MTN Zakhele Futhi (RF) Limited

Interim Financial Results

for the six-months ended 30 June 2024

Index

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

Preparer
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Finance Officer: Central Finance   Nedbank Limited

Supervised by
Jaynesh Padayachy CA (SA)
Head of Finance: Central Finance - Nedbank Limited

Results Overview

Performance for the six months ended 30 June 2024

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 2024, the Company recognised a loss after taxation of R239 million (30 June 2023: R91,1 million profit). The loss in the period under review is largely attributable to the revaluation of the derivative asset. It must be noted that this is pure accounting adjustment and a non cash flow.

MTN's share price at 30 June 2024 was R84.94, representing a R53.21 decrease in the share price since 30 June 2023. It however must also be noted that the share price decreased by R30.56 from 31 December 2023.

The revaluation of the derivative financial instrument resulted in a loss of R452.2 million (30 June 2023: R164.3 million loss) being recognised in the statement of profit or loss.

A fair value loss as a result of the re-measurement of the investment in MTN shares at 30 June 2024 of R1 562 million (30 June 2023: R434.7 million gain) was recognised in the statement of comprehensive income.

Repayment of MTN Zakhele Futhi's debt

The Company received R253 million (30 June 2023: R253 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.

R135.8 million (30 June 2023: R131.7 million) of the dividend income was applied towards the voluntary early redemption of the preference shares during the 6-month period ended 30 June 2024. 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 2024 have been reviewed by SNG 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.

The scheme was scheduled to unwind on 22 November 2024. However per the Stock Exchange News Service of the JSE Limited ("SENS") announcement released to the market on 19 August 2024, it is proposed to extend the Scheduled Maturity Date of the Scheme by three years to 23 November 2027.

The preference share funding redemption date is expected to be extended to 23 November 2027, subject to the fulfilment or waiver of certain conditions precedent. The third-party funding is therefore not expected to be repayable within the next 12-month period. As terms of funding have not been formally renegotiated as yet, the liability is classified in accordance with the current contractual terms and conditions.

The NVF is also expected to be extended to 23 November 2027 and is not expected to be repayable within the next 12-month period.

Per MTN Group's interim results announcement, they anticipate paying a minimum ordinary final dividend of 330cps for FY 2024, there is no interim dividend for the first six months of the year.

The extension of the scheme does not guarantee the profitability of the scheme, this is purely driven by the MTN share price, as well as the repayment of the preference share debt and notional vendor financing which can only be repaid by receipt of dividends from the MTN Group.

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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 interim financial statements of MTN Zakhele Futhi (RF) Limited (the company or entity), in the accompanying interim financial results on pages 5 to 17 which comprise the condensed statement of financial position as at 30 June 2024 and the related 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 six months ended and selected explanatory notes.

Directors' Responsibility For The Condensed Interim Financial Statements

The directors are responsible for the preparation and presentation of these condensed interim financial statements in accordance with the International Financial Reporting Standard (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB), Internation Accounting 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 condensed 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 condensed 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 condensed 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 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 condensed interim financial statements.

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MTN ZAKHELE FUTHI (RF) LIMITED for the six months ended 30 June 2024

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of MTN Zakhele Futhi (RF) Limited for the six months ended 30 June 2024 are not prepared, in all material respects, in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 34 *Interim Financial Reporting,* the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the 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 interim financial statements, which indicates management's intention to extend the scheme to 23 November 2027. 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.

SizweNtsalubaGobodo Grant Thornton Inc.
Nhlanhla Sigasa CA (SA)
Director
Registered Auditor

02 September 2024

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Condensed Statement of Financial Position

as at 30 June 2024

	Notes	30 June 2024 Reviewed R'000	30 June 2023 Reviewed R'000	31 December 2023 Audited R'000
Assets				
Non-Current Assets				
Investment in equities	6	-	7 061 429	-
		-	**7 061 429**	**-**
Current Assets				
Investment in equities	15	4 341 641	-	5 903 691
Cash and cash equivalents		105 631	79 083	68 879
Cash and cash equivalents – restricted funds		3 565	3 349	3 454
Other receivables		1 021	844	851
		4 451 858	**83 276**	**5 976 875**
Total Assets		**4 451 858**	**7 144 705**	**5 976 875**
Equity and Liabilities				
Equity				
Share capital		2 468 336	2 468 336	2 468 336
Reserves		(3 399 285)	515 175	(1 384 972)
Accumulated profit		1 753 352	1 506 253	1 540 143
		822 403	**4 489 764**	**2 623 507**
Liabilities				
Non-Current Liabilities				
Borrowings	8	-	720 267	-
Derivative financial instrument	7	-	1 763 175	-
Deferred tax		-	152 224	-
		-	**2 635 666**	**-**
Current Liabilities				
Borrowings	8	577 049	10 939	755 183
Derivative financial instrument		3 042 145	-	2 589 882
Other liability		2 605	2 612	2 607
Trade and other payables		7 631	5 369	5 642
Current tax payable		25	353	54
		3 629 455	**19 273**	**3 353 368**
Total Liabilities		**3 629 455**	**2 654 939**	**3 353 368**
Total Equity and Liabilities		**4 451 858**	**7 144 705**	**5 976 875**

