This Circular is important and requires your immediate attention

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, throughout this Circular, including this cover page.

If you are in any doubt as to what action you should take arising from this Circular, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

If you have disposed of all of your Blue Label Shares, please forward this Circular to the purchaser of such Blue Label Shares or to the broker, CSDP, banker, attorney, or other agent through whom the disposal was effected.

Action required by Blue Label Shareholders

Blue Label Shareholders are referred to page 2 of this Circular, which sets out the action required by them.

Blue Label does not accept responsibility and will not be held liable for any action of, or omission by, any CSDP or broker including, without limitation, any failure on the part of the CSDP or broker of any beneficial owner of Blue Label Shares to notify such beneficial owner of the transaction set out in this Circular.

BLUE LABEL
TELECOMS

BLUE LABEL TELECOMS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2006/022679/06)
Share code: BLU ISIN: ZAE000109088
("Blue Label" or the "Company")

CIRCULAR TO BLUE LABEL SHAREHOLDERS

regarding:

- **Blue Label's participation in the Cell C Recapitalisation, in terms of which Blue Label, through its wholly-owned subsidiary, The Prepaid Company, will subscribe for Cell C Class "A" Shares comprising 45% of Cell C's total issued share capital, following the conclusion of the Cell C Recapitalisation, for a subscription consideration of R5.5 billion;**
- **the placement of 117 924 529 authorised but unissued Blue Label Shares under the control of the directors for the purposes of undertaking a Vendor Consideration Placement in order to part fund the Proposed Transaction.**

and incorporating:

- **a notice convening a General Meeting of Blue Label Shareholders; and**
- **a form of proxy *(green)* for use by Certificated Blue Label Shareholders and Dematerialised Blue Label Shareholders with own-name registration in respect of the General Meeting of Blue Label Shareholders.**

Corporate adviser and sponsor

Out of the Ordinary®
Investec
Specialist Bank

Reporting accountants to Blue Label

pwc

Legal adviser to Blue Label

WERKSMANS
ATTORNEYS

Reporting accountants to Cell C

KPMG
cutting through complexity

Date of issue: Tuesday, 18 October 2016

This Circular is available in English only and copies hereof may be obtained from the Company's website (http://www.bluelabeltelecoms.co.za), as well as at the registered offices of Blue Label at the registered addresses set out in the "Corporate information and advisers" section of this Circular on the inside front cover, during normal business hours from Tuesday, 18 October 2016, up to and including the date of the General Meeting.

CORPORATE INFORMATION AND ADVISERS

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, to this corporate information and advisers section:

Company Secretary and registered office

J Van Eden
Blue Label Telecoms Limited
75 Grayston Drive (corner Benmore Road)
Sandton
2196
(PO Box 652261, Benmore, 2010)

Reporting accountants to Blue Label

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill
2191
(Private Bag X36, Sunninghill, 2157)

Legal adviser to Blue Label

Werksmans Inc.
155 5th Street
Sandton
2196
(Private Bag 10015, Sandton, 2146)

Date of incorporation of the Company

21 July 2006

Place of incorporation of the Company

Republic of South Africa

Date of incorporation of Cell C

16 April 1999

Place of incorporation of Cell C

Republic of South Africa

Corporate adviser and sponsor

Investec Bank Limited
2nd Floor
100 Grayston Drive
Sandton
2196
(PO Box 785700, Sandton, 2146)

Reporting accountants to Cell C

KPMG Inc.
85 Empire Road
Johannesburg
2193
(Private Bag 9, Parkview, 2122)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

Board of directors

Executive

BM Levy *(Joint Chief Executive Officer)*
MS Levy *(Joint Chief Executive Officer)*
DA Suntup *(Financial Director)*

Non-executive

LM Nestadt *(Independent Non-Executive Chairman)*
KM Ellerine
GD Harlow*
P Mahanyele*
Y Mahomed*
JS Mthimunye*
SJ Vilakazi*

*Independent

TABLE OF CONTENTS

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis,* to the following table of contents:

ACTION REQUIRED BY BLUE LABEL SHAREHOLDERS

The definitions and interpretations commencing on page 5 of this Circular apply to this section.

Please take careful note of the following provisions regarding the action to be taken by Shareholders:

If you are in any doubt as to what action you should take arising from this Circular, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

If you have disposed of all of your Blue Label Shares, please forward this Circular to the purchaser of such Blue Label Shares or the CSDP, broker, banker, attorney or other agent through whom the disposal was effected.

This Circular contains information regarding the Proposed Transaction (including a Vendor Consideration Placement in order to part fund the Proposed Transaction) and matters related thereto. You should carefully read through this Circular and decide how you wish to vote on the resolutions to be proposed at the General Meeting.

The General Meeting convened in terms of the notice to Shareholders incorporated in this Circular will be held in the boardroom at Blue Label's offices, 75 Grayston Drive, Sandton, on Wednesday, 16 November 2016 at 10:00, in order to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out in the notice of General Meeting that is attached hereto and forms part of this Circular.

IF YOU HAVE DEMATERIALISED YOUR BLUE LABEL SHARES AND HAVE ELECTED:

Own-name registration

You are entitled to attend in person, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting but wish to be represented thereat, you must complete and return the attached form of proxy *(green)*. It is requested that the form of proxy should be completed and returned to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by no later than 10:00 on Monday, 14 November 2016. Should your form of proxy not be returned to the Transfer Secretaries by the aforesaid date and time, the form of proxy may be handed to the chairman of the General Meeting before the meeting is due to commence.

Registration other than own-name registration

If you wish to attend or be represented at the General Meeting, you must advise your CSDP or broker timeously that you wish to attend or be represented at the General Meeting. Your CSDP or broker will be required to issue the necessary letter of representation to you to enable you to attend or to be represented at the General Meeting.

If you do not wish to attend or be represented at the General Meeting but wish to vote, and your CSDP or broker has not contacted you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

You must not complete the attached form of proxy *(green)*.

IF YOU HOLD CERTIFICATED BLUE LABEL SHARES

You are entitled to attend in person, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting but wish to be represented thereat, you must complete and return the attached form of proxy *(green)*. It is requested that the form of proxy should be completed and returned to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by no later than 10:00 on Monday, 14 November 2016. Should your form of proxy not be returned to the Transfer Secretaries by the aforesaid date and time, the form of proxy may be handed to the chairman of the General Meeting before the meeting is due to commence.

GENERAL

Dematerialisation

If you wish to dematerialise your Blue Label Shares, please contact your broker.

Non-resident Shareholders

Shareholders who are not resident in or who have registered addresses outside South Africa, must satisfy themselves as to the full observance of the laws of any applicable territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. Shareholders who are in any doubt as to their position should consult their professional advisers.

Electronic participation

Shareholders or their proxies may participate in the General Meeting by way of a teleconference call. Shareholders wishing to participate electronically in the General Meeting are required to:

- deliver written notice to the Company at 75 Grayston Drive, corner Benmore Road, Sandton, 2196 (marked for the attention of J Van Eden, Company Secretary) that they wish to participate via electronic communication at the General Meeting; or
- register on the Company's website at www.bluelabeltelecoms.co.za where a link to the registration page will be placed, by no later than 10:00 on Monday, 14 November 2016.

In order for the above mentioned notice to be valid it must contain: (a) if the Blue Label Shareholder is an individual, a certified copy of his/her identity document and/ or passport; (b) if the Blue Label Shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/ or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The letter of representation or resolution must set out who from the relevant entity is authorised to represent the entity at the General Meeting via electronic communication; (c) a valid email address and/or facsimile number; and (d) confirmation of whether the Blue Label Shareholder wishes to vote via electronic communication.

Blue Label shall use its reasonable endeavours to notify a Blue Label Shareholder wishing to participate in the General Meeting by way of electronic communication of the relevant details through which the Shareholder can participate via electronic communication by no later than 24 hours before the General Meeting.

Should a Blue Label Shareholder wishing to participate in the General Meeting by way of electronic communication as mentioned above, such Shareholder or his/her proxy, will be required to dial-in to the dial-in facility on the date of the General Meeting. The dial-in facility will be linked to the venue at which the General Meeting will take place on the date of, from the time of commencement of, and for the duration of, the General Meeting. The dial-in facility will enable all persons to participate electronically in the General Meeting in this manner (and as contemplated in section 63(2) of the Companies Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the General Meeting. The costs borne by you or your proxy in relation to the dial-in facility will be for your own account.

SALIENT DATES AND TIMES

	2016
Record date to determine which Shareholders are eligible to receive the notice of General Meeting	Friday, 7 October
Circular and notice of General Meeting posted to Shareholders and announced on SENS on	Tuesday, 18 October
Last day to trade in Blue Label Shares in order to be recorded in its securities register to vote at the General Meeting	Tuesday, 1 November
Record date to be entitled to attend, participate in and vote at the General Meeting by close of trading on	Friday, 4 November
Form of proxy for the General Meeting requested to be received by the Transfer Secretaries by no later than 10:00 on	Monday, 14 November
General Meeting held at 10:00 on	Wednesday, 16 November
Results of the General Meeting announced on SENS on	Wednesday, 16 November
Announcement as to the fulfilment of all Conditions Precedent to the Proposed Transaction released on SENS	To be advised

Notes:

a. The above dates and times are subject to amendment at the discretion of Blue Label. Any such amendment will be released on SENS.

b. Shareholders should note that as transactions in Blue Label Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three business days after such trade. Therefore, Shareholders who acquire Blue Label Shares after Tuesday, 1 November 2016 will not be eligible to attend, participate in and to vote at the General Meeting.

c. All times given in this Circular are local times in South Africa.

DEFINITIONS AND INTERPRETATIONS

In this Circular and its annexures, unless otherwise stated or the context indicates otherwise, the words and expressions in the first column shall have the meanings stated opposite them in the second column, and words and expressions in the singular shall include the plural and *vice versa*, words importing natural persons shall include juristic persons and unincorporated associations of persons and *vice versa* and any reference to one gender shall include the other gender.

"3C"	3C Telecommunications Proprietary Limited (registration number 1999/010091/07), a private company duly registered and incorporated in accordance with the company laws of South Africa, a 75% held indirect Subsidiary of Oger Telecom, with the remaining 25% held by CellSAF, and the shareholder of 100% of the issued share capital of Cell C preceding the implementation of the Cell C Recapitalisation;
"Agreements"	the formal agreements concluded between the Recapitalisation Participants and Cell C on or about Tuesday, 4 October 2016, and which are available for inspection as set out in paragraph 30 of the Circular;
"Announcement Date"	the date on which the Proposed Transaction was announced on SENS, being Wednesday, 5 October 2016;
"Associate"	an associate as defined by IFRS;
"Blue Label" or "the Company"	Blue Label Telecoms Limited (registration number 2006/022679/06), a public company duly registered and incorporated in accordance with the company laws of South Africa, the issued ordinary share capital of which is listed on the securities exchange operated by the JSE;
"Blue Label Board" or "Board"	the board of directors of Blue Label reflected in paragraph 12 of this Circular;
"Blue Label Group"	Blue Label, its Subsidiaries and Associates;
"Blue Label Share/s" or "Shares"	ordinary shares with a par value of 0.000001 Rand each in the issued share capital of Blue Label, all of which are listed on the JSE;
"Blue Label Shareholders" or "Shareholders"	the registered holders of Blue Label Shares in the Company's securities register;
"Business day"	a day other than a Saturday, Sunday or official public holiday in South Africa;
"Cell C"	Cell C Proprietary Limited (registration number 1999/007722/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
"Cell C Class "A" Shares"	class "A" ordinary shares of no par value in the issued share capital of Cell C;
"Cell C Class "B" Shares"	class "B" convertible ordinary shares of no par value in the issued share capital of Cell C, which shares are convertible into Cell C Class "A" Shares on the earlier of: i. five years from the Effective Date; ii. MS10 being entitled or obliged to dispose of all or some of its equity interest in Cell C, in accordance with the terms of the Cell C Shareholders Agreement; iii. 3C no longer having an equity interest in Cell C; or iv. at the election of the holder of a Cell C Class "B" Share, upon him no longer being an employee of Cell C, which shares will rank *pari passu* with the Cell C Class "A" Shares in all respects, save for their conversion rights and the right to receive dividends paid by Cell C, which dividends shall accrue to the Cell C Class "B" shareholders, but shall only be paid upon the conversion of the Cell C Class "B" Shares into Cell C Class "A" Shares;

"Cell C Class "C" Shares"	class "C" convertible ordinary shares of no par value in the issued share capital of Cell C, which shares will rank *pari passu* with the Cell C Class "A" Shares in all respects, save for their conversion rights and in such regard, the Cell C Class "C" Shares are convertible into Cell C Class "A" Shares on the earlier of: i. payment to Cell C of R2.0 billion, which must occur within 12 months from the Effective Date; or ii. MS15 being entitled or obliged to dispose of all or some (in which case only a commensurate proportion are convertible) of its equity interest in Cell C, in accordance with the terms of the Cell C Shareholders' Agreement, failing the occurrence of which, all issued Cell C Class "C" shares shall be repurchased by Cell C for a nominal consideration and cancelled;
"Cell C MOI"	the memorandum of incorporation of Cell C to be adopted with effect from closing and available for inspection as set out in paragraph 30 of the Circular;
"Cell C Recapitalisation"	the recapitalisation of Cell C by the Recapitalisation Participants in terms of which Cell C's net borrowings will, at the time of the implementation of the recapitalisation, be reduced to a maximum of R8.0 billion by way of: • the subscription by Blue Label, through its wholly-owned subsidiary The Prepaid Company, for Cell C Class "A" Shares comprising 45% of Cell C's total issued share capital for a subscription consideration of R5.5 billion, following the conclusion of the Cell C Recapitalisation; • the subscription by MS10 for shares comprising 100% of the Cell C Class "B" Shares for a nominal value, which shares shall equate to 10% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation; • the subscription by MS15 for shares comprising 100% of the Cell C Class "C" Shares for a nominal value, which shares shall equate to 15% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation; and • the subscription by 3C for Cell C Class "A" Shares comprising 30% of Cell C's total issued share capital, for a subscription consideration equal to an amount which will result in Cell C's net borrowings being reduced to a maximum of R8.0 billion at the time of receipt by Cell C of the respective subscription considerations payable by each of The Prepaid Company, MS10, MS15 and 3C;
"Cell C Shareholders' Agreement"	the shareholders agreement between 3C, Blue Label, The Prepaid Company, MS10, MS15 and Cell C setting out the basis on which 3C, The Prepaid Company, MS10 and MS15 will participate as shareholders of Cell C;
"CellSAF"	CellSAF Proprietary Limited (registration number 1999/004289/07), a private company duly registered and incorporated in accordance with the company laws of South Africa, the shareholders of which do not have any material interest in Blue Label, and which is the BEE shareholder of Cell C prior to the implementation of the Cell C Recapitalisation;
"Certificated Blue Label Shareholders"	Blue Label Shareholders who hold Certificated Blue Label Shares;
"Certificated Blue Label Shares"	Blue Label Shares represented by a share certificate or other physical document of title, which have not been surrendered for Dematerialisation in terms of the requirements of Strate;
"CIPC"	the Companies and Intellectual Properties Commission;
"Circular"	all the documents contained in this document dated Tuesday, 18 October 2016, including the notice of the General Meeting and the form of proxy *(green)* in respect of the General Meeting;
"Companies Act" or "Act"	the Companies Act, 2008 (Act 71 of 2008), as amended, including the Regulations;

"Company Secretary"	J Van Eden, Blue Label Telecoms Limited, 75 Grayston Drive, corner Benmore Road, Sandton, 2196;
"Conditions Precedent"	the Conditions Precedent to which the Cell C Recapitalisation is subject, as set out in paragraph 5 of this Circular;
"CSDP"	Central Securities Depository Participant with the meaning as set out in section 1 of the Financial Markets Act;
"Dematerialisation"	the process by which securities held in certificated form are converted to or held in electronic form as uncertificated securities and recorded as such in a sub-register of securities holders maintained by a CSDP and "Dematerialised" shall bear the corresponding meaning;
"Dematerialised Blue Label Shareholders"	Blue Label Shareholders who hold Dematerialised Blue Label Shares;
"Dematerialised Blue Label Shares"	Blue Label Shares which have been Dematerialised;
"Effective Date"	18 November 2016, or such other date as may be agreed to in writing amongst the Recapitalisation Participants;
"Exchange Control Regulations"	the Exchange Control Regulations, 1961, as amended (including any applicable directive and rulings of Exchange Control and Treasury);
"Financial Markets Act"	the Financial Markets Act (Act 19 of 2012), as amended;
"FinSurv"	the Financial Surveillance Department of the SARB responsible for the administration of exchange control on behalf of the Minister of Finance or an officer of Treasury who, by virtue of the division of work in Treasury, deals with the matter on the authority of the Minister of Finance;
"General Meeting"	the meeting of Blue Label Shareholders, to be held in the boardroom at Blue Label's offices, 75 Grayston Drive, Sandton, on Wednesday, 16 November 2016 at 10:00, to consider and, if deemed fit, pass, with or without modification, the ordinary resolutions set out in the notice of General Meeting that is attached hereto and forms part of this Circular, and any adjournment thereof;
"GSM"	Global System for Mobile communications, an open, digital cellular technology used for transmitting mobile voice and data services;
"IFRS"	International Financial Reporting Standards;
"Investec Bank"	Investec Bank Limited (registration number 1969/004763/06), a public company duly registered and incorporated in accordance with the company laws of South Africa;
"JSE"	JSE Limited (registration number 2005/022939/06), a public company duly registered and incorporated in accordance with the company laws of South Africa and licensed as an exchange under the Financial Markets Act;
"Last Practicable Date"	Wednesday, 12 October 2016, being the last practicable date prior to the finalisation of this Circular;
"Listings Requirements"	the Listings Requirements of the JSE;
"MOI" or "Memorandum of Incorporation"	the Memorandum of Incorporation of Blue Label;

"MS10"	means, collectively: • José Guilherme Vieira Dos Santos; • Robert Killigrew Sabine Pasley; • Graham Neil Mackinnon; • Daniel Bakker; • Douglas Leslie Mattheus; and • Hilton Roy Coverly, who are all senior management of Cell C, and any reference to MS10 shall be a reference to such shareholders acting jointly, unless the context specifically indicates otherwise, it being recorded and agreed that the holders of the Class "B" Shares must always act together jointly and shall, as a class, be treated as if they were 1 (one) shareholder, save where they are specifically and expressly entitled or obliged to act independently;
"MS15"	Albanta Trading 109 Proprietary Limited (registration number 2015/261614/07), a private company duly registered and incorporated in accordance with the company laws of South Africa, the majority ordinary shareholders of which will be historically disadvantaged individuals;
"Net Borrowings"	any contractual obligation for the Group pertaining to monies borrowed, including shareholder loans, less cash and cash equivalents;
"Net1"	Net1 Applied Technologies South Africa Proprietary Limited (registration number 2002/031446/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
"Oger Telecom"	Oger Telecom Limited (registration number 0064), a company duly registered and incorporated in accordance with the company laws of the Dubai International Financial Centre, United Arab Emirates, and which is controlled by Saudi Oger, which in turn is ultimately controlled by the Hariri family;
"Proposed Transaction"	Blue Label's participation, through its wholly-owned subsidiary The Prepaid Company, in the Cell C Recapitalisation in terms of which it will subscribe for shares comprising 45% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation for a subscription consideration of R5.5 billion;
"R" or "Rand"	South African Rand, the official currency of South Africa;
"Recapitalisation Participants"	the parties participating in the Cell C Recapitalisation, being Blue Label, The Prepaid Company, 3C, MS10, MS15 and Cell C;
"Regulations"	the Companies Regulations, 2011, published in terms of the Companies Act and as amended from time to time;
"SARB"	the South African Reserve Bank;
"SENS"	the Stock Exchange News Service of the JSE;
"South Africa"	the Republic of South Africa;
"Strate"	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated and registered in South Africa, a registered central securities depository and which is responsible for the electronic settlement system used by the JSE;
"Subsidiary"	a subsidiary company as defined in section 3 of the Companies Act;
"Takeover Regulations"	the regulations made by the Minister in terms of sections 120 and 123 of the Act;
"Takeover Regulations Panel"	the Takeover Regulations Panel, established pursuant to section 196 of the Act;

"The Prepaid Company"	The Prepaid Company Proprietary Limited (registration number 1999/016716/07), a private company duly registered and incorporated in accordance with the company laws of South Africa, and a wholly-owned subsidiary of Blue Label;
"Transfer Secretaries"	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company duly registered and incorporated in accordance with the company laws of South Africa; and
"Vendor Consideration Placement"	the placement of 117 924 528 authorised but unissued Blue Label Shares with Net1 at a price of R16.96 per Blue Label Share so as to raise R2.0 billion to part fund the participation by Blue Label, through its wholly-owned subsidiary The Prepaid Company, in the Cell C Recapitalisation.

BLUE LABEL TELECOMS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2006/022679/06)
Share code: BLU ISIN: ZAE000109088
("Blue Label" or the "Company")

Blue Label Board

Executive

BM Levy *(Joint Chief Executive Officer)*
MS Levy *(Joint Chief Executive Officer)*
DA Suntup *(Financial Director)*

Non-executive

LM Nestadt *(Independent Non-Executive Chairman)*
KM Ellerine
GD Harlow*
P Mahanyele*
Y Mahomed*
JS Mthimunye*
SJ Vilakazi*

*Independent

CIRCULAR TO SHAREHOLDERS

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1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

Shareholders are referred to the announcement released by Blue Label on SENS on Wednesday, 5 October 2016 that advised Shareholders that Blue Label has entered into:

- the Agreements pursuant to which Blue Label, through its wholly-owned subsidiary, The Prepaid Company, together with 3C, MS10 and MS15, will participate in the recapitalisation of Cell C by way of the subscription for Cell C shares by each of The Prepaid Company, 3C, MS10 and MS15 respectively resulting in Cell C's Net Borrowings being reduced to a maximum of R8.0 billion at the time of the Cell C Recapitalisation; and
- a subscription agreement with Net1 in respect of the Vendor Consideration Placement.

The purpose of this Circular is to advise Shareholders of the terms and conditions of the Cell C Recapitalisation and Blue Label's participation therein, which participation shall be on the terms and conditions as set out in this Circular. In terms of sections 9.11 to 9.13 of the Listings Requirements, the Proposed Transaction is classified as a category 1 transaction and therefore requires the approval of the majority of Blue Label Shareholders.

Accordingly this Circular is posted to Shareholders containing, *inter alia*, a notice of General Meeting convened for the purpose of approving the Proposed Transaction and the placement of authorised but unissued Blue Label shares under the control of the directors for the purpose of undertaking the Vendor Consideration Placement.

2. OVERVIEW OF THE CELL C RECAPITALISATION

The implementation of the Cell C Recapitalisation will result in Cell C's Net Borrowings being reduced to a maximum of R8.0 billion, as at the Effective Date of the Cell C Recapitalisaiton, by way of:

- the subscription by The Prepaid Company, for Cell C Class "A" Shares comprising 45% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation for a subscription consideration of R5.5 billion;
- the subscription by MS10 for shares comprising 100% of the Cell C Class "B" Shares for a nominal value, which shares shall equate to 10% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation;

- the subscription by MS15 for shares comprising 100% of the Cell C Class "C" Shares for a nominal value, which shares shall equate to 15% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation; and
- the subscription by 3C for Cell C Class "A" Shares comprising 30% of Cell C's total issued share capital, for a subscription consideration equal to an amount which will result in Cell C's Net Borrowings being reduced to a maximum of R8.0 billion at the time of receipt by Cell C of the respective subscription considerations payable by each of The Prepaid Company, 3C, MS10 and MS15.

The Effective Date of the Cell C Recapitalisation is anticipated to be 18 November 2016 upon which date, 3C, MS10 and MS15 will be issued their respective Cell C shares subscribed for pursuant to the Cell C Recapitalisation. The issue of The Prepaid Company's subscription shares by Cell C is anticipated to be affected simultaneously, further detail of which is set out in paragraph 4 below.

Post the Cell C Recapitalisation, The Prepaid Company will be entitled to appoint two directors to the board of Cell C, which directors are expected to be Brett Levy and Mark Levy (the current Blue Label joint CEOs).

3. RATIONALE FOR THE PROPOSED TRANSACTION

With the introduction of a new management team in 2012, Cell C has succeeded in providing consumers with market-leading products and services. To support these products and services, Cell C has invested significantly in its network infrastructure. This renewed focus on enhancing the quality of its network, broadening distribution channels and improving customer touch points has delivered a positive turnaround in Cell C's financial and operational performance with the subscriber base increasing from approximately 9 million subscribers in 2012 to in excess of 25 million subscribers to date.

Cell C's network, currently consisting of 4 793 sites, addresses South Africa's core voice segments, with 98% of the population covered. Cell C also offers 3G, LTE and LTE-A data services to subscribers and it continues to invest in its network and LTE rollout in order to capture the substantial growth opportunity that the South African market offers.

Blue Label has, for a number of years, acted as one of the primary distribution channels for Cell C. This has resulted in the development of a strong relationship between Blue Label and Cell C. The Proposed Transaction provides a compelling value proposition to Blue Label, as well as to Cell C and its customers, affording both companies the opportunity to realise synergies in product distribution, and positioning Blue Label to benefit from the improved operational and financial performance that the combined platform will create.

4. PAYMENT TERMS OF THE PROPOSED TRANSACTION

Blue Label, through its wholly-owned subsidiary, The Prepaid Company, is required to pay for its subscription of shares by the Effective Date. The subscription consideration of R5.5 billion will be funded as follows:

- R2.0 billion via the Vendor Consideration Placement with Net1, it being recorded that the Vendor Consideration Placement shall be at a 10% discount to the 30 business day weighted average traded price of Blue Label Shares, in terms of paragragh 5.62 (1) of the Listings Requirements; and
- R3.5 billion from available cash resources.

The resolution to place sufficient authorised but unissued shares of Blue Label under the control of directors for the purpose of undertaking the Vendor Consideration Placement has been included in the notice of the general meeting, which notice is annexed hereto and forms part of this Circular.

5. CONDITIONS PRECEDENT TO THE CELL C RECAPITALISATION

The Cell C Recapitalisation is subject to, *inter alia*, the fulfilment (or waiver, where applicable) of the following conditions precedent by 31 December 2016, unless otherwise stipulated below, or such later date as agreed between the Recapitalisation Participants;

- approval by Blue Label Shareholders;
- obtaining exchange control approval by FinSurv, and any other regulatory approvals if and to the extent required by law;
- 3C and The Prepaid Company obtaining the required funding for the subscription by them of their shares in Cell C;
- Cell C confirming, at least three days prior to the closing date, that is has successfully completed a requisite bond placement process which, taking into account the amounts payable by 3C and The Prepaid Company for their shares in Cell C, would result in the net borrowings of Cell C being no greater than R8.0 billion;

- The Prepaid Company confirming that it is satisfied with the composition of the net borrowings of Cell C, within five days after receipt by The Prepaid Company of a statement signed by the chief executive officer and the chief financial officer of Cell C setting out the composition of the net borrowings of Cell C;
- none of the requisite licences of Cell C having lapsed, been revoked, permanently suspended or cancelled; and
- all of the transaction documents necessary to implement the Proposed Transaction becoming fully unconditional in accordance with their terms.

6. SALIENT TERMS OF THE CELL C SHAREHOLDERS' AGREEMENT

Following the implementation of the Cell C Recapitalisation, the relationship between The Prepaid Company, 3C, MS10 and MS15 as shareholders of Cell C will be governed in terms of the Cell C Shareholders' Agreement, a copy of which is available for inspection as set out in paragraph 30 of the Circular. The salient terms of the Cell C Shareholders' Agreement include, *inter alia*:

- Blue Label has guaranteed the obligations in terms of the Agreements of The Prepaid Company;
- The Prepaid Company will be entitled to appoint two directors to the board of Cell C, which directors are expected to be Brett Levy and Mark Levy (the current Blue Label joint CEOs);
- in the event of The Prepaid Company disposing of more than 25% of Cell C shares or such number of Cell C shares which would reduce its shareholding in Cell C to less than 25% of the entire issued share capital, 3C, MS10 and MS15 have the right to "tag along" with the disposal of Cell C shares by The Prepaid Company;
- The Prepaid Company shall have the right to cause the other shareholders in Cell C to "drag along" and sell a proportional number of their Cell C shares on the same terms and conditions as The Prepaid Company, provided the amount received by the other shareholders in Cell C is in excess of certain hurdle amounts as set out in the Cell C Shareholders' Agreement;
- should 3C dispose of 15% or more of the entire issued share capital of Cell C to The Prepaid Company, MS10 shall have the right to require The Prepaid Company to purchase a proportional number of its Cell C shares from MS10;
- for so long as 3C's shareholding in Cell C would be able to satisfy the minimum free float requirements in terms the Listing Requirements for a listing on the JSE, and subject to Cell C achieving certain protifability hurdles, 3C shall have the right to trigger and implement a listing of Cell C's shares on a recognised stock exchange;
- in the event that 3C triggers a listing of Cell C's shares on a recognised stock exchange as above, The Prepaid Company has the right to purchase 3C's shares in Cell C in order to prevent the listing proceeding;
- if there has been no listing of Cell C's shares for trading on a recognised stock exchange within five years of the Effective Date of the Cell C Recapitalisation, and subject to Cell C achieving certain protifability hurdles and the Listing Requirements of the Main Board of the JSE are complied with, MS10 shall have the right to trigger and implement a listing of Cell C's shares on a recognised stock exchange;
- should MS10 invoke this listing right and Cell C does not wish to pursue a listing for any reason, MS10 shall be entitled to put its entire shareholding in Cell C to Cell C;
- if MS10 does not invoke its listing right as set out above, Cell C shall be entitled to acquire MS10's entire shareholding in Cell C; and
- that should José Dos Santos (the current CEO of Cell C) cease to be employed by Cell C in circumstances where he is a "good leaver" then he shall be entitled to put so many shares in Cell C as correspond to José Dos Santo's shareholding therein to Cell C.

