Annual Report
including Audited Annual Financial Statements
for the year ended 31 December 2012

MTN Zakhele (RF) Limited
The reports and statements set out below comprise the annual report presented to the shareholders.

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**Prepared by:**  
Mogamat Naiem Davids  
Senior Financial Manager (GMG Trust Company (SA) Proprietary Limited)

**Under supervision of:**  
Brendan Harmse CA(SA)  
Director (GMG Trust Company (SA) Proprietary Limited)

The annual financial statements set out on pages 13 to 39, which have been prepared on the going-concern basis, were approved by the board on 13 June 2013 and were signed on its behalf by:

**Thulani S Gcabashe**  
*Chairman: Board of directors*  
Sandton  
Director

13 June 2013
Thulani S Gcabashe (55)  
BA (Botswana), MURP (Ball State, USA), PED (IMD), TRP (SA)  
Non-executive chairman  
Appointed: 21 February 2011  
Directorys  
Chairman Built Environment Africa Capital Proprietary Limited, Non-executive chairman of Imperial Holdings, Non-executive director of Standard Bank Group, the South African National Energy Association and Passenger Rail Agency of South Africa  
Skills, expertise and work experience  
Founder and executive chairman of BuiltAfrica Holdings since 2008. Prior to founding BuiltAfrica Holdings, he led the South Africa Power Project during 2007, an initiative aimed at developing a globally competitive manufacturing cluster. Thulani was employed by Eskom where he served as chief executive officer from 2000 to 2007, before which he filled various leadership positions including deputy chief executive and chairman of Eskom Enterprises from 1993.

Grant G Gelink (63)  
BComm, BCompt (Hons), CA(SA)  
Non-executive director  
Appointed: 17 October 2012  
Chairman of the audit committee  
Appointed: 17 October 2012  
Directorys  
Non-executive director of FirstRand, Grinrod, Allied Electronics Corporation, Eqstra Holdings, Santam and Altron  
Skills, expertise and work experience  
Chief executive of Deloitte & Touche from 2006 to 2012. Prior to this, he was the advisory and relationship partner on Barloworld, Imperial Holdings, Murray & Roberts, Nedbank, Sappi, South African Airways and Transnet.

Sonja de Bruyn Sebota (41)  
LLB (Hons), MA: Economic Policy Management, SFA (UK), Harvard Executive Program  
Non-executive director  
Appointed: 23 February 2011  
28 September 2012  
Member of the audit committee  
Appointed: 15 March 2011  
Directorys  
Non-executive director of RMB Holdings, Discovery Holdings and Aquarius Platinum  
Skills, expertise and work experience  
Sonja is the founder and principal partner on Deloitte & Touche since 1996. Prior to this, she was employed by Shell SA, Smith chem and Spoorne in various financial management positions and served on the boards of the Central Energy Fund, Soekor, Mossgas, the Medical Research Council, Denel, South African Reserve Bank, International Marketing Council (IMC) and was chairman of the Presidency audit committees.

Zodwa P Manase (52)*  
BComm, BCompt (Hons), CA(SA), Higher Diploma in Tax  
Non-executive director  
Appointed: 15 March 2011  
Resigned: 28 September 2012  
Directorys  
Non-executive director of Mediclinic  
Skills, expertise and work experience  
Founder and chief executive of Manase & Associates since 1996. Prior to this, she was employed by Shell SA, Smith chem and Spoorne in various financial management positions and served on the boards of the Central Energy Fund, Soekor, Mossgas, the Medical Research Council, Denel, South African Reserve Bank, International Marketing Council (IMC) and was chairman of the Presidency audit committees.

Martin J Shaw (74)  
CA(SA)  
Non-executive director  
Appointed: 21 February 2011  
Member of the audit committee  
Appointed: 15 March 2011  
Chairman of the audit committee  
Appointed: 28 September 2012  
Resigned: 17 October 2012  
Directorys  
Non-executive director of the JD Group  
Skills, expertise and work experience  
Martin served as managing partner, chief executive and chairman of Deloitte & Touche in South Africa until his retirement from the firm in 2001. He was also president of the Natal Society of Chartered Accountants from 1977 to 1978 and president of the South African Institute of Chartered Accountants from 1982 to 1983. Subsequent to his retirement he served as a non-executive director of a number of listed public companies from which positions he has since retired with the exception of JD Group.

*Resigned 28 September 2012

Board of directors at 31 December 2012 (with a resignation during the 2012 financial year noted)
Dear shareholder
The position of MTN Zakhele (RF) Limited (MTN Zakhele or the Company) continued to improve in 2012 thanks to a further reduction in its debt and the sound operational performance of the MTN Group Limited (MTN). The Company's sole business is holding shares in MTN and administering the associated funding of these shares. Its success is therefore dependent on the success of MTN as well as the ongoing receipt of dividends from MTN to service and repay debt.

When MTN concluded the MTN Zakhele scheme in 2010 it was called one of the country’s more successful broad-based black economic empowerment (BBBEE) transactions. The success of the structure has remained intact over the past year as MTN continued to deliver strong cash returns to shareholders.

MTN itself also continued to benefit from MTN Zakhele’s ownership of 4% of its shares, which along with its other transformation and empowerment initiatives resulted in the Group being ranked 13th in the 2012 annual Financial Mail survey of the 100 most empowered listed companies in South Africa. In addition, during 2012, MTN South Africa maintained its empowerment rating at Level 2.

Ensuring compliance and proposing a refinancing
In 2012, MTN Zakhele worked hard to ensure its compliance with the requirements of the new Companies Act, as amended, by inter alia finalising a new memorandum of incorporation (MoI).

The board also obtained proposals to refinance some of the notional vendor finance (NVF) which was provided by MTN to MTN Zakhele at the inception of MTN Zakhele in November 2010. The potential to implement such a refinancing arises as a result of the redemption, during April 2012, of all the Class B preference shares. These were fully repaid earlier than anticipated due to higher-than-expected dividends received from MTN.

The method of refinancing is expected to be through the issuance of a new class of preference shares. The net proceeds of this preference share issue to lenders will be used to settle a portion of the NVF owing to MTN. Considering the expected pricing of the new class of preference shares, the NVF is in comparison, relatively expensive funding.

Preparing for trading
Trading of MTN Zakhele shares between members of the black public is due to start at the end of November 2013. To facilitate this, towards the end of 2012, the board commenced with the appointment of relevant service providers. I am pleased to report that the setting up of the trading platform and the drafting of its relevant terms and conditions are both progressing well. We are also undertaking a number of initiatives to facilitate a smooth and understandable trading environment in which all shareholders may participate.

Further strengthening of MTN Zakhele
The robustness of the MTN Zakhele’s funding structure became increasingly evident during the year. The MTN dividends received during April 2012 and September 2012 exceeded the obligations under the preference share funding arrangements. As mentioned earlier, this enabled the Company to fully settle the Class B preference share balance in April 2012, which was originally R720 million. The dividends due to both the Class A and Class B preference shares were also settled.

The Company also started partially settling the NVF funding in September 2012 with a payment of R239 367 229 to MTN from proceeds of R241 915 127 via acquiring shares in the open market and delivering an equivalent number of shares, initially issued by MTN to the Company, back to MTN. The difference between the amount of NVF settled and the proceeds used for settlement resulted from a calculation mechanism outlined in the transaction documents, namely volume-weighted average price multiplied by the number of shares purchased, compared to the actual cost of those shares. The acquired MTN shares are now reflected on the Company’s balance sheet and not as part of the derivative option anymore.
Interest rate risk was partially hedged, as the Class A preference shares were subject to a fixed interest rate until 30 April 2013. Subsequent to 30 April 2013 the class A preference shares will be subject to a floating interest rate.

These are significant achievements and the implementation of the proposed refinancing is expected to improve the total returns to shareholders as fewer funds will be required to service the more expensive NVF funding obligations.

MTN Zakhele shareholders initially contributed about 20% of the total funding needed for the BBBEE transaction. MTN made a significant donation, which provides a buffer against movements in the MTN share price from an asset cover perspective. This, together with the NVF funding from MTN, also means that the BBBEE transaction will remain geared at a reasonably conservative level, even after implementing the proposed refinancing.

MTN continues to perform
As mentioned previously, the success of MTN Zakhele is dependent on the success of the MTN share price as well as the ongoing receipt of dividends to service its funding commitments.

The MTN share price has performed strongly since MTN Zakhele first purchased MTN shares in November 2010. When MTN Zakhele acquired the shares, the cost was based on a price of R107,46 per share and a total value of R4 974 590 649. By 31 December 2012, the MTN share price had increased to R177,60, bringing the total value of MTN shares held by MTN Zakhele to R8 327 523 874. At the end of December 2011, the MTN share price was R143,73, with the total value of MTN Zakhele’s holding at R6 520 769 374.

Dividends received from MTN have increased meaningfully over the years, because of stronger earnings and a steady increase in its payout ratio: 40% in August 2010, 55% in March 2011, 65% in August 2011, 70% in March 2012 and 72% in August 2012. In its results announcement for the 2012 financial year, MTN said it would move to a dividend policy of absolute growth, rather than one based on a particular payout ratio. This decision was made in light of exchange rate volatility and the impact of that on reported earnings.

MTN’s 2012 results reflected another sound performance, with subscriber numbers increasing 15,1% to 189,3 million. The margin on earnings before interest, taxation, depreciation and amortisation (EBITDA) was relatively stable at 42,9% (2011: 43,9%) and headline earnings per share increased by 1,9% to 1 089,1 cents. MTN declared a final cash dividend of 503 cents per share, bringing the total dividend to 824 cents per share. Further information on MTN’s performance can be found at www.mtn.com.

In the report for 2011, I wrote of the allegations of breaches of ethical conduct that were made against MTN in early 2012.

The good news is that, following a year-long investigation that involved a detailed review of the evidence, Lord Hoffmann (and the Hoffmann Committee) determined that the allegations of impropriety made by Turkcell against MTN were without foundation. He concluded that he found nothing in the conduct of MTN over this period that put at question MTN’s integrity or propriety. Further, the legal action instituted against MTN by Turkcell in the USA courts has been withdrawn, following a ruling by the US Supreme Court which effectively prevented such types of claims from being brought in US courts.

Dividends
The dividend income earned on the MTN shares held by MTN Zakhele is required to: firstly, pay permitted operational fees, costs, expenses and tax liabilities and thereafter, to meet the dividend obligations to the third-party funders. The payment of transaction costs and the repayment of the third-party preference share funding are made from the receipt of ordinary dividends from MTN on 30 April each year. However, in 2010 MTN started paying interim dividends, resulting in a payout running twice a year and dividends being declared to Class B preference shareholders twice a year as well. The dividend on the Class A preference shares, while there is an interest rate hedge in place, is only declared once annually.

In 2012, MTN Zakhele declared the following dividends to preference shareholders:

- A preference share dividend during March 2012: R96 700 256,88;
- B preference share dividend during March 2012: R14 618 445,86.

Class B preference shares were fully redeemed in April 2012 and therefore there was no dividend on class B preference dividends in September 2012.

Directorate and management
The Mol provides that the board comprises no more than five directors, two of whom will be appointed by MTN. The MTN appointees are Thulani Gcaba as and Martin Shaw. The remaining three directors are to be independent of MTN and will be appointed or (in the case of a director who was appointed to fill a vacancy or as an additional director) confirmed by the Company’s shareholders. These directors are currently Sonja de Bruyn Sebotsa and Grant Gelink, the latter of whom replaced Zodwa Manase on her resignation following the annual general meeting (AGM) on 28 September 2012. Directors who are appointed by the MTN Zakhele board to fill a vacancy in their number or as an
additional director will retain office only until (i) they are removed by the MTN Zakhele shareholders by ordinary resolution; or (ii) the next AGM of MTN Zakhele, unless the appointment is confirmed by the shareholders at such an AGM. Grant Gelink’s interim appointment by the directors is thus the subject matter of one of the resolutions to be proposed at the AGM.

The current MTN-nominated directors were appointed on 21 February 2011. Sonja de Bruyn Sebotsa was originally appointed on 23 February 2011 and she was re-appointed (after resigning by rotation) at the AGM on 28 September 2012.

The necessary resolutions required under the new Companies Act have been included for approval at the AGM. The proposed amendments to the MoI which are required in order to give effect to the proposed refinancing are available on the MTN Zakhele website at [www.mtnzakhele.co.za](http://www.mtnzakhele.co.za). They are also available on request from zakhele@linkmarketservices.co.za or by dialling 0861 686925 (0861 MTNZAK).

MTN Zakhele has no staff and the administrative functions of the Company are outsourced. GMG Trust Company (SA) Proprietary Limited (GMG) indicated that it wished to resign as administrator at the end of 2012 and has been replaced by Deloitte & Touche as the professional service provider responsible for a range of advisory, administrative, secretarial and taxation functions. These include certain funds flow requirements of the funding agreements, preparation of the financial statements and arranging the AGM and other meetings of the board and the shareholders of MTN Zakhele. GMG was responsible for completing the 2012 financial statements and the annual report of the Company. Final handover of all matters was completed during April 2013, following a three-month handover period and an audit committee meeting held to approve the Company’s annual report. The AGM notices and related information were compiled by Deloitte & Touche.

Engaging shareholders
Shareholder communication remains important for us. However, it has to be efficiently executed as cost management is equally crucial for MTN Zakhele. With over 121 000 shareholders who speak various languages and who are located across a vast geography, this is best done through a limited number of communication mediums. Formats are reviewed and feedback is considered after events such as the AGM. This annual report forms part of that communication and is sent out annually prior to the AGM and is made available on the Company’s website. Shareholder participation in the AGM is possible through attendance in person or by proxy, detailed on pages 53, 56, 57 and 58 of the AGM notice. Shareholders can also access the website or contact the call centre for assistance.

Shareholder information
During the 2012 AGM, shareholders requested that they be provided with information which may assist them in understanding aspects of the Company’s affairs. As a result, the following shareholder information initiatives are planned for implementation on the day of, and immediately after, the AGM to be held at the time and place set out in the AGM notice included in this annual report:

- Presentation on elements of the proposed trading platform for MTN Zakhele ordinary shares and the provision of related material; and
- Presentation on the basic principles of interpreting financial statements and the provision of related material.

Acknowledgments
In 2012, MTN Zakhele accomplished a significant amount from both a financial and governance perspective. On behalf of the board and the Company’s shareholders, I thank everyone involved for their contribution. I would particularly like to acknowledge the constructive and wise counsel provided by my fellow board members. I would like to thank administrator GMG for its consistent work since our company’s inception, as well as note my appreciation of joint auditors PricewaterhouseCoopers Inc. (PwC) and SizweNtsalubaGobodo Inc. for their contribution since day one. PwC resigned during the year, and shareholders will vote on the re-appointment of SizweNtsalubaGobodo Inc. at the AGM on 29 July 2013.

Prospects
The sound operational performance of MTN to date and its dividend policy of absolute growth, along with MTN Zakhele’s robust funding structure, give me great confidence for MTN Zakhele in the year ahead. The revised proposed capital structure should ensure a more efficient and cost-effective funding in order to improve shareholder returns. We especially look forward to the start of trading in the Company’s shares at the end of November 2013. Preparations for this are fully under way.