Condensed Statement of Profit or Loss

for the 6 months ended 30 June 2024

	Notes	6 months ended 30 June 2024 Reviewed R'000	6 months ended 30 June 2023 Reviewed R'000	Year ended 31 December 2023 Audited R'000
Dividend income	5	253 557	253 557	253 557
Directors emoluments		(671)	(557)	(1 211)
Other operating expenses	16	(19 694)	(7 460)	(18 791)
Operating profit		**233 192**	**245 540**	**233 555**
Finance income		3 287	2 158	4 792
Finance costs incurred on financial liabilities measured at amortised cost		(22 382)	(27 164)	(51 139)
Loss on re-measurement of the derivative financial instrument	7	(452 263)	(164 322)	(991 029)
(Loss)/Profit before taxation		(238 166)	56 212	(803 821)
Income tax		(888)	34 911	66 633
(Loss)/Profit for the period		**(239 054)**	**91 123**	**(737 188)**
Basic and diluted loss/earnings per share (cents)	13	**(560)**	**(59,3)**	**(2,06)**

Condensed Statement of Comprehensive Income

for the 6 months ended 30 June 2024

	6 months ended 30 June 2024 Reviewed R'000	6 months ended 30 June 2023 Reviewed R'000	Year ended 31 December 2023 Audited R'000
(Loss)/Profit for the period	**(239 054)**	**91 123**	**(737 188)**
Other comprehensive (loss) / income – items that will subsequently be reclassified to profit or loss:	**(1 562 050)**	434 798	(603 148)
(Loss)/Gain on re-measurement of the investment in equities	(1 562 050)	554 589	(603 148)
Deferred tax on gain/(loss) on re-measurement of the financial asset	-	(119 791)	-
Total comprehensive (loss) / income for the period	**(1 801 104)**	**525 921**	**(1 340 336)**

Condensed Statement of Changes in Equity

for the 6 months ended 30 June 2024

	6 months ended 30 June 2024 Reviewed R'000	6 months ended 30 June 2023 Reviewed R'000	Year ended 31 December 2023 Audited R'000
Share Capital	**2 468 336**	**2 468 336**	**2 468 336**
Balance at the beginning of the period	2 468 336	2 468 336	2 468 336
Issue of shares during the period	-	-	-
Investment in equities reserve	**(665 146)**	**1 934 850**	**896 904**
Balance at the beginning of the period	896 904	1 500 052	1 500 052
Other comprehensive income/(loss) for the period	(1 562 050)	434 798	(603 148)
Other reserve	**(2 734 139)**	**(1 418 675)**	**(2 281 876)**
Balance at the beginning of the period	(2 281 876)	(1 290 847)	(1 290 847)
Transfer between reserves *	(452 263)	(128 828)	(991 029)
Total reserves	**(3 399 285)**	**515 175**	**(1 384 972)**
Accumulated profit	**1 753 352**	**1 506 253**	**1 540 143**
Balance at the beginning of the period	1 540 143	1 286 302	1 286 302
(Loss)/Profit for the period	(239 054)	**91 123**	**(737 188)**
Transfer between reserves *	452 263	128 828	991 029
Total equity at the end of the period	**822 403**	**4 489 764**	**2 623 507**

* 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 2024

		6 months ended 30 June 2024 Reviewed R'000	6 months ended 30 June 2023 Reviewed R'000	Year ended 31 December 2023 Audited R'000
Cash flows from operating activities				
Cash used in operations		(18 545)	(5 732)	(17 451)
Dividend received		253 557	253 557	253 557
Interest income received		3 287	2 158	4 792
Finance costs paid	8	(64 716)	(62 011)	(62 011)
Tax paid		(917)	(1 238)	(1 238)
Net cash from operating activities		**172 666**	**187 743**	**177 649**
Cash flows from financing activities				
Redemption of cumulative redeemable non-participating preference shares	8	(135 800)	(131 798)	(131 798)
Cash refunded to unsuccessful participants		(2)	(2)	(7)
Net cash from financing activities		**(135 802)**	**(131 800)**	**(131 805)**
Total cash at the beginning of the period		**72 333**	**26 489**	**26 489**
Total cash movement for the period		**36 864**	**55 943**	**45 844**
Total cash at the end of the period		**109 196**	**82 432**	**72 333**

Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2024

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® Accounting standards**"), 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. Material Accounting policies

The accounting policies adopted are in terms of IFRS Accounting Standards and consistent with and as described in the previous annual financial statements. During the period under review, the Company adopted all the IFRS Accounting Standards 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.

A dispute has arisen between MTN Zakhele Futhi and a service provider regarding fees payable (R5 722 148) 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 2023: R253 556 747).

6. Investment in equities

The investment consists of 51 114 213 (30 June 2023: 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 R84.94 (30 June 2023: R138.15) per share as listed on the JSE at 30 June 2024. The total loss recorded in other comprehensive income for the current financial period is R1 562 050 349 (30 June 2023: R554 589 211 gain).

	6 months ended 30 June 2024 Reviewed R'000	**6 months ended 30 June 2023 Reviewed R'000**	**Year ended 31 December 2023 Audited R'000**
Balance at the beginning of the period	5 903 691	6 506 839	6 506 839
Gain/(Loss) on re-measurement of investment in equities	(1 562 050)	554 589	(603 148)
Balance at the end of the period	**4 341 641**	**7 061 428**	**5 903 691**

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 2024 was a liability of R3 042 145 299 (30 June 2023: R1 763 174 868 liability).

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

- the market price of MTN shares of R84.94 (30 June 2023: R138.15);
- the NVF balance of approximately R5 889 million (30 June 2023: R5 361 million);
- volatility of 40.9% (30 June 2023: 35.15%);
- a dividend yield of 0% (30 June 2023: 2.29%);
- an expected option life of 8 years from inception (30 June 2023: 8 years); and
- an annual risk-free rate of 8.18% (30 June 2023: 8.48%).

	6 months ended 30 June 2024 Reviewed R'000	6 months ended 30 June 2023 Reviewed R'000	Year ended 31 December 2023 Audited R'000
Balance at the beginning of the period	(2 589 882)	(1 598 853)	(1 598 853)
Fair value adjustments recorded in profit or loss	(452 263)	(164 322)	(991 029)
Fair value at the end of the period	**(3 042 145)**	**(1 763 175)**	**(2 589 882)**

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 22 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 22 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 22 November 2024.

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 many 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 2024.

	6 months ended 30 June 2024 Reviewed R'000	**6 months ended 30 June 2023 Reviewed R'000**	**Year ended 31 December 2023 Audited R'000**
Balance at the beginning of the period	**755 183**	**897 853**	**897 853**
Redemption of non-participating preference shares at a par value of R1 000	(135 800)	(131 798)	(131 798)
Dividends paid on cumulative redeemable non-participating preference shares	(64 716)	(62 011)	(62 011)
Accrued dividends at the effective dividend rate	22 382	27 163	51 139
Balance at the end of the period	**577 049**	**731 207**	**755 183**
Current liability	**577 049**	10 939	755 183
Non-current liability	-	720 267	**-**

Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2024

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 2024 Reviewed R'000	6 months ended 30 June 2023 Reviewed R'000	Year ended 31 December 2023 Audited R'000
Related party balances:			
Preference share liability			
Jabisan 04 (RF) Proprietary Limited	628 636	766 517	798 627
Ordinary share capital held by related party			
MTN Group Limited	365 540	365 540	365 540
Related party transactions:			
Dividends received from related parties			
MTN Group Limited	253 557	253 557	253 557
Dividends paid to related parties			
Jabisan 04 (RF) Proprietary Limited	64 716	62 011	62 011
Interest payments accrued in respect of related parties			
Mobile Telephone Network Holdings Limited		-	-
Expenses paid on behalf of related parties	**340**	**329**	-
Jabisan 04 (RF) Proprietary Limited	340	329	330
BFC2 Ownership Trust	-	-	-

9. Related parties (continued)	6 months ended 30 June 2024 Reviewed R'000	6 months ended 30 June 2023 Reviewed R'000	Year ended 31 December 2023 Audited R'000
Related party transactions (continued)			
Remuneration of the board of directors			
– Directors' fees *	**671**	**557**	**1 211**
Sindisiwe Mabaso- Koyana	133	121	243
Grant Gelink	153	98	254
Belinda Mapongwana	244	214	449
Edward Pitsi	141	124	265