7. **IRREVOCABLE COMMITMENTS**

Blue Label has obtained irrevocable undertakings from, or on behalf of, the following Shareholders, in terms of which (amongst other things) they have irrevocably undertaken, with respect to the following Blue Label shares beneficially owned by such Shareholders or held by them on a discretionary basis for clients, to vote in favour of the Proposed Transaction.

Shareholder	**Number of shares**	**Percentage of voting rights**
Shotput Investments	100 000 000	14.83
Brett Levy and The Jay Trust	84 155 942	12.48
Mark Levy and The Cassycode Trust	76 748 533	11.38
36ONE	29 061 566	4.31
Capricorn Fund Managers	18 105 436	2.68
Other shareholder	10 598 367	1.57
LM Nestadt Trust	8 204 674	1.22
Selwyn Diamond	4 874 115	0.72
Rubin Pogir Family Trust	4 500 000	0.67
Dean Suntup	4 240 005	0.63
Sean Kaplan	3 924 724	0.58
Unihold Group Limited	2 414 815	0.36
EE Trust	1 200 000	0.18
Ellerine Group	800 000	0.12
Total	**348 828 177**	**51.71**

As a result of the above irrevocable undertakings and letters of support, 51.71% of Shareholders are supportive of the Proposed Transaction and the Vendor Consideration Placement. In terms of the Listings Requirements, the Proposed Transaction requires the approval of the majority of Blue Label Shareholders, and therefore, it is anticipated that at the General Meeting, all resolutions required to authorise and implement the Proposed Transaction will be passed.

8. **DETAILS OF MATERIAL LOANS OF THE BLUE LABEL GROUP**

There were no material borrowings in the Blue Label Group as at its financial year ended 31 May 2016. For more information, Shareholders are referred to the Group statement of financial position on page 11 of the annual financial statements of the Blue Label Group for the financial year ended 31 May 2016 and which can be found on the Company's website at **http://www.bluelabeltelecoms.co.za/online_results/annual-results-2016/pdf/afs-full-2016-latest.pdf**.

Prior to the completion of the Proposed Transaction, the Blue Label Group will have loan facilities of R1.5 billion from Investec Bank. These facilities will be utilised from time to time for purposes of working capital requirements and are not repayable on demand.

9. **INFORMATION REGARDING THE BLUE LABEL GROUP**

The Blue Label Group's core business is the virtual distribution of secure electronic tokens of value and transactional services across its global footprint of touch points. The Company listed on the JSE in 2007 and today employs in excess of 1 800 people within its operations in South Africa, India and Mexico. The Group currently processes over 5 billion transactions annually and distributes approximately 80 million bulk print vouchers per month across its 150 000 points of presence across South Africa.

The Group's stated strategy is to extend its global footprint of touch points, both organically and acquisitively, in fulfilling the significant demand for delivering multiple prepaid products and services through a single distributor, across various delivery mechanisms and via numerous merchants or vendors.

Within emerging and developing economies, the supply of products and services via prepaid channels is an increasingly important distribution model. This is because the distribution of physical product is often logistically difficult and a significant portion of consumers in these markets are unbanked or badly banked, or located in rural areas and mainly transact in cash. Many consumers do not qualify for purchasing on credit. Given these limitations, prepaid cash consumers are now able to enjoy equal treatment, affording them access to first-world products and services.

The Blue Label Group is able to enhance the consumer's ability to transact conveniently, affordably and with greater accessibility and choice.

The Blue Label Group currently comprises four operating segments:

- South Africa Distribtution

  This segment distributes prepaid products and transactional services to the South African wholesale and retail markets, covering a diverse distribution footprint that reaches all living standard measure groups. Main products are prepaid airtime and prepaid electricity. This segment is the predominant contributor to group revenue and profitability. The principal operating companies in this segment are The Prepaid Company, Blue Label Connect, Blue Label Distribution, Ticketpro, Cigicell, Edgars Connect and Transaction Junction.

  The Group's technology is also housed in this segment as the bulk of its functions and services are interdependent with the distribution of the main products and services. The proprietary AEON and AMS systems as well as the banking and financial services grade postilion platform entrenches the Group's capability as a neutral aggregator in connecting to mobile networks, utilities, banks, retailers, petroleum companies and point of sale devices.

- International Distribution

  The strategy of this segment is to pursue growth opportunities for group and third-party products and services across its global footprint by systematically rolling out points of presence in replication of the South African distribution model. International operations comprise Blue Label Mexico, Oxigen Services India and Mpower.

- Mobile

  This segment provides mobile phone users with a complete ecosystem of services which include smartphone applications, WAP, MMS, email, LBS, instant messaging, SMS and USSD. Its capability allows for the rapid rollout of mobile-mediated sales, financial services, banking, couponing, loyalty, rewards, ticketing, transport, Near Field Communication, media advertising, gaming and location-aware services. The technologies and products developed enable its customers to reach their customers, agnostic to any type of phone or mobile operator. The segment houses Cellfind, Blue Label One, Panacea, Viamedia, Simigenix and Supa Pesa Africa.

- Solutions

  This segment specialises in providing data and analytical support services. It houses Blue Label Data Solutions, Datacel and CNS Call Centre.

10. INFORMATION REGARDING CELL C

10.1 Overview of Cell C

Cell C is the third largest of four mobile network operators in South Africa, with a market share of 12.1% based on service revenue for the six months ended June 30, 2016 and a market share of 16% based on its total active mobile subscriber base of 12.6 million (10.6 million prepaid, 0.5 million postpaid, 1.0 million hybrid and 0.7 million broadband subscribers) at June 30, 2016. As at the same date, it had approximately 1.0 million wholesale subscribers.

Cell C offers a comprehensive array of mobile voice and data communication services and a wide range of devices to individual consumers, businesses, small- and medium-sized enterprises, corporates, the South African Government and wholesale (to its partners, predominantly mobile virtual network operators ("MVNOs") such as First National Bank (South Africa), Virgin Mobile South Africa and MVN-X), with a focus on the consumer market and wholesale (MVNOs), through its long-term evolution ("LTE"), LTE-Advanced, high speed packet access, 3G and 2G networks. In 2016, Cell C expanded into the fixed-line market with the launch of its fibre-to-the-home offering, C-Fibre.

Cell C markets its offerings and services primarily through its nationwide distribution network of informal channels. These include super dealers and regional dealers, which include street vendors, largely in townships and rural communities, and unique partnerships with select entities, including most significantly, Blue Label. Cell C also markets its offerings and services through 191 Cell C branded outlets (including independently-owned stores and franchises), approximately 7 385 retail outlets situated in national retail chains, telesales (including internal inbound and outbound call centres and, to a lesser extent, external call centres), online sales and MVNOs.

With 4 793 sites on air, Cell C network covers 98% of the South African population and offers high quality voice, 3G, LTE, LTE-A data and value added services to customers. Cell C continues to invest in its network and

LTE rollout in order to capture the substantial growth opportunity that the South African market represents, underpinned by rapidly increasing mobile broadband penetration. Cell C's network has been significantly upgraded and expanded since 2010 to achieve nationwide reach, with a focus on covering high density regions and relying on roaming agreements to complement its coverage in outlying areas where it does not have network coverage. Cell C's mobile network is supported by an extensive 900 MHz, 1,800 MHz and 2,100 MHz spectrum allocation with several continuous spectrum bands that is currently underutilised, which ensures that Cell C is well placed to capture future market growth.

While in the first decade of its operations Cell C faced challenges in growing revenue and EBITDA, following the appointment of a new management team in 2012 and the implementation of its new customer-oriented turnaround strategy, Cell C has reported growth in quarter-on-quarter revenues for each of the past 15 consecutive quarters ended 30 June 2016 (when comparing each quarter to the corresponding quarter in the prior year).

This improved performance has been further assisted by driving margins through a consistent focus on cost control, particularly network and administrative costs. Cell C has at the same time continued to build its network (LTE rollout and improved coverage) with an optimised cost base to achieve significant subscriber scale and market share.

Cell C has an experienced, predominantly South African, management team with substantial international and local market experience. The team includes, amongst others, José Dos Santos (CEO – named one of Africa's top 10 telecom leaders by IT News Africa) and Robert Pasley (CFO – formerly Group Strategy Director at Vodacom).

Cell C was founded in 2001 by Saudi Oger, employs c. 2 000 people and is headquartered in Johannesburg.

10.2 **Details of material loans**

Refer to note 18 of Cell C's annual financial statements, which has been included as Annexure 3 to this Circular.

Post the Cell C Recapitalisation the only drawn loan on the balance sheet will be a USD bond equating to approximately R8.0 billion. Cell C will also have access to undrawn vendor facilities of approximately USD320 million to support network rollout and an undrawn working capital facility of not less than ZAR500 million.

10.3 **Litigation**

CellSAF filed an urgent application on 24 December 2015, in an effort to prevent the Board of Directors from approving the Cell C Recapitalisation. The court rejected the application on 28 December 2015.

On 2 January 2016, CellSAF brought an application against 3C in the Gauteng Local Division, Johannesburg, of the High Court of South Africa seeking the winding-up of 3C on the basis of various allegations relating to CellSAF's rights as a minority shareholder in 3C and 3C's status as a going concern. The application was subsequently withdrawn by CellSAF on 29 August 2016.

As such, there are no legal or arbitration proceedings which may have, or have had in the past 12 months, a material effect on the financial position of Cell C or its subsidiaries. Cell C and its subsidiaries are not aware of any other such proceedings that are pending or threatened.

10.4 **Material contracts**

Handset financing arrangement

During August 2015, Cell C entered into a third-party handset financing arrangement with an external vendor, Comm Equipment Company Proprietary Limited, which agreement provided Cell C with the ability to source a variety of handset devices with the benefit of payment terms longer than those normally applied by handset distributors. The term of the agreement (i.e., the period in which the ordinary 90-day termination notice may not be given) expires in May 2020. The agreement enabled Cell C to meet customers' increasing demand for handsets and offer higher value handsets to support growth in the postpaid segment.

Except for as disclosed in this Circular there have been no material contracts, including restrictive funding arrangements, other than in the ordinary course of business, within the two years preceding the Last Practicable Date, or concluded at any time, and which contain an obligation or settlement that is material to Cell C or any of its subsidiaries as at the date of issue of this Circular.

10.5 **Material change**

The Board is not aware of any material changes, other than the information disclosed in the historical information of Cell C set out in Annexure 1 and 3, in the financial or trading position of Cell C subsequent to the latest published audited results for the half year ended 30 June 2016.

11. *PRO FORMA* FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The table below sets out the *pro forma* financial effects of the Proposed Transaction on the published audited results of the Blue Label Group for the year ended 31 May 2016. The *pro forma* financial effects have been prepared for illustrative purposes only and because of their *pro forma* nature, may not fairly present the Company's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Proposed Transaction going forward.

The *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the published audited results of the Blue Label Group for the year ended 31 May 2016. The *pro forma* financial effects are presented in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and ISAE 3420 (Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus).

The directors of the Company are responsible for the compilation, contents and preparation of the *pro forma* financial effects. Their responsibility includes determining that the *pro forma* financial effects have been properly compiled on the basis stated, which is consistent with the accounting policies of the Blue Label Group and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the JSE Listings Requirements.

	Before[1] (cents)	***Pro forma* after the Proposed Transaction before non-recurring *Pro forma* adjustments[2] (cents)**	**Change (%)**	***Pro forma* after the Proposed Transaction[3] (cents)**	**Change (%)**
Basic earnings per share	103.85	(70.93)	(168)	(97.16)	(194)
Diluted basic earnings per share**	102.84	(70.34)	(168)	(96.35)	(194)
Headline earnings per share	100.35	(55.90)	(156)	(82.13)	(182)
Diluted headline earnings per share**	99.37	(55.43)	(156)	(81.45)	(182)
Core headline earnings per share*	102.85	(52.69)	(151)	(78.93)	(177)
Net asset value per share	662.32	816.15	23	807.16	22
Net tangible asset value per share	484.15	664.49	37	655.51	35
Weighted average number of shares ('000)	665 950	783 875	18	783 875	18
Diluted weighted average number of shares ('000)	672 520	790 445	18	790 445	18
Number of shares in issue ('000)	674 509	792 434	17	792 434	17

* *Core headline earnings per share is calculated after adding back to headline earnings, the amortisation of intangible assets as a consequence of the purchase price allocations completed in terms of IFRS 3(R): Business Combinations.*

** *Diluted earnings per share and diluted headline earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding for the number of shares that would be issued on vesting under the employee forfeitable share plan.*

Notes:

1. The "Before" column is based on the published audited results of the Blue Label Group for the year ended 31 May 2016.
2. The "*Pro forma* after the Proposed Transaction before non-recurring *pro forma* adjustments" column reflects the results of the impact of the *pro forma* adjustments on the Blue Label Group as a consequence of the Cell C Recapitalisation and the Proposed Transaction before taking into account once-off and non-recurring *pro forma* adjustments.
3. The "*Pro forma* after the Proposed Transaction" column reflects the results of the impact of the *pro forma* adjustments on the Blue Label Group as a consequence of the Cell C Recapitalisation and the Proposed Transaction after taking into account recurring, once-off and non-recurring *pro forma* adjustments.
4. The effects on earnings, diluted earnings, headline earnings, diluted headline earnings and core headline earnings per share are calculated on the basis that the Cell C Recapitalisation was effective on 1 June 2015, while the effects on net asset value and net tangible asset value per share are calculated on the basis that the Cell C Recapitalisation was effective on 31 May 2016 for purposes of presenting the *pro forma* effects thereof on the Blue Label Group.
5. The detailed notes and assumptions to the financial effects are presented in Annexure 5 and the *pro forma* financial effects should be read in conjunction with the *pro forma* condensed group statement of financial position and the *pro forma* condensed group statement of comprehensive income contained therein. The Independent Reporting Accountant's report on the *pro forma* financial effects and *pro forma* financial information is contained in Annexure 6.
6. The increase in the weighted average, diluted weighted average and total number of Blue Label Shares in issue is congruent with the new Blue Label Shares issued for the Vendor Consideration Placement.

12. BLUE LABEL BOARD

12.1 Executive directors

BM Levy (41)
Joint Chief Executive Officer

MS Levy (45)
Joint Chief Executive Officer
Qualifications: BCompt (Unisa)

DA Suntup (39)
Financial Director
Qualifications: BCom (Wits), Hons (Unisa), CA(SA)

12.2 Non-executive directors

LM Nestadt (65)
Independent Non-Executive Chairman

GD Harlow (58)
Independent Non-Executive Director
Qualifications: BBusSci (Hons) (UCT), FCMA, CGMA, CA(SA)

JS Mthimunye (50)
Independent Non-Executive Director
Qualifications: BCompt Hons/CTA (Unisa), CA(SA)

SJ Vilakazi (54)
Independent Non-Executive Director
Qualifications: BA (Unisa), MA (Thames Valley), MA (London) and MBA (California Coast University)

Y Mahomed (62)
Independent Non-Executive Director
Qualifications: BPharm (UDW) and MSc (Pharm Tech) from Chelsea College, University of London

KM Ellerine (47)
Non-Executive Director
Qualifications: National Diploma in Company Administration

P Mahanyele (45)
Independent Non-Executive Director
Qualifications: BA Economics (Rutgers, USA), MBA (De Montfort, UK), Executive Education Program (Harvard, USA)

All Blue Label Board members are South African citizens.

12.3 **Disclosure of the Blue Label Board's interests**

As at the Last Practicable Date, the Blue Label Board held direct and indirect interests as set out below.

	Direct beneficial	**Indirect beneficial**
Executive		
BM Levy	62 883 164	21 272 778
MS Levy	55 475 756	21 272 777
DA Suntup	540 005	3 877 778
Non-executive		
LM Nestadt	–	8 204 674
GD Harlow	–	2 414 815
JS Mthimunye	30 000	5 000
JS Vilakazi	–	–
Y Mahomed^	–	12 500
KM Ellerine	–	266 667
P Mahanyele#	–	–
Total	**118 928 925**	57 326 989

^Appointed 18 August 2015

 # Appointed 1 September 2016

12.4 **Board remuneration**

Shareholders are referred to note 5 of the annual financial statements of the Blue Label Group for the year ended 31 May 2016 which can be found on the Company's website at http://www.bluelabeltelecoms.co.za/online_results/annual-results-2016/pdf/afs-full-2016-latest.pdf.

The remuneration receivable by a director of Blue Label will not be varied as a consequence of the Proposed Transaction.

12.5 Resignation of directors of Blue Label within the past 18 months and their number of Blue Label Shares held, to the best of Blue Label's knowledge, at the last Practicable date

	Direct beneficial	**Indirect beneficial**
MV Pamensky^	–	4 565 738

^Resigned 30 November 2015

13. DETAILS OF SERVICE CONTRACTS OF BLUE LABEL

Blue Label directors are bound by standard service contracts with emoluments being paid as per paragraph 12.4 of this Circular.

14. BLUE LABEL BOARD'S INTERESTS IN THE PROPOSED TRANSACTION

Save for the Blue Label Board's interests in Blue Label Shares as set out in paragraph 12.3 above, other than Mr Y Mahomed and Mr G Harlow whose indirect shareholdings in Cell C are not material, none of the remaining members of the Board will benefit, directly or indirectly, in any manner as a consequence of the implementation of the Proposed Transaction.

Save for Messrs Mahomed and Harlow, the Board has not had any material beneficial interest, whether direct or indirect, in transactions that were effected by Blue Label Telecoms during the current or immediately preceding financial year or during any earlier financial years which remain in any respect outstanding or unperformed.

15. CHANGE OF CONTROLLING SHAREHOLDER

Blue Label does not have a controlling shareholder and has not had a controlling shareholder during the previous five years.

16. **MATERIAL CONTRACTS**

There have been no material contracts, including restrictive funding arrangements, other than in the ordinary course of business, within the two years preceding the Last Practicable Date, or concluded at any time, and which contain an obligation or settlement that is material to Blue Label or any of its Subsidiaries as at the date of issue of this Circular.

17. **EXCHANGE CONTROL REQUIREMENTS**

In terms of the Proposed Transaction, no Shares or cash are being issued or paid to Shareholders and accordingly there are no exchange control implications that are relevant to Shareholders.

18. **MAJOR SHAREHOLDERS**

Insofar as is known to Blue Label, the major Shareholders who beneficially hold, directly or indirectly, 5% or more of the issued Shares as at the Last Practicable Date are set out below:

Shareholder	**Number of shares**	**Percentage of voting rights**
Allan Gray on behalf of its clients	154 427 501	22.9
Shotput Investments Proprietary Limited	100 000 000	14.8
Brett Levy and The Jay Trust	84 155 942	12.5
Mark Levy and The Cassycode Trust	76 748 533	11.4
	415 331 976	61.6

19. **COSTS IN RELATION TO THE PROPOSED TRANSACTION**

The following expenses and provisions are expected, or have been provided for by Blue Label in connection with the Proposed Transaction. All the fees payable to the parties below are exclusive of value added tax.

	Payable to	**Amount (Rand)**
Corporate adviser	Investec Bank	2 000 000
Sponsor fees	Investec Bank	250 000
Legal adviser fees	Werksmans Inc.	5 000 000
Reporting accountants fees	PwC Inc. and KPMG Inc.	3 000 000
Other consultation fees	E&Y	760 000
Printing and other costs	Ince	150 000
JSE documentation fees	JSE	50 000
Total		11 210 000

20. **MATERIAL CHANGES**

The board is not aware of any material changes in the financial or trading position of the Blue Label Group subsequent to the latest published audited annual results for the year ended 31 May 2016.

21. **LITIGATION**

There are currently no legal or arbitration proceedings, including any such proceedings that are pending or threatened which may have, or have had, a material effect on the Blue Label Group's financial position during the 12 months preceding the date of issue of this Circular.

22. **WORKING CAPITAL STATEMENT**

The Board is of the opinion that the working capital resources of the Blue Label Group are sufficient for its current working capital requirements and will, post implementation of the Proposed Transaction, be adequate for a minimum period of 12 months from the date of issue of this Circular.

23. **CONSENTS**

The legal adviser, corporate adviser, reporting accountants, sponsor and Transfer Secretaries have consented in writing to act in the capacities stated in this document and to their names being stated in this document. The reporting accountants, with reference to their reports in the form and context in which they appear, have not withdrawn their consent prior to the publication of this Circular.

24. **PROSPECTS**

The Board is of the opinion that the Proposed Transaction provides a compelling value proposition to Blue Label, as well as to Cell C, and its customers, affording both companies the opportunity to realise synergies in product distribution, and positioning Blue Label to benefit from the improved operational and financial performance that the investment in Cell C will create.

25. **OPINIONS AND RECOMMENDATIONS**

The Board is of the opinion that the approval of the Proposed Transaction on the terms and conditions set out herein are in the interests of Blue Label Shareholders on account of the benefits that the Proposed Transaction is anticipated to provide to the Blue Label Group. Accordingly, the Board recommends that Shareholders vote in favour of the resolutions to be proposed at the General Meeting.

The members of the Board, with direct and/or indirect beneficial shareholdings in Blue Label intend to vote in favour of the resolutions to be proposed at the General Meeting.

26. **RESPONSIBILITY STATEMENT**

The Board, details of which are set out in paragraph 12 of this Circular:

- have considered all statements of fact and opinion in this Circular;
- collectively and individually, accept full responsibility for the accuracy of the information given, as has been included in this Circular for purposes of providing appropriate information to Shareholders in regard to and for purposes of the Proposed Transaction;
- certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading;
- have made all reasonable enquiries in this regard; and
- certify to the best of their knowledge and belief that the Circular contains all information required by law and the Listings Requirements.

27. **INCLUSION BY REFERENCE**

The information below is the most recent available to Blue Label and is available on its website at http://www.bluelabeltelecoms.co.za. The documents are also available for inspection at the Company's registered office or from the offices of its sponsor, Investec Bank, 100 Grayston Drive, Sandown, during business hours, at no charge, for 14 days after the Last Practicable Date.

Details of material loans of Blue Label	Blue Label financial statements for the year ended 31 May 2016, page 11	http://www.bluelabeltelecoms.co.za/online_results/annual-results-2016/pdf/afs-full-2016-latest.pdf
Details of Board remuneration	Blue Label financial statements for the year ended 31 May 2016, note 5	http://www.bluelabeltelecoms.co.za/online_results/annual-results-2016/pdf/afs-full-2016-latest.pdf

28. **CONFLICT OF INTEREST**

A division of Investec Bank has provided Blue Label with banking facilities of approximately R1.5 billion. The Sponsor division of Investec Bank acts independently and is not reliant on the outcome of the transaction.

29. **GENERAL MEETING**

In order to seek the approval of Shareholders for the Proposed Transaction, it is necessary to convene a General Meeting. In this regard, a notice convening a General Meeting is attached hereto and forms part of this Circular. The details of the General Meeting, as well as the resolutions to be proposed at the General Meeting, are set out in the notice of general meeting which is attached hereto and forms part of this Circular.

30. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the registered office of Blue Label, from Tuesday, 18 October 2016 up to and including the date of the General Meeting:

- the Memorandum of Incorporation of Blue Label and its Subsidiaries;
- the signed Agreements, which includes the signed Cell C Shareholders' Agreement and the Cell C MOI;
- the audited annual financial statements of Blue Label for the three years ended 31 May 2016, 31 May 2015 and 31 May 2014;
- the audited annual financial statements of Cell C for the three years ended 31 December 2015, 31 December 2014 and 31 December 2013;
- the reviewed interim results of Cell C for the six months ended 30 June 2016;
- the reviewed interim results of Cell C for the six months ended 31 December 2015;
- the written consents referred to in paragraph 23;
- copies of Blue Label directors' service agreements;
- signed copies of the reporting accountants reports;
- a signed copy of this Circular;
- the documents listed in paragraph 27, being the Blue Label annual report; and
- copies of the irrevocable undertakings referred to in paragraph 7.

By order of the Board

Blue Label Telecoms Limited

Per: BM Levy and MS Levy
Joint Chief Executive Officers

Sandton
Tuesday, 18 October 2016

CONDENSED CELL C INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

Robert Pasley, Chief Financial Officer: Was responsible for supervising the preparation of the condensed Cell C group interim financial statements.

Condensed Cell C group interim statement of financial position

	Note	**June 2016 R'000**	December 2015 R'000
Assets			
Non-current assets			
Property, plant and equipment	6	**8 483 744**	7 430 186
Intangible assets	7	**636 925**	650 955
Investment in joint ventures		**111 234**	110 601
Deferred tax	8	**1 983 290**	1 983 290
Derivative non-current financial assets	10	**217**	68 419
		11 215 410	10 243 451
Current assets			
Inventories	11	**382 388**	427 833
Trade and other receivables	12	**4 943 105**	3 314 885
Derivative current financial assets	10	**129 607**	141 276
Cash and cash equivalents		**700 707**	775 605
		6 155 807	4 659 599
Total assets		**17 371 217**	14 903 050
Equity and liabilities			
Equity			
Share capital and share premium		**14 168 218**	14 168 218
Accumulated loss		**(26 393 269)**	(26 396 071)
		(12 225 051)	(12 227 853)
Non-current liabilities			
Interest-bearing loans and borrowings	13	**16 427 738**	16 978 948
Obligations under finance lease		**1 287 461**	1 355 581
Operating lease liability		**279 956**	227 914
Derivative non-current financial liabilities	10	**182 880**	272 196
Provisions	15	**143 117**	120 278
Other non-current liabilities	9	**43 460**	25 834
		18 364 612	18 980 751
Current liabilities			
Interest-bearing loans and borrowings	13	**2 817 525**	2 114 361
Obligations under finance lease		**78 718**	80 920
Trade and other payables	14	**7 039 907**	4 581 135
Unearned revenue		**871 226**	803 390
Provisions	15	**123 685**	289 625
Derivative current financial liabilities	10	**204 473**	177 387
Other current liabilities	9	**96 122**	103 334
		11 231 656	8 150 152
Total liabilities		**29 596 268**	27 130 903
Total equity and liabilities		**17 371 217**	14 903 050

Condensed Cell C group interim statement of comprehensive income

	Note	**Six months ended June 2016 R'000**	Six months ended June 2015 R'000
Revenue	2	**6 963 480**	6 005 288
Other income	3	**165 752**	68 635
Operating expenses		**(6 500 466)**	(6 163 123)
Profit/(loss) before equity accounted earnings, net finance cost and tax		**628 766**	(89 200)
Finance income	4	**1 050 503**	367 721
Finance costs	5	**(1 677 100)**	(1 438 031)
Share of gains from equity accounted joint ventures		**633**	1 331
Profit/(loss) before tax		**2 802**	(1 158 179)
Profit/(loss) and total comprehensive income for the period		**2 802**	(1 158 179)

Note: The Company is 100% held by 3C Telecommunications Proprietary Limited.

Condensed Cell C group interim statement of changes in equity

	Share capital* R'000	Share premium R'000	Accumulated loss R'000	Total R'000
Balance at 1 January December 2015	**–**	**14 110 106**	**(20 751 622)**	**(6 641 516)**
Loss and total comprehensive income for the period	–	–	(5 644 449)	(5 644 449)
Transactions with owners recorded directly in equity – Issue of shares	–	58 112	–	58 112
Balance at 31 December 2015	**–**	**14 168 218**	**(26 396 071)**	**(12 227 853)**
Profit and total comprehensive income for the period	–	–	2 802	2 802
Balance at 30 June 2016	**–**	**14 168 218**	**(26 393 269)**	**(12 225 051)**

**Share capital of R641 (2015: R641) is not shown due to the amount being less than R1 000.*

Condensed Cell C group interim statement of cash flows

	Note	Group **Six months ended June 2016 R'000**	Six months ended June 2015 R'000
Cash flows from operating activities			
Cash generated from operating activities	17	**2 174 561**	521 520
Cash flows from investing activities			
Finance income		**20 575**	19 826
Acquisition of property, plant and equipment		**(1 615 372)**	(443 020)
Acquisition of other intangible assets		**(121 166)**	(215 816)
Net cash used in investing activities		**(1 715 963)**	(639 010)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		**2 159 367**	4 293 622
Repayment of interest-bearing loans and borrowings		**(1 665 921)**	(2 904 404)
Repayment of finance lease liabilities		**(106 173)**	(32 159)
Finance cost		**(920 769)**	(1 130 763)
Net cash (utilised)/generated by financing activities		**(533 496)**	226 296
Net (decrease)/increase in cash and cash equivalents		**(74 898)**	108 806
Cash and cash equivalents at the beginning of the period		**775 605**	1 249 182
Cash and cash equivalents at the end of the period		**700 707**	1 357 988

Notes to the interim financial statements

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entity

Cell C Proprietary Limited is a Company domiciled in South Africa. These Condensed Group Interim Financial Statements ("Interim Financial Statements") of the Group as at 30 June 2016 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's jointly controlled entities. The Group is primarily involved in the provision of mobile communication and communication related services.

1.2 Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last Group annual financial statements as at and for the year ended 31 December 2015.

1.2.1 *Functional and presentation currency*

These interim financial statements are presented in Rand, which is the Group's functional currency. All financial information presented in Rand has been rounded to the nearest thousand.

1.2.2 *Use of estimates and judgements*

The preparation of the interim financial statements in conformity with IFRS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

Significant accounting policies

1.3 Basis of consolidation

1.3.1 *Investments in subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

1.3.2 *Investments in joint ventures (equity accounted investees)*

The Group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transactions costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

1.3.3 *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Property, plant and equipment

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or replace a part. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The cost of self-constructed assets includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components).

Depreciation is recognised in profit or loss on the straight-line basis, over the estimated useful lives of each part of an item of property, plant and equipment. The useful lives, depreciation methods and residual values are reassessed on an annual basis for appropriateness, and adjusted as appropriate.

The estimated useful lives for the current and comparative periods are as follows:

Class of property, plant and equipment	Useful life
GSM network	3 – 10 years
Computer equipment	3 years
Leasehold improvements	5 – 7 years
Equipment	5 – 10 years
Furniture and fixtures	5 years
Network and equipment assets – leased	5 – 20 years
Motor vehicles – leased	4 – 5 years
RICA devices	2 years

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that that future economic benefits associated with the expenditure will flow to the Group. All other subsequent expenditure such as routine repairs and maintenance is recognised as an expense in profit or loss in the period in which it is incurred.