Thulani S Gcabashe
Chairman
13 June 2013
The directors are required in terms of the Companies Act, as amended, 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. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS) and the Companies Act, as amended. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (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 systems 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 ensure 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 systems 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 basis has been adopted in preparing the Company’s annual financial statements. The directors have reviewed the Company’s cash flow forecast for the year to 31 December 2013. In light of this review and the current financial position, the directors find no reason to believe that the Company will not be a going concern and continue in operational existence for the foreseeable future.

The directors are satisfied that the information contained in the annual financial statements fairly presents the financial position at the year end and the financial performance and cash flows of the Company.

The external auditors are responsible for independently reviewing and reporting on the Company’s annual financial statements. They were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and audit committee. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The annual financial statements have been examined by the Company’s external auditors and their report is presented on page 12.

The annual financial statements set out on pages 13 to 39, were approved by the board on 13 June 2013 and were signed on its behalf by:

**Thulani Gcabshe**  
Chairman: Board of directors  
Sandton  
Director  
13 June 2013

**Grant Gelinck**  
Chairman: Audit committee  
Sandton  
Director  
13 June 2013
Certificate by the Company secretary
for the year ended 31 December 2012

In terms of section 88(2)(e) of the Companies Act, as amended, we certify that, to the best of our knowledge and belief, the Company has lodged with the Companies Intellectual and Property Commission for the period ended 31 December 2012, all such returns as are required of a public company and that such returns are true, correct and up to date.

GMG Trust Company (SA) Proprietary Limited
Company secretary

13 June 2013
**Audit committee report**

for the year ended 31 December 2012

The MTN Zakhele audit committee presents its report in terms of section 94(7)(f) of the Companies Act and as recommended by King III for the financial year ended 31 December 2012.

**Membership, meeting attendance and evaluation**

Members of the committee are formally nominated by the board for re-election by shareholders. Members of the audit committee were all independent non-executive directors of the company. The committee meets at least twice a year. The composition of the committee and attendance at meetings by its members is set out below:

<table>
<thead>
<tr>
<th>Members</th>
<th>Attendance</th>
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<tbody>
<tr>
<td>Thulani Gcabshe*</td>
<td>4/4</td>
</tr>
<tr>
<td>Grant Gelink**</td>
<td>0/4</td>
</tr>
<tr>
<td>Sonja de Bruyn Sebotsa</td>
<td>3/4</td>
</tr>
<tr>
<td>Zodwa Manase***</td>
<td>4/4</td>
</tr>
<tr>
<td>Martin Shaw****</td>
<td>4/4</td>
</tr>
</tbody>
</table>

*Audit committee member from 28 September 2012 to date.
**Appointed as the chairman on 17 October 2012.
***Chairman until resignation date of 28 September 2012.
****Chairman from 28 September 2012 to 17 October 2012.

Biographical details of members are set out on page 2. The members' fees are included in the table of directors' emoluments and related parties on page 34.

The chairman of the board attended all the committee meetings as a permanent invitee before he was appointed as a member of the audit committee. The external auditors attend all audit committee meetings.

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. The effectiveness of the committee as a whole and its individual members are assessed on an annual basis.

The audit committee performs 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 external auditors**

The Company's external auditors are PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. Fees paid to the auditors for the year under review are disclosed in note 3 to the annual financial statements.

The committee satisfied itself through enquiry that the external auditors are 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 firms support and demonstrate the claim to independence.

The audit 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 of the finance function met the Company’s requirements.

The administration of the Company’s statutory records and accounting was outsourced to GMG Trust Company (SA) Proprietary Limited, in their capacity as the professional administrator of MTN Zakhele (RF) Limited. GMG Trust Company (SA) Proprietary Limited is a trust company providing independent directors, trustees, company administration and accounting services to finance-related special purpose vehicles. GMG Trust Company (SA) Proprietary Limited, as of 31 December 2012, indicated their intention to resign as administrator and has subsequently been replaced by Deloitte & Touche in the role as administrator.

Execution of functions of the audit 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 requested appropriate responses from management;
- 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 performed by the external auditors in the year in accordance with the policy established and approved by the board;
- approved the external auditors’ fees for the 2012 audit; and
- considered the independence and objectivity of the external auditors and ensured that the scope of additional services provided did not impair their independence.

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 MTN Zakhele (RF) Limited for the year ended 31 December 2012 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 that the accounting policies applied are appropriate. The committee recommended the Company’s 2012 annual report and annual financial statements for approval by the board on 13 June 2013.

The committee concurs with the board of directors and management that the adoption of the going-concern status in preparation of the annual financial statements is appropriate.

On behalf of the audit committee

Grant Gelink
Chairman
13 June 2013
Directors’ report
for the year ended 31 December 2012

The directors submit their report for the year ended 31 December 2012.

Nature of business and incorporation
MTN Zakhele is engaged in acquiring and holding shares in MTN Group on behalf of the participating black public and operates in South Africa. The Company was incorporated on 10 March 2010 and obtained its certificate to commence business on the same day.

The Company’s registered address is 3rd Floor, 200 on Main, Corner Main and Bowwood Roads, Claremont, 7708.

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

Net profit of the Company for the year was R510 378 000 (2011: R559 097 000 profit), after taxation of R110 200 000 (2011: R41 235 000).

Share capital and share premium
The issued share capital consists of shares issued on incorporation of seven shares at a par value of R20 and a premium of R80. A total of 80 889 400 ordinary shares were issued subsequently on 24 November 2010 as part of the BBBEE transaction. The par value of the shares was 1 cent and the premium was R19,99. The offer described in the prospectus dated 18 August 2010 opened on 30 August 2010 and the offer closed on 14 October 2010.

Due to allocation errors, adjustments were made to the shareholders’ register in 2011 in respect of 1 200 shares, leaving 80 888 207 ordinary shares in issue at 31 December 2012 (2011: 80 888 207 ordinary shares).

Dividend declaration
No dividends were declared or paid to ordinary shareholders during the current year or prior year.

Directors
The directors of the Company during the year and to the date of this report are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Changes</th>
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<tbody>
<tr>
<td>Thulani Gcabashe</td>
<td>Appointed 21 February 2011</td>
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<tr>
<td>Grant Gelink</td>
<td>Appointed 17 October 2012</td>
</tr>
<tr>
<td>Sonja de Bruyn Sebotsa</td>
<td>Appointed 23 February 2011</td>
</tr>
<tr>
<td>Zodwa Manase</td>
<td>Appointed 23 February 2011</td>
</tr>
<tr>
<td>Martin Shaw</td>
<td>Resigned 28 September 2012</td>
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<td>Appointed 21 February 2011</td>
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</table>

Meetings held by the board
The board held five scheduled meetings during 2012 and the members attended the meetings as follows:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Applicable meetings</th>
<th>Attended</th>
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<tbody>
<tr>
<td>Thulani Gcabashe (Chairman)</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Grant Gelink*</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sonja de Bruyn Sebotsa</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Zodwa Manase**</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Martin Shaw</td>
<td>5</td>
<td>5</td>
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*Appointed as a director on 17 October 2012. No meetings were held between date of his appointment and the 2012 year end.
**Resigned on 28 September 2012.
Directors’ interests in contracts
Sonja de Bruyn Sebotsa has a shareholding of 34.8% in Identity Capital Partners, which holds 190,500 shares in MTN Zakhele (RF) Limited and Grant Gelink holds 12,500 shares directly in MTN Zakhele (RF) Limited, purchased before becoming a director.

None of the other directors has an interest in the Company.

Secretary
As indicated earlier in the audit committee report, GMG has resigned as company secretary and is to be replaced by Deloitte & Touche.

Their address is as follows:
Deloitte Place
20 Woodlands Drive
Building 1
Woodmead
Sandton, 2052
Attention: Siphokazi Dlamini
Telephone: 011 806 5000

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

During the current year PricewaterhouseCoopers Inc. resigned as the auditors of the Company.

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, the directors are satisfied that the Company has sufficient funds for the foreseeable future and will continue as a going concern.

Subsequent events after reporting date
No significant post balance sheet events have occurred between the reporting date and 13 June 2013 that require adjustment or disclosure.

The annual financial statements set out on pages 13 to 39, which have been prepared on the going-concern basis, were approved by the board on 13 June 2013 and were signed on its behalf by:

Thulani S Gcabashe
Chairman
13 June 2013
Independent auditor’s report to the shareholders of MTN Zakhele (RF) Limited

We have audited the financial statements of MTN Zakhele (RF) Limited set out on pages 13 to 39, which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors’ responsibility for the financial statements
The company’s directors are responsible for the preparation and fair presentation of these 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.

Auditor’s responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of MTN Zakhele (RF) Limited as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 31 December 2012, we have read the directors’ report, the audit committee’s report and the company secretary’s certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

Director: SI Rajcoomar
Registered Auditor
Sunninghill

13 June 2013

SizweNtsalubaGobodo Inc.

Director: SY Lockhat
Registered Auditor
Woodmead

13 June 2013
### Income statement
for the year ended 31 December 2012

<table>
<thead>
<tr>
<th></th>
<th>2012 R'000</th>
<th>2011 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>3</td>
<td>600 644</td>
</tr>
<tr>
<td>Other expenses</td>
<td>3</td>
<td>(9 703)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td></td>
<td>590 941</td>
</tr>
<tr>
<td>Finance income</td>
<td>4</td>
<td>3 490</td>
</tr>
<tr>
<td>Finance cost</td>
<td>5</td>
<td>(116 694)</td>
</tr>
<tr>
<td>Gain on remeasurement of the derivative financial assets</td>
<td>6</td>
<td>142 841</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td>620 578</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>7</td>
<td>(110 200)</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td></td>
<td>510 378</td>
</tr>
</tbody>
</table>

The notes on pages 18 to 39 are an integral part of these annual financial statements.
Statement of comprehensive income
for the year ended 31 December 2012

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012 R’000</th>
<th>2011 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax</td>
<td>510 378</td>
<td>559 097</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>1 207 905</td>
<td>363 245</td>
</tr>
<tr>
<td>Gain on remeasurement of the available-for-sale financial assets</td>
<td>1 564 839</td>
<td>422 378</td>
</tr>
<tr>
<td>Adjustment to deferred tax attributable to change in CGT inclusion rate</td>
<td>(64 935)</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax on gain on remeasurement of the available-for-sale financial assets</td>
<td>(291 999)</td>
<td>(59 133)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>1 718 283</td>
<td>922 342</td>
</tr>
</tbody>
</table>

The notes on pages 18 to 39 are an integral part of these annual financial statements.
Statement of financial position  
at 31 December 2012

<table>
<thead>
<tr>
<th>Assets</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>8</td>
<td>8 327 524</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>9</td>
<td>1 914 700</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10 242 224</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax receivable</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Other receivables</td>
<td>10</td>
<td>309</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>11</td>
<td>8 862</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9 172</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary share capital</td>
<td>12</td>
<td>809</td>
</tr>
<tr>
<td>Share premium</td>
<td>12</td>
<td>1 616 956</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>13</td>
<td>2 117 280</td>
</tr>
<tr>
<td>Available-for-sale reserve</td>
<td>13</td>
<td>2 528 540</td>
</tr>
<tr>
<td>Non-distributable reserve</td>
<td>14</td>
<td>1 557 417</td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>15</td>
<td>1 426 936</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>16</td>
<td>937 799</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 364 735</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>15</td>
<td>64 555</td>
</tr>
<tr>
<td>Other payables</td>
<td>17</td>
<td>1 104</td>
</tr>
<tr>
<td></td>
<td></td>
<td>65 659</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The notes on pages 18 to 39 are an integral part of these annual financial statements.
## Statement of changes in equity
for the year ended 31 December 2012

<table>
<thead>
<tr>
<th>Shares</th>
<th>Capital R'000</th>
<th>Share premium R'000</th>
<th>Available-for-sale reserve R'000</th>
<th>Non-distributable reserve R'000</th>
<th>Retained earnings R'000</th>
<th>Total equity R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2011</td>
<td>809</td>
<td>1 616 982</td>
<td>957 390</td>
<td>1 277 813</td>
<td>1 327 409</td>
<td>5 180 403</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>363 245</td>
<td>–</td>
<td>559 097</td>
<td>922 342</td>
</tr>
<tr>
<td>Cancelled shares</td>
<td>*</td>
<td>(26)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(26)</td>
</tr>
<tr>
<td>Transfer between reserves**</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>245 986</td>
<td>(245 986)</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 December 2011</td>
<td>809</td>
<td>1 616 956</td>
<td>1 320 635</td>
<td>1 523 799</td>
<td>1 640 520</td>
<td>6 102 719</td>
</tr>
<tr>
<td>Balance at 1 January 2012</td>
<td>809</td>
<td>1 616 956</td>
<td>1 320 635</td>
<td>1 523 799</td>
<td>1 640 520</td>
<td>6 102 719</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>1 207 905</td>
<td>–</td>
<td>510 378</td>
<td>1 718 283</td>
</tr>
<tr>
<td>Transfer between reserves**</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>116 187</td>
<td>(116 187)</td>
<td>–</td>
</tr>
<tr>
<td>Transfer of adjustment to deferred tax attributable to change in CGT inclusion rate</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(82 569)</td>
<td>82 569</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 December 2012</td>
<td>809</td>
<td>1 616 956</td>
<td>2 528 540</td>
<td>1 557 417</td>
<td>2 117 280</td>
<td>7 821 002</td>
</tr>
</tbody>
</table>

Notes

12 12 13 14

*Amount less than a thousand.

**The transfer between reserves arises in respect of the gain on remeasurement of the derivative financial asset that was recorded in profit and loss.

The amount transferred is net of the related deferred tax calculated at the increased Capital Gains Tax rate, which came into operation from 1 March 2012 and applies in respect of years of assessment commencing on or after that date.

This transfer of the net gain from retained earnings to the non-distributable reserve is effected as the gain is currently not distributable.

The notes on pages 18 to 39 are an integral part of these annual financial statements.
Statement of cash flows
for the year ended 31 December 2012

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012 R’000</th>
<th>2011 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash used in operations</td>
<td>18</td>
<td>(9 688)</td>
</tr>
<tr>
<td>Interest received</td>
<td>3 711</td>
<td>4 317</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(112 302)</td>
<td>(81 270)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>600 644</td>
<td>468 759</td>
</tr>
<tr>
<td>Tax paid</td>
<td>19</td>
<td>(978)</td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td><strong>481 387</strong></td>
<td><strong>366 584</strong></td>
</tr>
<tr>
<td>Cash flows used in financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of shares used to partially repay the Notional Vendor Finance</td>
<td>8</td>
<td>(241 915)</td>
</tr>
<tr>
<td>Borrowings repaid</td>
<td>15</td>
<td>(288 555)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td><strong>(530 470)</strong></td>
<td><strong>(380 890)</strong></td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>(49 083)</td>
<td>(14 306)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>57 945</td>
<td>72 251</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td><strong>8 862</strong></td>
<td><strong>57 945</strong></td>
</tr>
</tbody>
</table>

The notes on pages 18 to 39 are an integral part of these annual financial statements.
1. Summary of principal accounting policies

a) General information

MTN Zakhele (RF) Limited is an investment company that was specifically formed to facilitate the implementation of a broad-based black economic empowerment (BBBEE) transaction by MTN Group Limited aimed at maintaining the MTN Group’s BBBEE status in support of South Africa’s broad-based black economic empowerment Codes of Good Practice.

b) Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act No 71 of 2008, as amended. The annual financial statements have been prepared on the historical cost basis, as modified by the revaluation of available for sale assets, and financial assets and financial liabilities at fair value through profit or loss and incorporate the principal accounting policies set out below. They are presented in South African Rand, being its functional and presentational currency.