* 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:

- Per the SENS announcement released to market on the 19 August 2024, the Proposed Scheme Extension is intended to extend the Scheduled Maturity Date of the Scheme of 22 November 2024 by three years to 23 November 2027. The Scheme (as well as MTN Zakhele Futhi's Funding Obligations and its BEE Listing) is currently scheduled to mature and/or come to an end on the Scheduled Maturity Date.
- In addition to its own costs, MTN will bear the approved costs incurred by MTN Zakhele Futhi in relation to the extension of the Scheme.
- 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 2024 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 is expected to be extended to 23 November 2027. The capital amount of the third-party funding is therefore not expected to be repayable within the next 12-month period.
- There will be no payment of the preference share dividend in September 2024, as MTN Zakhele Futhi will subject to the applicable conditions, exercise the maximum 105% roll up in September 2024. 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.

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 2025 to 31 August 2025:

- 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 2024, this will ensure MTN Zakhele Futhi has sufficient cash to cover all other expenses post 31 March 2025.

Based on the above, the financial statements have been prepared on the going concern basis as the scheme is expected to be extended for a further 3 years until 23 November 2027. There is sufficient funding to meet all operational expenses until 31 March 2025 when we expect MTN to declare a final dividend of 330cps as per the SENS announcement, this will enable MTN Zakhele Futhi to meet all other operational expenses until 31 August 2025.

The directors have also 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.

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 2024

11. Fair value estimation (continued)

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2024				
Recurring fair value measurement				
Investment in equities	4 341 641			4 341 641
Derivative financial instrument			(3 042 145)	(3 042 145)
Amortised cost measurement				
Borrowings*		(628 446)		(628 446)
Other payables		2 605		2 605
Other liability		-		-
Other receivables		1 021		1 021
Cash and cash equivalents		109 196		109 196
30 June 2023				
Recurring fair value measurement				
Investment in equities	7 061 428	-	-	7 061 428
Derivative financial instrument	-	-	(1 763 174)	(1 763 174)
Amortised cost measurement				
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

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

Proposed extension of the unwinding of the scheme

Post the interim period end, there have been various discussions between the MTN board, the MTN Zakhele Futhi board and various other stakeholders regarding the scheme. It was thus agreed to the proposed extension of the scheme for a further 3 years to 23 November 2027. This is per the announcement released on SENS 19 August 2024. The extension of the scheme is subject to the various approvals and conditions precedent as per the SENS announcement. This is a non-adjusting event.

MTN Share Price update

As at the date of approval of these financial statements, the MTN share price is at R90.56c per share (30 June 2024; R84.94). This is a non-adjusting event.

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.

13. Basic and diluted (loss) earnings per share

	6 months ended 30 June 2024 Reviewed R'000	6 months ended 30 June 2023 Reviewed R'000	Year ended 31 December 2023 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**
(Loss)/Profit for the year	(239 054)	91 123	(737 188)
Adjusted for:			
- (Loss)on remeasurement of the derivative financial instrument	(452 263)	(164 322)	991 029
(Loss) attributable to shareholders	**(691 317)**	**(73 199)**	**253 841**
Basic and diluted (loss) per share (cents)	**(560)**	**(59,3)**	**(2,06)**

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.

14. 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. Refer to note 12.

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

= (4 451 858 – 3 629 455)/123 416 818
= 822 403 287/123 416 818
= R6.66 per share (Dec 2023: R21.26 per share)

Notes to the Condensed Financial Statements *continued*

for the 6 months ended 30 June 2024

15. Other operating expenses

The other operating expenses have increased by 164% year on year; R19 694 million (June 2023 R7 460 million). This increase is due to the various costs incurred to extend the scheme, new service provider costs, additional legal fees and directors emoluments.

16. Deferred Tax Asset/Liability

A deferred tax asset of R711million (2023: R276 million) has not been recognised due to the uncertainty of future taxable income against which to utilise the deferred tax asset. Future taxable income is entirely dependent on a favourable MTN Group share price. Due to the unpredictability of the market the company has adopted a policy of not raising a deferred tax asset to which there is no predictable deferred tax liability against which to utilise it.

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)

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JSE Sponsor

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Bryanston, 2021

Company secretary

Nedbank Limited, acting through its Group Secretariat
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Sandown

Johannesburg, 2196

Auditors

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