1.5 Leasing

1.5.1 *Finance leases*

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest method to determine the lease finance cost, which is charged to profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

1.5.2 ***Operating leases***

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

1.5.3 ***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use of the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

1.6 Intangible assets

Intangible assets acquired by the Group that have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed in profit or loss as incurred.

The difference between the net disposal proceeds and the carrying amount of an intangible asset is the gain or loss on disposal of that asset. These gains or losses are recognised in profit or loss.

Subscriber acquisition cost

Subscriber acquisition cost are cost-incurred that are directly attributable to signing up a new contract customer. These cost include incentives paid to third parties and handset subsidies granted to contract customers.

1.6.1 ***Amortisation***

Amortisation is calculated over the cost of the asset, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Class of intangible assets	**Useful life**
Computer software	3 years
Indefeasible right of use	20 years
Subscriber acquisition cost	2 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.7 Impairment of non-financial assets

The carrying amounts of the Group assets, with the exception of inventories and deferred tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years.

1.8 **Inventories**

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is based on the weighted average cost principle and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in profit or loss in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in profit or loss in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in profit or loss in the period in which the reversal occurs.

1.9 **Financial instruments**

1.9.1 ***Initial recognition***

The Group recognise financial assets and financial liabilities in the statement of financial position when they become a party to the contractual provisions of the instrument.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss or loans and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Loans and receivables are subsequently measured at amortised cost less any impairment losses using the effective interest method.

Financial liabilities are initially recognised at fair value less any directly attributable transaction cost. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When such valuation models, with only observable market data as inputs, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs. The best evidence of the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models whose variables include only data from observable markets.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

1.9.2 ***Non-derivative financial instruments***

(a) **Loans to/(from) group companies**

These include loans to and from holding companies, fellow subsidiaries and joint ventures.

Loans to/(from) Group companies are classified as loans and receivables/other financial liabilities.

(b) **Trade and other receivables**

Trade receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. Due to their short-term nature, the carrying amount of trade receivables approximates their fair value and are classified as loans and receivables.

Long-term trade and other receivables represent amounts due in respect of handsets. These are recognised at fair value based on market related prices and subsequently measured at amortised cost.

(c) **Trade and other payables**

Due to their short-term nature, the carrying amount of trade and other payables carried at amortised cost approximates their fair values at reporting date. Average maturity dates of trade payables range between 30 and 90 days. Short duration payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

(d) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments where their original maturities are three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value and are classified as loans and receivables.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

(e) **Borrowings and other non-current liabilities**

Interest-bearing loans are initially measured at the fair value of the consideration received, less directly attributable costs and subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings through the amortisation process, using the effective interest method as explained above. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Bank borrowings, which are generally at variable rates and are denominated in foreign currencies, are translated at period-end exchange rates. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(f) **Financial guarantees**

Financial guarantees provided are designated at fair value through profit or loss in accordance with IAS 39.

1.9.3 ***Derivative financial instruments including hedging activities***

The Group holds derivative financial instruments to hedge its interest rate and foreign currency risk exposures arising from its long-term borrowings. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently measured at fair value. Derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to profit or loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

It is the policy of the Group not to apply hedge accounting.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

1.9.4 ***Equity instruments***

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

(a) **Share capital and equity**

Ordinary shares are classified as equity.

If the Group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

1.9.5 ***Impairment of non-derivative financial instruments***

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the future cash flows of the assets.

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific and collective asset level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, 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 expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

1.9.6 ***Non-derivative financial assets and financial liabilities derecognition***

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, or cancelled, or expired.

1.10 **Revenue**

The Group provides mobile communication services and communication related products, postpaid, prepaid, broadband, wholesale, incoming, equipment and hybrid services offerings are complemented by Community Service Telephones (CSTs).

Revenue is recognised when there is evidence of an arrangement, collectability is reasonably assured and the delivery of the product or service has occurred. In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered. The value of each component is determined using verifiable objective evidence.

1.10.1 ***Interconnection revenue***

Interconnection revenue for call termination is recognised in the period the traffic occurs. Revenue related to on network, network to network, roaming and international call connection services is recognised when the call is placed or connection provided. Revenue related to products and value-added services are recognised upon delivery and acceptance of the product or service.

1.10.2 ***Contract revenue***

- Activation fees are recognised when the customer activates the service.
- Airtime and data revenue is recognised on a percentage completion basis ie revenue is recognised over the period services are expected to be delivered. Amounts not yet recognised are reflected as unearned revenue in the statement of financial position.
- Revenue related to products and value-added services are recognised upon delivery and acceptance of the product or service.

1.10.3 ***Prepaid revenue***

Airtime and data

Amounts collected for prepaid airtime are deferred as unearned revenue in the statement of financial position and are recognised as revenue at the earlier of use or expiry. Certain products permit unused airtime to be carried over. Revenue is recognised for unused airtime at the earlier of use or expiry.

Payphone service revenue is recognised when the service is provided. Community phone revenue collected in advance is deferred as unearned revenue in the statement of financial position and recognised as revenue at the earlier of actual usage or expiry.

Related costs

On sale of a prepaid package, costs including the cost of the SIM-card and commission are recognised as customer acquisition costs in profit or loss.

Unearned revenue

Unearned revenue is recognised when the Group has sold prepaid airtime access in advance but has not yet delivered the service to the end-user and when post paid contracts carry over free minutes. The provision represents the value of the unused airtime and offsets against revenue.

Mobile equipment revenue

Mobile equipment sold for cash is recognised when the handset is delivered to the customer. Revenue is measured net of returns and value added tax.

Handsets included in a contract package are supplied to a customer by an external vendor. The risk and rewards of ownership are transferred to the external vendor when a customer activates or renews a contract product which meet specific criteria. Revenue is measured at the agreed selling price to the external vendor net of cancellations and value added tax.

Handsets included in a contract package which do not meet the contract product criteria are recognised when the handset is delivered to the customer. Revenue is measured net of discounts, returns and value added tax.

1.11 Subscriber acquisition costs

Subsidies relating to handsets supplied by the external vendor are expensed as a finance charge in the period incurred. Subscriber acquisition costs relating to contract products including incentives to service providers and dealers for new activations, retention of existing customers and reaching specified sales targets are capitalised as an intangible asset and amortised over the period of the contract term. Subscriber acquisition cost are assessed monthly for impairment.

Subscriber acquisition costs relating to prepaid subscribers are expensed in profit or loss as incurred.

1.12 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset and the amount recognised for the reimbursement does not exceed the amount of the provision.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

1.13 Finance income

Finance income comprises interest income, foreign exchange gains and fair value gains on financial assets at fair value through profit or loss.

Interest is recognised as it accrues in profit or loss, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the Group.

1.14 Finance costs

Finance costs comprise interest expense on interest-bearing bonds and borrowings, foreign exchange losses, subsidy on handsets sold to contract customers, fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

Finance costs are recognised in the profit or loss using the effective interest rate method.

1.15 Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint arrangements entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group withholds dividends tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the Group's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

1.16 Foreign currency

1.16.1 *Foreign currency transactions*

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains and losses arising on translation are recognised in profit or loss.

1.17 Employee benefits

1.17.1 *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis.

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The accruals for employee entitlements to wages, salaries, and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the reporting date.

1.17.2 *Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

1.17.3 *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Group contributes to a defined contribution plan. Contributions to defined contribution funds are recognised in profit or loss in the periods during which related services are rendered by employees.

1.18 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss using the effective interest method.

1.19 Segment reporting

The Group determines and presents operating segments based on the information that is internally provided to the Group executive committee (chief operating decision-maker).

The Group has four reportable segments that are used by the executive committee to make key operating decisions, allocate resources and assess performance. The reportable segments are differentiated and grouped by means of the nature of the product it provides, namely prepaid, contract, wholesale, and equipment. The segments' performance are reported and reviewed only to the extent of the revenue, while costs are reported on a total basis and are not reviewed or assessed based on the segments.

2. REVENUE

	Six months ended June 2016 R'000	Six months ended June 2015 R'000
Service revenue	**5 620 283**	5 078 888
Non-service revenue	**1 343 197**	926 400
	6 963 480	6 005 288

The growth in revenue is attributable to an increase in service spend and equipment revenue. The prepaid segment was the main driver of growth in service spend, and was due to the following facts:

- Growth in the core customer base.
- Significant growth in data usage.
- Continuously introducing innovative offerings.

Equipment revenue increased due to an increase in demand for smartphones as well as handsets being readily available due to the handset financing arrangement being implemented during the second half of 2015.

3. OTHER INCOME

Management renegotiated several agreements during the period which resulted in a favourable settlement of R108 million.

4. FINANCE INCOME

	Six months ended June 2016 R'000	Six months ended June 2015 R'000
Investment income	**20 575**	19 826
Foreign exchange gains		
– realised	**77 479**	20 739
– unrealised	**952 449**	327 156
	1 050 503	367 721

5. FINANCE COSTS

	Six months ended June 2016 R'000	Six months ended June 2015 R'000
Interest expense	**1 077 678**	703 107
Financing costs	**232 504**	28 721
Foreign exchange losses		
– realised	**255 415**	230 440
– unrealised	**111 503**	475 763
	1 677 100	1 438 031

During the six months ended 30 June 2016, the Rand appreciated against the Euro and the US Dollar ("USD") which resulted in significant foreign exchange gains. At 30 June 2016, the Rand was R14.77 to the USD compared to R15.52 at 31 December 2015 and R16.36 to the Euro compared to R16.86 at 31 December 2015.

6. PROPERTY, PLANT AND EQUIPMENT

	June 2016			December 2015		
	Cost R'000	**Accumulated depreciation and impairment R'000**	**Carrying amount R'000**	Cost R'000	Accumulated depreciation and impairment R'000	Carrying amount R'000
GSM Network	**14 050 270**	**(7 133 208)**	**6 917 062**	12 525 412	(6 682 738)	5 842 674
Computer equipment	**868 859**	**(739 885)**	**128 974**	827 493	(701 973)	125 520
Leasehold improvements	**514 602**	**(380 168)**	**134 434**	486 845	(356 951)	129 894
Furniture and fixtures	**56 547**	**(31 507)**	**25 040**	56 585	(27 589)	28 996
Equipment	**274 891**	**(236 453)**	**38 438**	273 212	(230 906)	42 306
Network and equipment assets – leased	**1 618 814**	**(404 049)**	**1 214 765**	1 595 782	(362 272)	1 233 510
RICA devices	**14 626**	**(14 626)**	**–**	14 626	(14 626)	–
Motor vehicles – leased	**41 604**	**(16 573)**	**25 031**	38 661	(11 375)	27 286
	17 440 213	**(8 956 469)**	**8 483 744**	15 818 616	(8 388 430)	7 430 186

	GSM network R'000	**Computer equipment R'000**	**Leasehold improve-ments R'000**	**Equipment R'000**	**Furniture and fixtures R'000**	**Network and equipment assets – Leased R'000**	**Motor vehicles – Leased R'000**	**Total R'000**
Reconciliation of property, plant and equipment								
Opening balance	5 328 268	87 001	110 053	28 522	36 605	1 213 995	20 701	6 825 145
Impairment los**s**	(380 631)	–	–	–	–	–	–	(380 631)
Additions	1 937 484	75 932	62 873	19 103	–	229 945	23 811	2 349 148
Disposals	(222)	–	–	–	–	(99 469)	(6 984)	(106 675)
Transfers*	5 313	8 771	(3 101)	3 772	446	–	–	15 201
Depreciation	(1 047 538)	(46 184)	(39 931)	(9 091)	(8 055)	(110 961)	(10 242)	(1 272 002)
Balance at 31 December 2015	**5 842 674**	**125 520**	**129 894**	**42 306**	**28 996**	**1 233 510**	**27 286**	**7 430 186**
Opening balance	5 842 674	125 520	129 894	42 306	28 996	1 233 510	27 286	7 430 186
Additions	1 538 754	15 848	34 237	3 268	–	118 803	5 436	1 716 346
Disposals	(84)	–	(8)	–	(56)	(68 207)	(1 376)	(69 731)
Transfers*	1 267	25 562	(860)	(1 637)	20	–	–	24 352
Depreciation	(465 549)	(37 956)	(28 829)	(5 499)	(3 920)	(69 341)	(6 315)	(617 409)
Balance at 30 June 2016	**6 917 062**	**128 974**	**134 434**	**38 438**	**25 040**	**1 214 765**	**25 031**	**8 483 744**

** Transfer from intangible assets.*
*** GSM network assets were impaired as they could no longer be used.*

During the 2016 year, the Group acquired network assets with the cost of R1 539 million which was mainly as a result of the network roll-out during the first half of the year. This included the roll-out of the LTE project.

Assets pledged as security

The assets of Cell C Proprietary Limited and its subsidiaries serve as a first ranking, *pari passu* pledge over all of the assets of the Group.

7. INTANGIBLE ASSETS

	June 2016 Cost R'000	June 2016 Accumulated depreciation and impairment R'000	June 2016 Carrying amount R'000	December 2015 Cost R'000	December 2015 Accumulated depreciation and impairment R'000	December 2015 Carrying amount R'000
Computer software	**2 506 776**	**(2 144 725)**	**362 051**	2 493 445	(2 062 433)	431 012
Subscriber acquisition cost	**235 750**	**(85 016)**	**150 734**	127 916	(35 698)	92 218
Indefeasible rights of use (IRU)	**141 290**	**(17 150)**	**124 140**	141 290	(13 565)	127 725
	2 883 816	**(2 246 891)**	**636 925**	2 762 651	(2 111 696)	650 955

	Indefeasible rights of use (IRU) R'000	Computer software R'000	Subscriber acquisition cost R'000	Total R'000
Reconciliation of intangible assets				
Opening balance	121 815	263 640	–	385 455
Transfers*	–	(15 201)	–	(15 201)
Additions	12 762	360 644	127 916	501 322
Amortisation	(6 852)	(178 071)	(35 698)	(220 621)
Balance at 31 December 2015	**127 725**	**431 012**	**92 218**	**650 955**
Opening balance	127 725	431 012	92 218	650 955
Transfers*	–	(24 352)	–	(24 352)
Additions	–	37 683	107 834	145 517
Amortisation	(3 585)	(82 292)	(49 318)	(135 195)
Balance at 30 June 2016	**124 140**	**362 051**	**150 734**	**636 925**

**Transfer to property, plant and equipment.*

8. DEFERRED TAX

	June 2016 R'000	December 2015 R'000
Reconciliation of deferred tax asset		
At beginning of the period	**1 983 290**	1 983 290
At end of the period	**1 983 290**	1 983 290
Deferred tax		
Property, plant and equipment	**(57 033)**	(57 033)
Tax losses	**1 266 139**	1 266 139
Provisions	**278 600**	278 600
Prepayments	**(8 883)**	(8 883)
Other temporary differences	**216 885**	216 885
Income received in advance	**287 582**	287 582
	1 983 290	1 983 290

The deferred tax asset is recognised in respect of deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available. The directors are satisfied that the deductible temporary differences will be utilised in the short term. The utilisation of the assessed losses is based on the projected profits for the next seven years reflected in the business plan approved by management and the Board. The recoverability of the balance is assessed annually at year-end and has not changed from the 2015 year-end balance.

9. OTHER LIABILITIES

	June 2016 R'000	December 2015 R'000
Financial guarantee	**139 582**	129 168
	139 582	129 168

	June 2016 R'000	December 2015 R'000
Current	**96 122**	103 334
Non-current	**43 460**	25 834

Other non-current and current liabilities refers to the guarantee provided to an external vendor for outstanding handset fees not collected from the customers. The valuation of the financial guarantee was based on the following methodology and assumptions:

The methodology is analogous to the technique of run-off triangles under short-term insurance. The fundamental assumption under this method is that patterns of progression in the past may reasonably be expected to be repeated in future. Past experience was assessed, separately for all debt durations, based on the month of first appearance in the file of distressed customers. The longest history is therefore available for early cases of entry to these files and the shortest history for later entrants.

The history was used to determine the probability of transition to write-off for each month after appearance in the file, and the value of write-off in those cases ultimately written off. What ultimately matters is the relationship between the value at first appearance in the debt file and the corresponding value at write-off.

The analysis produces a curve, by month of delay, which describes the relationship between:

(1) the value of debt at first entry to the distressed file; and

(2) the corresponding value of the write-off, for each month from that first entry. For projection purposes, we assume that the average across all starting months gives us the best estimate of the corresponding curve for all future write-offs.

We then apply this curve to all existing entries in the debt files to predict the proportion of the current values that will need to be written off, and the corresponding timing. Critical among the assumptions regarding future run-off is whether, where write-off experience for a particular origin month differs from expectation of the future run-off corresponds to the model, or the eventual total run-off corresponds to the model. The latter was used.

10. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The following information relates to derivative financial instruments:

	June 2016		December 2015	
	Assets R'000	**Liabilities R'000**	Assets R'000	Liabilities R'000
Cross currency interest rate swap	**–**	**(387 353)**	–	(449 583)
Participating coupon only swap	**129 607**	**–**	203 684	–
Collar option	**217**	**–**	6 011	–
	129 824	**(387 353)**	209 695	(449 583)
Current	**129 607**	**(204 473)**	141 276	(177 387)
Non-current	**217**	**(182 880)**	68 419	(272 196)
	129 824	**(387 353)**	209 695	(449 583)

10.1 Derivatives

10.1.1 Derivatives

The derivative is classified as a current asset or liability, if the maturity of the item is less than 12 months.

The cross-currency interest rate swap has been entered into to hedge 100% (2015:100%) of the principal and the interest repayments on the Euro-denominated China Development Bank loan facility. The notional value of the hedge is €137.969 million (December 2015: €167 962 million).

The participating coupon-only swap has been entered into to hedge 72% (December 2015: 72%) of the principal repayments on the USD-denominated China Development Bank Capex loan facility. The notional value of the hedge is US$196 023 million (December 2015: US$213 377 million).

The collar option has been entered into to hedge 25% (2015: 25%) of the principal repayments on the Euro bonds. The notional value of the hedge is €100 million.

	Principal amount June 2016 FC'000	**Fair value June 2016 R'000**	**Maturity dates**	**Hedging instrument**
USD denominated				
China Development Bank Capex facility loan	196 023	129 607	20 May 2017	Participating coupon only swap
Euro denominated				
China Development Bank loan	137 969	(387 353)	20 Nov 2018	Cross-currency interest rate swap
Euro bonds	100 000	217	30 Sept 2016	Collar option

10.1.2 Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies to inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies to inputs which are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active markets is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

	June 2016 R'000	December 2015 R'000
Level 2		
Participating coupon only swap	**129 607**	203 684
Foreign exchange contract	**217**	6 011
	129 824	209 695
Level 3		
Cross-currency interest rate swap	**(387 353)**	(449 583)
Reconciliation of level 3 measurement of financial (liabilities)/assets		
Opening balance	**(449 583)**	(759 625)
Gains or losses in profit or loss	**107 282**	400 146
Day one loss amortised to finance income in the statement of comprehensive income	**(45 052)**	(90 104)
	(387 353)	(449 583)

Level 3 valuation methodology

- Cell C pays a predetermined fixed rate on an amortising Euro notional amount.
- These amounts are converted at an Adjusted EUR/ZAR forward rate to determine ZAR amounts.
- The Adjusted FX ZAR rate is replicated using five FX options. Refer below for details on the replicating portfolio.
- The fixed ZAR cash flows are then discounted at the ZAR swap curve plus a credit spread of 500 bps (obtained from management and not tested).
- This 500bps spread reflects the credit risk that Deutsche Bank has priced in to incorporate their credit exposure to Cell C after taking into account the EUR115 million collateral that Oger Telecommunications Limited has placed with Deutsche Bank.
- The floating EUR cash flows are calculated by projecting the EUR forward rates and adding a spread of 3.5%.

- These amounts are subsequently discounted off the EUR basis-adjusted curve.
- The swap is then valued by adding the present value of the floating and fixed legs.
- The model is a discounted cash flow model, combined with the Garman-Kohlhagen model to value the options.

11. INVENTORIES

During the six months ended 30 June 2016, the Group wrote down its inventory by R24 million (2015: R11 million). The write-down is included in operating expenses in the statement of comprehensive income.

12. TRADE AND OTHER RECEIVABLES

	June 2016 R'000	December 2015 R'000
Trade and other receivables	**5 077 718**	3 526 026
Allowance for impairment	**(134 613)**	(211 141)
Total trade and other receivables	**4 943 105**	3 314 885

The increase in the outstanding balance is due to extended payment terms provided to a customer.

13. INTEREST-BEARING LOANS AND BORROWINGS

Summary of borrowings

Cell C drew down on existing loans for the network expansion project. The drawdowns utilised in 2016 were R2 160 million, and repayments of loans amounted to R1 666 million. The borrowings balance had also decreased due to the strengthening of the Rand in 2016. The Company has undrawn facilities of $262.4 million and R1 267.9 million respectively.

14. TRADE AND OTHER PAYABLES

	June 2016 R'000	December 2015 R'000
Trade payables	**2 077 857**	1 566 821
Accrued expenses	**2 462 050**	2 514 314
Deposits	**2 500 000**	500 000
	7 039 907	4 581 135

Deposit received due to extended payment terms granted to a customer.

15. PROVISIONS

	June 2016 R'000	December 2015 R'000
Current	**123 685**	289 625
Non-current	**143 117**	120 278
	266 802	409 903

Performance incentive

The Group introduced a performance incentive scheme during the prior year for senior and executive employees, effective from 2016. Employees are eligible for payment under the scheme if they are in the employment of Cell C at the date of payment.

The following estimates are utilised in the valuation:

- Forecasted EBITDA from the approved business plan.
- A comparable market EV multiple.
- Estimated staff criteria.
- Estimate of exercise behaviour.
- Estimated market related discount rate.

Bonuses

The Group's Remuneration Committee approved bonuses to employees which was based on budgeted targets being met. The bonuses will be paid during 2017.

16. FINANCIAL INSTRUMENTS

16.1 Categories of financial instruments

Financial assets by category

The accounting policies for financial assets have been applied to the line items below:

	Loans and receivables R'000	Fair value through profit or loss R'000	Total carrying value R'000	Fair value R'000
December 2015				
Derivative financial assets	–	209 695	209 695	209 695
Trade and other receivables	3 314 885	–	3 314 885	3 314 885
Cash and cash equivalents	775 605	–	775 605	775 605
	4 090 490	**209 695**	**4 300 185**	**4 300 185**
June 2016				
Derivative financial assets	**–**	**129 824**	**129 824**	**129 824**
Trade and other receivables	**4 943 105**	**–**	**4 943 105**	**4 943 105**
Cash and cash equivalents	**700 707**	**–**	**700 707**	**700 707**
	5 643 812	**129 824**	**5 773 636**	**5 773 636**

Financial liabilities by category

The accounting policies for financial liabilities have been applied to the line items below:

	Financial liabilities at amortised cost R'000	Fair value through profit or loss R'000	Total carrying value R'000	Fair value R'000
December 2015				
Loans and borrowings – non-current	16 978 948	–	16 978 948	16 978 948
Loans and borrowings – current	2 114 361	–	2 114 361	2 114 361
Obligations under finance lease – non-current	1 355 581	–	1 355 581	1 355 581
Obligations under finance lease – current	80 920	–	80 920	80 920
Derivative financial liabilities – non-current	–	272 196	272 196	272 196
Derivative financial liabilities – current	–	177 387	177 387	177 387
Other liabilities	–	129 168	129 168	129 168
Trade and other payables	4 581 135	–	4 581 135	4 581 135
	25 110 945	**578 751**	**25 689 696**	**25 689 696**
June 2016				
Loans and borrowings – non-current	**16 427 738**	**–**	**16 427 738**	**16 427 738**
Loans and borrowings – current	**2 817 525**	**–**	**2 817 525**	**2 817 525**
Obligations under finance lease – non-current	**1 287 461**	**–**	**1 287 461**	**1 287 461**
Obligations under finance lease – current	**78 718**	**–**	**78 718**	**78 718**
Derivative financial liabilities – non-current	**–**	**182 880**	**182 880**	**182 880**
Derivative financial liabilities – current	**–**	**204 473**	**204 473**	**204 473**
Other liabilities	**–**	**139 582**	**139 582**	**139 582**
Trade and other payables	**7 039 907**	**–**	**7 039 907**	**7 039 907**
	27 651 349	**526 935**	**28 178 284**	**28 178 284**

17. **CASH GENERATED FROM OPERATIONS**

Cash generated from operations are calculated below:

	June 2016 R'000	December 2015 R'000
Profit/(loss) before equity accounted earnings, net finance costs and tax	**628 766**	(89 200)
Adjustments for:		
Profit on disposal of property, plant and equipment	**(18 805)**	(16 980)
Depreciation and amortisation of non-current assets	**752 604**	727 852
Impairment of property, plant and equipment	**–**	17 108
Movements in provisions	**(132 687)**	158 600
Movements in operating lease liabilities	**52 042**	41 287
	1 281 920	838 667
Changes in working capital		
Trade and other receivables	**(1 361 195)**	(268 557)
Inventories	**45 770**	(291 193)
Trade and other payables	**2 140 230**	941 630
Unearned revenue	**67 836**	(656 890)
Other non-current liabilities	**–**	(42 137)
	892 641	(317 147)
Total cash generated from operations	**2 174 561**	521 520

18. **RELATED PARTY DISCLOSURES**

The ultimate holding company of Cell C Proprietary Limited is Oger Telecom Limited.

The holding Company of Cell C Proprietary Limited is 3C Telecommunications Proprietary Limited, which holds 100% (December 2015: 100%) of the Company's ordinary shares.

18.1 **Transactions with the Company**

The Group traded with the following related parties and these are the transactions

	Transactions		**Balances**	
	June 2016 R'000	December 2015 R'000	**June 2016 R'000**	December 2015 R'000
Parent				
Oger Telecom South Africa Proprietary Limited	**142**	–	**136**	–
Oger Telecom Limited	**–**	–	**10 518**	11 047
	142	–	**10 654**	11 047

Transactions with Oger Telecom South Africa consist of general administration expenses.

	Transactions		Balances	
	June 2016 R'000	December 2015 R'000	**June 2016 R'000**	December 2015 R'000
Joint venture				
Mobile Number Portability Company Proprietary Limited	**28 287**	41 801	**1 819**	–
Fibreco Telecommunications Proprietary Limited	**11 772**	23 137	**–**	49 510
	40 059	64 938	**1 819**	49 510

Transactions with related parties consist of the purchase of goods and services.

	Transactions		Balances	
	June 2016 R'000	December 2015 R'000	**June 2016 R'000**	December 2015 R'000
Other related parties under with shared ownership				
AVEA	**(19)**	(240)	**(353)**	(347)
AVEA	**28**	130	**656**	480
	9	(110)	**303**	133

Transactions with AVEA consist of the international roaming cost.

The following represents interest and foreign exchange transactions with related parties:

	June 2016 R'000	December 2015 R'000
Interest transactions		
CellSAf Proprietary Limited	**(34)**	(68)
	(34)	(68)
Foreign exchange transactions		
Oger Telecom Limited	**528**	(7 595)
Oger Telecom South Africa Proprietary Limited	**6**	(9 264)
	534	(16 859)

19. GOING CONCERN

The interim financial statements have been prepared on the basis of accounting policies applicable to a going concern. The Group and the shareholders have demonstrated that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

The Group's total liabilities exceeded its total assets by R12 225 051 000 (2015: R12 227 853 000) for the six months ended 30 June 2016.

The directors and management have reviewed the Group's budget and cash flow forecast for the period to 30 September 2017. The directors and management are of the opinion that there is sufficient funding available to enable the Group to meet its obligations as they fall due.

An offer to recapitalise Cell C was received on 9 December 2015, which was approved by the Board of Directors on 18 December 2015. In terms of this structure, Blue Label Telecoms Limited and the Cell C management team and staff will be approved as additional shareholders. The new shareholders will provide additional capital in aggregate of approximately R5.5 billion while Oger Telecoms Limited, the ultimate holding company, will introduce sufficient capital to reduce debt to the level of R8 billion, resulting in additional equity of approximately R15.5 billion by no later than 30 November 2016. The Group and shareholder have made significant progress and commenced the process of finalising the transaction. The agreements have been signed between the parties during September 2016, with material condition precedents that must be fulfilled relating to the Bond Issue and the BLT shareholder approval of the equity injections. The Bond issue offer memorandum will be issued in October 2016, and the uptake is dependent on market conditions.

In addition, Oger Telecom Limited, has issued guarantees to the value of R9.8 billion as well as a letter of comfort to fund the Company until the earlier of 12 months from the approval of the annual financial statements, 3 June 2016 or the date on which the proposed recapitalisation occurs.

The shareholder and Board of Directors are confident that the transaction will be completed as anticipated and the condensed Group interim financial statements have been prepared on the basis of accounting policies applicable to a going concern based on the above. In the event that the conditions precedents are not obtained and thus the recapitalisation not finalised, a material uncertainty will exist that may cast significant doubt on the ability of the Group to continue as a going concern.

20. EVENTS AFTER THE REPORTING PERIOD

Share subscription agreements have been signed by the parties in terms of which:

- Blue Label Telecoms Limited (through The Prepaid Company Proprietary Limited);
- 3C Telecommunications Proprietary Limited;
- Albanta Trading 109 Proprietary Limited (trust representing Cell C management and staff); and
- MS10, being members of Cell C executive management,

will subscribe for shares in Cell C. In terms of these agreements, Cell C will raise an aggregate amount of approximately R15.5 billion of fresh equity that will be applied to reducing debt to approximately R8.0 billion. The subscription agreements are anticipated to take legal effect on or before 18 November 2016 and after taking effect the shareholding of Cell C will be as follows:

- 45% Blue Label Telecoms Limited (through The Prepaid Company Proprietary Limited).
- 30% 3C Telecommunications Proprietary Limited.
- 15% Albanta Trading 109 Proprietary Limited.
- 10% MS10, being members of Cell C executive management.