These accounting policies are consistent with the previous period unless otherwise stated. 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 annual 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.

1.1 Financial instruments

1.1.1 Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss – held for trading
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at amortised cost

Classification depends on the purpose for which the financial instruments were obtained and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

1.1.1.1 Financial instruments designated at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading 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.

1.1.1.2 Financial instruments available for sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available-for-sale monetary items, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.
1. Summary of principal accounting policies (continued)

1.1 Financial instruments (continued)

1.1.1 Classification (continued)

1.1.1.3 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments include ordinary and preference shares. Preference shares that are mandatorily redeemable are classified as financial liabilities.

Financial liabilities comprise other payables and borrowings.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings 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.

1.1.1.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current. The entity's loans and receivables comprise other receivables (excluding prepayments) and cash and cash equivalents. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses.

1.1.2 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.

1.1.3 Measurement

1.1.3.1 Initial recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, being the date on which the entity commits to purchase or sell the instrument.

Financial assets are recognised initially when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost.

For financial assets which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Financial instruments carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Non-derivative financial instruments comprise investments in equity, other receivables, cash and cash equivalents, borrowings and other payables.
1. **Summary of principal accounting policies (continued)**

1.1 **Financial instruments (continued)**

1.1.3 **Measurement (continued)**

1.1.3.2 **Subsequent measurement**

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains or losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Company's right to receive payment is established.

1.1.4 **Derivative financial instruments**

**Derivatives at fair value through profit or loss**

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and attributable transaction costs are recognised in profit or loss when incurred. Subsequently derivatives are remeasured at their fair value and are recognised immediately in profit or loss.

1.1.5 **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.1.6 **Fair value determination**

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

1.1.6.1 **Investments in equity**

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

1.1.6.2 **Other receivables**

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.

1.1.6.3 **Derivatives**

The fair value of derivatives 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 9 for the respective assumptions used in the valuation.
1. **Summary of principal accounting policies** (continued)

1.1 **Financial instruments** (continued)

1.1.6 **Fair value determination** (continued)

1.1.6.4 **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.

1.1.7 **Impairment of financial assets**

At each reporting date the Company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

1.2 **Other receivables**

Other receivables are classified as loans and receivables. Other receivables consist of accrued interest on the call accounts and prepayments related to administration expenses that were paid in advance.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment.

1.3 **Other payables**

Other payables are initially measured at fair value, 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.

1.4 **Cash and cash equivalents**

Cash and cash equivalents comprise 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 statement of financial position, 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.
1. **Summary of principal accounting policies (continued)**

1.5 **Borrowings/preference share liabilities**

Borrowings are initially measured at fair value net of transaction costs incurred, and are subsequently carried at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in profit or loss over the term of the borrowings in accordance with the Company’s accounting policy for borrowing costs 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 prepayment 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 profit or loss as interest expense.

1.6 **Tax**

1.6.1 **Current tax assets and liabilities**

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

Current tax liabilities/(assets) for the current and prior periods 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.

1.6.2 **Deferred tax assets and liabilities**

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax base 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 at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses 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 tax 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.

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.
1. **Summary of principal accounting policies** (continued)

1.6 **Tax** (continued)

1.6.3 Tax expenses

The tax 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.

1.6.4 Secondary taxation on companies

Secondary taxation on companies (**STC**) is provided for at a rate of 10% on the amount by which dividends declared by the Company exceed dividends received. Deferred tax on unutilised STC credits is recognised to the extent that STC payable on future dividend payments is likely to be available for set-off. Effective 1 April 2012, STC has been replaced by dividend withholding tax, at a rate of 15%. Available STC credits may only be utilised for a period of three years.

1.6.5 Security transfer tax

Security transfer tax (**STT**) is provided for at a rate of 0.25% on the transfer of listed or unlisted securities. Securities include shares in companies.

1.7 **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. Incremental 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.

1.8 **Provisions and contingencies**

Provisions are recognised when:

- the Company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
1. Summary of principal accounting policies (continued)

1.9 Revenue

1.9.1 Interest income

Interest income is recognised in profit or loss, using the effective interest rate method. When a loan or 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 loans and receivables are recognised using the original effective interest rate.

1.9.2 Dividend income

Dividends are recognised in profit or loss, when the Company’s right to receive payment has been established.

The Company recognised dividend income received on the shares held under the derivative financial asset separately from the fair value movement on the derivative financial asset. Fair value adjustments in profit or loss therefore do not include dividends received or accrued.

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.

1.11 Employee benefits/directors’ emoluments policy

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

1.12 Critical accounting estimates and assumptions

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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

1.12.1 Income taxes

Where applicable tax legislation is subject to interpretation, management 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 and thus the deferred tax has been calculated at the capital gains tax rate.

1.12.2 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 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.

1.12.3 Critical judgements in applying the entity’s accounting policies

Impairment of available-for-sale equity investments

The Company follows the guidance of IAS 39 Financial Instruments Recognition and Measurement, to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement.

In making this judgement, 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 flows.
2. **New standards and interpretations**

2.1 **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. None of the adopted pronouncements had a material impact on the Company’s results for the year ended 31 December 2012.

Standard/interpretation:
- IAS 1 *Presentation of Annual Financial Statements* (1 July 2012)

2.2 **Standards and interpretations not yet effective**

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company’s accounting periods beginning on or after 1 January 2013 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.

Standard/interpretation:
- Amendments to IAS 1 *Presentation of annual financial statements* (1 January 2013)
- Amendments to IAS 34 *Interim financial reporting* (1 January 2013)
- Amendments to IAS 32 *Financial Instruments: Presentation* (1 January 2014)
- IAS 19 *Employee Benefits Revised* (1 January 2013)
- IAS 27 *Separate Annual Financial Statements* (1 January 2013)
- Amendment to IFRS 9 *Financial Instruments (2011)* (1 January 2015)
- Amendments to IFRS 1 *First time adoption of IFRS* (1 January 2013)
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Asset and Liabilities offsetting* (1 January 2013)
- IFRS 12 *Disclosure of Interests in Other Entities* (1 January 2013)
- IFRS 13 *Fair Value Measurement* (1 January 2013)
### 3. Other income and expenses

Operating profit for the year is stated after accounting for the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends received – MTN Group Limited</td>
<td>600 644</td>
<td>468 759</td>
</tr>
<tr>
<td><strong>Employees’ cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors’ remuneration</td>
<td>663</td>
<td>619</td>
</tr>
<tr>
<td><strong>Other expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration fees</td>
<td>3 934</td>
<td>4 054</td>
</tr>
<tr>
<td>Annual general meeting costs</td>
<td>388</td>
<td>328</td>
</tr>
<tr>
<td>Auditor’s fees</td>
<td>585</td>
<td>1 430</td>
</tr>
<tr>
<td>Consulting fees</td>
<td>1 344</td>
<td>818</td>
</tr>
<tr>
<td>Courier and postage</td>
<td>976</td>
<td>884</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>910</td>
<td>411</td>
</tr>
<tr>
<td>Trader OTC platform</td>
<td>852</td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>51</td>
<td>78</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9 040</td>
<td>8 003</td>
</tr>
</tbody>
</table>

### 4. Finance income

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received on the current account</td>
<td>515</td>
<td></td>
</tr>
<tr>
<td>Interest received on the call account</td>
<td>2 975</td>
<td>4 255</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3 490</td>
<td>4 255</td>
</tr>
</tbody>
</table>

### 5. Finance cost

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense – borrowings (preference shares accrued interest)</td>
<td>116 694</td>
<td>150 090</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>116 694</td>
<td>150 090</td>
</tr>
</tbody>
</table>

### 6. Gain on remeasurement of the derivative financial assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross fair value gain</td>
<td>381 901</td>
<td>472 599</td>
</tr>
<tr>
<td>Dividend income</td>
<td>(239 060)</td>
<td>(186 569)</td>
</tr>
<tr>
<td><strong>Net fair value gain</strong></td>
<td>142 841</td>
<td>286 030</td>
</tr>
</tbody>
</table>

Fair value movements on the derivative financial assets are presented net of dividends received or accrued.

### 7. Income tax expense

#### Major components of the tax expense

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>977</td>
<td>1 191</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>977</td>
<td>1 191</td>
</tr>
</tbody>
</table>

#### Deferred

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value gain on the derivative financial asset and on the subsequent measurement of the available-for-sale financial asset</td>
<td>26 654</td>
<td>40 044</td>
</tr>
<tr>
<td>Adjustment to deferred tax attributable to change in CGT inclusion rate</td>
<td>82 569</td>
<td>–</td>
</tr>
<tr>
<td>Capital gains tax at 18.66% on the fair value (loss)/gain on the derivative financial asset and on the initial recognition of the available-for-sale financial asset as a result of the initial dividend received.</td>
<td>109 223</td>
<td>40 044</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>110 200</td>
<td>41 235</td>
</tr>
</tbody>
</table>
Notes to the annual financial statements continued
for the year ended 31 December 2012

7. Income tax expense (continued)

Tax rate reconciliation
The income tax charge for the period is reconciled to the effective rate of taxation in South
Africa as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax at standard rate</td>
<td>28,00%</td>
<td>28,00%</td>
</tr>
<tr>
<td>Expenses not deductible for tax</td>
<td>5,7</td>
<td>7,40%</td>
</tr>
<tr>
<td>Income not subject to tax</td>
<td>(27,1)</td>
<td>(21,86)</td>
</tr>
<tr>
<td>Difference between the capital gains tax and the statutory rate</td>
<td>(2,15)</td>
<td>(6,67)</td>
</tr>
<tr>
<td>on the revaluation of the derivative asset</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment to deferred tax attributable to change in CGT inclusion</td>
<td>13,31</td>
<td>–</td>
</tr>
<tr>
<td>Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax at effective rate</td>
<td>17,76%</td>
<td>6,87%</td>
</tr>
</tbody>
</table>

Deferred tax charged to the income statement comprises:
Capital gains tax on companies has increased to 66,6% from 50%, the deferred tax rate has
increased to 18,66% from 14% in the previous year for years of assessment starting after 1 March
2012, as the underlying investments are capital in nature and are being held with the intention
of long-term strategic growth.

8. Available-for-sale financial assets

Available-for-sale
MTN Group Limited Shares (purchased from the Public Investment Corporation) | 5 918 125 | 4 789 482 |
MTN Group Limited Shares (purchased from MTN Group Limited with the donation income received) | 2 139 265 | 1 731 287 |
MTN Group Limited Shares (purchased on the open market) | 270 134 | – |

The gain recorded in other comprehensive income for the current financial year is

The investment consists of 46 889 211 (2011: 45 368 186) MTN Group Limited Shares. The total
investment together with the derivative financial asset (refer note 9) comprises 4% of the MTN
Group issued share capital. The shares in MTN Group were partly obtained through a donation
received from MTN Group.

The donation was used to subscribe for 12 045 412 shares at the price of R107,46 per share. Shares
were acquired for cash at a price of R3 680 190 649 in 2010, and 1 521 025 shares were acquired on
the open market in September 2012 as partial settlement of the Notional Vendor Finance (note 9).

The fair value of the available-for-sale investment is based on a quoted market price of
R177,60 per share (2011: R143,73) as listed on the JSE Limited at 31 December 2012.

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on remeasurement of available for sale financial assets</td>
<td>1 564 839</td>
<td>422 377</td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>6 520 769</td>
<td>6 098 392</td>
</tr>
<tr>
<td>MTN Group Limited shares (purchased on the open market)</td>
<td>241 915</td>
<td>–</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>8 327 524</td>
<td>6 520 769</td>
</tr>
</tbody>
</table>
9. **Derivative financial assets**

As part of the implementation of the MTN Group BBBEE scheme, MTN Zakhele obtained Notional Vendor Finance (NVF) to facilitate the purchase of MTN Group shares. MTN Group initially issued 29,994,952 NVF shares to MTN Zakhele at par value. MTN Group has excised part of the call option over 1,521,025 of these shares during 2012, leaving 28,473,927 subject to the call option.

As the 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 represents a path dependent option. Monte Carlo simulation was applied as the valuation technique which is in line with standard market practice.

The balance of the notional vendor finance at initial recognition was approximately R3,214,440,234. This balance accrued R267,995,330 in interest from 31 December 2011 to 31 December 2012, R282,338,402 prior to 31 December 2011 (2011: R258,228,583), resulting in the balance of the NVF as at 31 December 2012 approximating R3,525,476,426, after taking cognisance of the mentioned NVF settlement of R239,297,540. In terms of the notional vendor financing arrangement, the notional funding provided by MTN Group earns notional interest at 85% of Prime (NACA).

The value of the option at initial recognition was R1,382,545,740.

The option was revalued at year end indicating a value of R1,914,700,723 as at 31 December 2012 and R1,771,859,000 at 31 December 2011. The significant inputs into the model were the market share price of MTN Group shares of R177,60 (2011: R143,73), the NVF balance of R3,525,476,426 (2011: R3,496,778,636), the shares of 28,473,927 (2011: 29,994,952), volatility of 28.71%, (2011: 39.89%), a dividend yield of 6.06% (2011: 7.60%) and an expected option life of four years (2011: five years) and an annual risk free rate of 5.50% (2011: 6.80%).

### Financial asset at fair value through profit or loss

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>1,771,859</td>
<td>1,485,829</td>
</tr>
<tr>
<td>Fair value adjustments recognised in profit or loss</td>
<td>142,841</td>
<td>286,030</td>
</tr>
<tr>
<td><strong>Fair value at the end of the year</strong></td>
<td>1,914,700</td>
<td>1,771,859</td>
</tr>
</tbody>
</table>

10. **Other receivables**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued interest income</td>
<td>39</td>
<td>260</td>
</tr>
<tr>
<td>Prepayments</td>
<td>241</td>
<td>219</td>
</tr>
<tr>
<td>MTN recoverable (unsuccessful applicants refunded)</td>
<td>29</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>309</td>
<td>479</td>
</tr>
</tbody>
</table>

11. **Cash and cash equivalents**

Cash and cash equivalents consist of:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and on hand</td>
<td>8,862</td>
<td>57,945</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,862</td>
<td>57,945</td>
</tr>
</tbody>
</table>

Cash and cash equivalents are denominated in South African Rand.
### 12. Share capital

**Authorised**

- 100 000 000 ordinary shares with a par value of 1 cent each: 1 000 1 000
- Seven ordinary shares at par value of R20 each: *
- 44 000 000 unclassified shares: –
- 1 440 000 Class A BIC preference shares with a par value of R0,0001: *
- 720 000 Class B BIC preference shares with a par value of R0,0001: *

Unissued ordinary shares are under the control of the directors.

<table>
<thead>
<tr>
<th>Shares</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares at par value (fully paid up)</td>
<td>809</td>
<td>809</td>
</tr>
<tr>
<td>Ordinary share premium</td>
<td>1 616 956</td>
<td>1 616 956</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 617 765</td>
<td>1 617 765</td>
</tr>
</tbody>
</table>

**Issued**

- Ordinary shares at par value (fully paid up): 809 809
- Ordinary share premium: 1 616 956 1 616 956

**Total:** 1 617 765 1 617 765

- Balance at the beginning of the period: 809 809
- Cancelled: – *
- Balance at the end of the period: 809 809

**Ordinary share premium**

- Balance at the beginning of the period: 1 616 956 1 616 982
- Cancelled: – (26)
- Balance at the end of the period: 1 616 956 1 616 956

**Total:** 1 617 765 1 617 765

MTN Zakhele shares cannot be traded during the minimum investment period (ie the first three years). Restricted trading is allowed during the fourth to sixth years, where MTN Zakhele shares can be sold to eligible MTN Zakhele ordinary shareholders. All sales during the fourth to sixth years are subject to approval and verification by MTN Group or a designated committee. There are no special restrictions on the sale or encumbrance of MTN Zakhele shares after the empowerment period (ie after the sixth year).

