividend yield of 2.29% (30 June 2022: 2.92%);
- an expected option life of 8 years from inception (30 June 2022: 8 years); and
- an annual risk-free rate of 8.48% (30 June 2022: 7.45%).

	6 months ended 30 June 2023 Reviewed R'000	6 months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
Balance at the beginning of the period	(1 598 853)	(166 708)	(166 708)
Fair value adjustments recorded in profit or loss	(164 322)	(624 707)	(1 432 145)
<b>Fair value at the end of the period</b>	<b>(1 763 175)</b>	<b>(791 415)</b>	<b>(1 598 853)</b>

## 8. Borrowings (Preference Share Liability)

The below 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 preference shares, on 23 November 2016, at an issue price of R1 000 per preference share to Jabisan 04. The preference shares were redeemable after 5 (five) years from the issue date 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 transaction costs capitalised to the borrowings relate to the arrangement fees that were directly attributable to the issue of the preference shares.

The preference shares are classified as debt instruments (financial liabilities) as they are mandatorily redeemable to the holders by no later than 23 November 2024.

# Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2023

The preference shares accrue preference share dividends at a Dividend Rate of 72.5% of the South African prime rate expressed as a simple rate of interest (compounded on each scheduled preference dividend date). The preference share dividends accrued (in arrears) are payable annually on 30 April and 30 September over the term of the preference shares, or such earlier date as may be agreed in writing by MTN Zakhele Futhi and the Preference Share Agent at least 5 (five) business days prior to 30 September of any year during the term of the preference shares. Subject to the relevant conditions, the accrued dividends on the preference shares 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).

The MTN Zakhele Futhi preference shares are subject to a trigger event if the one-day volume weighted average traded price (“**VWAP**”) of the MTN shares is R38 or less. This trigger event was revised during a prior financial 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.

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 Call Option Agreement to enable MTN to voluntarily take over the third-party funding in these circumstances, through the exercise of an option to purchase the preference shares.

There are no continuing trigger events and MTN Zakhele Futhi is in compliance with its debt covenant requirements for the period ended 30 June 2023.

	<b>6 months ended 30 June 2023 Reviewed R'000</b>	<b>6 months ended 30 June 2022 Reviewed R'000</b>	<b>Year ended 31 December 2022 Audited R'000</b>
<b>Balance at the beginning of the period</b>	<b>897 853</b>	<b>936 862</b>	<b>936 862</b>
Redemption of non-participating preference shares at a par value of R1 000	(131 798)	(72 438)	(72 438)
Dividends paid on cumulative redeemable non-participating preference shares	(62 011)	(29 528)	(29 527)
Accrued dividends at the effective dividend rate	27 163	30 607	62 956
<b>Balance at the end of the period</b>	<b>731 207</b>	<b>865 503</b>	<b>897 853</b>
Current liability	10 939	8 832	16 660
Non-current liability	720 267	856 671	881 193

# Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2023

## 9. 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
Non-executive directors:	Sindisiwe Mabaso-Koyana Grant Gelink Belinda Mapongwana Edward Pitsi

	6 months ended 30 June 2023 Reviewed R'000	6 months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
<b>Related party balances:</b>			
<b>Preference share liability</b>			
Jabisan 04 (RF) Proprietary Limited	766 517	896 242	926 930
<b>Advance received</b>			
Mobile Telephone Network Holdings Limited	-	-	2 867
<b>Ordinary share capital held by related party</b>			
MTN Group Limited	365 540	365 540	365 540
<b>Related party transactions:</b>			
<b>Dividends received from related parties</b>			
MTN Group Limited	253 557	230 506	230 506
<b>Dividends paid to related parties</b>			
Jabisan 04 (RF) Proprietary Limited	62 011	29 528	29 527
<b>Interest payments accrued in respect of related parties</b>			
Mobile Telephone Network Holdings Limited	-	2 287	2 287
<b>Expenses paid on behalf of related parties</b>	<b>329</b>	<b>448</b>	-
Jabisan 04 (RF) Proprietary Limited	329	448	-
BFC2 Ownership Trust	-	-	-

# Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2023

9. Related parties (continued)			
	6 months ended 30 June 2023 Reviewed R'000	6 months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
<b>Related party transactions (continued)</b>			
<b>Remuneration of the board of directors</b>			
– Directors' fees *	557	521	1 098
Sindisiwe Mabaso- Koyana	121	98	216
Grant Gelink	98	88	213
Belinda Mapongwana	214	193	408
Manana Nhlanhla	-	29	232
Edward Pitsi	124	113	29

\* 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*.

## 10. Going concern

The interim 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.

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 provide financial support to MTN Zakhele Futhi where necessary in order to meet its ongoing obligations in the ordinary course of business.
- Should cash resources once again become strained, and to the extent that the September 2023 dividend roll up mechanism is not available to the Company, the Company's directors would consider the possibility of either additional subordinated loans from MTN (or a subsidiary of MTN) or requesting the postponement of future preference share dividends. This would assist in providing MTN Zakhele Futhi with improved liquidity to meet its obligations.
- The Company's only asset is the 76 835 378 ordinary shares held in MTN. MTN Zakhele Futhi is entirely dependent on the dividends received from MTN and any appreciation in the MTN share price to generate income.
- The preference share funding redemption date has been extended to November 2024. The capital amount of the third-party funding is therefore not repayable within the next 12-month period.
- There will be no payment of the preference share dividend in September 2023, as MTN Zakhele Futhi will be subject to the applicable conditions, exercise the maximum 105% roll up in September 2023. This allows MTN Zakhele Futhi not to pay any preference share dividends, as MTN has indicated that no interim dividend will be declared, as per the dividend policy communicated to market.

# Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2023

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MTN Zakhele Futhi has the following options available to it in order to meet its cash requirements of the Company for the period 1 April 2024 to 31 August 2024:

- Request additional financing from MTN. MTN and or its subsidiary have previously demonstrated its continued commitment to support MTN Zakhele Futhi and MTN has formally communicated intentions to provide financial support to the MTN Zakhele Futhi scheme.
- MTN anticipates paying a minimum ordinary final dividend of 330cps for FY 2023, this will ensure MTN Zakhele Futhi has sufficient cash to cover all other expenses post 31 March 2024.

Based on the above, the directors have concluded that a material uncertainty exists around the application of the going concern assumption for the Company over the next 12-month period. The material uncertainty arises due to the significant reliance required to be placed on MTN in order for MTN Zakhele Futhi to be considered liquid and solvent. The material uncertainty has been sufficiently mitigated and therefore the going concern assumption is appropriate.

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## 11. 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 measurements by level in terms of the following fair value measurement 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The fair value of the investment in equity financial asset is based on the MTN share price, as listed on the JSE. The fair value of the derivative financial asset is based on a valuation model. The input to this model includes the MTN share price, which is an observable input in the market. Other inputs include interest rates on the borrowings, which inputs are not observable in the market.

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

# Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2023

## 11. Fair value estimation (continued)

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>30 June 2023</b>				
<b>Recurring fair value measurement</b>				
Investment in equities	7 061 428	-	-	7 061 428
Derivative financial instrument	-	-	(1 763 174)	(1 763 174)
<b>Amortised cost measurement</b>				
Borrowings*	-	(763 669)	-	(763 669)
Other payables	-	(5 369)	-	(5 369)
Other liability	-	(2 612)	-	(2 612)
Other receivables	-	844	-	844
Cash and cash equivalents	-	82 432	-	82 432
<b>30 June 2022</b>				
<b>Recurring fair value measurement</b>				
Investment in equities	6 749 121	-	-	6 749 121
Derivative financial instrument	-	-	(791 415)	(791 415)
<b>Amortised cost measurement</b>				
Borrowings	-	(899 993)	-	(899 993)
Other payables	-	(1 518)	-	(1 518)
Other liability	-	(2 674)	-	(2 674)
Other receivables	-	457	-	457
Cash and cash equivalents	-	32 595	-	32 595

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

\* The carrying amount of the borrowings approximate its fair value.

## 12. Events after the reporting date

A dispute has arisen between MTN Zakhele Futhi and a service provider regarding fees payable which resulted in arbitration.

The directors are not aware of any other matter or circumstance arising after the reporting date to the date of signing of this report that would require adjustment or disclosure.



# Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2023

## 13. Basic and diluted (loss) earnings per share

	6 months ended 30 June 2023 Reviewed R'000	6 months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
Number of ordinary shares in issue at year end ('000)	123 417	123 417	123 417
Weighted average number of shares ('000)	123 417	123 417	123 417
Profit/(Loss) for the year	91 123	(294 738)	(973 491)
Adjusted for:			
- Loss/(Gain) on remeasurement of the derivative financial instrument	(164 322)	484 773	(1 432 145)
<b>(Loss)/Profit attributable to shareholders</b>	<b>(73 199)</b>	<b>190 035</b>	<b>(2 405 636)</b>
Basic and diluted (loss)/earnings per share (cents)	<b>(59,3)</b>	<b>153,98</b>	<b>(19,49)</b>

There are no items included in the calculation of profit attributable to shareholders which are required to be excluded in terms of circular 1/2023, Headline Earnings, in the calculation of headline earnings per share.

# Administration

## Company information

(Incorporated in the Republic of South Africa)

(Registration number: 2016/268837/06)

JSE share code: MTNZF

ISIN: ZAE000279402

LEI: 378900429C4F73B1BE74

## Postal address

PO Box 1144

Johannesburg, 2000

## Registered address

135 Rivonia Road

Sandown, 2196

Johannesburg

## Board of directors

BL Mapongwana (independent non-executive chairperson)

SN Mabaso-Koyana (non-executive director)

GG Gelink (independent non-executive director)

ET Pitsi (independent non-executive director)

## Office of the transfer secretaries

Nedbank Limited, acting through its Share Scheme

Administration business unit

(Registration number 1951/000009/06)

135 Rivonia Road

Sandton, 2196

Tel: +27 83 900 6863

E-mail: [ssa-zakhelefuthi@Nedbank.co.za](mailto:ssa-zakhelefuthi@Nedbank.co.za)

## JSE Sponsor

Tamela Holdings Proprietary Limited

Ground Floor, Golden Oak House

Ballyoaks Office Park, 35 Ballyclare Drive

Bryanston, 2021

## Company secretary

Nedbank Limited, acting through its Group Secretariat

135 Rivonia Road

Sandown

Johannesburg, 2196

## Auditors

SizweNtsalubaGobodo Grant Thornton Inc.

20 Morris Street East

Woodmead, 2191

PO Box 2939, Saxonwold, 2132

## Attorneys

Webber Wentzel

90 Rivonia Road, Sandton, Johannesburg, 2196

PO Box 61771, Marshalltown, 2107

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