21. OPERATING SEGMENTS

21.1 Basis for segmentation

The Group has the following four reportable segments. These segments are differentiated by means of the nature of the product and services offered, they are, to a certain extent managed separately because of the different markets each segment addresses.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Prepaid	The prepaid segment offers products and services for which credit is purchased in advance of service use. The purchased credit is used to pay for mobile phone services at the point the service is accessed or consumed. Access to the requested service is only made available to the user if there are purchased credits available. Users are able to top up their credit at any time using a variety of payment mechanisms.
Contract	The contract segment provides products and services by an arrangement with the user. The user is billed according to their use of mobile services at the end of each month. Typically, the customer's contract specifies a limit or "allowance" of minutes, text messages etc., and the customer will be billed at a flat rate for any usage equal to or less than that allowance. Any usage above that limit incurs extra charges. Other contracts where users are provided product and services by an arrangement, but are limited to a certain pre-determined limit. Any usage above that limit will be charged on a prepaid basis.
Wholesale	The wholesale segment offer products and services to the corporate and government sector, as well as mobile virtual network operators.
Equipment	The equipment segment includes hardware products sold to various channels and end users.

The Group's executive committee reviews the internal management reports on a monthly basis.

21.2 Information about reportable segments

Information related to each reportable segment is set out below. Segment revenue, as included in the internal management reports reviewed by the Group's executive committee, is used to measure performance.

	Reportable segments	
	Six months ended June 2016 R'000	Six months ended June 2015 R'000
External revenue		
Prepaid	**3 577 259**	3 183 039
Contract	**1 901 806**	1 826 011
Wholesale	**141 218**	69 838
Equipment	**1 343 197**	926 400
	6 963 480	6 005 288

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE CONDENSED INTERIM FINANCIAL INFORMATION OF CELL C FOR THE 6 MONTHS ENDED 30 JUNE 2016

Blue Label Telecoms Limited
75 Grayston Drive (corner Benmore Road)
Sandton
2196

Cell C (Proprietary) Limited Waterfall Campus
Cnr Maxwell and Pretoria Main Road
Buccleuch
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2090

Report on Review of Interim Financial Information of Cell C Proprietary Limited

Introduction

We have reviewed the condensed group interim statement of financial position of Cell C Proprietary Limited as of 30 June 2016 and the related condensed group interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes attached as Annexure 1. Management is responsible for the preparation and presentation of this condensed group interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed group interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Emphasis of matter

We draw attention to note 19 to the condensed group interim financial statements which indicates as of that date, the group's total liabilities exceeded its total assets by R12 billion. The note states that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

KPMG Inc.
Registered Auditors

Per **Ahmed Bulbulia**
Chartered Accountant (SA)
Registered Auditor
Director

13 October 2016
85 Empire Road
Parktown
Johannesburg

HISTORICAL FINANCIAL INFORMATION OF CELL C FOR THE YEARS ENDED 31 DECEMBER 2015, 31 DECEMBER 2014 AND 31 DECEMBER 2013

Basis of preparation

The consolidated statements of financial position at 31 December 2015, 31 December 2014, 31 December 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows and the accounting policies and notes for the years then ended have been extracted from the audited consolidated financial statements of Cell C for the three years ended 31 December 2015, 2014 and 2013. Adjustments have been made to the presentation of the historical financial information in order to achieve compliance with the JSE Listings Requirements. The financial statements were audited by KPMG in accordance with International Standards on Auditing; a modified audit opinion in accordance with the International Financial Reporting Standards was issued. The financial statements for 2013 and 2014 have a qualified opinion with regards to the compliance with the Companies Act of South Africa. Section 30(4) to (6) of the Companies Act requires the company to disclose certain information in respect of remuneration for each director or individual holding any prescribed office in the company. These disclosures have not been provided for each prescribed officer, but have been disclosed in aggregate for the reasons given in note 29. While this is a breach of the requirements of the Companies Act, it does not affect our opinion in accordance with International Financial Reporting Standards.

The directors of Cell C are responsible for the preparation of the report on the historical financial information contained in this annexure.

The proposed recapitalisation transaction will result in Cell C being classified as a public company based on the requirements set out in the Companies Act of South Africa. The current registration number and reference to Cell C as a Proprietary Limited as reflected in the financial statements are for a private company and will be changed upon the closing of the proposed recapitalisation transaction to Cell C Limited with the relevant registration number applicable to a public company.

Commentary

Nature of the business

Cell C is a leading mobile network operator in South Africa. The group provides voice, data and other value added services to South African consumers and businesses and is the third entrant in a four operator market. Cell C was founded in 2001 and is headquartered in Johannesburg.

General Review

The group offers a wide range of products and services, including voice, data, messaging services and other value-added offerings. Based on its drive for innovation, Cell C has released products that have changed the way users consume mobile services, including combination prepaid vouchers with voice, data and messaging services as well as tailored and flexible contract packages with unique tariffs to suite any kind of user. These services have been replicated industry wide.

Cell C has maintained exceptional growth, particularly in the prepaid market, and more than doubled its customer base between 2012 and 2016 despite mobile penetration of over 140% in South Africa.

The momentum and success of Cell C's client-centric growth strategy with its core consumer values of honesty, simplicity and transparency, contributed to this positive customer response supported by continued investment in its network infrastructure and market-leading products and services to serve a diverse customer base that progressively consumes higher volumes of data. Since 2012, Cell C has added 970 sites to its network and embarked upon a targeted LTE rollout strategy focused on high value areas. The company has geographically optimised its network to ensure it covers the areas with the highest population density, supplemented by its national 2G/3G network and roaming agreements to maximise coverage and its customer experience.

Summary financial information for 2013, 2014 and 2015

	2015 (Rm)	2014 (Rm)	2013 (Rm)
Revenue	13 228	11 634	11 502
Revenue growth	13.7%	1.0%	14.0%
EBITDA	1 948	424	846
EBITDA Margin	14.7%	3.6%	7.3%
Net loss	5 644	4 867	3 539
CAPEX	2 349	2 256	2 699
CAPEX as a % of revenue	17.7	19.3	23.4
Gross debt*	20 770	15 565	14 194
Cash	776	1 249	632
Net debt	19 994	14 316	13 562
PPE	7 430	6 825	6 190
Total assets	14 903	15 476	16 006
Total liabilities	27 131	22 117	19 849
Working capital**	(63)	2 128	1 561

* Gross debt includes loans, borrowings, derivative assets/liabilities and financial leases

** Working capital comprises the balances from trade and other receivables, inventories, trade and other payables and cash

Commentary on 2015 financial information

Operational review

Since 2012, Cell C has been implementing a turn-around strategy which continued to deliver improved performance in 2015. This turn-around strategy includes introduction of more innovative products, growth initiatives and cost controls and has resulted in consistent growth in the customer base, including, in 2015.

Investment in network expansion and capacity upgrades continued as budgeted with 193 new sites on air in 2015 for a total of 4 724 sites on air at the end of 2015. These new sites on air are next generation LTE equipment which was rolled out in the Gauteng, KwaZulu-Natal and Western Cape. Additionally, Nokia Siemens Networks (NSN) equipment was replaced with new Huawei equipment, further stabilising and improving network quality.

The group is confident that it can continue acquiring customers and gaining market share and is geared towards the expected increase in data and voice volumes associated to it.

The group also signed new partnerships with additional Mobile Virtual Network Operators, including MVNX and FNB Connect, which contributed to the increase of the group's revenue during the year.

Financial review

Revenue increased by R1 594 million or 13.7% in 2015 compared to 2014. The growth was mainly driven by the increase in service spend (prepaid, postpaid and wholesale revenue) which grew by 11.8% compared to 2014. Service spend was mainly driven by the growth in the prepaid segment as a result of an increase in the average spend per user and the successful implementation of new product offerings.

EBITDA increased by R1 524 million or 359% in 2015 compared to 2014 which translated to an EBITDA margin of 14.7% in 2015 compared to an EBITDA margin of 3.6% in 2014.

The improvement in EBITDA was the result of substantial cost savings of R331 million in direct expenditure compared to 2014 mainly driven by savings in termination costs, lower subscriber acquisition costs and larger overall scale. Subscriber acquisition costs were lower due to management's decision to gradually reduce the subsidies on handsets in 2015. These cost savings were partially offset by an increase in commercial operating costs on the back of new promotional campaigns, Sharks rugby team sponsorship and Blue Label marketing support.

Operating expenses increased by R330 million or 2.5% compared to 2014. This was mainly due to an increase in commercial expense due to an aggressive marketing campaign rolled out in 2015. Furthermore, payroll expenses increased due to employee bonuses being accrued in 2015 which were not accrued in 2014.

Net profit decreased by R777 million in 2015 compared to 2014. The decline was mainly driven by forex losses of R4 329 million (compared to R1 854 million in 2014) as well as by R381 million for non-cash impairment of NSN equipment which was replaced with new Huawei equipment of greater value, both of which were partially offset by forex gains of R736 million.

The group's total liabilities exceeded its total assets by R12 228 million (2014: R6 642 million) at 31 December 2015. The company holds intangible assets that may not be recognised as such in the financial statements in accordance with IFRS. Had these intangible assets been recognised in the financial statements on a fair value basis, the directors are confident that the value of the group's assets would exceed the value of the group's liabilities.

Going concern

The financial information has been prepared on the basis of accounting policies applicable to a going concern. The company and the shareholders have demonstrated that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Cell C Recapitalisation

Cell C has enjoyed a successful distribution relationship with Blue Label Telecoms which was presented with the opportunity to make a strategic investment in Cell C and entered into discussions with the owners of the company during 2015. An offer to invest in Cell C via a recapitalisation of the company was received on 9 December 2015 and approved by the Board of Directors on 18 December 2015. In terms of this capital restructuring, the Recapitalisation Participants will provide additional capital in aggregate of approximately R7.5 billion with the balance in capital from Oger Telecom to reduce net borrowings to R8.0 billion, resulting in additional equity of approximately R15.5 billion effective 18 November 2016.

In addition, Oger Telecom Limited (OTL), the controlling shareholder, has issued guarantees to the value of R9.8 billion (elaborated in note 18), as well as a letter of comfort to fund the group until the earlier of 12 months from the approval of the financial statements for the year ended 31 December 2015 or the date on which the proposed recapitalisation occurs.

- The shareholder and Board of Directors are confident that the Cell C Recapitalisation will be completed as anticipated and the financial statements have been prepared on the basis of accounting policies applicable to a going concern based on the above.
- The directors have reviewed the group's budget and cash flow forecast for the period to 31 March 2017. The directors are of the opinion that there is sufficient funding available to enable the group to meet its obligations as they fall due, as:
- The financial forecasts for the group indicate that it will achieve profitability in the medium term and therefore will be able to utilise the deferred tax assets, as well as, other assets in the normal course of business;
- The group has secured credit facilities from several financial institutions. At 31 December 2015, the group had access to undrawn facilities of approximately R6 856 million and cash balances of R 776 million, which will be sufficient to service the group's capital and operational cash requirements;
- The group has increased the cash generated from operations in 2015 and has experienced 16% growth in the customer base;
- Improvement in the operational performance as described in the 'Operational Review'

Refer to note 29 for further details

Events subsequent to the reporting date

Share subscription agreements have been agreed by Cell C in terms of which:

- Blue Label Telecoms Limited (through The Prepaid Company Proprietary Limited);
- 3C Telecommunications Proprietary Limited;
- Albanta Trading 109 Proprietary Limited; and
- MS10, being members of Cell C executive management,

will subscribe for shares in Cell C. In terms of these agreements, Cell C will raise an aggregate amount of approximately R15.5 billion of fresh equity that will be applied to reducing net borrowings to approximately R8.0 billion. The subscription agreements are anticipated to take legal effect on or before 18 November 2016 and after taking effect the shareholding of Cell C will be as follows:

- 45% Blue Label Telecoms Limited (through The Prepaid Company Proprietary Limited)
- 30% 3C Telecommunications Proprietary Limited
- 15% Albanta Trading 109 Proprietary Limited
- 10% MS10, members of Cell C executive management.

Changes to accounting policies in 2015

Subscriber Acquisition costs (relating to contracts) were historically expensed during the period incurred. Subscriber Acquisition costs (relating to contracts) are now capitalised as intangible assets and amortised over the period of the contract.

The impact on the change in the accounting policy had a positive impact of R33.7 million on the prior year retained earnings. The directors believe that the impact is not significant to require a restatement of the prior year comparative results.

Authorised and issued share capital

Two ordinary shares were issued during the year at a share premium of R58.1 million.

Property, plant and equipment ("PPE")

PPE increased by R605 million when compared to the prior year. The increase in PPE was due to the continued network expansion in 2015 which included the commencement of the LTE project. LTE represents the next generation technology providing high-speed services to customers at a time that data offerings and content services are growing in demand. Cell C's LTE network is future proofed to provide LTE-Advanced, positioning Cell C as the key broadband provider in South Africa.

The network asset project was completed in 2015 whereby old network equipment was swapped for new technology. Cell C retained the ownership of the old network equipment which was impaired for an amount of R380.6 million given its insignificant re-sale value.

Trade receivables and other non-current liabilities

The decrease in trade receivables was mainly due to the amendment made to a distribution agreement with a customer. This amendment resulted in the credit deposit (previously recognised as other liability) being applied against outstanding receivable balances. The customer now pays for airtime in advance.

Loans and borrowings

The total borrowings increase was mainly due to an increase of R4 068 million in the existing USD and EUR denominated facilities driven by the depreciation of the Rand compared to USD and EUR.

During 2015, the group repaid its USD bonds of USD170 million which was refinanced by EUR bonds of EUR240 million. The group also drew down an additional R1 070 million under its existing loan facilities as well as obtained new bank facilities of which R934.6 million was utilised.

Commentary on 2014 Financial Information

Operational review

During 2014, Cell C continued to strengthen its position as a credible alternative on a national scale to the incumbent mobile operators. Continued customer acquisition was accompanied by the ongoing rollout of network and network improvement achieving 4 522 sites on-air at year-end compared to 4 176 as of December 31, 2013. The 2014 financial year also marked the upward trajectory of smart device sales in the South African market. Cell C took a forward-thinking stance on how it considers over-the-top (OTT) services enabled by these smart devices based on its exceptional growth in access. Cell C actively partnered with services like WhatsApp and Facebook to bring these value added services at affordable prices to consumers. This support led to increased brand loyalty and positive customer perception of Cell C. It also drove customer adoption to Cell C's service offerings.

Cell C launched its zero-rated WhatsApp service in the last quarter of the 2014 year and captured 26% of the WhatsApp volume in South Africa, which contributed to the continued positive consumer response to Cell C offerings supported by a more client-centric organisation as the turn-around strategy initiated in 2012 continued to gather momentum.

Financial review

Revenue increased by R132 million or 1% in 2014 compared to 2013. The increase was mainly driven by higher prepaid revenue on the back of a 30% increase in prepaid subscribers compared to 2013. The revenue growth was negatively impacted by a revised accounting policy relating to handsets. *Pro forma* for the change in policy, revenue in 2014 would have grown by 3.3% compared to 2013.

EBITDA decreased by R422 million in 2014 compared to 2013 which translated to an EBITDA margin of 3.6% in 2014 compared to an EBITDA margin of 7.4% in 2013.

The EBITDA in 2013 was the result of R1 506 million total exceptional income that did not occur in 2014. The 2013 exceptional incomes included:

i. the recognition of R1 105 million in other income for penalties imposed on a vendor;
ii. recognition of R146 million profit on disposal of assets; and
iii. the release of R261 million in deferred revenue due a change in estimate. If these exceptional items are excluded, the *pro forma* operational EBITDA would have been – R666 million.

Net profit decreased by R1 329 million in 2014 compared to 2013. The decline was mainly due to a R1 044 million non-cash impairment of deferred tax assets, a R576 million non-cash impairment of equipment which was replaced with new equipment of greater value, and unrealised foreign exchange losses amounted of R1 299 million as a result of the continuing depreciation of the South African rand against the US Dollar.

Accounting policies

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous year.

There were no material changes in judgements or estimates of amounts reported in prior reporting periods.

Authorised and issued share capital

66 ordinary shares were issued during the year under review at a total share premium of R2 069 million.

Investment in joint venture

Cell C re-assessed the recoverability of the investment in the joint venture with Fibreco. Fibreco had a positive NAV which resulted in the reversal of the impairment from 2013 of R82 million as well as equity accounting 33% of the retained earnings of R25,9 million.

Property, plant and equipment (PPE)

PPE increased by R635 million when compared to the prior year. The increase in PP&E was due to the continued implementation of the group's network expansion strategy. The number of sites on air increased by 346 towers to 4 522 as of 31 December 2014.

Cell C commenced an asset swap project whereby the old GSM equipment was swapped for new equipment. The old equipment had an insignificant resale value and could not be utilised which resulted in an impairment of the carrying value of R576 million.

Deferred tax

The deferred tax asset amounts to R1 983 million and comprises of R1 116 million of taxable timing differences, and R867 million of deferred tax recognised on future taxable profits.

The timing differences will be utilised during the normal course of business. Anticipated future taxable profits were considered to calculate the remaining balance. The business plan is deemed reasonable and can be achieved given all current and planned initiatives.

Commentary on 2013 Financial Information

Operational review

With the newly-implemented turn-around strategy gathering momentum the group achieved acceptable year-on-year subscriber and revenue growth figures, specifically for prepaid services.

The new strategic objective, presented to the board in May 2013, was to obtain sufficient market scale in order to compete on a sustainable basis as a national mobile operator. The key tools for achieving this were simple, honest, good value offerings that are provided on a quality network, with acceptable end-to-end customer experience.

Financial review

Cell C achieved an EBITDA of R846,3 million in the year to 31 December 2013 with a net loss for the year of R3 539 million.

Of this loss, R2 535 million arose from foreign exchange losses, principally on the USD and EUR denominated debt, with R850,7 million arising from interest charges.

Core revenue from airtime and data services grew by 17.6%, excluding equipment sales, content and incoming interconnect revenue.

Finance costs amounted to R3 434 million, a 110.8% increase year-on-year, mainly due to the effects of net foreign exchange losses. The depreciation of the Rand against the USD and EUR worsened in 2013, causing R2 238 million of unrealised foreign exchange losses mainly arising from the revaluation of the foreign currency denominated borrowings to closing period exchange rates.

Deferred tax

Deferred tax asset balance remained at R3 027 million in 2013. It was agreed that there would be no further increase in the deferred tax asset at this time.

Authorised and issued share capital

82 Ordinary shares were issued during the year at a share premium of R2 586 million.

Property, plant and equipment

Cell C delivered on its capex commitments in 2013, investing heavily in the network rollout, which resulted in a net increase of 33% or R1 540 million. Included in the year-on-year movement was a transfer of sites, previously classified under current assets, to property, plant and equipment amounting to R535 million. A sale transaction of 243 sites took place in 2013, with R145 million profit recognised from the sale.

Intangible assets

Intangible assets' net increase year-on-year was 24% or R85 million. R323 million additions were made in the current year, which included R180 million IRU (Indefeasible Rights of Use) links from Fibreco capitalised. During the year, software system and the related hardware that were developed but not brought into use were impaired. The impairment amounted to R67 million (R19 million hardware and R48 million software).

Joint Venture

Cell C assessed the recoverability of the investment in their joint venture with Fibreco. The Net Asset Value of the Fibreco was negative which resulted in the Fibreco receivable being impaired.

Historical financial information for the years ended 31 December 2015, 31 December 2014, 31 December 2013

Statements of financial position

	Note	**2015 R'000**	2014 R'000	2013 R'000
Assets				
Non-current assets				
Property, plant and equipment	8	**7 430 186**	6 825 145	6 190 058
Intangible assets	9	**650 955**	385 455	439 995
Investment in joint ventures	10	**110 601**	110 452	–
Deferred tax	11	**1 983 290**	1 983 290	3 027 168
Derivative non-current financial assets	13	**68 419**	76 085	39 623
Long-term trade and other receivables	15	**–**	383 401	331 060
		10 243 451	9 763 828	10 027 904
Current assets				
Inventories	14	**427 833**	161 285	392 094
Trade and other receivables	15	**3 314 885**	4 294 948	4 954 381
Derivative current financial assets	13	**141 276**	6 570	–
Cash and cash equivalents	16	**775 605**	1 249 182	631 987
		4 659 599	5 711 985	5 978 462
Total assets		**14 903 050**	15 475 813	16 006 366
Equity and liabilities				
Equity				
Share capital and share premium	17	**14 168 218**	14 110 106	12 041 276
Accumulated loss		**(26 396 071)**	(20 751 622)	(15 884 235)
		(12 227 853)	(6 641 516)	(3 842 959)
Non-current liabilities				
Interest-bearing loans and borrowings	18	**16 978 948**	10 310 392	11 272 247
Obligations under finance lease	19	**1 355 581**	1 336 513	1 281 605
Operating lease liability		**227 914**	123 143	143 998
Derivative non-current financial liabilities	13	**272 196**	475 791	422 536
Provisions and other employee benefits	21	**120 278**	72 000	–
Other non-current liabilities	12	**25 834**	1 648 557	85 500
		18 980 751	13 966 396	13 205 886
Current liabilities				
Interest-bearing loans and borrowings	18	**2 114 361**	3 174 744	959 407
Obligations under finance lease	19	**80 920**	58 552	36 775
Trade and other payables	20	**4 581 135**	3 961 250	4 748 539
Unearned revenue		**803 390**	656 894	475 697
Provisions and other employee benefits	21	**289 625**	8 714	161 920
Derivative current financial liabilities	13	**177 387**	290 779	261 101
Other current liabilities	12	**103 334**	–	–
		8 150 152	8 150 933	6 643 439
Total liabilities		**27 130 903**	22 117 329	19 849 325
Total equity and liabilities		**14 903 050**	15 475 813	16 006 366
Net asset value per share (cents)		**(1 907 621 373)**	(1 039 360 876)	(670 673 473)
Net tangible asset value per share (cents)		**(2 009 174 415)**	(1 099 682 473)	(747 461 431)

Statements of comprehensive income

	Note	**2015 R'000**	2014 R'000	2013 R'000
Revenue	2	**13 228 448**	11 634 148	11 502 448
Other income	3	**243 397**	144 248	1 393 640
Operating expenses		**(13 397 014)**	(13 067 478)	(13 186 579)
Profit/(loss) before equity accounted earnings, net finance cost and tax	4	**74 831**	(1 289 082)	(290 491)
Finance income	5	**774 044**	525 774	245 273
Finance costs	6	**(6 493 473)**	(3 170 653)	(3 434 063)
Share of profit in/(impairment of) equity accounted joint venture	10	**149**	110 452	(59 202)
Loss before tax		**(5 644 449)**	(3 823 509)	(3 538 483)
Income tax	7	**–**	(1 043 878)	–
Loss and total comprehensive loss for the year		**(5 644 449)**	(4 867 387)	(3 538 483)
Note: The Company is 100% held by 3C Telecommunications Proprietary Limited				
Earnings per share (cents)	25	**(880 569 267)**	(761 719 405)	(617 536 300)

Statements of changes in equity

	Share capital* R'000	Share premium R'000	Accumulated loss R'000	Total R'000
Balance at 1 January 2013	**–**	**9 454 930**	**(12 345 752)**	**(2 890 822)**
Loss and total comprehensive loss for the year	–	–	(3 538 483)	(3 538 483)
Transactions with owners recorded directly in equity – Issue of shares	–	2 586 346	–	2 586 346
Balance at 31 December 2013	**–**	**12 041 276**	**(15 884 235)**	**(3 842 959)**
Loss and total comprehensive loss for the year	–	–	(4 867 387)	(4 867 387)
Transactions with owners recorded directly in equity – Issue of shares	–	2 068 830	–	2 068 830
Balance at 31 December 2014	**–**	**14 110 106**	**(20 751 622)**	**(6 641 516)**
Loss and total comprehensive loss for the year	–	–	(5 644 449)	(5 644 449)
Transactions with owners recorded directly in equity – Issue of shares	–	58 112	–	58 112
Balance at 31 December 2015	**–**	**14 168 218**	**(26 396 071)**	(12 227 853)

**Share capital of R641 (2014: R639, 2013: R573) is not shown due to the amount being less then R1 000.*

Statements of cash flows

	Note	Group 2015 R'000	2014 R'000	2013 R'000
Cash flows from operating activities				
Cash generated/(utilised) from operating activities	26	**2 470 979**	1 481 945	(1 841 322)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment		**–**	4 235	316 993
Dividends received		**–**	2 400	–
Finance income received		**116 415**	–	–
Increase in joint venture loan		**–**	–	(19 000)
Acquisition of property, plant and equipment	26	**(2 095 392)**	(1 993 286)	(1 940 583)
Acquisition of intangible assets	26	**(463 285)**	(170 439)	(323 312)
Net cash used in investing activities		**(2 442 262)**	(2 157 090)	(1 965 902)
Cash flows from financing activities				
Proceeds from issue of shares		**58 112**	2 068 830	2 586 346
Proceeds from interest-bearing loans and borrowings		**7 062 546**	3 108 111	3 103 434
Repayment of interest-bearing loans and borrowings		**(5 042 930)**	(2 474 977)	(807 787)
Repayment of finance lease liabilities		**(74 680)**	(38 208)	(59 122)
Finance cost paid		**(2 505 342)**	(1 371 416)	(1 049 190)
Net cash (utilised)/generated by financing activities		**(502 294)**	1 292 340	3 773 681
Net (decrease)/increase in cash and cash equivalents		**(473 577)**	617 195	(33 543)
Cash and cash equivalents at the beginning of the year		**1 249 182**	631 987	665 530
Cash and cash equivalents at the end of the year		**775 605**	1 249 182	631 987

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entity

Cell C Proprietary Limited is a Company domiciled in South Africa. The financial statements of the Company as at 31 December 2015 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's jointly controlled entities. The Group is primarily involved in the provision of mobile communication and communication related services.

1.2 Basis of preparation

The significant accounting policies are consistent in all material respects with those applied in the previous year except for subscriber acquisition costs. Subscriber Acquisition costs (relating to contracts) were historically expensed during the period incurred. Subscriber Acquisition costs (relating to contracts) are now capitalised as an intangible assets and amortised over the period of the contract.

The impact on the change in the accounting policy is R33.7 million on the prior year retained earnings. The impact is not significant to require a restatement of the prior year comparative results.

1.2.1 *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

1.2.2 *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The methods used to measure fair values are discussed further in note 1.9.

1.2.3 *Functional and presentation currency*

These financial statements are presented in Rand, which is the Company's functional currency. All financial information presented in Rand has been rounded to the nearest thousand.

1.2.4 *Use of estimates and judgements*

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes to the financial statements: notes 1.7; 1.8; 1.9; 1.10; 1.12; and 1.15.

1.3 Basis of consolidation

1.3.1 *Investments in subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the annual financial statements from the date on which control commences until the date on which control ceases. Investment in subsidiaries are measured at cost in the Company's separate financial statements.

1.3.2 ***Investments in joint ventures (equity-accounted investees)***

The Group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transactions costs. Subsequent to initial recognition, the annual financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases. Investments in joint ventures are measured at cost in the Company's separate financial statements.

1.3.3 ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Property, plant and equipment

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or replace a part. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The cost of self-constructed assets includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components).

Depreciation is recognised in profit or loss on the straight-line basis, over the estimated useful lives of each part of an item of property, plant and equipment. The useful lives, depreciation methods and residual values are reassessed on an annual basis for appropriateness, and adjusted as appropriate.

The estimated useful lives for the current and comparative periods are as follows:

Class of property, plant and equipment	**Useful life**
GSM network	3 – 10 years
Computer equipment	3 years
Leasehold improvements	5 – 7 years
Equipment	5 – 10 years
Furniture and fixtures	5 years
Network and equipment assets – leased	5 – 20 years
Motor vehicles – leased	4 – 5 years
RICA devices	2 years

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits associated with the expenditure will flow to the group. All other subsequent expenditure such as routine repairs and maintenance is recognised as an expense in profit or loss in the period in which it is incurred.

1.5 Leasing

1.5.1 *Finance leases*

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest method to determine the lease finance cost, which is charged to profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

1.5.2 *Operating leases*

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

1.5.3 *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

1.6 Intangible assets

Intangible assets acquired by the Group that have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed in profit or loss as incurred.

The difference between the net disposal proceeds and the carrying amount of an intangible asset is the gain or loss on disposal of that asset. These gains or losses are recognised in profit or loss.

Subscriber acquisition cost

Subscriber acquisition costs are costs incurred that are directly attributable to signing up a new contract customer. These cost include incentives paid to third parties and any acquisition costs incurred in acquiring a contract.

1.6.1 *Amortisation*

Amortisation is calculated over the cost of the asset, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Class of intangible assets	Useful life
Computer software	3 years
Indefeasible right of use	20 years
Subscriber acquisition cost	2 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.7 Impairment of non-financial assets

The carrying amounts of the Group's assets, with the exception of inventories and deferred tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years.

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is based on the weighted average cost principle and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in profit or loss in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in profit or loss in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in profit or loss in the period in which the reversal occurs.

1.9 Financial instruments

1.9.1 *Initial recognition*

The Group recognises financial assets and financial liabilities in the statement of financial position when they become a party to the contractual provisions of the instrument.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss or loans and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Loans and receivables are subsequently measured at amortised cost less any impairment losses using the effective interest method.

Financial liabilities are initially recognised at fair value less any directly attributable transaction cost. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When such valuation models, with only observable market data as inputs, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs. The best evidence of the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models whose variables include only data from observable markets.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

1.9.2 ***Non-derivative financial instruments***

(a) **Loans to/(from) group companies**

These include loans to and from holding companies, fellow subsidiaries and joint ventures.

Loans to/(from) Group companies are classified as loans and receivables/other financial liabilities.

(b) **Trade and other receivables**

Trade receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. Due to their short-term nature, the carrying amount of trade receivables approximates their fair value and are classified as loans and receivables.

Long-term trade and other receivables represent amounts due in respect of handsets. These are recognised at fair value based on market related prices and subsequently measured at amortised cost.