*Amount less than a thousand.

**Seven ordinary shares with a par value of R20 and a premium of R80 each and 80 888 200 ordinary shares with a par value of 1 cent and a premium of R19,99 each. Refer to Note 15 for preference shares issued.**
Notes to the annual financial statements continued
for the year ended 31 December 2012

<table>
<thead>
<tr>
<th>13. Available-for-sale reserve</th>
<th>2012 R’000</th>
<th>2011 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>1 320 635</td>
<td>957 390</td>
</tr>
<tr>
<td>Gain on revaluation of available-for-sale assets</td>
<td>1 564 839</td>
<td>422 378</td>
</tr>
<tr>
<td>Adjustment to deferred tax attributable to change in CGT inclusion rate at 18.66%</td>
<td>(64 935)</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax on gain on re-measurement of available-for-sale assets at 18.66%</td>
<td>(291 999)</td>
<td>(59 133)</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td>2 528 540</td>
<td>1 320 635</td>
</tr>
</tbody>
</table>

| 14. Non-distributable reserve | | |
|--------------------------------| | |
| The transfer between reserves arises in respect of the gain on remeasurement of the derivative financial asset that is recorded in profit or loss. | | |
| The amount transferred is net of the related deferred tax calculated at the capital gains rate. | | |
| This transfer of the net gain from retained earnings to the non-distributable reserve is effected as the gain is currently not distributable. | | |
| Balance at the beginning of the year | 1 523 799 | 1 277 813 |
| Transfer of gain on revaluation of the derivative financial asset (note 6) | 142 841 | 286 030 |
| Adjustment to deferred tax attributable to change in CGT inclusion rate | (82 569) | – |
| Deferred tax on gain on revaluation of the derivative asset | (26 654) | (40 044) |
| **Balance at the end of the year** | 1 557 417 | 1 523 799 |

| 15. Borrowings – preference shares liability | | |
|---------------------------------------------| | |
| **Preference shares liability** | | |
| Class A preference shares | 1 491 491 | 1 485 646 |
| Class B preference shares | – | 290 007 |
| **Total** | 1 491 491 | 1 775 653 |
| **Short-term portion** | | |
| Class A preference shares | (64 555) | (64 818) |
| Class B preference shares | – | – |
| **Total** | (64 555) | (64 818) |
| **Long-term portion** | | |
| Class A preference shares | 1 426 936 | 1 420 828 |
| Class B preference shares | – | 290 007 |
| **Total** | 1 426 936 | 1 710 835 |
| **Class A cumulative redeemable non-participating preference shares** | | |
| 1 440 000 cumulative redeemable non-participating preference shares | | |
| Balance at the beginning of the year | 1 485 646 | 1 427 448 |
| Accrued interest paid | (67 947) | (9 749) |
| Interest accrued at effective interest rate | 73 792 | 67 947 |
| **Balance at the end of the year** | 1 491 491 | 1 485 646 |
15. **Borrowings – preference shares liability (continued)**

Class B cumulative redeemable non-participating preference shares
669 445 cumulative redeemable non-participating preference shares

<table>
<thead>
<tr>
<th></th>
<th>2012 R'000</th>
<th>2011 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>290 007</td>
<td>660 276</td>
</tr>
<tr>
<td>Redemptions</td>
<td>(288 555)</td>
<td>(380 890)</td>
</tr>
<tr>
<td>Accrued interest paid</td>
<td>(16 225)</td>
<td>(5 604)</td>
</tr>
<tr>
<td>Interest accrued at effective interest rate</td>
<td>14 773</td>
<td>16 225</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td>–</td>
<td>290 007</td>
</tr>
</tbody>
</table>

All of the above borrowings have been indirectly secured through the back to back preference shares issued by Newshelf 1041 Proprietary Limited.

The above preference share liabilities are denominated in South African Rand. The preference shares are classified as debt instruments as they are mandatorily redeemable to the holders. The return provided to the holders of the preference shares are treated as financing costs for the Company.

The transaction costs capitalised to the borrowings relate to legal and arrangement fees that were directly attributable to the issue of the preference shares.

The Company redeemed R288 555 000 (2011: 380 890 000) of these shares in April 2012. All shares redeemed relate to the B preference shares; the A preference shares remain unchanged from date of inception.

The terms and conditions of the preference shares are as follows:

**Class A**

The MTN Zakhele Class A preference shares ("**Class A preference shares**") are held by Newshelf 1041 Proprietary Limited (BFC). Voluntary redemption can be effected before the redemption date. The Class A preference shares are redeemable on 24 November 2016, however mandatory redemption must be made out of available cash after three years and one day from the issue date, subject to a cash waterfall. All payments shall be made upon approval by the directors. Interest is required to be paid on 30 April of each year, following the receipt of the annual dividend from MTN Group, during the term of the preference shares. Other payments are required to be made at any other time and manner as prescribed in the transaction documents, being the documents defined as such in the BIC preference share subscription agreement. The payment obligation accrues interest which is based on a fixed rate of 6.6787% (being 110% of the 2.545 year interpolated swap rate) until 30 April 2013 and thereafter at a rate of 77% of Prime (NACM); 7.223%.

**Class B**

The MTN Zakhele Class B preference shares ("**Class B preference shares**") were held by Newshelf 1041 Proprietary Limited (BFC). Voluntary redemption could be effected before the redemption date and the Class B preference shares were redeemed in full on 30 April 2012.
15. **Borrowings – preference shares liability (continued)**

The above Class A BIC preference shares have the following debt covenants:

If the share cover ratio (calculated as the ratio of the value of all the shares held by MTN Zakhele, plus certain cash balances; divided by the Class A preference share balances, minus certain cash balances) falls below a value of 2,0 times (and if MTN Group's consolidated total net borrowings to adjusted consolidated EBITDA is below 2,0 times) or falls below a value of 2,5 times (and if MTN Group's consolidated total net borrowings to adjusted consolidated EBITDA is at or above 2,0 times), a covenant will be triggered whereby the holders of the back-to-back preference shares issued by the BFC will have the right to enforce the sale of sufficient MTN Group shares to repay their outstanding debt.

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

The following securities and pledges are held by ABSA Bank Limited acting through its ABSA Capital Investor Services division (as the security custodian) at 31 December 2012. These agreements are dated 12 July 2010.

First ranking guarantee, given by MTN Zakhele in respect of the obligations of Newshelf 1041 Proprietary Limited (BFC) under the Class A BFC preference shares (cumulative redeemable non-participating preference shares) issued by BFC to Depfin Investments Proprietary Limited, FirstRand Bank Limited and United Towers Proprietary Limited (the Class A BFC preference shareholders) on 24 November 2010.

Second ranking guarantee given by MTN Zakhele in respect of the obligations of BFC under the Class B BFC Preference Shares (cumulative redeemable non-participating preference shares) issued by BFC to Depfin Investments Proprietary Limited, FirstRand Bank Limited and United Towers (the Class B BFC preference shareholders) on 24 November 2010.

Class A BFC pledge and cession given by MTN Zakhele in favour of the Class A BFC preference shareholders in terms of which MTN Zakhele pledges and cedes the collateral (including the MTN Group shares) to the Class A BFC preference shareholders as security for its obligations under the first ranking guarantee.

Secondary reversionary pledge and cession by MTN Zakhele in favour of MTN Group for all MTN Zakhele's obligations to MTN Group under the transaction documents. (The existing and proposed new preference share funders have indicated that they require the first reversionary pledge and cession by MTN Zakhele in favour of the Class B BFC preference shareholders to be reinstated pursuant to the proposed refinancing, for the purposes of securing certain tax indemnity obligations of MTN Zakhele which persist for a limited period after the redemption date in respect of the Class B preference shares.)

MTN subordination and undertaking agreement entered into between MTN Group, the Class A BFC preference shareholders and the Class B BFC preference shareholders in relation to the subordination by MTN Group of its claims against BFC and MTN Zakhele.

MTN Group's ordinary shares (being 75 363 138 shares) are held at ABSA Bank Limited, acting through its ABSA Capital Investor Services division (as security custodian).

In addition to the share pledges referred to above and as part of the collateral referred to above, MTN Zakhele at 31 December 2011 had ceded in security all its rights in and the proceeds of its bank accounts held from time to time. This security was released by the preference share funders during the December 2012 financial year. The existing preference share funders and proposed preference share funders (which are expected to advance funding to MTN Zakhele pursuant to the proposed refinancing) have indicated that they will require new security to be given over MTN Zakhele's bank accounts.
16. Deferred tax liability

Reconciliation of deferred tax liability

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>(471 642)</td>
<td>(372 465)</td>
</tr>
<tr>
<td>Gain on revaluation of the derivative financial assets recorded through profit or loss</td>
<td>(26 654)</td>
<td>(40 044)</td>
</tr>
<tr>
<td>Gain on the revaluation of available-for-sale financial assets recognised in other comprehensive income</td>
<td>(291 999)</td>
<td>(59 133)</td>
</tr>
<tr>
<td>Adjustment to deferred tax attributable to change in CGT inclusion rate</td>
<td>(147 504)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td>(937 799)</td>
<td>(471 642)</td>
</tr>
</tbody>
</table>

Deferred tax comprises temporary differences in respect of:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale financial assets</td>
<td>580 516</td>
<td>223 582</td>
</tr>
<tr>
<td>Derivative asset</td>
<td>357 283</td>
<td>248 060</td>
</tr>
<tr>
<td><strong>Total deferred tax</strong></td>
<td>937 799</td>
<td>471 642</td>
</tr>
</tbody>
</table>

Deferred taxation on the revaluation of the available-for-sale assets and derivative financial assets are raised at the capital gains tax rate of 18,66% (2011: 14%).

17. Other payables

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other payables</td>
<td>868</td>
<td>802</td>
</tr>
<tr>
<td>Share allocation liability</td>
<td>236</td>
<td>236</td>
</tr>
<tr>
<td><strong>Total other payables</strong></td>
<td>1 104</td>
<td>1 038</td>
</tr>
</tbody>
</table>

18. Cash used in operations

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>620 578</td>
<td>600 332</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income (note 4)</td>
<td>(3 490)</td>
<td>(4 255)</td>
</tr>
<tr>
<td>Finance cost (note 5)</td>
<td>116 694</td>
<td>150 090</td>
</tr>
<tr>
<td>Gain on remeasurement of the derivative financial instruments (note 6)</td>
<td>(142 841)</td>
<td>(286 030)</td>
</tr>
<tr>
<td>Dividends received (note 3)</td>
<td>(600 644)</td>
<td>(468 759)</td>
</tr>
<tr>
<td>Changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase)/decrease in other receivables</td>
<td>(51)</td>
<td>70</td>
</tr>
<tr>
<td>Increase/(decrease) in other payables</td>
<td>66</td>
<td>(10 361)</td>
</tr>
<tr>
<td><strong>Total cash used in operations</strong></td>
<td>(9 688)</td>
<td>(18 913)</td>
</tr>
</tbody>
</table>

19. Tax paid

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>–</td>
<td>(5 118)</td>
</tr>
<tr>
<td>Current tax for the year recognised in profit or loss (note 7)</td>
<td>(977)</td>
<td>(1 191)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>(1)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total tax paid</strong></td>
<td>(978)</td>
<td>(6 309)</td>
</tr>
</tbody>
</table>

20. Contingencies and commitments

There is no reimbursement to any third party for potential obligations of the Company. The Company did not have any contingent liabilities or commitments at year end.
21. Related parties

**Relationships:**
- Preference shareholder: Newshelf 1041 Proprietary Limited
- Provider of Notional Vendor Finance: MTN Group Limited
- Members of key management: Thulani Gcabashe, Grant Gelink, Sonja de Bruyn Sebotsa, Zodwa Manase*, Martin Shaw

The preference shares are issued by MTN Zakhele to Newshelf 1041 Proprietary Limited (BFC). These are back-to-back preference shares with the preference shares issued by BFC to the Class A BFC preference shareholders. Refer to note 15 for terms of the preference shares borrowings.

**Related party balances:**
- Preference share liability – owing to related party: Newshelf 1041 Proprietary Limited
  - 2012: R1 491 491
  - 2011: R1 775 653

**Related party transactions:**
- Interest paid to related parties: Newshelf 1041 Proprietary Limited
  - 2012: R116 694
  - 2011: R150 090
- Remuneration of the board of directors – directors’ fees
  - Thulani Gcabashe
    - 2012: R197
    - 2011: R167
  - Grant Gelink
    - 2012: R11
    - 2011: –
  - Sonja de Bruyn Sebotsa
    - 2012: R129
    - 2011: R147
  - Zodwa Manase
    - 2012: R146
    - 2011: R159
  - Martin Shaw
    - 2012: R159
    - 2011: R147
  - UIF/SDL
    - 2012: R21
    - 2011: –

**Reduction of the NVF balance**
The Company started partially settling the NVF funding in September 2012 with a payment of R239 367 229 to MTN from proceeds of R241 915 127 via acquiring shares in the open market and delivering an equivalent number of shares, initially issued by MTN to the Company, back to MTN. The difference between the amount of NVF settled and the proceeds used for settlement resulted from a calculation mechanism outlined in the transaction documents, namely volume-weighted average price multiplied by the number of shares purchased, compared to the actual cost of those shares. The acquired MTN shares are now reflected on the Company’s balance sheet and not as part of the derivative option anymore.

* Resigned 28 September 2012

22. 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.

The Company’s forecasts and projections, taking account of reasonably possible changes in investment performance, show that the Company will be able to operate within the level of its current funding. After making enquiries, the directors are comfortable that the Company has adequate resources to continue in existence for the foreseeable future.

23. Events after the reporting date
MTN Group Limited declared a final dividend of 503 cents per share in March 2013.

The directors are not aware of any matters or circumstances arising since the end of the reporting year to the date of signing this report that would require adjustment or disclosure.
24. **Financial risk management and financial instruments**

**24.1 Introduction**

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.

![Financial Risk Management Table]

<table>
<thead>
<tr>
<th>Non-financial instruments</th>
<th>Financial assets</th>
<th>Financial liabilities</th>
<th>Total financial instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-financial instruments</td>
<td>Loans and receivables</td>
<td>Available-for-sale</td>
</tr>
<tr>
<td></td>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td><strong>2012</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial asset</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current financial assets</td>
<td>–</td>
<td>241</td>
<td>68</td>
</tr>
<tr>
<td>Other receivables</td>
<td>241</td>
<td>68</td>
<td>–</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>8 862</td>
<td>–</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>937 799</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current portion of borrowings</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial asset</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current financial assets</td>
<td>–</td>
<td>219</td>
<td>260</td>
</tr>
<tr>
<td>Other receivables</td>
<td>219</td>
<td>260</td>
<td>–</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>57 945</td>
<td>–</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>471 642</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current portion of borrowings</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
24. Financial risk management and financial instruments (continued)

24.2 Fair value estimation

Cash flow forecasts are prepared and adequate, and utilised borrowing facilities are monitored.