(c) **Trade and other payables**

Due to their short-term nature, the carrying amount of trade and other payables carried at amortised cost approximates their fair values at reporting date. Average maturity dates of trade payables range between 30 and 90 days. Short duration payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

(d) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments where their original maturities are three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value and are classified as loans and receivables.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

(e) **Bank overdraft, borrowings and other non-current liabilities**

Interest-bearing loans, other non-current liabilities and overdrafts are initially measured at the fair value of the consideration received, less directly attributable costs are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings through the amortisation process, using the effective interest method as explained above. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Bank borrowings, which are generally at variable rates and are denominated in foreign currencies, are translated at period-end exchange rates. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(f) **Financial guarantees**

Financial guarantees provided are designated at fair value through profit and loss in accordance with IAS 39.

1.9.3 ***Derivative financial instruments including hedging activities***

The Group holds derivative financial instruments to hedge its interest rate and foreign currency risk exposures arising from its long-term borrowings. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to profit or loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

It is the policy of the Group and Company not to apply hedge accounting.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

1.9.4 ***Equity instruments***

Equity instruments issued by the Group and Company are recorded at the proceeds received, net of direct issuance costs.

(a) **Share capital and equity**

Ordinary shares are classified as equity.

If the Group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

1.9.5 ***Impairment of non-derivative financial instruments***

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the future cash flows of the assets.

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, 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 expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

1.9.6 ***Non-derivative financial assets and financial liabilities derecognition***

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, or cancelled, or expired.

1.10 **Revenue**

The Group provides mobile communication services and communication related products, postpaid, prepaid, broadband, wholesale, incoming, equipment and hybrid services offerings are complement by community service telephones (CSTs).

Revenue is recognised when there is evidence of an arrangement, collectability is reasonably assured and the delivery of the product or service has occurred. In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered. The value of each component is determined using verifiable objective evidence.

1.10.1 **Interconnection revenue**

Interconnection revenue for call termination is recognised in the period the traffic occurs. Revenue related to on network, network to network, roaming and international call connection services is recognised when the call is placed or connection provided. Revenue related to products and value-added services is recognised upon delivery and acceptance of the product or service.

1.10.2 ***Contract revenue***

- Activation fees are recognised when the customer activates the service.
- Airtime and data revenue is recognised on a percentage completion basis ie revenue is recognised over the period services are expected to be delivered. Amounts not yet recognised are reflected as unearned revenue in the statement of financial position.
- Revenue related to products and value-added services are recognised upon delivery and acceptance of the product or service.

1.10.3 ***Prepaid revenue***

Airtime and data

Amounts collected for prepaid airtime are deferred as unearned revenue in the statement of financial position and are recognised as revenue at the earlier of use or expiry. Certain products permit unused airtime to be carried over. Revenue is recognised for unused airtime at the earlier of use or expiry.

Payphone service revenue is recognised when the service is provided. Community phone revenue collected in advance is deferred as unearned revenue in the statement of financial position and recognised as revenue at the earlier of actual usage or expiry.

Related costs

On sale of a prepaid package, costs including the cost of the SIM-card and commission are recognised as customer acquisition costs in profit or loss.

1.10.4 ***Mobile equipment revenue***

Mobile equipment sold for cash is recognised when the handset is delivered to the customer. Revenue is measured net of returns and value added tax.

Handsets included in a contract package are supplied to a customer by an external vendor. The risk and rewards of ownership are transferred to the external vendor when a customer activates or renews a contract product which meet specific criteria. Revenue is measured at the agreed selling price to the external vendor net of cancellations and value added tax.

Handsets included in a contract package which do not meet the contract product criteria are recognised when the handset is delivered to the customer. Revenue is measured net of discounts, returns and value added tax.

1.11 Subscriber acquisition costs

Subsidies relating to handsets supplied by the external vendor are expensed as a finance charge in the period incurred.

Subscriber acquisition costs relating to contract products are capitalised as an intangible asset and amortised over the period of the contract term. Subscriber acquisition cost are assessed monthly for impairment.

Subscriber acquisition costs relating to prepaid are expensed in profit or loss as incurred.

1.12 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset and the amount recognised for the reimbursement does not exceed the amount of the provision.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

1.13 Finance income

Finance income comprises interest income, foreign exchange gains and fair value gains on financial assets at fair value through profit or loss.

Interest is recognised as it accrues in profit or loss, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the Group.

1.14 Finance costs

Finance costs comprise interest expense on interest-bearing bonds and borrowings, foreign exchange losses, subsidy on handsets sold to contract customers, fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

Finance costs are recognised in the profit or loss using the effective interest rate method.

1.15 Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint arrangements entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group withholds dividends tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the Group's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

1.16 Foreign currency

1.16.1 *Foreign currency transactions*

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains and losses arising on translation are recognised in profit or loss.

1.17 Employee benefits

1.17.1 *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis.

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The accruals for employee entitlements to wages, salaries, annual and sick leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the reporting date.

1.17.2 *Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

1.17.3 *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company and its subsidiaries contribute to a defined contribution plan. Contributions to defined contribution funds are recognised in profit or loss in the periods during which related services are rendered by employees.

1.18 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss using the effective interest method.

1.19 Segment reporting

The Group determines and presents operating segments based on the information that is internally provided to the Group executive committee (chief operating decision-maker).

The Group has four reportable segments that are used by the executive committee to make key operating decisions, allocate resources and assess performance. The reportable segments are differentiated and grouped by means of the nature of the product it provides, namely prepaid, contract, wholesale, and equipment. The segments' performance are reported and reviewed only to the extent of the revenue, while costs are reported on a total basis and are not reviewed or assessed based on the segments.

2. REVENUE

	2015 R'000	2014 R'000	2013 R'000
Service revenue	**10 806 221**	10 194 164	9 433 447
Non service revenue	**2 422 227**	1 439 984	2 069 001
	13 228 448	11 634 148	11 502 448

3. OTHER INCOME

	2015 R'000	2014 R'000	2013 R'000
Bad debt recoveries	**26 123**	25 194	35 916
Cancellation fees/vendor credits	**–**	–	1 104 626
Dividend received from joint venture	**–**	2 400	–
Profit on disposal of property, plant and equipment	**30 408**	20 358	145 896
Gain on settlement with creditor	**75 000**	–	–
Rental recoveries	**44 743**	31 916	4 411
Sundry income	**67 123**	64 380	102 791
	243 397	144 248	1 393 640

4. PROFIT/(LOSS) BEFORE EQUITY ACCOUNTED EARNINGS, NET FINANCE COST AND TAX EXPENSES ARE STATED AFTER TAKING INTO ACCOUNT THE FOLLOWING:

	2015 R'000	2014 R'000	2013 R'000
Amortisation	**220 621**	172 647	189 726
Bad debts	**200 524**	268 798	220 391
Cost of mobile equipment sales	**2 106 687**	1 657 851	2 238 221
Depreciation	**1 272 002**	965 593	876 010
Network property rental	**1 070 572**	1 042 810	813 165
Auditors' remuneration	**4 400**	4 742	–
Other property rental	**203 666**	194 105	182 521
Employee and directors' costs	**982 721**	910 080	883 010
Impairment of property, plant and equipment and intangible assets	**380 631**	576 406	67 072

5. FINANCE INCOME

	2015 R'000	2014 R'000	2013 R'000
Investment income	**37 281**	33 038	19 692
Foreign exchange gains			
– realised	**50 595**	238 327	133
– unrealised	**686 168**	254 409	225 448
	774 044	525 774	245 273

6. FINANCE COSTS

	2015 R'000	2014 R'000	2013 R'000
Interest paid	**1 856 030**	1 273 598	850 753
Financing costs	**307 699**	43 132	48 314
Foreign exchange losses			
– realised	**449 349**	554 546	297 435
– unrealised	**3 880 395**	1 299 377	2 237 561
	6 493 473	3 170 653	3 434 063

7. INCOME TAX

7.1 Major components of the tax

	2015 R'000	2014 R'000	2013 R'000
Deferred tax			
Current year tax movements	**–**	(1 043 878)	–
	–	(1 043 878)	–
Estimated tax losses available for utilisation against income	**20 643 403**	13 236 421	11 106 504
Applied to recognised deferred tax asset	**(4 521 926)**	(3 098 085)	(7 774 298)
Estimated tax losses available for utilisation against future income	**16 121 477**	10 138 336	3 332 206
Reconciliation of the tax expense			
Reconciliation between applicable tax rate and average effective tax rate.			
	%	%	%
Applicable tax rate	**28.00**	28.00	28.00
Prior year unrecognised temporary differences	**0.96**	(9.16)	(3.32)
Disallowed expenditure	**0.72**	3.49	1.69
Unrecognised deferred tax asset	**(29.68)**	(49.84)	(26.37)
Dividends received	**–**	0.02	–
Equity earnings	**–**	0.19	–
	–	(27.30)	–

8. PROPERTY, PLANT AND EQUIPMENT

	2015 Cost R'000	**2015 Accumulated depreciation and impairment R'000**	**2015 Carrying amount R'000**	2014 Cost R'000	2014 Accumulated depreciation and impairment R'000	2014 Carrying amount R'000
GSM Network	**12 525 412**	**(6 682 738)**	**5 842 674**	10 588 523	(5 260 255)	5 328 268
Computer equipment	**827 493**	**(701 973)**	**125 520**	742 834	(655 833)	87 001
Leasehold improvements	**486 845**	**(356 951)**	**129 894**	439 870	(329 817)	110 053
Furniture and fixtures	**56 585**	**(27 589)**	**28 996**	56 139	(19 534)	36 605
Equipment	**273 212**	**(230 906)**	**42 306**	250 284	(221 762)	28 522
Network and equipment assets – leased	**1 595 782**	**(362 272)**	**1 233 510**	1 510 049	(296 054)	1 213 995
RICA devices	**14 626**	**(14 626)**	**–**	14 626	(14 626)	–
Motor vehicles – leased	**38 661**	**(11 375)**	**27 286**	27 069	(6 368)	20 701
	15 818 616	**(8 388 430)**	**7 430 186**	13 629 394	(6 804 249)	6 825 145

	2013 Cost R'000	2013 Accumulated depreciation and impairment R'000	2013 Carrying amount R'000
GSM Network	8 686 172	(3 964 811)	4 721 361
Computer equipment	727 060	(633 278)	93 782
Leasehold improvements	460 872	(341 780)	119 092
Furniture and fixtures	74 797	(30 151)	44 646
Equipment	226 885	(215 017)	11 868
Network and equipment assets – leased	1 403 334	(221 004)	1 182 330
RICA devices	14 626	(14 626)	–
Motor vehicles – leased	25 183	(8 204)	16 979
	11 618 929	(5 428 871)	6 190 058

	GSM network R'000	Computer equipment R'000	Leasehold improve-ments R'000	Equipment R'000	Furniture and fixtures R'000	Network and equipment assets – Leased R'000	Motor vehicles – Leased R'000	Total R'000
Reconciliation of property, plant and equipment								
Opening balance	3 191 351	123 701	138 912	17 249	18 397	1 142 430	18 676	4 650 716
Additions	1 782 093	56 493	60 712	7 344	33 941	211 709	21 099	2 173 391
Disposals	(166 745)	–	(7 677)	(3 671)	(4 982)	(68 359)	(13 270)	(264 704)
Transfers*	535 647	(3 700)	(11 407)	(251)	5 337	–	–	525 626
Impairment loss**	–	(18 961)	–	–	–	–	–	(18 961)
Depreciation	(620 985)	(63 751)	(61 448)	(8 803)	(8 047)	(103 450)	(9 526)	(876 010)
Balance at 31 December 2013	**4 721 361**	**93 782**	**119 092**	**11 868**	**44 646**	**1 182 330**	**16 979**	**6 190 058**
Opening balance	4 721 361	93 782	119 092	11 868	44 646	1 182 330	16 979	6 190 058
Transfer*	(1 411)	(3 914)	596	3 621	(4 330)	6 298	–	860
Impairment loss**	(576 406)	–	–	–	–	–	–	(576 406)
Additions	1 921 251	58 240	40 571	19 499	5 197	196 454	14 469	2 255 681
Disposals	(1 375)	(80)	(91)	(35)	(35)	(72 827)	(5 012)	(79 455)
Depreciation	(735 152)	(61 027)	(50 115)	(6 431)	(8 873)	(98 260)	(5 735)	(965 593)
Balance at 31 December 2014	**5 328 268**	**87 001**	**110 053**	**28 522**	**36 605**	**1 213 995**	**20 701**	**6 825 145**
Opening balance	5 328 268	87 001	110 053	28 522	36 605	1 213 995	20 701	6 825 145
Additions	1 937 484	75 932	62 873	19 103	–	229 945	23 811	2 349 148
Disposals	(222)	–	–	–	–	(99 469)	(6 984)	(106 675)
Transfers*	5 313	8 771	(3 101)	3 772	446	–	–	15 201
Impairment loss**	(380 631)	–	–	–	–	–	–	(380 631)
Depreciation	(1 047 538)	(46 184)	(39 931)	(9 091)	(8 055)	(110 961)	(10 242)	(1 272 002)
Balance at 31 December 2015	**5 842 674**	**125 520**	**129 894**	**42 306**	**28 996**	**1 233 510**	**27 286**	**7 430 186**

* *Transfer to intangible assets. Refer to note 9.*

** *GSM Network assets were impaired due to these assets being swapped for new assets. These assets could no longer be used and had an insignificant resale value.*

Refer to note 19 for obligations under finance lease.

Assets pledged as security

The assets of Cell C Proprietary Limited and its subsidiaries serve as a first ranking, *pari passu* pledge over all of the assets of the Group. Refer to note 18.

9. INTANGIBLE ASSETS

	2015 Cost R'000	**2015 Accumulated depreciation and impairment R'000**	**2015 Carrying amount R'000**	2014 Cost R'000	2014 Accumulated depreciation R'000	2014 Carrying amount R'000
Franchise buy-backs	**–**	**–**	**–**	55 835	(55 835)	–
Computer software	**2 493 445**	**(2 062 433)**	**431 012**	2 147 999	(1 884 359)	263 640
Subscriber base	**–**	**–**	**–**	32 694	(32 694)	–
Subscriber acquisition cost	**127 916**	**(35 698)**	**92 218**	–	–	–
Indefeasible rights of use (IRU)	**141 290**	**(13 565)**	**127 725**	128 528	(6 713)	121 815
	2 762 651	**(2 111 696)**	**650 955**	2 365 056	(1 979 601)	385 455

	2013 Cost R'000	2013 Accumulated depreciation and impairment R'000	2013 Carrying amount R'000
Franchise buy-backs	55 835	(55 835)	–
Computer software	1 978 445	(1 716 950)	261 495
Subscriber base	32 694	(32 694)	–
Indefeasible rights of use (IRU)	180 000	(1 500)	178 500
	2 246 974	(1 806 979)	439 995

	Subscriber acquisition cost R'000	**Indefeasible rights of use (IRU) R'000**	**Computer software R'000**	**Total R'000**
Reconciliation of intangible assets				
Opening balance	–	–	354 516	354 516
Transfers*	–	–	4	4
Additions	–	180 000	143 312	323 312
Impairment loss**	–	–	(48 111)	(48 111)
Amortisation	–	(1 500)	(188 226)	(189 726)
Balance at 31 December 2013	**–**	**178 500**	**261 495**	**439 995**
Opening balance	–	178 500	261 495	439 995
Transfers*	–	–	(860)	(860)
Additions	–	–	170 439	170 439
Adjustment due to change in contract terms	–	(51 472)	–	(51 472)
Amortisation	–	(5 213)	(167 434)	(172 647)
Balance at 31 December 2014	**–**	**121 815**	**263 640**	**385 455**
Opening balance	–	121 815	263 640	385 455
Transfers*	–	–	(15 201)	(15 201)
Additions	127 916	12 762	360 644	501 322
Amortisation	(35 698)	(6 852)	(178 071)	(220 621)
Balance at 31 December 2015	**92 218**	**127 725**	**431 012**	**650 955**

** Refer to note 8.*
*** Impairment losses relate to software licences that are no longer in use.*

10. INVESTMENT IN JOINT VENTURES

10.1 Details of joint ventures

Name of joint venture	Principal activities	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Group 2015, 2014 and 2013
Newshelf 1138 Proprietary Limited t/a FibreCo Telecommunications Holdings Proprietary Limited ("Fibreco")	Fibreco is an independent fibre network operator offering bespoke high capacity data transmission solutions for operators, service providers and enterprises nationwide.	South Africa	33%
Mobile Number Portability Company Proprietary Limited	Mobile Number Portability Company administers the porting of mobile numbers across several mobile networks.	South Africa	20%

Name of company	**Carrying amount 2015 R'000**	Carrying amount 2014 R'000	Carrying amount 2013 R'000
Carrying amount			
Fibreco	**106 613**	108 972	–
Mobile Number Portability Company	**3 988**	1 480	–
	110 601	110 452	–

Fibreco	**Carrying amount 2015 R'000**	Carrying amount 2014 R'000	Carrying amount 2013 R'000
Loans receivable	**83 044**	83 044	82 000
Share of profits/(losses)	**23 569**	25 928	(82 000)
	106 613	108 972	–

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's management accounts.

The carrying amount of Fibreco is made up as follows:

	2015 R'000	**2014 R'000**	**2013 R'000**
Opening balance	**108 972**	–	40 202
Increase in loans receivable	**–**	–	19 000
Share of profit/(losses)	**(2 359)**	25 928	(59 202)
Reversal of impairment of loan	**–**	82 000	–
Interest on loan	**–**	1 044	–
	106 613	108 972	–
Revenue	**84 471**	76 460	536 035
(Loss)/profit for the year	**(10 037)**	(166 563)	347 168
Depreciation and amortisation	**(18 678)**	(22 263)	(431)
Interest income	**148**	5 675	729
Interest expense	**(6 117)**	(19 559)	(1 032)
Income tax (expense)/income	**(50)**	(77 847)	12 052
Non-current assets	**293 200**	298 666	311 882
Current assets*	**127 478**	106 926	421 768
Current liabilities**	**(126 329)**	(98 294)	(248 005)
Non-current liabilities***	**(191 114)**	(195 099)	(206 876)
Net asset value of Fibreco	**103 235**	112 199	278 769

* *Includes cash and cash equivalents of R21 015 million (2014: R26 204 million, 2013: R130 066 million).*

** *Includes current financial liabilities (excluding trade and other payables and provisions) of R23 964 million (2014: R20 495 million, 2013: R10 169 million).*

*** *Includes non-current financial liabilities of (excluding accruals and unearned income) R189 000 million (2014: R189 000 million, 2013: R189 255 million).*

The year-end of Fibreco is September and differs to the year end of the Group. The balances disclosed above are for the period 1 January 2015 to 31 December 2015.

Reconciliation of the above summarised financial information to the carrying amount of the interest in Fibreco recognised in the consolidated financial statements:

	2015 R'000	2014 R'000	2013 R'000
The Group's share of profit from continuing operations	**3 988**	1 480	–
Aggregated carrying amount of the Group's interest in these joint ventures	**3 988**	1 480	–
Net assets of the joint venture	**103 235**	112 199	279 269
Shareholder investments	**–**	–	(540 000)
Elimination of unrealised profit	**(31 814)**	(33 630)	–
	71 421	78 569	(260 731)
Proportion of the Group's ownership interest	**33%**	33%	33%
Carrying amount of Group's interest in joint venture	**23 569**	25 928	–
Impairment is limited to the investment and loans to Fibreco.			
Aggregate information of joint venture that is not material			
Cell C Proprietary Limited holds a 20% interest in Mobile Number Portability Company (Pty) Ltd			
The Group's share of profit from continuing operations	**3 988**	1 480	–
Aggregated carrying amount of the Group's interest in these joint ventures	**3 988**	1 480	–

11. DEFERRED TAX

	2015 R'000	2014 R'000	2013 R'000
Reconciliation of deferred tax asset			
At beginning of the year	**1 983 290**	3 027 168	3 027 168
Current year tax movements	**–**	(1 043 878)	–
At end of year	**1 983 290**	1 983 290	3 027 168
Deferred tax			
Property, plant and equipment	**(57 033)**	642 405	362 236
Tax losses	**1 266 139**	867 494	2 176 803
Provisions	**278 600**	37 959	162 776
Prepayments	**(8 883)**	(30 232)	283 375
Other temporary differences	**216 885**	465 664	41 978
Income received in advance	**287 582**	–	–
	1 983 290	1 983 290	3 027 168

The deferred tax asset is recognised in respect of deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available. The directors are satisfied that the deductible temporary differences will be utilised in the short term. The utilisation of the assessed losses is based on the projected profits for the next seven years reflected in the business plan approved by management and the Board.

12. OTHER LIABILITIES

	2015 R'000	2014 R'000	2013 R'000
Non-current			
Fibreco loan	**–**	48 557	85 500
Credit deposit	**–**	1 600 000	–
Financial guarantee	**25 834**	–	–
	25 834	1 648 557	85 500
Current			
Financial guarantee	**103 334**	–	–
	103 334	–	–

Other non-current liabilities in 2014 refers to the long-term portion of amounts owed to FibreCo Telecommunications with the acquisition of the Indefeasible Right of Use (IRU). In 2015, the amount owed to Fibreco is included in trade and other payables. The credit deposit of R1.6 billion received from a customer in 2014 was settled by offsetting the receivable due from the customer during 2015.

Other non-current and current liabilities in 2015 refers to the guarantee provided to an external vendor for outstanding handset fees not collected from the customers. The valuation of the financial guarantee was based on the following methodology and assumptions:

The methodology is analogous to the technique of run-off triangles under short-term insurance. The fundamental assumption under this method is that patterns of progression in the past may reasonably be expected to be repeated in future.

Past experience was assessed separately for all debt durations, based on the month of first appearance in the file of distressed customers. The longest history is therefore available for early cases of entry to these files and the shortest history for later entrants. The history was used to determine the probability of transition to write-off for each month after appearance in the file, and the value of write-off in those cases ultimately written off. What ultimately matters is the relationship between the value at first appearance in the debt file and the corresponding value at write-off.

The analysis produces a curve, by month of delay, which describes the relationship between:

(1) the value of debt at first entry to the distressed file; and

(2) the corresponding value of the write-off, for each month from that first entry. For projection purposes, we assume that the average across all starting months gives us the best estimate of the corresponding curve for all future write-offs.

We then apply this curve to all existing entries in the debt files to predict the proportion of the current values that will need to be written off, and the corresponding timing.

Critical among the assumptions regarding future run-off is whether, where write-off experience for a particular origin month differs from expectation of the future run-off corresponds to the model, or the eventual total run-off corresponds to the model. The latter was used.

13. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The following information relates to derivative financial instruments:

	2015		2014	
	Assets R'000	**Liabilities R'000**	Assets R'000	Liabilities R'000
Cross currency interest rate swap	**–**	**(449 583)**	–	(759 625)
Forward foreign exchange contracts	**–**	**–**	–	(6 945)
Participating coupon only swap	**203 684**	**–**	82 655	–
Collar option	**6 011**	**–**	–	–
	209 695	**(449 583)**	82 655	(766 570)

	2013	
	Assets R'000	Liabilities R'000
Cross currency interest rate swap	–	(678 477)
Participating coupon only swap	39 623	(5 160)
	39 623	(683 637)

	2015		2014	
	Assets R'000	**Liabilities R'000**	Assets R'000	Liabilities R'000
Current	**141 276**	**(177 387)**	6 570	(290 779)
Non-current	**68 419**	**(272 196)**	76 085	(475 791)
	209 695	**(449 583)**	82 655	(766 570)

	2013	
	Assets R'000	Liabilities R'000
Current	–	(261 101)
Non-current	39 623	(422 536)
	39 623	(449 583)

13.1 Derivatives

13.1.1 *Derivatives*

The derivative is classified as a current asset or liability, if the maturity of the item is less than 12 months.

The cross currency interest rate swap has been entered into to hedge 100% of the principal and the interest repayments on the Euro-denominated China Development Bank loan facility. The notional value of the hedge is €167 962 million (2014: €203 954 million, 2013: €221 950 million).

The participating coupon-only swap has been entered into to hedge 72% (2014: 73%, 2013: 78%) of the principal repayments on the USD-denominated China Development Bank Capex loan facility. The notional value of the hedge is $213 377 million (2014: $242 818 million, 2013: $204 325 million).

The collar option has been entered into to hedge 25% (2014: 0%) of the principle repayments on the Euro bonds. The notional value of the hedge is €100 million.

	Notional value 2015 FC'000	Fair value 2015 R'000	Maturity dates	Hedging instrument
USD-denominated				
China Development Bank Capex facility loan	213 377	203 684	20 May 2017	Participating coupon only swap
Euro-denominated				
China Development Bank loan	167 962	(449 583)	20 Nov 2018	Cross currency interest rate swap
Euro bonds	100 000	6 011	July 2018	Collar option

13.1.2 *Fair value hierarchy of financial assets at fair value*

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies to inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies to inputs which are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active markets is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

	2015 R'000	2014 R'000	2013 R'000
Level 2			
Participating coupon only swap	**203 684**	82 655	34 463
Foreign exchange contract	**–**	(6 945)	–
Collar option	**6 011**	–	–
	209 695	75 710	34 463
Level 3			
Cross currency interest rate swap	**(449 583)**	(759 625)	(678 477)
Reconciliation of level 3 measurement of financial liabilities			
Opening balance	**(759 625)**	(678 477)	(854 191)
Gains or losses in profit or loss	**400 146**	8 956	265 818
Day one loss amortised to finance income in the statement of comprehensive income	**(90 104)**	(90 104)	(90 104)
	(449 583)	(759 625)	(678 477)

Level 3 valuation methodology

- Cell C pays a predetermined fixed rate on an amortising EUR notional amount.
- These amounts are converted at an Adjusted EUR/ZAR forward rate to determine ZAR amounts.
- The Adjusted FX ZAR rate is replicated using five FX options. Refer below for details on the replicating portfolio.
- The fixed ZAR cash flows are then discounted at the ZAR swap curve plus a credit spread of 500bps (obtained from management and not tested).
- This 500bps spread reflects the credit risk that Deutsche Bank has priced in to incorporate their credit exposure to Cell C after taking into account the €115 million collateral that OTL has placed with DB.
- The floating EUR cash flows are calculated by projecting the EUR forward rates and adding a spread of 3.5%.
- These amounts are subsequently discounted off the EUR basis-adjusted curve.
- The swap is then valued by adding the present value of the floating and fixed legs.
- The model is a discounted cash flow model, combined with the Garman-Kohlhagen model to value the options.

At reporting date, if the credit spread used in the valuation of the cross currency swap had been 1.0% higher (6% credit spread) with all other variables held constant, loss before tax for the year will be R47 092 million (2014: R70 779 million, 2013: R107 209 million) lower, mainly as a result of a lower interest expense on the cross currency swap.

At reporting date, if the credit spread used in the valuation of the cross currency swap had been 1.0% lower (4% credit spread) with all other variables held constant, loss before tax for the year will be R48 011 million (2014: R72 624 million, 2013: R103 767 million) higher, mainly as a result of a higher interest expense on the cross currency swap.

14. INVENTORIES

	2015 R'000	2014 R'000	2013 R'000
Merchandise	**455 176**	177 210	394 686
Provision for obsolete stock	**(27 343)**	(15 925)	(2 592)
	427 833	161 285	392 094

15. TRADE AND OTHER RECEIVABLES

	2015 R'000	2014 R'000	2013 R'000
Trade and other receivables	**3 033 613**	4 407 613	4 003 677
Prepayments and other sundry debtors	**492 413**	440 111	1 380 424
Allowance for impairment	**(211 141)**	(169 375)	(98 660)
	3 314 885	4 678 349	5 285 441
Non-current			
Trade and other receivables	**–**	383 401	385 829
Allowance for impairment of trade receivables	**–**	–	(54 769)
	–	383 401	331 060
Current			
Trade receivables	**3 526 026**	4 464 323	4 998 272
Allowance for impairment of trade receivables	**(211 141)**	(169 375)	(43 891)
	3 314 885	4 294 948	4 954 381

Included in other sundry debtors is a loan of R3.2 million (2014: R3.2 million, 2013: R3.2 million) receivable from CellSAf Proprietary Limited. The amount is unsecured, bears interest at 5.07% and has no fixed term of repayment.

16. CASH AND CASH EQUIVALENTS

	2015 R'000	2014 R'000	2013 R'000
Cash at bank and on hand	**775 605**	1 249 182	631 987
	775 605	1 249 182	631 987

The bank accounts are included as part of the security package. Refer to note 18 for details.

17. SHARE CAPITAL AND SHARE PREMIUM

	2015 R'000	2014 R'000	2013 R'000
Authorised			
1 000 ordinary shares (2014 and 2013: 1 000 ordinary shares)	**1**	1	1
	1	1	1
Issued capital comprises:			
641 ordinary shares (2014: 639, 2013: 573 ordinary shares)*	**–**	–	–
Share premium	**14 168 218**	14 110 106	12 041 276
	14 168 218	14 110 106	12 041 276

**Share capital of R641 (2014: R639, 2013: R573) is not shown due to the amount being less than R1 000.*

18. INTEREST-BEARING LOANS AND BORROWINGS

	2015 R'000	2014 R'000	2013 R'000
Unsecured			
Oger Telecom Limited – Current account Loan of $0.71 million (2014 and 2013: $2 009 million) bearing no interest, with no fixed terms of repayment. Subordinated and not payable within 12 months. The loan was partially converted to equity during 2015.	**11 047**	23 202	21 087
Oger Telecom (South Africa) Proprietary Limited ("OTSA") – Current account The loan was converted to equity in 2015 (2014: $2 524 million, 2013: $2 598 million).	**–**	29 147	27 266
Senior subordinated bonds The bonds were repaid on 26 June 2015 (2013 and 2014: $170 352 million), the balance included interest of $8 881 million in 2014.	**–**	1 967 119	1 787 800
Development Bank of South Africa R271 402 million (2014: R294 019 million, 2013: R316 636) loan expiring on 26 March 2021, bearing interest on a leverage grid to a maximum margin equals 5.35% which is accrued monthly and settled half yearly. The capital outstanding is repayable in half yearly instalments. The company has drawn down on the entire facility. The balance includes R16 555 million accrued interest.	**287 957**	294 020	316 644
Nedbank Revolving Credit Facility R1.2 billion (2014: R1.3 billion, 2013: R1.3 billion) facility expiring on 31 October 2017, bearing interest at JIBAR + 4.95%. The company has drawn down on R0.967 billion of the available facility. The balance includes R5 984 million accrued interest. The facility includes letters of credit amounting to approximately R22 million.	**972 984**	1 128 892	1 211 079
Nedbank Long-term Loan R300 million (2014: R200 million, 2013: R200 million) loan expiring on 31 May 2018, bearing interest at JIBAR + 4.7% which is accrued monthly and settled quarterly. The capital outstanding is repayable in quarterly instalments. The company has drawn down on the entire facility. The balance includes R2 950 million accrued interest.	**302 950**	200 268	200 156
Total unsecured	**1 574 938**	3 642 648	3 564 032

	2015 R'000	2014 R'000	2013 R'000
Secured			
Nokia Siemens Networks Finance BV The loan was settled during the 2014 financial year.	**–**	–	316 218
Senior secured bonds Comprises bonds of €400 million (2013 and 2014: €166 956 million) bearing interest at 8.625% which is accrued monthly and settled half yearly. The bonds are repayable on 1 July 2018.	**6 744 142**	2 334 728	2 413 791
China Development Bank Loan €167 962 million (2014: €204 832 million, 2013: €221 950 million) loan expiring on 24 August 2018, bearing interest at EURIBOR + 3.5% which is accrued monthly and settled quarterly. A percentage of the capital outstanding is repayable annually based on a sliding scale. The balance includes €0.670 million (2014: €0.878 million, 2013: €0.986 million) accrued interest. The company has drawn down the entire facility.	**2 843 191**	2 864 398	3 223 124
Industrial and Commercial Bank of China $158 417 million (2014: $76 221, 2013: $0) loan expiring on 16 June 2022, bearing interest at three-month LIBOR+3.45% which is accrued monthly and settled half yearly. A percentage of the capital outstanding is repayable annually from 2016 based on a sliding scale. The company has an undrawn facility of $38 583 million. The balance includes accrued interest of $0.533 million (2014: $0.212 million, 2013: $0).	**2 466 245**	880 155	–
CDB/ZTE Financing $20 836 million (2014: $0) loan expiring on 20 May 2024, bearing interest at six month LIBOR+3.5% which is accrued monthly and settled half yearly. A percentage of the capital outstanding is repayable annually based on a sliding scale. The company has an undrawn facility of $110 164 million. The balance includes accrued interest of $0.003 million.	**323 324**	–	–
Bridge vendor financing The balance includes accrued interest of $0.214 million (2014: $0). The principle loan was settled during 2015.	**3 325**	–	–
Industrial and Commercial Bank of China FSA2 $44 446 million (2014: $0 million) capex loan expiring on 30 June 2023, bearing interest at LIBOR +3.45% which is accrued monthly and settled quarterly. A percentage of the capital outstanding is repayable annually based on a sliding scale. The company has an undrawn facility of $195 554 million and R1.3 billion. The balance includes $0.136 million accrued interest.	**691 739**	–	–
China Development Bank Capex Facility $298 566 million (2014: $332 625 million, 2013: $360 million) capex loan expiring on 29 June 2019, bearing interest at three-month LIBOR +2.5% which is accrued monthly and settled quarterly. A percentage of the capital outstanding is repayable annually based on a sliding scale. The company has drawn down on the entire facility. The balance includes $0.973 million (2014: $1 021 million, 2013: $0.780 million) accrued interest.	**4 632 515**	3 852 484	2 759 393

	2015 R'000	2014 R'000	2013 R'000
Capitalised finance costs – Borrowings	**(186 110)**	(89 277)	(44 904)
The costs of raising finance have been capitalised and are amortised over the loan period. Amortisation is reflected as finance cost in the profit or loss.			
Total secured	**17 518 371**	9 842 488	8 667 622
Total unsecured and secured	**19 093 309**	13 485 136	12 231 654
Current portion of interest-bearing borrowings			
Oger Telecom (South Africa) Proprietary Limited ("OTSA") – Current account	**–**	29 147	27 266
Senior subordinated bonds	**–**	1 967 119	93 203
Nedbank Revolving Credit Facility	**5 984**	1 892	2 079
Nedbank Long-term Loan	**77 950**	50 272	156
Development Bank of South Africa	**84 405**	45 234	22 625
Industrial and Commercial Bank of China	**155 749**	2 445	–
Nokia Siemens Networks Finance BV	**–**	–	316 218
Senior secured bonds	**–**	96 523	99 791
China Development Bank Loan	**1 022 682**	515 602	270 733
China Development Bank Capex Facility	**829 930**	488 975	142 841
Capitalised finance costs – Borrowings	**(67 817)**	(22 465)	(15 505)
CDB/ZTE Financing	**38**	–	–
Bridge Vendor Financing	**3 325**	–	–
Industrial and Commercial Bank of China FSA2	**2 115**	–	–
	2 114 361	3 174 744	959 407
Current	**2 114 361**	3 174 744	959 407
Non-current	**16 978 948**	10 310 392	11 272 247
Total	**19 093 309**	13 485 136	12 231 654

Securities and guarantees

In the current year, the following loans shared the same security package:

- China Development Bank Loan.
- Industrial and Commercial Bank of China.
- CDB/ZTE Financing.
- China Development Bank Capex Facility.
- Senior secured bonds.
- ICBC FSA 2 Facility.

The Nedbank revolving credit facility, Nedbank long-term loan, and the Development Bank of South Africa loan shared in the security package in 2014 and 2013.

- The security package includes the following security:
- Assets of Cell C Proprietary Limited and its subsidiaries.
- Receivables of the group, except those receivables that need consent from the counterparty to be ceded.
- Shares of OTSA group and its subsidiaries i.e. OTSA, 3C Telecommunications Proprietary Limited, Cell C Proprietary Limited, Cell C Service Provider Proprietary Limited, Cell C Property Company Proprietary Limited and Cell C Tower Company Proprietary Limited.
- Cross collateral guarantees across Cell C Proprietary Limited and its subsidiaries; and
- Cession of certain contracts (insurance, bank accounts, licences, key network agreements and trademarks).

In addition to this, the following terms exist:

- China Development Bank Loan is 100% guaranteed by Oger Telecom Limited.
- China Development Bank Capex facility is partially guaranteed by Oger Telecom Limited.
- Nedbank loans are 100% guaranteed by Oger Telecom Limited.
- Development Bank of South Africa facility is 100% guaranteed by Oger Telecom Limited.
- Industrial and Commercial Bank of China is 50% guaranteed by Oger Telecom Limited.
- CDB/ ZTE financing facility is 50% guaranteed by Oger Telecom Limited.
- Industrial and Commercial Bank of China FSA2 is 50% guaranteed by Oger Telecom Limited.

Oger Telecom Limited guarantees a maximum of €43 million (2014: €80 million, 2013: €115 million) under the cross currency and interest rate swap with Deutsche Bank.

The Standard Chartered participating coupon only swap benefits from a guarantee from Oger Telecom up to a maximum of $10 million.

Externally imposed capital requirements

Cell C will be required to comply with certain maintenance financial covenants. These financial covenants include limits on the amount of capital expenditures in a set financial period (capex), a limit on incurring debt after a certain level of debt is reached (net debt to EBITDA, debt service cover) and require Cell C to achieve a minimum EBITDA (earnings before interest, tax, depreciation and amortisation). The next financial covenant test will be performed at 31 December 2016.

19. OBLIGATIONS UNDER FINANCE LEASE

	2015 R'000	2014 R'000	2013 R'000
Non-current			
Telkom links	**675 934**	765 175	800 988
Motor vehicles	**12 560**	10 114	9 515
Network leases	**667 087**	561 224	471 102
	1 355 581	1 336 513	1 281 605
Current			
Telkom links	**35 204**	24 031	15 940
Motor vehicles	**15 271**	10 378	7 643
Network leases	**30 445**	24 143	13 192
	80 920	58 552	36 775
	1 436 501	1 395 065	1 318 380
Reconciliation of finance leases			
Total minimum lease payments	**3 062 975**	3 133 056	3 164 619
Less: Future finance charges	**(1 626 474)**	(1 737 991)	(1 846 239)
	1 436 501	1 395 065	1 318 380
Total minimum lease payments due			
– Not later than one year	**287 209**	259 564	229 195
– Between one and five years	**1 033 986**	976 348	892 089
Later than five years	**1 741 780**	1 897 144	2 043 335
	3 062 975	3 133 056	3 164 619
Present value of minimum lease payments due			
Not later than one year	**80 920**	58 552	36 775
Later than one year and not later than five years	**321 634**	258 001	180 348
Later than five years	**1 033 947**	1 078 512	1 101 257
	1 436 501	1 395 065	1 318 380

Finance lease obligations for motor vehicles are capitalised at an effective rate of between 7.75% and 11.9% (2014: 7.25% and 11.2%, 2013: 6.5% and 10.9%). The remaining terms of the current lease liabilities are between one and 42 months. Average monthly repayments are R0.96 million (2014: R0.647 million, 2013: R0.654 million).

Finance lease obligations relate to Telkom links and other network leases are capitalised at an effective rate of 14.85% (2014: 14.85%, 2013: 14.85%). The remaining terms of the current lease liabilities are up to 15 years. Average monthly repayments for Telkom links are R11 622 million (2014: R11.73 million, 2013: R12 971 million) and for other network leases are R8 959 million (2014: R7 715 million, 2013: 6 859 million).

Refer to note 8 for the net book value of the assets under finance lease.

20. TRADE AND OTHER PAYABLES

	2015 R'000	2014 R'000	2013 R'000
Trade payables	**1 566 821**	1 064 166	1 484 143
Accrued expenses	**2 514 314**	2 497 084	2 264 409
Deposits	**500 000**	400 000	999 987
	4 581 135	3 961 250	4 748 539

Included in trade payables is R46.5 million (2014: R42.7 million, 2013: R85.5 million) payable to Fibreco.

21. PROVISIONS AND OTHER EMPLOYEE BENEFITS

	2015 R'000	2014 R'000	2013 R'000
Current	**289 625**	8 714	161 920
Non-current	**120 278**	72 000	–
	409 903	80 714	161 920

	Bonuses R'000	**Performance incentives R'000**	**Retention bonus R'000**	**Onerous operating lease R'000**	**Total R'000**
Other provisions					
Opening balance	–	36 000	36 000	8 714	80 714
Additional provisions recognised	180 000	99 278	54 000	–	333 278
Reductions arising from payments/release	–	–	–	(4 089)	(4 089)
Balance at 31 December 2015	**180 000**	**135 278**	**90 000**	**4 625**	**409 903**

Performance incentive

The Group introduced a performance incentive scheme during the prior year for senior and executive employees, effective from 2016. Employees are eligible for payment under the scheme if they are in the employment of Cell C at the date of payment.

The following estimates are utilised in the valuation:

- Forecasted EBITDA from the approved business plan.
- A comparable market EV multiple.
- Estimated staff criteria.
- Estimate of exercise behaviour.
- Estimated market-related discount rate.

Provision for onerous contract

Cell C Proprietary Limited entered into a non-cancellable lease for office space in Parktown and Menlyn shopping centre. Due to changes in its property management policies, Cell C had ceased to use these properties by December 2014. These leases have different expiry dates ranging between May 2016 and November 2017. The facilities have been sublet for the remaining lease term, but changes in market conditions have meant that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income has been provided for.

Retention bonus

The Group introduced a retention bonus scheme in the prior year, which is payable in 2016. Employees will be eligible for the bonus payment if the following conditions are met:

- The company meets or exceeds the budgeted EBITDA for 2015.
- Employees are in the employment of Cell C at the date of payment.

Bonuses

The Group's Remuneration Committee approved bonuses to employees which were based on budgeted targets being met. The bonuses will be paid during 2016.

22. EMPLOYEE BENEFITS

22.1 Defined contribution plans

The Group provide retirement benefits to all permanent employees through a defined contribution pension fund, which is subject to the Pension Fund Act, 1956, as amended.

	2015 R'000	2014 R'000	2013 R'000
Contributions (employer portion)	**46 923**	53 600	51 125

23. CAPITAL AND LEASE COMMITMENTS

23.1 Capital expenditure

	2015 R'000	2014 R'000	2013 R'000
Contracted for but not yet incurred	**6 566 551**	1 317 957	682 986
Contracted and provided for	**–**	–	28 000
	6 566 551	1 317 957	710 986

Included in the amounts committed at 31 December 2015, is R2.6 billion which was approved for capital expenditure for the 2016 financial year.

23.2 Sponsorships

	2015 R'000	2014 R'000	2013 R'000
Sponsorships	**60 928**	100 217	114 590

23.3 **Operating lease – As lessee (expense)**

	2015 R'000	2014 R'000	2013 R'000
Minimum lease payments due			
– payable within one year	**893 935**	2 036 320	1 520 999
– payable between one and five years	**3 224 041**	2 783 826	1 868 641
– payable after five years	**1 567 535**	2 822 950	1 703 621
	5 685 511	7 643 096	5 093 261
Less: Operating lease adjustments	**(227 914)**	(123 143)	(143 998)
	5 457 597	7 519 953	4 949 263

Future operating lease charges for premises, office equipment and GSM network sites.

Lease type	**Average Lease term**	**Average escalation**	**Renewal/ Purchase option**
GSM Network sites	9 years, 11 months	10%	2 – 5 years
Co-location sites	3 – 5 years	10%	3 – 5 years
Buildings	3 – 15 years	7.5% – 10%	3 – 10 years
Office equipment	3 years	Fixed term	3 years

24. FINANCIAL INSTRUMENTS

24.1 Categories of financial instruments

Financial assets by category

The accounting policies for financial assets have been applied to the line items below:

Financial assets

	Loans and receivables R'000	**Fair value through profit or loss R'000**	**Total carrying value R'000**	**Fair value R'000**
2013				
Derivative financial assets	–	39 623	39 623	39 623
Trade and other receivables	5 285 441	–	5 285 441	5 285 441
Cash and cash equivalents	631 987	–	631 987	631 987
	5 917 428	**39 623**	**5 957 051**	**5 957 051**
2014				
Derivative financial assets	–	82 655	82 655	82 655
Trade and other receivables	4 678 349	–	4 678 349	4 678 349
Cash and cash equivalents	1 249 182	–	1 249 182	1 249 182
	5 927 531	**82 655**	**6 010 186**	**6 010 186**
2015				
Derivative financial assets	–	209 695	209 695	209 695
Trade and other receivables	3 314 885	–	3 314 885	3 314 885
Cash and cash equivalents	775 605	–	775 605	775 605
	4 090 490	**209 695**	**4 300 185**	**4 300 185**

Financial liabilities by category

The accounting policies for financial liabilities have been applied to the line items below:

Financial liabilities

	Financial liabilities at amortised cost R'000	Fair value through profit or loss R'000	Total carrying value R'000	Fair value R'000
At 31 December 2013				
Loans and borrowings – non-current	11 272 247	–	11 272 247	11 248 339
Loans and borrowings – current	959 407	–	959 407	959 407
Obligations under finance lease – non-current	1 281 605	–	1 281 605	1 281 605
Obligations under finance lease – current	36 775	–	36 775	36 775
Derivative financial liabilities – non-current	–	422 536	422 536	422 536
Derivative financial liabilities – current	–	261 101	261 101	261 101
Other non-current liability	85 500	–	85 500	85 500
Trade and other payables	4 748 539	–	4 748 539	4 748 539
	18 384 073	**683 637**	**19 067 710**	**19 043 802**
2014				
Loans and borrowings – non-current	10 310 392	–	10 310 392	10 327 902
Loans and borrowings – current	3 174 744	–	3 174 744	3 174 744
Obligations under finance lease – non-current	1 336 513	–	1 336 513	1 336 513
Obligations under finance lease – current	58 552	–	58 552	58 552
Derivative financial liabilities – non-current	–	475 791	475 791	475 791
Derivative financial liabilities – current	–	290 779	290 779	290 779
Other liabilities	1 648 557	–	1 648 557	1 648 557
Trade and other payables	3 961 250	–	3 961 250	3 961 250
	20 490 008	**766 570**	**21 256 578**	**21 274 088**
2015				
Loans and borrowings – non-current	16 978 948	–	16 978 948	16 978 948
Loans and borrowings – current	2 114 361	–	2 114 361	2 114 361
Obligations under finance lease – non-current	1 355 581	–	1 355 581	1 355 581
Obligations under finance lease – current	80 920	–	80 920	80 920
Derivative financial liabilities – non-current	–	272 196	272 196	272 196
Derivative financial liabilities – current	–	177 387	177 387	177 387
Other liabilities	129 168	–	129 168	129 168
Trade and other payables	4 581 135	–	4 581 135	4 581 135
	25 240 113	**449 583**	**25 689 696**	**25 689 696**

24.2 **Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk, in the normal course of the Group's business.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to economically hedge certain risk exposures.

24.3 **Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors approve a budget with respect to every financial year. Each such budget includes a capital expenditure amount against which the Board then measures the actual capital expenditure.

From an approved capital expenditure budget of R2.3 billion (2014: R2.1 billion, 2013: R1.9 billion) for the 2015 financial year, the Group used close to R2.6 billion (2014: R2.2 billion, 2013: R2.5 billion) for actual capital expenditure for which subsequent approval was obtained. The Group expects to increase its capital expenditure in the coming financial years based on plans to expand and improve its network infrastructure. The Group aims to finance such expenditure through a combination of cash flows, vendor financing, bank loans and shareholder funding.

Cell C Proprietary Limited have an active capital management policy based on:

- ensuring long-term funding needs of the Group are met through the business planning and budgeting process;
- refinancing matching obligations in a timely and efficient manner;
- turning out long-term liabilities where appropriate; and
- actively working in consultation with the shareholders to optimise the capital structure.

The following resources are managed as capital:

- Share capital (see note 17).
- Borrowings (see note 18).
- Shareholder loans (see note 18).

Refer to note 18 for externally imposed capital requirements.

24.4 **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's risk to liquidity is as a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments) as per the Group's approved business plan.

Liquidity

	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At 31 December 2013						
Non-derivative financial instruments						
High yield bonds	(4 201 591)	(4 780 573)	(385 988)	(4 394 585)	–	–
Secured bank loans	(8 026 614)	(9 555 847)	(1 229 249)	(1 286 530)	(6 347 237)	(692 831)
Shareholders' loans	(48 353)	(48 353)	(27 266)	–	–	(21 087)
Obligations under finance lease	(1 318 380)	(3 164 620)	(229 195)	(230 781)	(661 309)	(2 043 335)
Trade and other payables	(4 748 539)	(4 748 539)	(4 748 539)	–	–	–
Other non-current liabilities	(85 500)	(85 500)	–	(42 750)	(42 750)	–
	(18 428 977)	**(22 383 432)**	**(6 620 237)**	**(5 954 646)**	**(7 051 296)**	**(2 757 253)**
Derivative – Cross currency interest rate swaps						
Inflow	3 573 851	3 640 153	378 200	629 297	2 632 655	–
Outflow	(4 702 851)	(5 666 244)	(748 555)	(1 031 642)	(3 886 047)	–
Day one valuation	450 522	–	–	–	–	–
	(678 478)	**(2 026 091)**	**(370 355)**	**(402 345)**	**(1 253 392)**	**–**
Derivative – Participating coupon only swap						
Inflow	632 970	636 010	152 480	160 819	197 731	–
Outflow	(598 507)	(657 750)	(160 040)	(171 433)	(199 925)	–
	34 463	**(21 740)**	**(7 560)**	**(10 614)**	**(2 194)**	**–**
At 31 December 2014						
Non-derivative financial instruments						
Loans and borrowings	(13 485 136)	(15 415 078)	(3 824 142)	(3 179 021)	(7 898 710)	(513 205)
Obligations under finance lease	(1 395 065)	(3 133 057)	(259 564)	(263 863)	(712 485)	(1 897 144)
Trade and other payables	(3 961 250)	(3 961 250)	(3 961 250)	–	–	–
Other liabilities	(1 648 557)	(1 648 557)	–	(48 557)	(1 600 000)	–
	(20 490 008)	**(24 157 942)**	**(8 044 956)**	**(3 491 441)**	**(10 211 195)**	**(2 410 349)**

	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
Derivative – Cross-currency interest rate swaps						
Inflow	3 100 140	2 917 296	579 424	907 395	1 430 477	–
Outflow	(4 220 183)	(4 698 854)	(990 762)	(1 341 480)	(2 366 612)	–
Day one valuation	360 418	–	–	–	–	–
	(759 625)	**(1 781 558)**	**(411 338)**	**(434 085)**	**(936 135)**	**–**
Derivative – Participating coupon only swap						
Inflow	1 233 607	1 243 184	410 788	559 616	272 780	–
Outflow	(1 150 952)	(1 269 094)	(420 757)	(569 130)	(279 207)	–
	82 655	**(25 910)**	**(9 969)**	**(9 514)**	**(6 427)**	**–**
Derivative– Forward exchange contract						
Outflow	(6 945)	(6 945)	(6 945)	–	–	–
At 31 December 2015						
Non-derivative financial instruments						
Loans and borrowings	(19 279 419)	(23 575 951)	(3 235 145)	(5 461 221)	(13 542 290)	(1 337 294)
Obligations under finance lease	(1 436 501)	(3 062 975)	(287 209)	(275 473)	(758 514)	(1 741 780)
Trade and other payables	(4 581 135)	(4 581 135)	(4 581 135)	–	–	–
Other liabilities	(129 168)	(129 168)	(103 334)	(25 834)	–	–
	(25 426 223)	**(31 349 229)**	**(8 206 823)**	**(5 762 528)**	**(14 300 804)**	**(3 079 074)**
Derivative – Cross-currency interest rate swaps						
Inflow	2 825 108	2 807 741	1 089 078	983 934	734 729	–
Outflow	(3 545 004)	(4 026 392)	(1 423 128)	(1 421 581)	(1 181 683)	–
Day one valuation	270 313	–	–	–	–	–
	(449 583)	**(1 218 651)**	**(334 050)**	**(437 647)**	**(446 954)**	**–**
Derivative – Participating coupon only swap						
Inflow	1 081 195	1 086 008	731 166	354 842	–	–
Outflow	(877 511)	(938 116)	(622 848)	(315 268)	–	–
	203 684	**147 892**	**108 318**	**39 574**	**–**	**–**

24.5 **Interest rate risk**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000	Total R'000
At 31 December 2013					
Floating rates					
Loans and borrowings	(754 651)	(840 711)	(5 765 017)	(666 235)	(8 026 614)
Obligations under finance lease	(36 775)	(43 280)	(137 067)	(1 101 258)	(1 318 380)
Cash and cash equivalents	631 987	–	–	–	631 987
	(159 439)	**(883 991)**	**(5 902 084)**	**(1 767 493)**	**(8 713 007)**
Fixed rates					
High yield bonds	(192 994)	(4 008 597)	–	–	(4 201 591)
Capitalised finance cost	15 505	14 321	14 456	622	44 904
	(177 489)	**(3 994 276)**	**14 456**	**622**	**(4 156 687)**
At 31 December 2014					
Floating rates					
Loans and borrowings	(1 104 421)	(2 706 530)	(4 946 447)	(462 819)	(9 220 217)
Obligations under finance lease	(58 552)	(70 844)	(187 157)	(1 078 512)	(1 395 065)
Cash and cash equivalents	1 249 182	–	–	–	1 249 182
	86 209	**(2 777 374)**	**(5 133 604)**	**(1 541 331)**	**(9 366 100)**
Fixed rates					
High yield bonds	(2 063 642)	–	(2 238 205)	–	(4 301 847)
Capitalised finance cost	25 964	19 371	33 278	10 664	89 277
Other non-current liabilities	–	(48 557)	(1 600 000)	–	(1 648 557)
Trade and other receivables	–	–	–	3 234	3 234
	(2 037 678)	**(29 186)**	**(3 804 927)**	**13 898**	**(5 857 893)**
At 31 December 2015					
Floating rates					
Loans and borrowings	(2 182 179)	(3 875 810)	(5 195 153)	(1 271 088)	(12 524 230)
Obligations under finance lease	(80 920)	(79 697)	(241 937)	(1 033 947)	(1 436 501)
Cash and cash equivalents	775 605	–	–	–	775 605
Trade and other payables	(90 000)	–	–	–	(90 000)
	(1 577 494)	**(3 955 507)**	**(5 437 090)**	**(2 305 035)**	**(13 275 126)**
Fixed rates					
High yield bonds	–	–	(6 744 142)	–	(6 744 142)
Capitalised finance cost	67 817	64 041	47 051	7 201	186 110
Trade and other payables	(542 670)	–	–	–	(542 670)
Trade and other receivables	–	–	–	3 302	3 302
	(474 853)	**64 041**	**(6 697 091)**	**10 503**	**(7 097 400)**

	2015 R'000	2014 R'000	2013 R'000
Sources of financial income and expenses			
Interest income	**37 281**	33 038	19 692
Interest expense	**(1 850 217)**	(1 273 598)	(850 753)
Foreign exchange loss	**(4 329 744)**	(1 853 923)	(2 534 996)
Foreign exchange gain	**736 763**	492 736	225 581
Finance expenses	**(312 789)**	(43 132)	(48 314)
The sources of financial income and expenses relate to the following categories:			
Interest income			
– Time deposits (interest income on bank deposits)	**37 281**	30 020	16 533
– Time deposits (interest income on loans and receivables)	**–**	3 018	3 159
Interest expense			
– Bank borrowings and lease obligations (interest expense on financial liabilities measured at amortised cost)	**(1 161 350)**	(1 063 185)	(844 398)
– Other current liabilities	**(873 211)**	(210 413)	(6 355)
– Fair value of financial guarantee	**(129 168)**	–	–
Foreign exchange losses			
– Bank borrowings (foreign exchange loss on financial liabilities measured at amortised cost)	**(4 065 653)**	(1 766 379)	(2 449 322)
– Shareholder loans (foreign exchange loss on financial liabilities measured at amortised cost)	**(2 446)**	(4 769)	(8 907)
– Trade payables	**(252 382)**	(75 830)	(76 767)
– Derivatives	**(9 263)**	(6 945)	–
Foreign exchange gains			
– Bank borrowings (foreign exchange gains on financial liabilities measured at amortised cost)	**264 196**	371 601	–
– Derivatives	**472 567**	121 135	225 581

The Group's interest rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2015, 2014 and 2013, the Group's borrowings at variable rate were denominated in the Rand, US Dollar and the Euro.

At reporting date, if interest rates on Rand-denominated borrowings and derivative liabilities had been 1.0% higher with all other variables held constant, loss before tax for the year will be R20 million higher (2014: R16 million higher, 2013: R17 million higher). This is mainly as a result of higher profit on the fair valuation of the derivative instrument, partially offset by higher interest expenses on floating rate borrowings.

At reporting date, if interest rates on Rand-denominated borrowings and derivative liabilities had been 1.0% lower with all other variables held constant, loss before tax for the year will be R20 million lower (2014: R16 million lower, 2013: R17 million lower). This is mainly as a result of lower interest expense on floating rate borrowings, partially offset by a higher loss on the fair valuation of the derivative instrument.

At reporting date, if interest rates on US dollar-denominated borrowings and derivative liabilities had been 1.0% higher with all other variables held constant, loss before tax for the year will be R45.8 million higher (2014: R5 million lower, 2013: R13 million lower). This is mainly as a result of higher profit on the fair valuation of the derivative instrument, partially offset by higher interest expenses on floating rate borrowings.

At reporting date, if interest rates on US dollar-denominated borrowings and derivative liabilities had been 1.0% lower with all other variables held constant, loss before tax for the year will be R48 million lower (2014: R7 million higher, 2013: R5 million higher). This is mainly as a result of lower interest expense on floating rate borrowings, partially offset by a higher loss on the fair valuation of the derivative instrument.

At reporting date, if interest rates on Euro-denominated borrowings and derivative liabilities had been 1.0% higher with all other variables held constant, loss before tax for the year will be R26 million higher (2014: R51 million lower, 2013: R78 million lower). This is mainly as a result of higher profit on the fair valuation of the derivative instrument, partially offset by interest expenses on floating rate borrowings.

At reporting date, if interest rates on Euro-denominated borrowings and derivative liabilities had been 1.0% lower with all other variables held constant, loss before tax for the year will be R21 million lower (2014: R45 million higher, 2013: R86 million higher). This is mainly as a result of higher loss on the fair valuation of the derivative instrument, partially offset by lower interest expenses on floating rate borrowings.

The sensitivity analysis does not include the effect of the high yield bonds since they have fixed interest rates and they are not measured at fair value through profit or loss.

The Group has generally adopted a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis. The Group will evaluate its exposure to fixed and floating rate debt and enter into hedges with a view to reducing volatility in interest rate payments.

24.6 Credit risk

The Group's principal financial assets are bank balances and cash and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position is net of allowances for doubtful receivables and represent total maximum credit risk exposure at the reporting date except for trade receivables of R409 million (2014: R2 760 million, 2013: R1 705 million) which are secured. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk to any individual counterparty. The credit risk is generally highly diversified due to the large number of customers, both private individuals and corporate companies comprising the subscriber base and their dispersion across various industries.