In terms of IFRS 7, 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:

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

The fair value of the available-for-sale 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 the borrowings, which inputs are not observable in the market.

The table below presents the Company’s assets that are measured at fair value.

<table>
<thead>
<tr>
<th></th>
<th>Level 1 R’000</th>
<th>Level 2 R’000</th>
<th>Level 3 R’000</th>
<th>Total carrying amount R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>8 327 524</td>
<td>–</td>
<td>–</td>
<td>8 327 524</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>–</td>
<td>1 914 700</td>
<td>1 914 700</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>6 520 769</td>
<td>–</td>
<td>–</td>
<td>6 520 769</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>–</td>
<td>1 771 859</td>
<td>1 771 859</td>
</tr>
</tbody>
</table>

24.3 Derivative financial assets

Sensitivity analysis

Impact of change in share price

The table below summarises the impact of increases/(decreases) of the MTN Group share price.

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

<table>
<thead>
<tr>
<th>MTN Group Limited share price</th>
<th>Impact on post-tax profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 R’000</td>
</tr>
<tr>
<td>10% increase</td>
<td>547 084</td>
</tr>
<tr>
<td>10% decrease</td>
<td>(503 501)</td>
</tr>
</tbody>
</table>

Impact of change in interest rate

The table below summarises the impact of increases/(decreases) in the interest rate on the borrowings.

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

<table>
<thead>
<tr>
<th>Interest rate</th>
<th>Impact on post-tax profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 R’000</td>
</tr>
<tr>
<td>1% increase</td>
<td>94 071</td>
</tr>
<tr>
<td>1% decrease</td>
<td>(70 798)</td>
</tr>
</tbody>
</table>
24. Financial risk management and financial instruments (continued)

24.4 Available-for-sale financial asset

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 available-for-sale financial assets 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 Company share price.

Sensitivity analysis

The table below summarises the impact of increases/(decreases) of the MTN Group 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.

<table>
<thead>
<tr>
<th>Financial instrument</th>
<th>Impact on other comprehensive income before tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>10% increase</td>
<td>832 752</td>
</tr>
<tr>
<td>10% decrease</td>
<td>(832 752)</td>
</tr>
</tbody>
</table>

24.5 Borrowings

Cash flow and fair value interest rate risk

The entity's interest rate risk arises from long-term borrowings by means of preference shares which are partly based on floating 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 existing funding has reduced interest rate risk by fixing the payments required to be settled on the Class A preference shares for the period up to 30 April 2013. The Company analyses its interest rate exposure periodically. Scenarios are generally simulated taking into consideration repricing of preference share funding through derivatives 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 income statement and equity of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December 2012, 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 remaining constant.

<table>
<thead>
<tr>
<th>Financial instrument</th>
<th>Adjust interest rate by R'000</th>
<th>Upward change in interest rate R'000</th>
<th>Downward change in interest rate R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>1%</td>
<td>(14 915)</td>
<td>14 915</td>
</tr>
<tr>
<td>2011</td>
<td>1%</td>
<td>(17 757)</td>
<td>17 757</td>
</tr>
</tbody>
</table>
24. Financial risk management and financial instruments (continued)

24.6 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 ongoing review of future commitments and credit facilities.

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 low due to the very conservative funding profile of the preference shares.

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. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Company remains confident that the available cash resources and borrowing facilities will be sufficient to meet its funding requirements. Excess cash, due to the higher pay-out ratio and implementation of interim dividends from MTN Group Limited, have been used to redeem the B Class preference shares. Subject to the rights of the preference shareholders, cash may also be used to repay the Notional Vendor Finance to MTN Group Limited.

Available liquid resources, subject to the security package described in note 15 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012 R’000</th>
<th>2011 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and on hand</td>
<td>8 862</td>
<td>57 945</td>
</tr>
<tr>
<td>Other receivables</td>
<td>68</td>
<td>260</td>
</tr>
</tbody>
</table>

The following are the contractual maturities of financial liabilities and payments that are undiscounted:

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Payable more than three months but less than one year</th>
<th>Payable more than one year but less than five years</th>
<th>Payable more than five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>1 426 936</td>
<td>1 825 583</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td>64 555</td>
<td>64 555</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current portion of borrowings</td>
<td>1 104</td>
<td>1 104</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other payables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>1 710 835</td>
<td>2 570 491</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td>64 818</td>
<td>64 818</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current portion of borrowings</td>
<td>1 038</td>
<td>1 038</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
24. Financial risk management and financial instruments (continued)

24.7 Credit risk

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

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Company only deposits cash with major banks with high-quality credit standings and limits exposure to any one counterparty.

Credit risk is managed on an entity basis. Credit risk arises from cash and cash equivalents and outstanding receivables. 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.

Cash and cash equivalents

The cash and cash equivalents are held at ABSA Bank Limited. This financial institution is a high-rated entity in the South African environment, thus the credit quality of this institution is acceptable.

24.8 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 note 15, cash and cash equivalents disclosed in note 11, 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 preference share liabilities have debt covenants, the details of which have been included in note 15.
Notice of the annual general meeting
for the year ended 31 December 2012

MTN Zakhele (RF) Limited
Incorporated in the Republic of South Africa
(Registration number 2010/004693/06)
(“MTN Zakhele” or “the Company”)

This document is important and requires your immediate attention
If you are in any doubt about what action you should take, consult your legal adviser, banker, financial adviser, accountant or other professional adviser immediately.

Included in this document are:
• The notice of the annual general meeting, setting out the resolutions to be proposed at the meeting, together with explanatory notes and relevant annexure, being the report applicable to special resolution number 1. There are also guidance notes if you wish to attend the meeting (for which purpose the meeting location map is included) or to vote by proxy.
• A proxy form for use by shareholders.

A shareholder entitled to attend and vote at the meeting may appoint one or more individuals as proxies to attend, participate and vote in his/her stead. A proxy does not have to be a shareholder of the Company but must be an individual. The appointment of a proxy will not prevent the shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

Notice to shareholders: annual general meeting (AGM)
Notice is hereby given to shareholders as at the record date of 19 June 2013 that the annual general meeting of shareholders of MTN Zakhele will be held in the Sandton Convention Centre, Maude Street, Sandown, Gauteng, on Monday, 29 July 2013 at 11:00 (South African time), to (i) consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act 71 of 2008, as amended, and (ii) deal with such other business as may lawfully be dealt with at the meeting, which meeting is to be participated in and voted at by shareholders as at the record date of 22 July 2013 in terms of section 62(3)(a), read with section 59, of the Companies Act 71 of 2008, as amended.

Important: Section 63 (1) of the Companies Act 71 of 2008, as amended – Identification of meeting participants.
Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders’ meeting. Forms of identification include valid identity documents, driver’s licences and passports.

When reading the resolutions below, please refer to the explanatory notes for AGM resolutions on pages 46 to 53.

As indicated in the Chairman’s statement set out on pages 3 to 5 of the annual report, during the 2012 annual general meeting, shareholders requested that they be provided with information which may assist them in understanding aspects of the Company’s affairs. As a result, the following shareholder information initiatives are planned for implementation on the day of, at the venue of and immediately after the AGM referred to in this notice:
• Presentation on elements of the proposed trading platform for the Company’s ordinary shares and the provision of related material; and
• Presentation on the basic principles of interpreting financial statements and the provision of related material.

1. Presentation of annual financial statements
The audited annual financial statements of the Company (as approved by the board of directors of the Company (the “Board”)), including the directors’ report, the audit committee report and the external auditors’ report for the year ended 31 December 2012, have been distributed as required and are presented to shareholders at this AGM.

The complete annual financial statements are set out on pages 13 to 39 of the annual report.
2. Resolutions

SPECIAL RESOLUTIONS

2.1 Special resolution number 1

Conversion of the existing Initial Class A BIC Preference Shares into no par value shares

“Resolved that in terms of Regulation 31(6) of the Regulations promulgated under the Companies Act 71 of 2008, as amended (the ‘Regulations’), the conversion of the 1 440 000 (one million four hundred and forty thousand) class A senior cumulative redeemable preference shares with a par value of R0,0001 (one hundredth of a cent) each in the authorised share capital of the Company (the ‘Initial Class A BIC Preference Shares’) into 1 440 000 (one million four hundred and forty thousand) class A senior cumulative redeemable preference shares having no par value (such no par value preference shares referred to as ‘Class A BIC Preference Shares’) by way of an amendment to the memorandum of incorporation of the Company (‘Company’s MoI’ or ‘MoI’) be and is hereby approved. This resolution will take effect in accordance with the provisions of the Companies Act 71 of 2008, as amended, but not earlier than the conclusion of the meeting at which this resolution is passed.”

Special resolution number 1 converts the Initial Class A BIC Preference Shares into 1 440 000 (one million four hundred and forty thousand) Class A BIC Preference Shares, to enable implementation of the Proposed Refinancing (as defined on page 46 of the Explanatory Notes to this notice on pages 46 to 53 (‘Proposed Refinancing’).

The percentage of voting rights required for special resolution number 1 to be adopted shall be (i) as a special resolution under the Companies Act 71 of 2008, as amended, 75% of the voting rights exercised on the resolution by the shareholders (all classes voting), and additionally by (ii) at least 65% of the voting rights exercised on special resolution number 1 by the holders of ordinary shares in the Company.

2.2 Special resolution number 2

Alteration of authorised share capital of the Company

“Resolved that, subject to the passing and filing with the Companies and Intellectual Property Commission (‘CIPC’) of special resolution number 1, in terms of sections 36(2)(a) and 37(5)(b) of the Companies Act 71 of 2008, as amended, the authorised share capital of the Company be and is hereby altered by the creation of an additional 1 700 000 (one million seven hundred thousand) Class A BIC Preference Shares (the ‘Subsequent Class A BIC Preference Shares’). This will result in an amendment to the Company’s MoI and to the authorised share capital of the Company now consisting of:

(i) 100 000 000 (one hundred million) par value ordinary shares of R0,01 (one cent) each;  
(ii) 3 140 000 (three million and one hundred and forty thousand) Class A BIC Preference Shares;  
(iii) 44 000 000 (forty four million) unclassified shares; and  
(iv) 720 000 (seven hundred and twenty thousand) class B senior cumulative redeemable preference shares with a par value of R0,0001 (one hundredth of a cent) each (‘Class B BIC Preference Shares’).

This resolution will take effect in accordance with the provisions of the Companies Act 71 of 2008, as amended, but not earlier than the conclusion of the meeting at which this resolution is passed.”

Special resolution number 2 increases the authorised share capital of the Company by creating additional Class A BIC Preference Shares to enable implementation of the Proposed Refinancing.

The percentage of voting rights required for special resolution number 2 to be adopted shall be (i) as a special resolution under the Companies Act 71 of 2008, as amended, 75% of the voting rights exercised on the resolution by the shareholders (all classes voting), and additionally by (ii) at least 65% of the voting rights exercised on special resolution number 2 by the holders of ordinary shares in the Company.

2.3 Special resolution number 3

Cancellation of 44 000 000 unclassified shares in the authorised share capital of the Company

“Resolved that subject to the passing and filing with CIPC of special resolutions numbered 1 and 2, all the 44 000 000 (forty four million) unclassified shares in the authorised share capital of the Company be and are hereby cancelled. This will result in the authorised share capital of the Company consisting of:

(i) 100 000 000 (one hundred million) par value ordinary shares of R0,01 (one cent) each;  
(ii) 3 140 000 (three million and one hundred and forty thousand) Class A BIC Preference Shares; and  
(iii) 720 000 (seven hundred and twenty thousand) Class B BIC Preference Shares having a par value of R0,0001 (one hundredth of one cent) each.”
This resolution will take effect in accordance with the provisions of the Companies Act 71 of 2008, as amended, but not earlier than the conclusion of the meeting at which this resolution is passed."

Special resolution number 3 cancels all the unclassified shares in the authorised share capital of the Company as these are no longer required in relation to the Proposed Refinancing.

The percentage of voting rights required for special resolution number 3 to be adopted shall be (i) as a special resolution under the Companies Act 71 of 2008, as amended, 75% of the voting rights exercised on the resolution by the shareholders (all classes voting), and additionally by (ii) at least 65% of the voting rights exercised on special resolution number 3 by the holders of ordinary shares in the Company.

2.4 Special resolution number 4
Financial assistance (sections 44 and 45 of the Companies Act)
“Resolved that, subject to the passing and filing with CIPC of special resolutions numbered 1, 2 and 3, to the extent required by sections 44 and 45 of the Companies Act 71 of 2008, as amended, the board may, subject to compliance with the requirements of the Company’s MoI and the Companies Act 71 of 2008, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security, subordination of rights, or otherwise, to any person (including without limitation to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company or corporation, or to MTN Group Limited, or to Newshelf 1041 Proprietary Limited (“Newshelf”), or to the holders of preference shares in the Company and/or in Newshelf and/or to any other person which participates in the financing of Newshelf and/or the Company) for any purpose, including without limitation in relation to or arising from the proposed refinancing of a portion of the existing funding in the Company and the issuance of additional preference shares. This authority will endure for a period of 2 (two) years from the date of this resolution.”

Special resolution number 4 authorises the directors of the Company to grant financial assistance to any person, including to Newshelf (which is the preference shareholder in the Company) and the holders of preference shares in Newshelf, including but not limited to in relation to the proposed refinancing of a portion of the Company’s existing funding, as contemplated in section 44 and, to the extent applicable, section 45 of the Act, which authority is subject to compliance with the requirements of the Company’s MoI and the Companies Act 71 of 2008, as amended, and subject further to the contractual consent required from the agent of the existing preference shareholders and from MTN Group Limited.

The percentage of voting rights required for special resolution number 4 to be adopted shall be (i) as a special resolution under the Companies Act 71 of 2008, as amended, 75% of the voting rights exercised on the resolution by the shareholders (all classes voting), and additionally by (ii) at least 65% of the voting rights exercised on special resolution number 4 by the holders of ordinary shares in the Company.

2.5 Special resolution number 5
Approval of further amendments to the Company’s memorandum of incorporation (Company’s MoI)
“Resolved that, subject to the passing of special resolutions numbered 1, 2, 3 and 4 and filing of special resolutions numbered 1, 2 and 3 with CIPC, in addition to the amendments to the Company’s MoI set out in special resolutions 1, 2 and 3, the Company’s MoI is amended by each of the amendments identified in tracked text format in a draft version of the existing MoI of the Company, which draft has been approved by resolution of the board of the Company and initialled by the chairman of the board for purposes of identification. This resolution will take effect in accordance with the provisions of the Companies Act 71 of 2008, as amended, but not earlier than the conclusion of the meeting at which this resolution is passed. This resolution will take effect in accordance with the provisions of the Companies Act 71 of 2008, as amended, but not earlier than the conclusion of the meeting at which this resolution is passed.”

Special resolution number 5 amends the Company’s MoI in order to, among other things, give effect to the the Proposed Refinancing. In addition to the amendments to the Company’s MoI set out in special resolutions numbered 1, 2 and 3, the salient features of the Company’s amended MoI are set out in the Explanatory Notes to this notice on pages 46 to 53 and the complete, amended MoI (including a version which, for ease of reference, identifies the amendments in tracked text format in the existing MoI) can be obtained from the transfer secretary by phoning +27 086 168 6925 or downloaded from the Company’s website, address at http://www.mtnzakhele.co.za.
Notice of the annual general meeting
continued
for the year ended 31 December 2012

The percentage of voting rights required for special resolution number 5 to be adopted shall be (i) as a special resolution under the Companies Act 71 of 2008, as amended, 75% of the voting rights exercised on the resolution by the shareholders (all classes voting), and additionally by (ii) at least 65% of the voting rights exercised on special resolution number 5 by the holders of ordinary shares in the Company.