	2015 R'000	2014 R'000	2013 R'000
Exposure to credit risk			
Trade and other receivables	**3 314 885**	4 678 349	5 285 440
Cash and cash equivalents	**775 605**	1 249 182	631 987
	4 090 490	5 927 531	5 917 427

24.6.1 Impairment losses

The ageing of trade and other receivables at the reporting date was:

	2015 R'000	2014 R'000	2013 R'000
Gross			
Not past due	**2 573 578**	4 333 992	4 955 268
< 30 days	**136 333**	143 078	146 161
30 – 60 days	**111 395**	115 795	176 500
60 – 90 days	**55 481**	68 332	43 677
90 – 180 days	**477 912**	115 245	22 622
>180 days	**171 327**	71 282	39 873
	3 526 026	4 847 724	5 384 101
Impairment			
< 30 days	**–**	(121 497)	(44 057)
60 – 90 days	**(17 686)**	(10 449)	(45 661)
90 – 180 days	**(142 626)**	(22 420)	(8 942)
>180 days	**(50 829)**	(15 009)	–

	2015 R'000	2014 R'000	2013 R'000
	(211 141)	(169 375)	(98 660)
Net			
Not past due	**2 573 578**	4 333 992	4 955 268
< 30 days	**136 333**	21 581	102 104
30 – 60 days	**111 395**	115 795	154 026
60 – 90 days	**37 795**	57 883	20 490
90 – 180 days	**335 286**	92 825	13 679
>180 days	**120 498**	56 273	39 873
	3 314 885	4 678 349	5 285 440

Excluding the trade receivables amounting to R409.16 million (2014: R2 759.73 million, 2013: R1 704 699 million) which are secured, the trade receivables present the maximum credit risk as there are no guarantees received from the subscribers or other operators. The total guarantees received from the dealers amount to R23.42 million (2014: R2 043.82 million, 2013: R2 226.73 million).

	2015 R'000	2014 R'000	2013 R'000
Reconciliation of allowance for impairment of trade and other receivables			
Opening balance	**169 375**	98 660	67 607
Allowance for impairment	**266 812**	260 524	221 939
Amounts written off as uncollectable	**(225 046)**	(189 809)	(182 637)
Unused amounts reversed	**–**	–	(8 249)
	211 141	169 375	98 660

The Group believes that the unimpaired amounts that are not past due are collectible in full, based on historical payment behaviour and extensive analysis of the customer credit risk, including underlying customers' credit ratings that are available.

The major customers are not considered high risk as they have a trading history exceeding three years and have a sound credit history.

24.7 Currency risk

The Group incurs currency risk as a result of purchases and borrowings in foreign currencies. The currencies in which the Group primarily deals are Euros and US Dollars. To the extent possible, receipts in foreign currency are used to settle foreign liabilities. Forward exchange contracts are entered into on a case-by-case basis to offset the foreign currency risk. Hedging of foreign borrowings is assessed on an ongoing basis and hedges are implemented in accordance with currency views and the Group's hedging policy.

At reporting date, if the currency had weakened by 10% against the US dollar with all other variables held constant, loss before tax for the year would have been R807.1 million (2014: R599.1 million, 2013: R466.3 million) higher, mainly as a result of net foreign exchange losses on translation of US dollar-denominated borrowings and derivative instruments.

At reporting date, if the currency had strengthened by 10% against the US dollar with all other variables held constant, loss before tax for the year would have been R796.2 million (2014: R607.5 million, 2013: R472 million) lower, mainly as a result of net foreign exchange gains on translation of US dollar-denominated borrowings and derivative instruments.

At reporting date, if the currency had weakened by 10% against the Euro with all other variables held constant, loss before tax for the year would have been R928.2 million (2014: R407.1 million, 2013: R473.1 million) higher, mainly as a result of net foreign exchange losses on translation of Euro-denominated borrowings and derivative instruments.

At reporting date, if the currency had strengthened by 10% against the Euro with all other variables held constant, loss before tax for the year would have been R853.3 million (2014: R457.2 million, 2013: R416.3 million) lower, mainly as a result of net foreign exchange gains on translation of Euro-denominated borrowings and derivative instruments.

At reporting date, if the currency had weakened by 10% against the Pound with all other variables held constant, loss before tax for the year would have been R0.005 million (2014: R0.034 million, 2013: R0.1 million) higher, mainly as a result of foreign exchange losses on translation of Pound-denominated borrowings.

At reporting date, if the currency had strengthened by 10% against the Pound with all other variables held constant, loss before tax for the year would have been R0.005 million (2014: R0.034 million, 2013: R0.1 million) lower, mainly as a result of foreign exchange gains on translation of Pound-denominated borrowings.

Foreign exchange

	USD '000	EUR '000	GBP '000
2013			
Net foreign currency exposure			
Loans and bank borrowings	(292 089)	(221 950)	–
Foreign exchange swap	–	221 950	–
Participating coupon only swap	204 325	–	–
High yield bonds	(161 472)	(160 054)	–
Interest on bonds and borrowings	(10 442)	(7 888)	–
Shareholders' loans	(2 009)	–	–
Trade and other payables	(17 394)	179	(61)
	(279 081)	**(167 763)**	**(61)**
2014			
Net foreign currency exposure			
Loans and borrowings	(408 615)	(203 954)	–
Cross currency swap	–	203 954	–
Participating coupon only swap	242 818	–	–
High yield bonds	(161 472)	(160 054)	–
Interest on bonds and borrowings	(10 114)	(7 781)	–
Shareholders' loans	(4 533)	–	–
Trade and other payables	(12 608)	(103)	(19)
Forward foreign currency contract	12 521	7 124	–
	(342 003)	**(160 814)**	**(19)**
2015			
Net foreign currency exposure			
Loans and borrowings	(521 293)	(167 962)	–
Cross currency swap	–	167 962	–
Participating coupon only swap	213 377	–	–
High yield bonds	–	(400 000)	–
Interest on bonds and borrowings	(1 859)	(670)	–
Shareholders' loans	(712)	–	–
Trade and other payables	(14 519)	(34)	(2)
Collar option	–	100 000	–
	(325 006)	**(300 704)**	**(2)**

Currency	**Spot rate 31 December 2015 R**	Spot rate 31 December 2014 R	Spot rate 31 December 2013 R
USD	**15.52**	11.55	10.50
EUR	**16.86**	13.98	14.46
GBP	**22.99**	18.00	17.39

The Group reviews their foreign currency exposure, including commitments on an ongoing basis. The Group expects their hedging instruments to partially hedge their foreign exchange exposure.

25. EARNINGS PER SHARE (EPS)

	2015 Cents per share	2014 Cents per share	2013 Cents per share
Basic earnings per share	**(880 569 267)**	(761 719 405)	(617 536 300)
Headline earnings per share	**(810 633 941)**	(666 761 433)	(621 919 574)

25.1 Basic earnings per share

The earnings and number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2015 R'000	2014 R'000	2013 R'000
Profit for the year attributable to owners of the Company	**(5 644 449)**	(4 867 387)	(3 538 483)
Issued normal shares	**641**	639	573

25.2 Headline earnings per share

The earnings and number of ordinary shares used in the calculation of headline earnings per share are as follows:

	2015 R'000	2014 R'000	2013 R'000
Profit for the year attributable to owners of the Company	**(5 644 449)**	(4 867 387)	(3 538 483)
Impairment of property, plant and equipment	**380 631**	576 406	67 072
(Reversal of impairment)/Impairment of loans to joint venture	**–**	(82 000)	59 202
Profit on disposal of property, plant and equipment	**(30 408)**	(20 358)	(145 896)
Tax impact on adjustments	**98 062**	132 733	(5 494)
Headline earnings for headline earnings per share	**(5 196 164)**	(4 260 606)	(3 563 599)
Issued normal shares	**641**	639	573

26. CASH GENERATED/(UTILISED) FROM OPERATIONS

Cash generated from operations are calculated below:

	2015 R'000	2014 R'000	2013 R'000
Profit/(loss) before equity accounted	**74 831**	(1 289 082)	(290 491)
Adjustments for:			
Profit on disposal of property, plant and equipment	**(30 408)**	(20 358)	(145 896)
Gain on settlement of creditors	**(75 000)**	–	–
Depreciation and amortisation of non-current assets	**1 492 623**	1 138 240	1 069 802
Impairment of property, plant and equipment	**380 631**	576 406	67 072
Net foreign exchange (gain)/loss	**–**	–	(76 816)
Movement in provisions	**329 189**	(81 206)	161 920
Movements in operating leases liabilities	**104 771**	(20 855)	29 745
	2 276 637	303 145	815 336
Changes in working capital			
Trade and other receivables	**1 513 335**	607 092	(3 509 046)
Inventories	**(266 548)**	230 809	(81 489)
Trade and other payables	**449 616**	196 645	1 492 150
Unearned revenue	**146 496**	181 197	(643 773)
Other non-current liabilities	**(1 648 557)**	(36 943)	85 500
	194 342	1 178 800	(2 656 658)
Total cash generated/(utilised) from operations	**2 470 979**	1 481 945	(1 841 322)
Acquisition of property, plant and equipment			
Acquisition of property, plant and equipment	**(2 349 148)**	(2 204 209)	(2 173 391)
Adjusted for non-cash additions or leased assets	**253 756**	210 923	232 808
	(2 095 392)	(1 993 286)	(1 940 583)
Acquisition of intangible assets			
Acquisition of intangible assets	**(501 322)**	(170 439)	–
Adjustment for non-cash additions	**38 037**	–	–
	(463 285)	(170 439)	–

27. RELATED PARTY DISCLOSURES

The ultimate holding company of Cell C Proprietary Limited is Oger Telecom Limited.

The holding company of Cell C Proprietary Limited is 3C Telecommunications Proprietary Limited, which holds 100% (2014: 100%) of the Company's ordinary shares.

The joint ventures or the Group are identified in note 10.

The directors are listed in the directors' report.

27.1 Transactions with the company

The Group traded with the following related parties and these are the transactions:

	Transactions			Balances		
	2015 R'000	2014 R'000	2013 R'000	2015 R'000	2014 R'000	2013 R'000
Parent						
Oger Telecom South Africa Proprietary LImited	**–**	296	17 808	**–**	38 328	36 794
Oger Telecom Limited	**–**	–	–	**11 047**	23 202	–
	–	296	17 808	**11 047**	61 530	36 794

Transactions with Oger Telecom South Africa consist of general administrative expenses.

	Transactions			Balances		
	2015	2014	2013	**2015**	2014	2013
	R'000	R'000	R'000	**R'000**	R'000	R'000
Joint venture						
Mobile Number Portability Company Proprietary Limited	**41 801**	1 519	1 701	**–**	520	553
Fibreco Telecommunications Proprietary Limited	**23 137**	18 145	–	**49 310**	91 307	171 000
	64 938	19 664	1 701	**49 310**	91 827	171 553

Transactions with joint ventures consist of the purchase of goods and services.

	Transactions			Balances		
	2015	2014	2013	**2015**	2014	2013
	R'000	R'000	R'000	**R'000**	R'000	R'000
Common directorship						
Atos Origin Proprietary Limited	**14 232**	6 647	8 124	**–**	1 423	1 948
Grintek Group	**–**	20 486	6 696	**133**	398	828
Hauwei Technologies Africa	**594 368**	170 144	368 533	**152 343**	84 868	140 469
Kunene Bros Holdings Proprietary Limited	**–**	–	275	**–**	–	14
Sales to Blue Label Telecoms Limited Group	**5 876 035**	–	–	**31 487**	–	–
Expenses paid to Blue Label Telecoms Limited Group	**(1 444 965)**	–	–		–	–
Y Cell Proprietary Limited	**87 956**	47 582	14 470	**6**	12 933	–
	696 556	244 859	398 098	**244 859**	99 622	143 259

Transactions with related parties consist of the purchase of goods, services, commissions and sales of mobile services.

	Transactions			Balances		
	2015	2014	2013	**2015**	2014	2013
	R'000	R'000	R'000	**R'000**	R'000	R'000
Other related parties with shared ownership						
AVEA	**(240)**	(226)	(125)	**(347)**	(320)	(381)
AVEA	**130**	215	205	**480**	432	184
	(110)	(11)	80	**133**	112	(197)

Transactions with AVEA consist of the international roaming cost.

The following represents interest and foreign exchange transactions with related parties:

	2015 R'000	2014 R'000	2013 R'000
Interest transactions			
CellSAF	**(68)**	(68)	(68)
	(68)	(68)	(68)
Foreign exchange transactions			
Oger Telecom Limited	**7 595**	2 115	4 034
Oger Telecom South Africa Proprietary Limited	**9 264**	2 654	4 873
	16 859	4 769	8 907

The following represents the cellular telephone charges for related parties:

	2015 R'000	2014 R'000	2013 R'000
Transaction			
Directors/Key personnel	**1 445**	940	755
	1 445	940	755

Mobile packages are offered to directors/key personnel at a discount.

28. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

	Directors' fees R'000	**Salary R'000**	**Bonuses R'000**	**Value performance incentive R'000**	**Total R'000**
2013					
Executive director					
ADVC Knott Craig	–	8 000	4 500	4 800	17 300
	–	**8 000**	**4 500**	**4 800**	**17 300**
Non–executive directors					
IE Pierce	338	–	–	–	338
NR Kunene	338	–	–	–	338
Y Mahomed	338	–	–	–	338
MA Chakra	338	–	–	–	338
M Hariri	286	–	–	–	286
E Demircan	100	–	–	–	100
JA Boggenpoel	52	–	–	–	52
HM Alkussayer	338	–	–	–	338
MM Khan	338	–	–	–	338
R Aslan	338	–	–	–	338
S Duffy	52	–	–	–	52
H Kabani	220	–	–	–	220
	3 076	**–**	**–**	**–**	**3 076**

	Directors' fees R'000	Salary R'000	Bonuses R'000	Total R'000
2014				
Executive director				
ADVC Knott Craig	–	9 167	20 000	29 167
	–	**9 167**	**20 000**	**29 167**
Non-executive directors				
IE Pierce	345	–	–	345
NR Kunene	240	–	–	390
Y Mahomed	347	–	–	1 187
MA Chakra	347	–	–	347
M Hariri	347	–	–	347
E Demircan	347	–	–	347
JA Boggenpoel	600	–	–	600
HM Alkussayer	33	–	–	33
MM Khan	33	–	–	33
R Aslan	82	–	–	82
H Kanafani	265	–	–	265
MN Alharbi Mohammed	283	–	–	283
MD Alharbi	217	–	–	217
	3 486	**–**	**–**	**4 476**

	Directors' fees R'000	Salary R'000	Bonuses R'000	Value performance incentive R'000	Management fee R'000	Total R'000
2015						
Non-executive director						
JA Boggenpoel	600	–	–	–	–	600
	600	**–**	**–**	**–**	**–**	**600**

28.1 **Prescribed officers**

	Salary R'000	Bonuses R'000	Value of performance incentive R'000	Value of non-cash benefits R'000	Total R'000
2013					
In aggregate	7 636	840	5 196	1 322	14 994
	7 636	**840**	**5 196**	**1 322**	**14 994**
2014					
In aggregate	11 652	7 610	7 590	298	27 150
	11 652	**7 610**	**7 590**	**298**	**27 150**
2015					
In aggregate	13 493	–	8 197	298	21 988
	13 493	**–**	**8 197**	**298**	**21 988**

29. **GOING CONCERN**

The Group financial statements have been prepared on the basis of accounting policies applicable to a going concern. The Group and the shareholders have demonstrated that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

The Group's total liabilities exceeded its total assets by R12 227 853 000 (2014: R6 641 516 000; 2013: R3 842 959 000) for the year ended 31 December 2015.

The directors and management have reviewed the Group's budget and cash flow forecast for the period to 30 September 2017. The directors and management are of the opinion that there is sufficient funding available to enable the Group to meet its obligations as they fall due.

An offer to recapitalise Cell C was received on 9 December 2015, which was approved by the Board of Directors on 18 December 2015. In terms of this structure, Blue Label Telecoms Limited and the Cell C management team and staff will be approved as additional shareholders. The new shareholders will provide additional capital in aggregate of approximately R5.5 billion while Oger Telecoms Limited, the ultimate holding company, will introduce sufficient capital to reduce debt to the level of R8 billion, resulting in additional equity of approximately R15.5 billion by no later than 30 November 2016. The Group and shareholders have made significant progress and commenced the process of finalising the transaction. The agreements have been signed between the parties during September 2016, with material condition precedents that must be fulfilled relating to the Bond Issue and the BLT shareholder approval of the equity injections. The Bond Issue Offer Memorandum will be issued in October 2016, and the uptake is dependent on market conditions.

In addition, Oger Telecom Limited, has issued guarantees to the value of R9.8 billion as well as a letter of comfort to fund the Company until the earlier of 12 months from the approval of the annual financial statements, 3 June 2016 or the date on which the proposed recapitalisation occurs.

The shareholder and Board of Directors are confident that the transaction will be completed as anticipated and the condensed Group interim financial statements have been prepared on the basis of accounting policies applicable to a going concern based on the above. In the event that the conditions precedents are not obtained and thus the recapitalisation not finalised, a material uncertainty will exist that may cast significant doubt on the ability of the Group to continue as a going concern.

30. **EVENTS AFTER THE REPORTING PERIOD**

Share subscription agreements have been signed by the parties in terms of which:

- Blue Label Telecoms Limited (through The Prepaid Company Proprietary Limited);
- 3C Telecommunications Proprietary Limited;
- Albanta Trading 109 Proprietary Limited (trust representing Cell C management and staff); and
- MS10, being members of Cell C executive management

will subscribe for shares in Cell C. In terms of these agreements, Cell C will raise an aggregate amount of approximately R15.5 billion of fresh equity that will be applied to reducing debt to approximately R8.0 billion. The subscription agreements are anticipated to take legal effect on or before 18 November 2016 and after taking effect the shareholding of Cell C will be as follows:

- 45.0% Blue Label Telecoms Limited (through The Prepaid Company Proprietary Limited).
- 30.0% 3C Telecommunications Proprietary Limited.
- 15.0% Albanta Trading 109 Proprietary Limited.
- 10.0% MS10, being members of Cell C executive management.

31. OPERATING SEGMENTS

31.1 Basis for segmentation

The Group has the following four reportable segments. These segments are differentiated by means of the nature of the product and services offered, they are, to a certain extent managed separately because of the different markets each segment addresses. The basis of segmentation has been aggregated in 2015.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Prepaid	The prepaid segment offers products and services for which credit is purchased in advance of service use. The purchased credit is used to pay for mobile phone services at the point the service is accessed or consumed. Access to the requested service is only made available to the user if there are purchased credits available. Users are able to top up their credit at any time using a variety of payment mechanisms.
Postpaid	The contract segment provides products and services by an arrangement with the user. The user is billed according to their use of mobile services at the end of each month. Typically, the customer's contract specifies a limit or "allowance" of minutes, text messages etc., and the customer will be billed at a flat rate for any usage equal to or less than that allowance. Any usage above that limit incurs extra charges. Other contracts where users are provided product and services by an arrangement, but are limited to a certain pre-determined limit. Any usage above that limit will be charged on a prepaid basis.
Wholesale	The wholesale segment offer products and services to the corporate and government sector, as well as mobile virtual network operators.
Equipment	The equipment segment includes hardware products sold to various channels and end users.

The Group's executive committee reviews the internal management reports on a monthly basis.

31.2 Information about reportable segments

Information related to each reportable segment is set out below. Segment revenue, as included in the internal management reports reviewed by the Group's executive committee, is used to measure performance.

	2015 **R'000**	2014 R'000	2013 R'000
External revenue			
Prepaid	**6 544 725**	5 835 072	5 137 446
Postpaid	**4 096 820**	4 182 751	4 093 141
Wholesale	**164 676**	176 341	202 859
Equipment	**2 422 227**	1 439 984	2 069 001
	13 228 448	11 634 148	11 502 447

32. RELEVANT STANDARDS AND INTERPRETATIONS BECOMING EFFECTIVE AFTER YEAR ENDED 31 DECEMBER 2015

32.1 New and revised IFRSs in issue but not yet effective

At the date of authorisation of the financial statements of Cell C Proprietary Limited for the year ended 31 December 2015, the following standards and interpretations were in issue but not yet effective.

IFRS/IAS	Description	Effective date for annual periods beginning on or after
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to 4 standards	Improvements to IFRSs 2012 – 2014 Cycle	1 January 2016
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IAS 1	Disclosure Initiative	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016

Management have not yet considered the effect of the above changes in accounting standards.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF CELL C FOR THE YEARS ENDED 31 DECEMBER 2015, 31 DECEMBER 2014 AND 31 DECEMBER 2013

Blue Label Telecoms Limited
75 Grayston Drive (corner Benmore Road)
Sandton
2196

Cell C Proprietary Limited Waterfall Campus
Corner Maxwell and Pretoria Main Road
Buccleuch
Ext 10
2090

Dear Sirs

Independent reporting accountants' report on the report of historical financial information of Cell C Proprietary Limited ("Cell C/Group") for the years ended 31 December 2015, 31 December 2014 and 31 December 2013

Introduction

The definitions commencing on page 5 of the Circular to which this letter is attached apply *mutatis mutandis* to this report.

At your request, and for the purposes of the Circular, we have audited the historical financial information of Cell C for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 , presented in the report of historical financial information of Cell C attached as Annexure 3 to the Circular, which comprises the consolidated statements of financial position, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flows for the years then ended, and the related accounting policies and other explanatory notes of Cell C (collectively "the Historical Financial Information of the Group"), as presented in Annexure 3 to the Circular, in compliance with the Listings Requirements and International Financial Reporting Standards ("IFRS"). The report of historical financial information of the Group has been prepared for purposes of the Blue Label Telecoms Limited ("Blue Label's") Circular to shareholders regarding Blue Label's participation in the Cell C Recapitalisation.

KPMG is the independent reporting accountant and auditor to the Group.

Responsibility of the directors

The directors of Blue Label are responsible for the compilation, contents and preparation of the Circular including the report of historical financial information, prepared by the directors of Cell C in accordance with the Listings Requirements.

The directors of Blue Label and Cell C are also responsible for the fair presentation of the Historical Financial Information of the Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 in accordance with IFRS and the Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information of the Group that is free from material misstatement, whether due to fraud or error.

Responsibility of the Independent Reporting Accountant

Our responsibility is to express an audit opinion on the Historical Financial Information of the Group based on our audits for the years ended 31 December 2015, 31 December 2014 and 31 December 2013, in accordance with International Standards on Auditing.

Historical financial information of the Group

We have audited the Historical Financial Information of the Group attached as **Annexure 3** to the Circular.

Responsibility of the Independent Reporting Accountants in respect of the Historical Financial Information of the Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Our responsibility is to express an opinion on the Historical Financial Information of the Group. We conducted our audits 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 Historical Financial Information of the Group is free from material misstatement.

Scope of audit

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Historical Financial Information of the Group. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information of the Group, 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 Historical Financial Information of the Group 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 Historical Financial Information of the Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The evidence included that which we previously obtained by KPMG Inc. in the conduct of our audit of the statutory financial statements of Cell C underlying the Historical Financial Information of the Group.

Basis for Qualified Opinion on the Historical Financial Information of Cell C for the year ended 31 December 2013

Paragraph 8.4 of the JSE Listings Requirements requires the report of historical financial information of the Group to present the historical financial information for the three years ended 31 December 2015. In addition, IAS 1: *Presentation of Financial Statements*, requires a company to present comparative information in respect of the preceding year for all amounts reported in the current year's financial statements. Cell C has, therefore, not presented comparative information for the year ended 31 December 2013 as required by International Financial Reporting Standards.

Qualified Opinion on the Historical Financial Information of the Group for the year ended 31 December 2013

In our opinion, except for the omission of the comparative information described in the preceding paragraph, the Historical Financial Information of the Group for the year ended 31 December 2013, as presented in **Annexure 3** to the Circular, presents fairly, in all material respects, the consolidated financial position of the Cell C at 31 December 2013, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS and the Listings Requirements.

Unqualified opinion on the Historical Financial Information of the Group for the years ended 31 December 2015 and 31 December 2014

In our opinion, the Historical Financial Information of the Group for the years ended 31 December 2015 and 31 December 2014, as presented in **Annexure 3** to the circular, presents fairly, in all material respects, the consolidated financial position of Cell C at 31 December 2015 and 31 December 2014, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with IFRS and the Listings Requirements.

Emphasis of matter

We draw attention to note 29 to the Historical Financial Information of the Group which indicates as of that date, the Group's total liabilities exceeded its total assets by R12 billion as at 31 December 2015. The note states that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

Yours faithfully

KPMG Inc.
Registered Auditor

Per **Ahmed Bulbulia**
Chartered Accountant (SA)
Registered Auditor

13 October 2016

85 Empire Road
Parktown
Johannesburg

PRO FORMA FINANCIAL INFORMATION OF THE PROPOSED TRANSACTION

The tables below set out the *pro forma* financial information of the Blue Label Group based on the published audited results for the year ended 31 May 2016. The *pro forma* financial information has been prepared for illustrative purposes only and because of its *pro forma* nature, may not fairly present the Company's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Proposed Transaction going forward.

The purpose of the *pro forma* financial information is to illustrate the impact of the Proposed Transaction had it been effective 31 May 2016 for purposes of the *pro forma* condensed Group statement of financial position and 1 June 2015 for purposes of the *pro forma* condensed Group statement of comprehensive income and on the assumptions set out below. The *pro forma* financial information presented below does not purport to be indicative of the financial results and effects of the Proposed Transaction if it had been implemented on a different date.

The *pro forma* financial information has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the published audited results of the Blue Label Group for the year ended 31 May 2016. The *pro forma* financial information is presented in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and ISAE 3420 *(Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus).*

The directors of the Company are responsible for the compilation, contents and preparation of the *pro forma* financial information. Their responsibility includes determining that the *pro forma* financial information has been properly compiled on the basis stated, which is consistent with the accounting policies of the Blue Label Group and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the Listings Requirements.

The *pro forma* condensed Group statement of financial position as at 31 May 2016 and the *pro forma* condensed Group statement of comprehensive income for the year then ended, should be read in conjunction with the independent reporting accountant's report thereon contained in **Annexure 6**.

The *pro forma* condensed Group statement of comprehensive income below presents the effects of the Proposed Transaction on the published audited results of the Blue Label Group for the year ended 31 May 2016 on the assumption that the Proposed Transaction was effective 1 June 2015.

***Pro forma* condensed Group statement of comprehensive income for the year ended 31 May 2016**

	Blue Label Group Year ended 31 May 2016[1] R'000	**Cell C 12 months ended 30 June 2016[2] R'000**	**Cell C Recapitalisation *pro forma* recurring adjustments[3] R'000**	**Blue Label Group *pro forma* recurring adjustments[4] R'000**	***Pro forma* after the Proposed Transaction before non-recurring *pro forma* adjustments[5] R'000**	**Cell C non-recurring recapitalisation *pro forma* adjustments[6] R'000**	**Blue Label Group non-recurring *pro forma* adjustments[7] R'000**	***Pro forma* after the Proposed Transaction R'000**
Revenue	26 204 722	–	–	300 000	26 504 722	–	–	26 504 722
Other income	126 294	–	–	–	126 294	–	–	126 294
Change in inventories of finished goods	(24 375 028)	–	–	(327 304)	(24 702 332)	–	–	(24 702 332)
Employee compensation and benefit expense	(427 116)	–	–	–	(427 116)	–	–	(427 116)
Depreciation, amortisation and impairment charges	(98 183)	–	–	–	(98 183)	–	–	(98 183)
Other expenses	(288 313)	–	–		(288 313)	–	(11 210)	(299 523)
Operating profit	**1 142 376**	**–**	**–**	**(27 304)**	**1 115 072**	**–**	**(11 210)**	**1 103 862**
Finance costs	(214 110)	–	–	(194 931)	(409 041)	–	–	(409 041)
Finance income	193 899	–	–	(17 261)	176 638	–	–	176 638
Share of loss from associates and joint ventures	(71 770)	(2 017 123)	950 433	(8 460)	(1 146 920)	(194 418)	–	(1 341 338)
Profit/(loss) for the year before taxation	**1 050 395**	**(2 017 123)**	**950 433**	**(247 956)**	**(264 251)**	**(194 418)**	**(11 210)**	**(469 879)**
Taxation	(318 783)	–	–	67 059	(251 724)	–	–	(251 724)
Net profit/(loss) for the year	**731 612**	**(2 017 123)**	**950 433**	**(180 897)**	**(515 975)**	**(194 418)**	**(11 210)**	**(721 603)**

	Blue Label Group Year ended 31 May 2016[1] R'000	Cell C 12 months ended 30 June 2016[2] R'000	Cell C Recapitalisation *pro forma* recurring adjustments[3] R'000	Blue Label Group *pro forma* recurring adjustments[4] R'000	*Pro forma* after the Proposed Transaction before non-recurring *pro forma* adjustments[5] R'000	Cell C non-recurring recapitalisation *pro forma* adjustments[6] R'000	Blue Label Group non-recurring *pro forma* adjustments[7] R'000	*Pro forma* after the Proposed Transaction R'000
Other comprehensive income/(loss):								
Items that may be subsequently reclassified to profit or loss								
Share of other comprehensive income of associates and joint ventures	81 544	–	–	–	81 544	–	–	81 544
Foreign exchange losses on translation of foreign operations	(15)	–	–	–	(15)	–	–	(15)
Other comprehensive profit for the year, net of tax	**81 529**	**–**	**–**	**–**	**81 529**	**–**	**–**	**81 529**
Total comprehensive income/(loss) for the year	**813 141**	**(2 017 123)**	**950 433**	**(180 897)**	**(434 446)**	**(194 418)**	**(11 210)**	**(640 074)**
Net profit/(loss) for the period attributable to:	**731 612**	**(2 017 123)**	**950 433**	**(180 897)**	**(515 975)**	**(194 418)**	**(11 210)**	**(721 603)**
Equity holders of the parent	691 590	(2 017 123)	950 433	(180 897)	(555 997)	(194 418)	(11 210)	(761 625)
Non-controlling interest	40 022	–	–	–	40 022	–	–	40 022
Total comprehensive income/(loss) for the year attributable to:	**813 141**	**(2 017 123)**	**950 433**	**(180 897)**	**(434 446)**	**(194 418)**	**(11 210)**	**(640 074)**
Equity holders of the parent	770 652	(2 017 123)	950 433	(180 897)	(476 935)	(194 418)	(11 210)	(682 563)
Non-controlling interest	42 489	–	–	–	42 489	–	–	42 489

	Blue Label Group Year ended 31 May 2016[1]	Cell C 12 months ended 30 June 2016[2]	Cell C Recapitalisation *pro forma* recurring adjustments[3]	Blue Label Group *pro forma* recurring adjustments[4]	*Pro forma* after the Proposed Transaction before non-recurring *pro forma* adjustments[5]	Cell C non-recurring recapitalisation *pro forma* adjustments[6]	Blue Label Group non-recurring *pro forma* adjustments[7]	*Pro forma* after the Proposed Transaction
Earnings per share for profit attributable to equity holders (cents)								
Basic earnings per share	103.85				(70.93)			(97.16)
Diluted basic earnings per share**	102.84				(70.34)			(96.35)
Headline earnings per share	100.35				(55.90)			(82.13)
Diluted headline earnings per share**	99.37				(55.43)			(81.45)
Core headline earnings per share*	102.85				(52.69)			(78.93)
Weighted average number of shares ('000)	665 950				783 875			783 875
Diluted weighted average number of shares ('000)	672 520				790 445			790 445
Number of shares in issue ('000)	674 509				792 434			792 434

** Core headline earnings per share is calculated after adding back to headline earnings, the amortisation of intangible assets as a consequence of the purchase price allocations completed in terms of IFRS 3(R): Business Combinations.*

*** Diluted earnings per share and diluted headline earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding for the number of shares that would be issued on vesting under the employee forfeitable share plan.*

	Blue Label Group Year ended 31 May 2016[1] R'000	Cell C 12 months ended 30 June 2016[2] R'000	Cell C Recapitalisation *pro forma* recurring adjustments[3] R'000	Blue Label Group *pro forma* recurring adjustments[4] R'000	*Pro forma* after the Proposed Transaction before non-recurring *pro forma* adjustments[5] R'000	Cell C non-recurring recapitalisation *pro forma* adjustments[6] R'000	Blue Label Group non-recurring *pro forma* adjustments[7] R'000	*Pro forma* after the Proposed Transaction R'000
Reconciliation of headline earnings								
Profit/(loss) attributable to equity holders of the parent	691 590	(2 017 123)	950 433	(180 897)	(555 997)	(194 418)	(11 210)	(761 625)
Profit on disposal of property, plant and equipment	(360)	(22 146)	–	–	(22 506)	–	–	(22 506)
Loss on disposal of subsidiary	5 454	–	–	–	5 454	–	–	5 454
Profit on dilution/disposal of associate and joint venture	(29 975)	–	–	–	(29 975)	–	–	(29 975)
Loss on disposal of intangible assets	3	–	–	–	3	–	–	3
Impairment of intangible assets and property, plant and equipment	1 549	163 314	–	–	164 863	–	–	164 863
Headline earnings	**668 261**	**(1 875 955)**	**950 433**	**(180 897)**	**(438 158)**	**(194 418)**	**(11 210)**	**(643 786)**
Reconciliation between headline earnings and core headline earnings for the year:								
Headline earnings	668 261	(1 875 955)	950 433	(180 897)	(438 158)	(194 418)	(11 210)	(643 786)
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	16 650	–	–	8 460	25 110	–	–	25 110
Core headline earnings for the year	**684 911**	**(1 875 955)**	**950 433**	**(172 437)**	**(413 048)**	**(194 418)**	**(11 210)**	**(618 676)**

Notes and assumptions:

1. Extracted from the published audited results of the Blue Label Group for the year ended 31 May 2016.
2. The "Cell C 12 months ended 30 June 2016" column reflects the subscription by Blue Label for a 45% equity interest in Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation based on the following assumptions:
   2.1 The Proposed Transaction was effective 1 June 2015 for purposes of presenting the *pro forma* effects thereof on Blue Label Telecoms.
   2.2 The investment is treated as an investment in an associate in terms of IAS 28: *Equity Accounted Investments*.
   2.3 The financial information for Cell C is based on the reviewed condensed group interim financial statements of Cell C for the year ended 30 June 2016, as follows:

	R'000
Loss and total comprehensive loss reported for the 12 months ended 30 June 2016	(4 482 496)
Blue Label's equity interest	45%
Blue Label's share of loss from associates and joint ventures	**(2 017 123)**

The loss for the 12 months ended 30 June 2016 was compiled from Cell C's condensed Group interim financial statements for the six months ended 31 December 2015 and the six months ended 30 June 2016, both reviewed by KPMG Incorporated in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The Cell C results for the six-month period ended 30 June 2016 and the Reporting Accountants' Report thereon are included as Annexures to this circular. The Cell C results for the six-month period ended 31 December 2015 and KPMG Incorporated's review report thereon is available for inspection as stated in paragraph 30 in the Circular.