2.6 Special resolution number 6
Proposed remuneration payable to non-executive directors

*Resolved that:
(i) in terms of the Companies Act 71 of 2008, as amended, and clauses 29.1 and 29.2 of the Company’s MoI and subject to the terms thereof, that the directors’ remuneration, with effect from the passing of this resolution, be as set out below:

### MTN Zakhele (RF) Limited board

<table>
<thead>
<tr>
<th>Position</th>
<th>Proposed quarterly fee (ZAR)</th>
<th>Total annually (ZAR)</th>
<th>Proposed attendance fee (per meeting) (ZAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>21 400</td>
<td>85 600</td>
<td>33 705*</td>
</tr>
<tr>
<td>Member</td>
<td>9 357</td>
<td>37 428</td>
<td>18 714*</td>
</tr>
</tbody>
</table>

*It is anticipated that the board of directors will meet quarterly.

### MTN Zakhele (RF) Limited audit committee

<table>
<thead>
<tr>
<th>Position</th>
<th>Proposed annual retainer fee (ZAR)</th>
<th>Proposed attendance fee (per meeting) (ZAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairperson</td>
<td>n/a</td>
<td>14 745*</td>
</tr>
<tr>
<td>Member</td>
<td>n/a</td>
<td>10 208*</td>
</tr>
</tbody>
</table>

*It is anticipated that the audit committee will meet at least twice per year aligning with the interim and year-end results, and only attendance fees will be paid.

### MTN Zakhele (RF) Limited – special assignments/projects per day/ad hoc work

<table>
<thead>
<tr>
<th>Description</th>
<th>Proposed rate (ZAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special assignment or projects per day</td>
<td>8 506</td>
</tr>
<tr>
<td>Ad hoc work on special projects per day including telecon meetings (hourly rate)</td>
<td>1 022</td>
</tr>
</tbody>
</table>

(ii) the directors may be paid all reasonable expenses in travelling (including hotels) to and from meetings of the directors and shareholders, and the members of the board committees shall be entitled to all reasonable expenses in travelling (including hotels) to and from meetings of the members of the board committee and all other amounts referred to in clauses 29.1 and 29.2 of the Company’s MoI.*

The proposal set out in special resolution number 6 is in line with the remuneration paid to non-executive directors and other non-executive office bearers of other South African companies. The proposed revised remuneration is considered to be fair and reasonable and in the best interests of the Company, and the board has sanctioned the proposal.

The percentage of voting rights required for special resolution number 6 to be adopted shall be at least 75% of the voting rights exercised on special resolution number 6.
ORDINARY RESOLUTIONS

2.7 Ordinary resolution number 1
Re-election of Sonja de Bruyn Sebotsa as a director
“Resolved that Sonja de Bruyn Sebotsa, who retires by rotation and who is eligible and available for re-election, is re-elected as director of the Company.”

The percentage of voting rights required for ordinary resolution number 1 to be adopted shall be more than 50% of the voting rights exercised on ordinary resolution number 1.

2.8 Ordinary resolution number 2
Election of Grant Gelink as a director
“Resolved that the appointment of Grant Gelink, who was appointed on 17 October 2012 as a director by the board to fill a vacancy, be confirmed.”

The percentage of voting rights required for ordinary resolution number 2 to be adopted shall be more than 50% of the voting rights exercised on ordinary resolution number 2.

2.9 Ordinary resolution number 3
Election of the audit committee – Election of Grant Gelink
“Resolved that, subject to the passing of ordinary resolution number 2, Grant Gelink, who was appointed by the Board on 17 October 2012 to fill a vacancy on the audit committee, be elected a member and chairman of the audit committee, with effect from the end of this meeting in terms of section 94(2) of the Companies Act 71 of 2008, as amended, until the conclusion of the next annual general meeting.”

The percentage of voting rights required for ordinary resolution number 3 to be adopted shall be more than 50% of the voting rights exercised on ordinary resolution number 3.

2.10 Ordinary resolution number 4
Election of the audit committee – Re-election of Martin Shaw
“Resolved that Martin Shaw be re-elected a member of the audit committee, with effect from the end of this meeting in terms of section 94(2) of the Companies Act 71 of 2008, as amended, until the conclusion of the next annual general meeting.”

The percentage of voting rights required for ordinary resolution number 4 to be adopted shall be more than 50% of the voting rights exercised on ordinary resolution number 4.

2.11 Ordinary resolution number 5
Election of the audit committee – Re-election of Sonja de Bruyn Sebotsa
“Resolved that, subject to the passing of ordinary resolution number 1, Sonja de Bruyn Sebotsa be re-elected a member of the audit committee, with effect from the end of this meeting in terms of section 94(2) of the Companies Act 71 of 2008, as amended, until the conclusion of the next annual general meeting.”

The percentage of voting rights required for ordinary resolution number 5 to be adopted shall be more than 50% of the voting rights exercised on ordinary resolution number 5.

2.12 Ordinary resolution number 6
Election of the audit committee – Re-election of Thulani Gcabahe
“Resolved that Thulani Gcabahe be re-elected a member of the audit committee, with effect from the end of this meeting in terms of section 94(2) of the Companies Act 71 of 2008, as amended, until the conclusion of the next annual general meeting.”

The percentage of voting rights required for ordinary resolution number 6 to be adopted shall be more than 50% of the voting rights exercised on ordinary resolution number 6.

2.13 Ordinary resolution number 7
Appointment of independent auditors
“Resolved that SizweNtsalubaGobodo Inc. is appointed as auditors to the Company (for the financial year ending 31 December 2013) until the conclusion of the next annual general meeting.”

“Resolved that SizweNtsalubaGobodo Inc. is appointed as auditors to the Company (for the financial year ending 31 December 2013) until the conclusion of the next annual general meeting.”

The percentage of voting rights required for ordinary resolution number 7 to be adopted shall be more than 50% of the voting rights exercised on ordinary resolution number 7.
The percentage of voting rights required for ordinary resolution number 7 to be adopted shall be more than 50% of the voting rights exercised on ordinary resolution number 7.

2.14 Ordinary resolution number 8

Allotment and issuance of the Subsequent Class A BIC Preference Shares

“Resolved that subject to the passing and filing with CIPC of special resolutions numbered 1, 2, 3 and 5, and the passing of special resolution 4, as required by, and subject to, the Company’s MoI and the provisions of the Companies Act 71 of 2008, each as presently constituted and as amended from time to time, and to the extent necessary, the board is authorised as a specific authority, to allot and issue the Subsequent Class A BIC Preference Shares (as defined in special resolution number 2) to Newshelf on the terms applicable to the Subsequent Class A BIC Preference Shares set out in the Company’s MoI and the applicable preference share subscription agreement.”

The percentage of voting rights required for ordinary resolution number 8 to be adopted shall be more than 50% of the voting rights exercised on ordinary resolution number 8.

Voting procedures

In terms of clauses 15.6.2.2 and 16.6.2.2 of the Company’s MoI, in view of the nature of the special resolutions to be proposed at this meeting, all resolutions referred to in this notice are required to be voted on by way of a poll and will not be determined by a show of hands.

The Company has a large number of shareholders and it is not possible for all of them to attend the meeting referred to in this notice. In view of this, the above requirements of the Company’s MoI and because voting on resolutions at annual general meetings of the Company is regarded to be of high importance, putting all resolutions to a vote on a poll takes account of the wishes of those shareholders who are unable to attend the meeting in person, but who have completed a form of proxy. A vote on a poll also takes into account the number of shares held by each shareholder, which the board believes is a more democratic procedure. Accordingly, all resolutions referred to in this notice will be proposed to be put to vote on a poll.

Voting at the AGM will be undertaken electronically. An electronic voting handset will be distributed before the start of the meeting to all shareholders who attend in person and are eligible to vote. The registrars will identify each shareholder’s individual shareholding so that the number of votes that each shareholder has at the meeting will be linked to the number of votes which each shareholder will be able to exercise via the electronic handset. Shareholders who have completed and returned forms of proxy will not need to vote using a handset at the meeting unless they wish to change their vote.

Proxies

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the shareholder, or two or more proxies. A proxy need not also be a shareholder of the Company but must be an individual.

A form of proxy, in which is set out the relevant instructions for its completion, is attached for use by shareholders who wish to appoint a proxy. The duly completed instrument appointing a proxy and the authority, if any, under which it is signed must be lodged by shareholders with the Company’s transfer secretaries at the address, fax number or e-mail address given below at any time prior to the meeting and shareholders are requested to lodge all such documents by not later than 08:00 (South African time) on 29 July 2013.

By order of the board

TS Gcabashe
Chairman: Board of directors

13 June 2013

MTN Zakhele (RF) Limited Annual Financial Statements for the year ended 31 December 2012
Explanatory notes to resolutions proposed at the annual
general meeting of the Company
for the year ended 31 December 2012

For any assistance or information, please phone Link Market Services on +27 0861686925 (0861MTNZAK).

Special resolutions numbered 1, 2, 3, 4 and 5
The background to these special resolutions is as follows:
(i) During November 2010, MTN Group Limited implemented its black economic empowerment transaction (the "MTN Zakhele Transaction") which entailed, inter alia, the subscription by FirstRand Bank Limited (acting through its Rand Merchant Bank division), United Towers Proprietary Limited, a wholly owned subsidiary of Absa Bank Limited and Depfin Investments Proprietary Limited, a wholly owned subsidiary of Nedbank Limited for certain Class A cumulative redeemable preference shares and Class B cumulative redeemable preference shares in Newshelf, which in turn subscribed for the same number of Class A redeemable preference shares with a par value of R0,0001 (one hundredth of a cent) each (the "Initial Class A BIC Preference Shares") and Class B redeemable preference shares with a par value of R0,0001 (one hundredth of a cent) (the "Class B BIC Preference Shares") in the Company.
(ii) The Company used the subscription proceeds from the Initial Class A BIC Preference Shares and the Class B BIC Preference Shares from Newshelf, together with equity raised from the black public, a donation from MTN Group Limited and notional vendor financing ("NVF") from MTN Group Limited, to subscribe for and acquire ordinary shares in MTN Group Limited with a par value of R0,0001 each ("MTN Shares").
(iii) Since the implementation of the MTN Zakhele Transaction, MTN Group Limited has changed its dividend policy and, as a result, the MTN Zakhele Transaction has generated more cashflows than originally envisaged. Accordingly, the Class B BIC Preference Shares have been redeemed in full and a portion of the NVF has been settled. The Company seeks to obtain less expensive third party funding in order to acquire additional MTN Shares to enable it to settle a portion of the NVF by issuing further Class A cumulative redeemable preference shares (the "Proposed Refinancing").
(iv) Special resolutions numbered 1, 2, 3, 4 and 5 are proposed in order to enable implementation of certain elements of the Proposed Refinancing.

In accordance with the requirements of clause 8.1 of the Company’s MoI, the amendments to the Company’s MoI set out in special resolutions numbered 1, 2, 3 and 5 have been consented to by MTN Group Limited and the Preference Share Agent (as this term is defined in the Company’s MoI).

Special resolution number 1
Conversion of the Initial Class A BIC Preference Shares into no par value shares
The Company has an existing authorised share capital of:
(a) 100 000 000 (one hundred million) par value ordinary shares with a par value of R0,01 (one cent) of which 80 888 207 (eighty million eight hundred and eighty eight thousand two hundred and seven) are in issue;
(b) 1 440 000 (one million four hundred and forty thousand) Initial Class A BIC Preference Shares all of which have been issued to Newshelf 1041 Proprietary Limited;
(c) 44 000 000 (forty four million) unclassified shares (the "Unclassified Shares"); and
(d) 720 000 (seven hundred and twenty thousand) Class B BIC Preference Shares.

The Company wishes to convert the Initial Class A BIC Preference Shares into class A senior cumulative redeemable preference shares having no par value (such no par value preference shares referred to as “Class A BIC Preference Shares”).

In terms of Regulation 31(6) of the Regulations promulgated under the Companies Act 71 of 2008, as amended (the “Regulations”), the board may convert the Initial Class A BIC Preference Shares into 1 440 000 (one million four hundred and forty thousand) Class A BIC Preference Shares by proposing an amendment to the Company’s MoI (the “Proposed Resolution”) which amendment:
(a) must not be designed to substantially or predominantly evade the requirements of any applicable tax legislation; and
(b) will be adopted only if it is approved by:
   i. a special resolution of Newshelf; and
   ii. a special resolution adopted by a general meeting of the Company’s shareholders called for that purpose.

The board has caused a report to be prepared in respect of the Proposed Resolution to convert each of the Initial Class A BIC Preference Shares into 1 440 000 (one million four hundred and forty thousand) Class A BIC Preference Shares (the “Report”). A copy of the Report is attached as Annexure A to this notice of annual general meeting.
Explanatory notes to resolutions proposed at the annual general meeting of the Company continued
for the year ended 31 December 2012

Newshelf, as the holder of the Initial Class A BIC Preference Shares to be converted, has considered and approved the Proposed Resolution, and has agreed to the conversion of such Initial Class A BIC Preference Shares. The Company has delivered the Proposed Resolution set out in special resolution number 1 together with the Report to Newshelf.

Pursuant to this notice of annual general meeting, the Company delivers the Proposed Resolution (which is this special resolution number 1) together with the Report, which is attached as Annexure A to this notice of annual general meeting, to the ordinary shareholders of the Company and has filed a copy of both the Proposed Resolution and the Report with CIPC and the South African Revenue Service.

Special resolution number 2
Alteration of authorised share capital of the Company
Subject to the passing and filing with CIPC of special resolution number 1 and therefore the conversion of the Initial Class A BIC Preference Shares into Class A BIC Preference Shares, the Company wishes to increase the number of authorised Class A BIC Preference Shares, in terms of and pursuant to section 36(2)(a) of the Companies Act 71 of 2008, as amended, by the creation of an additional 1,700,000 (one million and seven hundred thousand) Class A BIC Preference Shares (the ‘Subsequent Class A BIC Preference Shares’). This increase will enable the Company to implement the Proposed Refinancing.

Special resolution number 3
Cancellation of 44,000,000 unclassified shares in the authorised share capital of the Company
Subject to the passing and filing with CIPC of special resolutions numbered 1 and 2, the Company wishes to cancel all the unclassified shares in the Company’s existing authorised share capital. These shares were created pursuant to a special resolution passed at the annual general meeting of the Company held on 28 September 2012 and are no longer required for the purposes of implementing the Proposed Refinancing.

Special resolution number 4
Financial assistance (sections 44 and 45 of the Companies Act 71 of 2008, as amended) in relation to the proposed refinancing
Subject to the passing and filing with CIPC of special resolutions numbered 1, 2 and 3, special resolution number 4 is to provide the authority required under sections 44 and 45 of the Companies Act 71 of 2008, as amended, which took effect on 1 May 2011, for the Company to provide direct or indirect financial assistance (in the form of loans, guarantees, the provision of any security, or otherwise) to any person, including to the holders of preference shares in the Company, to Newshelf 1041 Proprietary Limited and to MTN Group Limited for any purpose, including arising from or in relation to the additional preference share funding to be raised by the Company.

Both sections 44 and 45 of the Companies Act 71 of 2008, as amended, provide, among other things, that such direct or indirect financial assistance must be pursuant to a special resolution of shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient or generally for a category of potential recipients and the specific recipient falls within that category and the board must be satisfied that (i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test provided for in the Companies Act 71 of 2008, as amended; and (ii) the terms under which the financial assistance is proposed to be given is fair and reasonable to the Company.

In the context of the Proposed Refinancing, the Company is required to grant financial assistance as contemplated in section 44 and/or section 45 of the Companies Act 71 of 2008, as amended.

Special resolution number 5
Approval of further amendments to the Company’s memorandum of incorporation (Company’s MoI)
Subject to the passing of special resolutions numbered 1, 2, 3 and 4 and the filing of special resolutions numbered 1, 2 and 3 with CIPC (and therefore subject to the amendments to the Company’s MoI in special resolutions numbered 1, 2 and 3), special resolution number 5 would have the effect of further amending the Company’s MoI in order to give effect to the Proposed Refinancing, including the issuance of new preference shares by the Company, the net proceeds of which will be used to acquire additional MTN Shares in order to enable the Company to refinance a portion of the NVF. The proposed amendments will have the salient features set out below:

Salient features of further amendments to the memorandum of incorporation of the Company
Apart from a number of minor typographical amendments, the main themes, the affected clauses and a brief description of the content of the proposed amendments are set out in the table below. In addition, a copy of the Relationship Agreement (as defined in the Company’s MoI) is added as Schedule 4 to such MoI.
**Explanatory notes to resolutions proposed at the annual general meeting of the Company** continued
for the year ended 31 December 2012

<table>
<thead>
<tr>
<th>THEME</th>
<th>AFFECTED CLAUSES</th>
<th>CONTENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of Subsequent Class A BIC Preference Shares</td>
<td>• 1.2.7; • 1.4.5A; • 1.4.61; • 1.4.72; • 1.4.154A; • 1.4.199A; • 1.4.199B; • 1.4.199D; • 1.4.199E; • 1.4.200; • 10.1.4; • 15.1.8.3.2; • 15.2.2.6</td>
<td>The Subsequent Class A BIC Preference Shares have been created for the purpose of implementing the Proposed Refinancing. The amendments to the affected clauses therefore cater for the incorporation of the Subsequent Class A BIC Preference Shares into the MoI and giving effect to the Proposed Refinancing. The amendments primarily deal with incorporating the Subsequent Class A BIC Preference Shares within the same class of no par value shares, and with the same terms and conditions as the existing Class A BIC Preference Shares (referred to in this table of salient features of the amendments to the Company's MoI as the &quot;Initial Class A BIC Preference Shares&quot;). As the Subsequent Class A BIC Preference Shares have been created by the passing of special resolution number 2, there is no longer a need for the Company to have unclassified shares in its authorised share capital and the relevant provisions relating to such unclassified shares have been deleted.</td>
</tr>
<tr>
<td>Changes in the Class A BIC Dividend Periods, Class A BIC Dividend Rate and the Class A BIC Scheduled Preference Dividend Dates</td>
<td>• 1.4.61; • 1.4.62.2; • 1.4.63; • 1.4.78; • 1.4.148; • 1.4.149</td>
<td>The changes are a result of MTN Group Limited's change in dividend policy, with the result that MTN Group Limited dividend payment dates are expected to occur twice in each year during the term of the Class A BIC Preference Shares. The affected clauses have been amended in order to clarify the times and the periods during which the Class A BIC Preference Dividends are calculated on the Initial Class A BIC Preference Shares and the Subsequent Class A BIC Preference Shares respectively. The Class A BIC Dividend Rate has been amended to be expressed as a simple rate of interest during the Floating Rate Period and the Class A BIC Dividend Rate Percentage has been amended to provide, following the subscription date of the Subsequent Class A BIC Preference Shares (the &quot;Subsequent Class A Issue Date&quot;), for the payment of Class A BIC Preference Dividends based on a lower Class A BIC Dividend Rate.</td>
</tr>
<tr>
<td>Redemption of the Class B BIC Preference Shares</td>
<td>• 1.4.11; • 1.4.40; • 1.4.89; • 1.4.97; • 1.4.98; • 1.4.116; • 1.4.205.2</td>
<td>As the Class B BIC Preference Shares have been redeemed in full, the affected clauses have been amended by the deletion of references specific to the Class B BIC Preference Shares and certain bank accounts relating thereto.</td>
</tr>
<tr>
<td>Cancellation of unclassified shares</td>
<td>• 10.1.4; • 10.2.1; • 10.3; • 10.4; • 10.6</td>
<td>As the 44 million unclassified shares have been cancelled and no longer form part of the authorised share capital of the Company, the clauses referring thereto have been deleted.</td>
</tr>
<tr>
<td>THEME</td>
<td>AFFECTED CLAUSES</td>
<td>CONTENT</td>
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</tr>
<tr>
<td>Closure of Cash Float Account</td>
<td>• 1.4.22; • 1.4.46; • 1.4.205.1; • 17.1</td>
<td>As the Cash Float Account (into which certain initial cash reserves were transferred upon implementation of the MTN Zakhele Transaction in November 2010) is no longer used and will be closed, references to this account have accordingly been deleted.</td>
</tr>
<tr>
<td>Amendments to take account of historical circumstances</td>
<td>• 1.4.10; • 1.4.37; • 1.4.60.1; • 1.4.65; • 1.4.79; • 1.4.99; • 1.4.100.1; • 1.4.104; • 1.4.119; • 1.4.1548; • 1.4.155; • 1.4.157; • 1.4.189; • 1.4.199D; • 1.4.199E; • 1.4.200; • 1.4.204; • 1.5; • 15.1.3; • 15.1.8.6.1.4; • 15.2.2.6; • 15.12; • 16.1.2; • 16.1.7.3; • 16.1.7.6.1.2; • 16.1.7.6.1.3; • 16.1.7.6.2.4; • 16.1.7.6.1.2</td>
<td>As (i) the Initial Class A BIC Preference Shares and the Class B BIC Preference Shares were issued on 24 November 2010 (the 'Initial Issue Date'); and (ii) the Subsequent Class A BIC Preference Shares are to be issued on the Subsequent Class A Issue Date, being a date following this annual general meeting, the affected clauses have been amended to differentiate between the historical position in respect of the Initial Class A BIC Preference Shares and the current position in respect of the Subsequent Class A BIC Preference Shares.</td>
</tr>
<tr>
<td>Amendments to Class A BIC Adjustment Events</td>
<td>• 1.1.168A; • 15.1.8.1; • 15.1.8.3; • 15.1.8.6; • 15.1.8.6.1.3; • 15.1.8.6.2.1; • 15.1.8.6.2.4; • 15.1.8.6.2.5; • 15.1.8.7.2; • 15.1.8.7.2A</td>
<td>The Class A BIC Adjustment Events have been amended to (i) only apply in respect of Class A BIC Adjustment Events that occur at any time after the signature date of the documents and agreements relating to the Proposed Refinancing (the “New Signature Date”) as opposed to the original Signature Date (being 12 July 2010); and (ii) exclude the effects of any changes to, or interpretation of, Basel II but include the effects of any changes to, or interpretation of, Basel III at any time after a New Signature Date. Due to the abolition of STC, a new formula has been inserted in order to calculate the adjusted Class A BIC Dividend Rate following the change in the Corporate Tax Rate from that as at the New Signature Date.</td>
</tr>
</tbody>
</table>
### Explanatory notes to resolutions proposed at the annual general meeting of the Company continued

for the year ended 31 December 2012

<table>
<thead>
<tr>
<th>THEME</th>
<th>AFFECTED CLAUSES</th>
<th>CONTENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendment of Priority of Payments</td>
<td>• 1.4.1A;</td>
<td>The Priority of Payments have been amended (i) in order to simplify the application of various funds received by the Company at the relevant times; and (ii) to cater for an additional Priority of Payments that deals with the application of the funds received by the Company on account of the subscription by Newshelf for the Subsequent Class A BIC Preference Shares.</td>
</tr>
<tr>
<td></td>
<td>• 1.4.11;</td>
<td>Definitions that were no longer required under the amended Priority of Payments have been deleted and, where necessary, new definitions have been inserted.</td>
</tr>
<tr>
<td></td>
<td>• 1.4.22;</td>
<td>The amended Pre BIC Trigger Event Priority of Payments (clause 17.1) provides for the application of Received Amounts in the following order of priority:</td>
</tr>
<tr>
<td></td>
<td>• 1.4.40;</td>
<td>1. first, to the payment of Taxes;</td>
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<tr>
<td></td>
<td>• 1.4.46;</td>
<td>2. second, to the payment of Administration Costs;</td>
</tr>
<tr>
<td></td>
<td>• 1.4.53A;</td>
<td>3. third, to the payment of certain indemnity payments payable under clauses 11 and 12 of the BIC Preference Share Subscription Agreement;</td>
</tr>
<tr>
<td></td>
<td>• 1.4.59;</td>
<td>4. fourth, to the payment of Class A BIC Preference Dividends;</td>
</tr>
<tr>
<td></td>
<td>• 1.4.87A;</td>
<td>5. fifth, to place an amount on deposit in the Class A BIC Security Account;</td>
</tr>
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<td></td>
<td>• 1.4.89;</td>
<td>6. sixth, at the election of MTN Group Limited, towards (i) the subscription or acquisition of MTN Additional Shares; or (ii) the repayment of the BIC Subordinated Loans;</td>
</tr>
<tr>
<td></td>
<td>• 1.4.97;</td>
<td>7. seventh, at the election of and in the sole discretion of the board, towards the payment of a Distribution to the Ordinary Shareholders; and</td>
</tr>
<tr>
<td></td>
<td>• 1.4.98;</td>
<td>8. eighth, to pay the balance into the Class A BIC Security Account.</td>
</tr>
<tr>
<td></td>
<td>• 1.4.168B;</td>
<td>The amended Special BIC Trigger Event Priority of Payments (clause 17.2) provides for the application of Disposal Payment Amounts in the following order of priority:</td>
</tr>
<tr>
<td></td>
<td>• 1.4.187A;</td>
<td>1. first, to the payment of Taxes;</td>
</tr>
<tr>
<td></td>
<td>• 1.4.199C;</td>
<td>2. second, to pay the A Indemnified Amount and/or the SARS Amount;</td>
</tr>
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<td>• 17</td>
<td>3. third, to the payment of Class A BIC Preference Dividends;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. fourth, to place an amount on deposit in the Class A BIC Security Account;</td>
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<tr>
<td></td>
<td></td>
<td>5. fifth, at the election of MTN Group Limited towards (i) the subscription or acquisition of MTN Additional Shares, or (ii) the repayment of the BIC Subordinated Loans;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. sixth, at the election of and in the sole discretion of the board, towards the payment of a Distribution to the Ordinary Shareholders; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7. seventh, to pay the balance into the Class A BIC Security Account.</td>
</tr>
</tbody>
</table>
### THEME
Amendment of Priority of Payments (continued)

<table>
<thead>
<tr>
<th>CONTENT</th>
<th>1.4.1A; 1.4.11; 1.4.22; 1.4.40; 1.4.46; 1.4.53A; 1.4.49; 1.4.87A; 1.4.89; 1.4.97; 1.4.98; 1.4.168B; 1.4.187A; 1.4.199C; 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amended Post Trigger Event Priority of Payments (clause 17.3) provides for the application, following the occurrence of BIC Trigger Event, of the BIC Total Proceeds in the following order of priority: 1. first, towards the mandatory redemption of the Class A BIC Unredeemed Preference Shares; 2. second, to pay the A Indemnified Amount and/or the SARS Amount; 3. third, to the payment of certain indemnity payments payable under clause 12.5 of the BIC Preference Share Subscription Agreement; 4. fourth, towards the repayment of the BIC Subordinated Loans, if any; 5. fifth, to meet the Company’s obligations under the MTN Tranche 1 Subscription and Call Option Agreement and to pay all other amounts owing to MTN Group Limited under the MTN Zakhele Transaction documents.</td>
<td></td>
</tr>
</tbody>
</table>

The Subsequent Class A BIC Subscription Proceeds Priority of Payments (clause 17.4) provides for the application of the proceeds of the Subsequent Class A BIC Preference Shares in the following order of priority: 1. first, to the payment of Taxes; 2. second to pay all fees incurred in connection with the transaction contemplated by the Proposed Refinancing; and 3. third, to acquire and/or subscribe for the New Target Shares and to deliver an equivalent number of Target Shares to MTN Group Limited in order to partially settle the NVF balance owing by the Company to MTN Group Limited.

### THEME
Amendments to update other provisions of the preference share terms and to correct typographical errors

<table>
<thead>
<tr>
<th>CONTENT</th>
<th>Including: 1.4.2; 1.4.156; 7.1.1.2.1.5; 15.1.7.3; 15.2.2.3 and 15.6.1.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certain provisions of the MoI have been amended for the purposes of updating certain of the definitions and preference share terms to align with current legislation and to correct certain typographical errors.</td>
<td></td>
</tr>
</tbody>
</table>

### THEME
Relationship Agreement

<table>
<thead>
<tr>
<th>CONTENT</th>
<th>Schedule 4 and clause 1.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>A copy of the Relationship Agreement (provisions of which are incorporated by reference into the MoI) is attached to the MoI as Schedule 4.</td>
<td></td>
</tr>
</tbody>
</table>

Please note that the full version of the amendments to the Company’s MoI should be read in its entirety for a full appreciation of the contents thereof. A copy of the Company’s MoI, including all the amendments made pursuant to special resolutions 1, 2, 3 and 5 (including a version which, for ease of reference, identifies such amendments in tracked text format in the Company’s existing MoI), is available at http://www.mtnzakhele.co.za, or from the Transfer Secretary on 086 168 6925 (0861 MTNZAK) or mailto:zakhele@linkmarketservices.co.za.

Remuneration payable to directors – special resolution number 6

In terms of sections 66(8) and (9) of the Companies Act 71 of 2008, as amended, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of a company’s memorandum of incorporation.
Explanatory notes to resolutions proposed at the annual
general meeting of the Company continued
for the year ended 31 December 2012

In terms of clause 29.1 of the Company’s MoI, the directors are entitled to such remuneration as the shareholders of the Company in general
meeting may from time to time determine, but subject to the limits on administration costs applicable to the Company under clause 17,
including clause 17.1.2 and the Transaction Documents (as defined in the Company’s MoI), including under clause 17 of the written
agreement entitled “MTN Tranche 1 Subscription and Call Option Agreement” entered into between the Company and MTN Group Limited
on or about 12 July 2010, as amended.

In addition, in terms of clauses 29.1 and 29.2 of the Company’s MoI, the directors shall be paid all reasonable expenses in travelling (including
hotels) to and from meetings of the directors and shareholders, and the members of the board committees shall be entitled to all reasonable
expenses in travelling (including hotels) to and from meetings of the members of the board committees.

Special resolution number 6 is proposed in order to comply with the requirements of the Companies Act 71 of 2008, as amended, and the
Company’s MoI. The rates referred to in this special resolution number 6 result in a 7% increase to each category of fees which were approved
at the September 2012 annual general meeting and have been selected to ensure that the remuneration of directors remains competitive in
order to enable the Company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to
make meaningful contributions to the Company.

Confirmation of election of directors and re-election of directors retiring by rotation at the annual general meeting – ordinary
resolutions numbered 1 and 2
The reason for the proposed ordinary resolution number 1 is to re-elect, in accordance with clause 27 (including clause 27.8) of the
Company’s MoI and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required
under section 68(2) of the Companies Act 71 of 2008, as amended, Sonja de Bruyn Sebotsa as director of the Company, Sonja de Bruyn
Sebotsa having retired by rotation in terms of the Company’s MoI and being eligible for re-election. Biographical details of the retiring
director offering herself for re-election are set out on page 2 of the annual report.

The reason for the proposed ordinary resolution number 2 is to confirm, in accordance with clause 27.15 of the Company’s MoI and by way of
a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the
Companies Act 71 of 2008, as amended, Grant Gelink as director of the Company, Grant having been elected by the board on 17 October
2012 to fill a vacancy occurring on the board following the resignation of Zodwa Manase as director, immediately after the annual general
meeting held on 28 September 2012, and being eligible for such election. Biographical details of the director offering himself for election are
set out on page 2 of the annual report.

Please note that in response to a query raised by shareholders during the September 2012 annual general meeting relating to the
nomination of directors by the shareholders, the Company has published on its website a summary of the provisions in the Company’s MoI
relating to this nomination process. This summary is set out in a document entitled “MTN Zakhele (RF) Limited (the Company) – summary of
process for nomination of Directors by shareholders (Summary)” and is available at http://www.mtnzakhele.co.za, or from the Transfer Secretary
on 086 168 6925 (0861 MTNZAK) or mail to: zakhele@linkmarketservices.co.za. Note that the applicable link on the Company’s website is
entitled “Summary Process for the Nomination of Directors by Shareholders”.

Election of the audit committee – ordinary resolutions numbered 3 to 6
In terms of the Companies Act 71 of 2008, as amended, the audit committee is a committee elected by the shareholders at each annual
general meeting.

In terms of the Regulations to the Companies Act 71 of 2008, as amended, at least one-third of the members of the Company’s audit
committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance,
accounting, commerce, industry, public affairs or human resource management.

The board has considered the qualifications and experience of the current members of the audit committee and is of the view that the
current members of the audit committee (which include Thulani Gcabashe, who is also the chairman of the board) should continue in such
roles for the financial year ending 31 December 2013 and until the conclusion of the next annual general meeting, subject to the elections
being made by the shareholders, as proposed in ordinary resolutions numbered 3 to 6.
Approval of appointment of external auditors – ordinary resolution number 7
In compliance with section 90 of the Companies Act 71 of 2008, as amended, SizweNtsalubaGobodo Inc. is proposed to be appointed as auditors to the Company for the financial year ending 31 December 2013 and until the conclusion of the next annual general meeting.

Authority to allot and issues – ordinary resolution number 8
The proposed resolution gives the directors of the Company the specific authority, subject to the passing and filing with CIPC of special resolutions numbered 1, 2, 3 and 5, and to the passing of special resolution number 4, to issue and allot the Subsequent Class A BIC Preference Shares referred to in special resolution number 2, to Newshelf. This will enable implementation of the Proposed Refinancing.

Voting and proxies
Every holder of shares present in person or by proxy at the meeting, or, in the case of a body corporate represented at the meeting, shall be entitled to one vote on a show of hands and on a poll shall be entitled to one vote for every share held. Duly completed proxy forms or powers of attorney and the authority, if any, under which it is signed, must be lodged with the Company’s transfer secretaries, Link Market Services South Africa Proprietary Limited, Registration number 2000/007239/07, at 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, or by fax at fax number: 086 674 2450 or by email at email address: zakhele@linkmarketservices.co.za by no later than 08:00 (South African time) on Monday, 29 July 2013. The name and address details of the South African transfer secretaries are given on the back of the proxy form.

1. A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of the Company but must be an individual. The appointment of a proxy will not prevent the shareholder who appointed that proxy from attending the AGM and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

2. The attention of shareholders is directed to the additional notes relating to the form of proxy attached, which notes are set out in the proxy form.

3. The attached form of proxy is provided to shareholders for their convenience. Shareholders are not obliged to use the attached form, and may appoint a proxy in writing under section 58 of the Companies Act 71 of 2008, as amended. A summary of the provisions of this section is included in the appendix to the notice of annual general meeting.
REPORT OF BOARD OF DIRECTORS OF MTN ZAKEHELE (RF) LIMITED (Registration number: 2010/004693/06)
(the “Company”) IN TERMS OF REGULATION 31(7) TO THE COMPANIES ACT NO 71 OF 2008 (the “Companies Act”)

WHEREAS:
1. The Company intends converting each of the 1 440 000 (one million four hundred and forty thousand) class A senior cumulative redeemable preference shares with a par value of R0,0001 (one hundredth of a cent) each (the “Initial Class A BIC Preference Shares”), to no par value class A senior cumulative redeemable preference shares.

2. In terms of Item 6 of Schedule 5 and Regulation 31(6) to the Companies Act, the board of directors of the Company (the “board”) proposes, to the shareholders of the Company, for their consideration and approval (the “Proposed Resolution”) that the Initial Class A BIC Preference Shares be converted into Class A senior cumulative redeemable preference shares of no par value (such no par value preference shares referred to as the “Class A BIC Preference Shares”).

3. The board has prepared this report pursuant to Regulation 31(7) of the Companies Act in respect of the Proposed Resolution and confirms that:
   (i) there is no information which may affect the value of the Initial Class A BIC Preference Shares to be converted pursuant to the Proposed Resolution;
   (ii) Newshelf 1041 Proprietary Limited (“Newshelf”), as holder of the 1 440 000 (one million four hundred and forty thousand) authorised and issued Initial Class A BIC Preference Shares (“Initial Class A BIC Preference Shareholder”) is affected by the proposed conversion, but is not adversely affected and will retain its preference shareholding in the Company;
   (iii) there will be no material effects with regard to the Initial Class A BIC Preference Shareholder’s voting or distribution rights; and
   (iv) as Newshelf will remain the holder of the Initial Class A BIC Preference Shares to be converted pursuant to the Proposed Resolution, no material adverse effect is suffered by Newshelf as the Initial Class A BIC Preference Shareholder and, as a result, no compensation is required pursuant to the conversion.

Thulani Gcaba
Director
Chairman: Board of directors

13 June 2013
Appendix to the notice of annual general meeting

Important notes about the annual general meeting (AGM)

Date  
29 July 2013, at 11:00 (South African time)

Venue  
The Sandton Convention Centre, Maude Street, Sandown, Gauteng

Time  
The AGM will start promptly at 11:00 (South African time)

Please note that the shareholder information session referred to in the chairman’s report on page 5 of the annual report is scheduled to take place on the date of, at the venue of and immediately after the AGM referred to in this notice.

Shareholders wishing to attend are advised to be in the auditorium by no later than 10:15.

The meeting will commence with a short information session, informing shareholders of the electronic voting process to be utilised at the meeting. Staff will direct shareholders to the AGM. Refreshments will be served after the meeting.

Admission  
Shareholders attending the AGM are asked to register at the registration desk in the auditorium’s reception area at the venue. Shareholders and proxies may be required to provide proof of identity.

Security  
Secured parking is provided at the venue at owners’ own risk. Mobile phones should be switched off for the duration of the proceedings.

Translation services  
Kindly note that the meeting will be translated into Zulu and Sotho – translation receivers and headsets will be available to registered shareholders (or their proxies) only.

Please note

1. Enquiries
   Any shareholders having difficulties or queries in regard to the AGM or the above are invited to contact Link Market Services on +27 086 168 6925 (0861 MTNZAK). Calls will be monitored for quality control purposes.

2. Results of annual general meeting
   The results of the AGM will be communicated in relation to each resolution by the chairman of the AGM after voting is complete in relation to each such resolution.

3. Refreshments
   Light refreshments will be served after the meeting.
Summary of applicable rights established in section 58 of the Companies Act 71 of 2008, as amended

For purposes of this summary, the term “shareholder” shall have the meaning ascribed thereto in section 57(1) of the Companies Act 71 of 2008, as amended.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders meeting on behalf of the shareholder.

2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.

3. Except to the extent that the memorandum of incorporation of a company provides otherwise –
   3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and
   3.2. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

4. Irrespective of the form of instrument used to appoint a proxy –
   4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
   4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the relevant shareholder as of the later of the date –
   5.1. stated in the revocation instrument, if any; or
   5.2. upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act 71 of 2008, as amended.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act 71 of 2008, as amended or the relevant company’s memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to –
   6.1. the shareholder, or
   6.2. the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provide otherwise.

8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy –
   8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
   8.2. the company must not require that the proxy appointment be made irrevocable; and
   8.3. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act 71 of 2008, as amended.
To be completed by shareholders

**MTN ZAKHELE (RF) LIMITED**
(Incorporated in the Republic of South Africa)
(Registration number: 2010/004693/06)

(‘MTN Zakhele’ or ‘the Company’)

For use at the annual general meeting to be held at 11:00 (South African time) on 29 July 2013, at The Sandton Convention Centre, Maude Street, Sandown, Gauteng. For assistance in completing the proxy form, please contact Link Market Services on 086 1686 925 (0861 MTNZAK).

A shareholder entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote and speak in his/her/its stead at the annual general meeting. A proxy need not be a shareholder of the Company but must be an individual.

I/We

ID number/registration number of
being a shareholder/shareholders of the above named Company do hereby appoint
of or failing him/her
of or failing him/her
the chairman of the Company or failing him the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general (or general or adjourned as the case may be) meeting of the Company to be held on 29 July 2013 at 11:00 and at any adjournment or postponement thereof.

I/We instruct the proxy to vote as follows:

<table>
<thead>
<tr>
<th>Special resolutions</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special resolution number 1: Conversion of existing Initial Class A BIC Preference Shares into no par value shares</td>
<td></td>
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<tr>
<td>Special resolution number 2: Alteration of authorised share capital of the Company</td>
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<tr>
<td>Special resolution number 3: Cancellation of 44 000 000 unclassified shares in the authorised share capital of the Company</td>
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<tr>
<td>Special resolution number 4: Financial assistance (sections 44 and 45 of the Companies Act 71 of 2008, as amended)</td>
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<tr>
<td>Special resolution number 5: Approval of further amendments to the Company’s memorandum of incorporation (Company’s Mol)</td>
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<tr>
<td>Special resolution number 6: Proposed remuneration payable to non-executive directors</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Ordinary resolutions</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary resolution number 1: Re-election of Sonja de Bruyn Sebotsa as a non-executive director</td>
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<tr>
<td>Ordinary resolution number 2: Election of Grant Gelink as a director</td>
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<tr>
<td>Ordinary resolution number 3: Election of Grant Gelink as a member and chairman of the audit committee</td>
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<tr>
<td>Ordinary resolution number 4: Re-election of Martin Shaw as a member of the audit committee</td>
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<tr>
<td>Ordinary resolution number 5: Re-election of Sonja de Bruyn Sebotsa as a member of the audit committee</td>
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<tr>
<td>Ordinary resolution number 6: Re-election of Thulani GcabaShe as a member of the audit committee</td>
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<tr>
<td>Ordinary resolution number 7: Appointment of independent auditors</td>
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<tr>
<td>Ordinary resolution number 8: Allotment and issue of Subsequent Class A BIC Preference Shares</td>
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</tbody>
</table>

**Mark with an X whichever is applicable. Unless otherwise directed, the proxy will vote or abstain as he/she thinks fit in respect of the shareholder’s total holding. The proxy may also vote or abstain in respect of any other business proposed at the meeting as he/she thinks fit.**

Any shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and to vote in his/her stead. The proxy so appointed need not also be a shareholder but must be an individual.

Please read the notes on the reverse side hereof.

Signed at on 2013

Full name(s) (in block letters)

Signature(s)

Address

Assisted by (guardian) date

If signing in a representative capacity, see note below.
Notes to proxy

1. Only shareholders who are registered in the register of the Company on the relevant record date for the meeting may complete a proxy form or alternatively attend the meeting.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the space/s provided, with or without deleting “the chairman of the general meeting”, but any such deletion or insertion must be initialled by the shareholder. Any insertion or deletion not complying with the foregoing will be declared not to have been validly effected. The person whose name stands first on the proxy form and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the general meeting.

3. A shareholder’s instructions to the proxy must be indicated by the insertion of an “X” or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An “X” in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she/it deems fit in respect of the entire shareholder’s votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her/its proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of votes exercisable by the shareholder or by his/her proxy.

4. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of any proposed amendment to the above resolutions. If the foregoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form is attached.

5. To be effective, completed proxy forms and the authority, if any, under which it is signed must be lodged at the Company’s South African transfer secretaries at the address, fax number or email address stipulated below prior to the time appointed for the holding of the meeting and shareholders are requested to lodge all such documents by no later than 08:00 on 29 July 2013.

6. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.

7. The chairman of the general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes.

8. Any alteration to this proxy form, other than a deletion of alternatives, must be initialled by the signatory.

9. Documentary evidence establishing the authority of a person signing this proxy form in a representative or other legal capacity must be attached to this proxy form, unless previously recorded by the Company or waived by the chairperson of the annual general meeting.

10. Where there are joint holders of shares:

10.1 any one holder may sign the proxy form; and

10.2 the vote of the senior shareholder (for which purpose seniority will be determined by the order in which the names of the shareholders appear in the Company’s register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.

11. A minor must be assisted by his/her parent or legal guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

12. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.

Office of the transfer secretaries
Link Market Services South Africa Proprietary Limited
Registration number 2000/007239/07
13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein
PO Box 4844, Johannesburg, 2000
Tel: +27 086 1686 925 (0861 MTNZAK)
Fax number: 086 674 2450 (for proxies only)
E-mail: zakhele@linkmarketservices.co.za
Company registration number
2010/004693/06

Postal address
Postnet Suite 294
Private Bag X1005
Claremont, 7708

Registered address
3rd Floor, 200 on Main
Corner Main and Bowwood Roads
Claremont, 7708

Board of directors
T S Gcabshe (non-executive chairman)
S Sebotsa (non-executive)
M J Shaw (non-executive)
G G Gelink (non-executive)

Office of the transfer secretaries
Link Market Services South Africa
Proprietary Limited
Registration number 2000/007239/07
13th Floor, Rennie House, 19 Ameshoff Street
Braamfontein
PO Box 4844, Johannesburg, 2000
Tel: +27 086 686925 (0861MTNZAK)
Fax: +27 086 674 4381
E-mail: zakhele@linkmarketservices.co.za

Company secretary (up to 31 December 2012)
GMG Trust Company (SA) Proprietary Limited
Registration number 2006/013631/07
Registered office
3rd Floor, 200 on Main
Corner Main and Bowwood Roads
Claremont, 7708

Company secretary (from 1 January 2013 to present)
Deloitte & Touche
Deloitte Place
Building 1
The Woodlands
20 Woodlands Drive
Woodmead
Sandton, 2196

Joint auditors
PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill, 2157
Private Bag X36, Sunninghill, 2157

SizweNtsalubaGobodo Inc.
20 Morris Street East
Woodmead, 2191
PO Box 2939, Saxonwold, 2132

Attorneys
Webber Wentzel
10 Fricke Road, Illovo Boulevard, 2107
PO Box 61771, Marshalltown, 2107

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