3. The "Cell C Recapitalisation *pro forma* recurring adjustments" column reflects the recurring *pro forma* adjustments as a consequence of the Cell C Recapitalisation based on the following assumptions:
   3.1 The Cell C Recapitalisation was completed and implemented on 1 July 2015 for purposes of presenting the *pro forma* effects thereof on Cell C.
   3.2 The following adjustments to Blue Label's share of reported losses from Cell C:

	R'000
Reversal of actual net realised and unrealised foreign exchange gains and losses on foreign denominated borrowings (including vendor financed capital equipment balances) during the 12 months ended 30 June 2016.	2 930 641
Reversal of actual realised and unrealised foreign exchange gains on derivatives to hedge foreign borrowings during the 12 months ended 30 June 2016 following the implementation of the Cell C Recapitalisation.	(296 388)
Reversal of actual interest incurred on existing borrowings during the 12 months ended 30 June 2016 on the basis that current borrowings are being settled and refinanced in terms of the Cell C Recapitalisation. This adjustment includes the reversal of actual rebates granted to The Prepaid Company totalling R332.4 million which were treated as finance costs by Cell C during the 12 months ended 30 June 2016 which will no longer apply subsequent to the Cell C Recapitalisation as explained in note 4.4.	1 410 234
Increase in interest expense calculated at 15.5% per annum, totalling R1.24 billion on the basis that net borrowings will, following the Cell C Recapitalisation, be reduced to a maximum of R8 billion. In addition, interest expense is adjusted by R123.3 million, being interest calculated based on actual capital draw-downs on borrowing facilities during the 12 months ended 30 June 2016.	(1 363 316)
Capitalised finance cost on new debt structure assumed to be amortised over the period of the bond.	(46 800)
Marketing fee adjustment relating to sales, promotions and advertising as discussed in note 4.3.	(300 000)
Foreign exchange loss on new foreign denominated bonds amounting to R1.57 billion offset by the foreign exchange gain of R1.39 billion for the hedge on these bonds. A further foreign exchange gain of R20 million on the capital draw-downs on borrowing facilities.	(165 124)
Net adjustment to align accounting policy differences between the Blue Label Group and Cell C*	(57 174)
Subtotal	**2 112 073**
Blue Label's equity interest	45%
Blue Label's share of loss from associates and joint ventures	**950 433**

* **Note:** The accounting policies applied by Cell C in its three-year historical financial information are consistent with those of the Blue Label Group with the exception of a difference in interpretation of the accounting treatment adopted by Cell C in respect of a handset financing arrangement which was effective on 1 August 2015. This arrangement involves the ongoing provision by a third party financier of a handset financing facility to Cell C's contract subscribers for the acquisition of handsets as part of their cellular contracts. In terms of the arrangement, Cell C has identified the financier as the customer for the sale of its handsets and recognises revenue for the sale of the handset at the amount charged to the financier. The Blue Label Group differs in its interpretation of the accounting policies adopted by Cell C and considers the contract subscriber to be Cell C's customer for the sale of the handset, resulting in the following adjustments to the reviewed condensed Group interim financial statements of Cell C for the 12 months ended 30 June 2016:

	R'000
Revenue [a]	(243 910)
Operating expenses [b]	(151 215)
General and administration costs [c]	25 940
Finance costs [a, b, c, d]	312 011
Handset subsidy [a]	243 910
Financial guarantee [b]	151 215
Subscriber acquisition costs [d]	(83 114)
Net adjustment to Cell C's loss and total comprehensive loss reported for the 12 months ended 30 June 2016	**(57 174)**

a. Revenue is reduced by R243.9 million as a different amount of revenue is recognised on the basis that the Blue Label Group considers the contract subscriber to be Cell C's customer for the sale. There is a corresponding adjustment to decrease the finance costs expensed between Cell C and the financier on the basis that handset subsidies paid to the handset financier is offset against revenue.

b. Operating expenses are increased by R151.2 million to recognise the bad debt expense related to handset sales to end customers. Instead of a bad debt expense, Cell C recognises guarantees provided to the third party financier as part of finance costs, consequently, finance costs are reduced by a corresponding amount.

c. General and administration costs are adjusted to reverse the amortisation of subscriber acquisition costs capitalised in connection with certain fees paid to the third party financier. From a Blue Label perspective, these payments impact the net finance costs paid to the third party financier.

d. Subscriber acquisition costs paid to the third party financier are reclassified as part of the net finance costs paid to the third party financier.

3.3 Cell C accounts for the subscription of shares by MS10 and MS15 as an equity settled share scheme. An equity settled share scheme is accounted for as an expense over the vesting period in the statement of changes in income with a corresponding entry to equity. Accordingly, this does not result in a change in the net assets of Cell C. IAS 28 is silent on how an investor should account for changes in equity that are not the result of changes in profit or loss or other comprehensive income of the associate. In the absence of any specific guidance in terms of the accounting and presentation of such transactions an entity is required to develop and consistently apply an accounting policy that best reflects the transaction.

The Blue Label Group has developed an accounting policy to exclude equity settled share-based payment charges from its share in profits/losses from associates. As a result, it will also not recognise the corresponding attributable share of the related share-based payment reserve within equity which ordinarily arises as a result.

Consequently no adjustment has been made for *pro forma* IFRS 2 share-based payment charges expensed by Cell C pursuant to the implementation of the Cell C Recapitalisation, which arise due to the MS10 and MS15 relative subscription cost per share being less than the subscription cost per share paid by Blue Label.

4. The "Blue Label Group *pro forma* recurring adjustments" column reflects the *pro forma* recurring adjustments in relation to the Proposed Transaction based on the following assumptions:

4.1 Blue Label Group *pro forma* adjustments have been prepared using accounting policies in terms of IFRS and Blue Label Group management's best estimates at this stage.

4.2 The Proposed Transaction is effective on 1 June 2015 for purposes of presenting the *pro forma* effects thereof on the Blue Label Group.

4.3 Additional marketing fee from Cell C of R25 million per month which will apply subsequent to the Proposed Transaction, equating to R300 million for the year.

4.4 Blue Label will forfeit early settlement discounts *in lieu* of utilising credit terms afforded to it by Cell C subsequent to the Cell C Recapitalisation and the Proposed Transaction. These initiatives result in the following impact on the change in inventories of finished goods:

	R'000
Reversal of actual rebates received from Cell C during the year ended 31 May 2016 which will no longer apply subsequent to the Proposed Transaction on the basis that Blue Label elects to utilise payment terms afforded to it *in lieu* of early settlement discounts	(332 440)
Reversal of actual facility fees incurred during the year ended 31 May 2016 on undrawn working capital borrowing facilities with financial institutions	5 136
Net adjustment to change in inventories of finished goods	**(327 304)**

4.5 R3.5 billion of the total Blue Label subscription consideration of R5.5 billion will be settled from available cash resources. Finance costs and finance income are adjusted by R189.9 million and R17.3 million respectively due to the Group making use of working capital funding facilities to fund its day-to-day working capital requirements, as follows:

- Utilisation of existing working capital borrowing facilities of R1.5 billion.
- Additional working capital borrowing facilities of R1 billion.
- Revised trading terms resulting in an increase in trade and other payables of a minimum of R1 billion.

The adjustments to finance costs and finance income have been arrived at by recalculating interest charged/received for the year ended 31 May 2016 assuming the cash flows arising as a result of the manner of settlement of the subscription consideration as discussed above, and that the revised trading terms were effective on 1 June 2015. The actual average interest rate of cash placed on call and working capital borrowing facilities amounted to 6.47% and 8.92% per annum respectively during the year ended 31 May 2016. Finance costs also includes raising fees on the additional working capital borrowing facilities of R1 billion.

4.6 The purchase consideration for the Proposed Transaction has been assumed to be allocated between identifiable tangible and intangible assets and goodwill based on a provisional fair value allocation exercise in terms of IFRS 3: *Business Combinations*. The identifiable intangible assets are assumed to be amortised over their respective useful lives as determined within the provisional fair value allocation exercise. The fair value exercise will need to be performed on the Effective Date of the Proposed Transaction and may differ from the assumptions underlying these *pro forma* effects.

	R'000
Identifiable intangible assets, net of deferred tax, based on a provisional fair value allocation exercise in terms of IFRS 3: *Business Combinations.*	3 649 104
Indefinite life intangible assets	4 546 000
Definite life intangible assets to be amortised over an average assumed useful life of 20 years	522 200
Deferred taxation on intangible assets identified	(1 419 096)
Assumed amortisation for the year ended 31 May 2016, net of taxation	**(18 799)**
Blue Label's equity interest	45%
Blue Label's share of amortisation	**(8 460)**

4.7 The reduction in tax payable of R67.1 million is based on the reversal of rebates received from Cell C and the impact on finance income and finance costs calculated at the corporate tax rate of 28%.

4.8 Various 'tag along' and 'drag along' provisions contained in the Agreements do not give rise to any *pro forma* adjustments due to these rights being exercisable at fair value.

5. The "*Pro forma* after the Proposed Transaction before non-recurring *pro forma* adjustments" column reflects the *pro forma* adjustments in relation to the Cell C Recapitalisation and the Proposed Transaction before taking into account once-off and non-recurring Cell C and Blue Label Group *pro forma* adjustments.

5.1 The weighted average number of Blue Label Shares, diluted weighted average number of Blue Label Shares and number of Blue Label Shares in issue have been increased to take into account the new Blue Label Shares that have been issued for the Vendor Consideration Placement.

Assumed price of discounted Shares to be issued*	R16.96 per share
Value to be raised (R'000)	2 000 000
Assumed Shares to be issued ('000)	117 925

**The assumed price of R16.96 per share represents a 10% discount to the 30 business day weighted average traded price at 29 September 2016 in terms of paragraph 5.62(1) of the JSE Limited Listings Requirements.*

6. The "Cell C Recapitalisation non-recurring *pro forma* adjustments" represent the following Cell C adjustments that are regarded once-off and non-recurring in nature:

	R'000
Capitalised finance raising fees on existing borrowings carried on the statement of financial position are written off as a consequence of the Cell C Recapitalisation	(159 501)
Derivative financial assets and liabilities carried on the statement of financial position to hedge foreign borrowings and assumed losses to settle these derivatives are written off as a consequence of the Cell C Recapitalisation	(225 260)
Breakage fee on settlement of loans	(47 280)
Subtotal	**(432 041)**
Blue Label's equity interest	45%
Blue Label's share of loss from associates and joint ventures	**(194 418)**

7. The "Blue Label Group non-recurring *pro forma* adjustments" represent the estimated once-off transaction costs of R11.2 million, relating to the Proposed Transaction.

The *pro forma* condensed Group statement of financial position below presents the effects of the Proposed Transaction on the published audited results of the Blue Label Group for the year ended 31 May 2016 on the assumption that the Proposed Transaction was effective 31 May 2016.

Pro forma condensed Group statement of financial position at 31 May 2016

	Blue Label Group as at 31 May 2016[1] R'000	**Blue Label Group *pro forma* adjustments[2] R'000**	***Pro forma* after the Proposed Transaction R'000**
ASSETS			
Non-current assets	**2 275 161**	**5 500 000**	**7 775 161**
Property, plant and equipment	100 434	–	100 434
Intangible assets and goodwill	1 201 773	–	1 201 773
Investment in and loans to associates and joint ventures	910 567	5 500 000	6 410 567
Loans receivable	5 910	–	5 910
Starter pack assets	6 099	–	6 099
Trade and other receivables	29 166	–	29 166
Deferred taxation assets	21 212	–	21 212
Current assets	**5 030 790**	**(71 210)**	**4 959 580**
Inventories	1 658 860	–	1 658 860
Loans receivable	98 217	–	98 217
Starter pack assets	1 576	–	1 576
Trade and other receivables	2 679 023	–	2 679 023
Current tax assets	4 087	–	4 087
Cash and cash equivalents	589 027	(71 210)	517 817
Total assets	**7 305 951**	**5 428 790**	**12 734 741**
EQUITY AND LIABILITIES			
Capital and reserves	**4 519 567**	**1 928 790**	**6 448 357**
Share capital, share premium and treasury shares	3 942 512	1 940 000	5 882 512
Restructuring reserve	(1 843 912)	–	(1 843 912)
Other reserves	187 605	–	187 605
Share-based payment reserve	42 039	–	42 039
Transaction with non-controlling interest reserve	(965 861)	–	(965 861)
Retained earnings	3 105 050	(11 210)	3 093 840
Non-controlling interest	52 134	–	52 134
Non-current liabilities	**102 954**	**2 500 000**	**2 602 954**
Deferred taxation liabilities	62 141	–	62 141
Trade and other payables	40 813	–	40 813
Interest-bearing borrowings	–	2 500 000	2 500 000
Current liabilities	**2 683 430**	**1 000 000**	**3 683 430**
Trade and other payables	2 601 807	1 000 000	3 601 807
Provisions	24 928	–	24 928
Current tax liabilities	40 608	–	40 608
Current portion of non-interest-bearing borrowings	16 087	–	16 087
Total equity and liabilities	**7 305 951**	**5 428 790**	**12 734 741**
Net asset value per share (cents)	662.32		807.16
Net tangible asset value per share (cents)	484.15		655.51
Number of shares in issue ('000)	674 509		792 434

Notes and assumptions:

1. Extracted from the published audited results of the Blue Label Group for the year ended 31 May 2016.
2. The "Blue Label Group *pro forma* adjustments" column reflects the *pro forma* adjustments in relation to the Proposed Transaction based on the following assumptions:
   2.1 The Blue Label Group's *pro forma* adjustments have been prepared using accounting policies in terms of IFRS and the Blue Label Group managements' best estimates at this stage.
   2.2 The Proposed Transaction is effective on 31 May 2016 for purposes of presenting the *pro forma* effects thereof on the Blue Label Group.
   2.3 The R5.5 billion subscription consideration in respect of the 45% equity interest in Cell C's total issued share capital arising as a result is treated as an investment in an associate in terms of IAS 28: *Equity Accounted Investments*. The Blue Label Group's summarised accounting policy with regards to associates is as follows:
   - Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.
   - The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
   - Various 'tag along' and 'drag along' provisions contained in the Agreements do not give rise to any *pro forma* adjustments due to these rights being exercisable at fair value.

   2.4 The purchase consideration for the Proposed Transaction has been assumed to be allocated between identifiable tangible and intangible assets and goodwill based on a provisional fair value allocation exercise in terms of IFRS 3: *Business Combinations*. The identifiable intangible assets are assumed to be amortised over their respective useful lives as determined within the provisional fair value allocation exercise. The fair value exercise will need to be performed on the Effective Date of the Proposed Transaction and may differ from the assumptions underlying these *pro forma* effects. Goodwill will be tested for impairment at reporting dates.

	R'000
Cell C shareholders' equity reported as at 30 June 2016	(12 225 051)
Pro forma adjustments as a consequence of the Cell C Recapitalisation (refer note 2.4.2)	
Subscription by shareholders	14 516 366
Capitalised finance raising fees on existing borrowings carried on the statement of financial position are written off as a consequence of the Cell C Recapitalisation	(159 501)
Derivative financial assets and liabilities carried on the statement of financial position to hedge foreign borrowings and assumed losses to settle these derivatives are written off as a consequence of the Cell C Recapitalisation	(225 260)
Breakage fee to settle existing loans	(47 280)
Net adjustment to align accounting policy differences between the Blue Label Group and Cell C*	(57 174)
Cell C *pro forma* shareholders' equity as at 30 June 2016	**1 802 100**
Additional intangible assets identified as part of the provisional fair value allocation exercise	
Indefinite life intangible assets	4 546 000
Definite life intangible assets	522 200
Deferred tax liability	(1 419 096)
	5 451 204
Blue Label's equity interest at 45%	2 453 042
Goodwill	3 046 958
Investment in and loans to associates and joint ventures	**5 500 000**

2.4.1 The financial information for Cell C is based on the reviewed condensed Group interim financial statements of Cell C as at 30 June 2016. The condensed Group interim financial statements of Cell C for the six months ended 30 June 2016 and KPMG's Reporting Accountants' Report thereon are included as Annexures to this circular.

2.4.2 The *pro forma* adjustments arising as a consequence of the Cell C Recapitalisation illustrated above are based on the following assumptions:
- The Cell C Recapitalisation was implemented on 30 June 2016 for purposes of presenting the *pro forma* effects thereof on Cell C.
- The Prepaid Company, MS10 and MS15 subscription consideration is based on the subscription consideration due by the respective parties in terms of the Cell C Recapitalisation and is assumed to be settled in cash.
- 3C subscription consideration will be equal to an amount which will result in Cell C's net borrowings being reduced to a maximum of R8 billion following receipt by Cell C of the respective subscription considerations payable by each of The Prepaid Company, MS10, MS15 and 3C.
- As discussed in note 3.3 to the *pro forma* condensed Group statement of comprehensive income, the Blue Label Group has developed an accounting policy choice to exclude equity settled share-based payments charges from its share in profits/losses from associates. As a result, the Blue Label Group also does not recognise the corresponding attributable share of the related share-based payment reserve within equity which ordinarily arises as a result.

* **Note:** As discussed in the notes to the *pro forma* condensed Group statement of comprehensive income, the Blue Label Group differs in its interpretation of the accounting policies adopted by Cell C in relation to its handset financing arrangement, resulting in the following adjustments to the reviewed condensed Group interim financial statements of Cell C as at 30 June 2016:

	R'000
Intangible assets [a]	(57 174)
Trade and other receivables [b]	1 437 677
Trade and other payables [b]	(1 437 677)
Net adjustment to Cell C shareholders' equity as at 30 June 2016	**(57 174)**

a. Intangible assets are reduced by R57.2 million, being subscriber acquisition costs capitalised to intangible assets in relation to the handset financing arrangement which is treated as finance costs in terms of the Blue Label Group accounting policy.

b. Trade and other receivables are adjusted to reflect handset debtors on the basis that the Blue Label Group considers the contract subscriber to be Cell C's customer for the sale of the handset. A corresponding liability to the third party financier is recognised.

2.5 Estimated once-off expenses of R11.2 million, relating to the Proposed Transaction, assumed to be settled from cash have been taken into account in determining the *pro forma* financial effects.

2.6 Estimated once-off share issue expenses of R60 million, relating to the vendor consideration placement, assumed to be settled from cash have been taken into account in determining the *pro forma* financial effects. These costs are deducted from share premium.

2.7 The R5.5 billion subscription consideration will be funded as follows:

2.7.1 R2 billion via the Vendor Consideration Placement with Net1 at R16.96 per share which represents a 10% discount to the 30 business day weighted average traded price in terms of paragraph 5.62(1) of the Listings Requirements.

2.7.2 R3.5 billion from available cash resources. Working capital facilities will be utilised to fund Blue Label's day-to-day working capital requirements as follows:

- Existing working capital borrowing facilities of R1.5 billion.
- Additional working capital borrowing facilities of R1.0 billion.
- Revised trading terms resulting in an increase in trade and other payables of a minimum of R1.0 billion.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF THE PROPOSED TRANSACTION

The Board of Directors
Blue Label Telecoms Limited
75 Grayston Drive
Cnr Benmore Road
Morningside Ext 5
Sandton
2196

Independent reporting accountants' assurance report on the compilation of *pro forma* financial information of Blue Label Telecoms Limited ("Blue Label" or "the Company")

Introduction

Blue Label Telecoms Limited ("Blue Label" or "the Company") is issuing a circular to its shareholders ("the Circular") regarding:

- Blue Label's participation, through its wholly-owned subsidiary The Prepaid Company Proprietary Limited, in the recapitalisation of Cell C Proprietary Limited ("Cell C") in terms of which it will subscribe for shares comprising 45% of Cell C's total issued share capital, following the conclusion of the recapitalisation, for a subscription consideration of R5.5 billion ("the Proposed Transaction"); and
- the placement of authorised but unissued Blue Label Shares under the control of the directors for the purposes of undertaking a vendor consideration placement to part fund the Proposed Transaction.

At your request and for the purposes of the Circular to be dated on or about 18 October 2016, we present our assurance report on the compilation of the *pro forma* financial information of Blue Label by the directors. The *pro forma* financial information, presented in paragraph 11 and **Annexure 5** to the Circular, consists of the *pro forma* statement of financial position as at 31 May 2016, the *pro forma* statement of comprehensive income for the year ended 31 May 2016 and the *pro forma* financial effects ("the *Pro Forma* Financial Information"). The *Pro Forma* Financial Information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *Pro Forma* Financial Information has been compiled by the directors to illustrate the impact of the Proposed Transaction on the Company's reported financial position as at 31 May 2016, and the Company's financial performance for the period then ended, as if the Proposed Transaction had taken place at 31 May 2016 and 1 June 2015, respectively. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's audited results for the year ended 31 May 2016.

Directors' responsibility

The directors of Blue Label are responsible for the compilation, contents and presentation of the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 11 and **Annexure 5** to the Circular. The directors of Blue Label are also responsible for the financial information from which it has been prepared.

Reporting accountants' responsibility

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

As the purpose of *Pro Forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *Pro Forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the corporate action or event in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

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

Opinion

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 11 and **Annexure 5** of the Circular.

PricewaterhouseCoopers Inc.
Director: **D Storm**
Registered Auditor

Sunninghill

BLUE LABEL TELECOMS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)
Share code: BLU ISIN: ZAE000109088
("Blue Label" or the "Company")

NOTICE OF GENERAL MEETING

All terms defined in the Circular, to which this notice of General Meeting is attached, shall bear the same meanings when used in this notice of General Meeting.

Notice is hereby given to Blue Label Shareholders recorded in the Company's register on Friday, 7 October 2016, that the General Meeting of Blue Label Shareholders will be held at the office of Blue Label, 75 Grayston Drive, Sandton, on Wednesday, 16 November 2016 at 10:00, to consider and, if deemed fit, pass, with or without modification, the ordinary resolutions set out hereunder. The record date for determining which Blue Label Shareholders are entitled to participate in and vote at the General Meeting is Friday, 4 November 2016. Accordingly, the last day to trade in order to be eligible to participate and vote at the General Meeting will be Tuesday, 1 November 2016.

Please note that Blue Label intends to provide for participation by way of electronic communication to Blue Label Shareholders to participate in the General Meeting. In this regard, please read the notes at the end of this notice.

RESOLUTIONS RELATED TO THE PROPOSED TRANSACTION

1. **ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE PROPOSED TRANSACTION AS A CATEGORY 1 TRANSACTION**

   "RESOLVED AS AN ORDINARY RESOLUTION that as required by the Listings Requirements of the JSE Limited ("**Listings Requirements**"), that Blue Label Telecoms Limited's ("**Blue Label**") participation, through its wholly-owed subsidiary, The Prepaid Company Proprietary Limited ("**The Prepaid Company**"), in the recapitalisation of Cell C Proprietary Limited ("**Cell C**") is hereby approved on the basis that The Prepaid Company will subscribe for Cell C Class "A" Shares comprising 45% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation for a subscription consideration of R5.5 billion."

   The reason for ordinary resolution number 1 is to approve the Proposed Transaction which is a Category 1 transaction as required by the JSE Listings Requirements.

   In terms of the JSE Listings Requirements, this resolution will be adopted with the support of more than 50% of the voting rights exercised on this resolution.

2. **ORDINARY RESOLUTION NUMBER 2 – PLACING AUTHORISED BUT UNISSUED SHARES UNDER CONTROL OF THE DIRECTORS FOR PURPOSES OF THE VENDOR CONSIDERATION PLACEMENT PURSUANT TO THE CELL C RECAPITALISATION**

   "RESOLVED AS AN ORDINARY RESOLUTION that an additional 117 924 529 authorised but unissued Blue Label Shares, be and are hereby placed under the control of the directors for the purpose of the vendor consideration placement as set out in this Circular, in order to settle part of Blue Label's subscription consideration pursuant to the Cell C Recapitalisation, and that they be and are hereby authorised to issue any such Blue Label Shares as the directors may deem fit, subject to the Companies Act of 2008 (Act 71 of 2008), as amended, the MOI and the provisions of the Listings Requirements."

   In terms of section 65(7) of the Companies Act and the Company's Memorandum of Incorporation, this resolution will be adopted with the support of more than 50% of the voting rights exercised on this resolution.

3. **ORDINARY RESOLUTION NUMBER 3 – DIRECTORS' AUTHORITY TO TAKE ALL SUCH ACTIONS NECESSARY TO IMPLEMENT THE ABOVE RESOLUTIONS**

"RESOLVED AS AN ORDINARY RESOLUTION that, any director of the Company, be and is hereby authorised and empowered to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to the implementation of the transactions contemplated in the resolutions contained in the notice convening the meeting at which this resolution will be considered."

In terms of section 65(7) of the Companies Act and the Company's Memorandum of Incorporation, this resolution will be adopted with the support of more than 50% of the voting rights exercised on this resolution.

Entitlement to attend and vote at the General Meeting

Blue Label Shareholders who wish to participate in the General Meeting should note that in terms of section 63 of the Companies Act, they are required to provide reasonable satisfactory identification before being entitled to attend or participate in the General Meeting. Forms of identification include valid identity documents, driver's licences and/or passports.

Certificated Blue Label Shareholders and Own Name Dematerialised Blue Label Shareholders may attend and vote at the General Meeting, or alternatively may appoint a proxy to attend, speak and, in respect of the resolutions, to be considered in the General Meeting, vote in their stead by completing the attached form of proxy. It is requested that the attached form of proxy should be completed and returned to the Transfer Secretaries at Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) so as to reach them by no later than 10:00 on Monday, 14 November 2016. Should the form of proxy not be returned to the Transfer Secretaries by the aforesaid date and time, it may be handed to the chairman of the General Meeting before the meeting is due to commence. The completion of a form of proxy will not preclude a Blue Label Shareholder from attending the General Meeting.

Dematerialised Blue Label Shareholders, other than Own Name Dematerialised Blue Label Shareholders, must contact their CSDP or broker, as the case may be, and obtain the relevant letter of representation from their CSDP or broker, as the case may be, if they wish to attend the General Meeting. If Blue Label Shareholders are unable to attend the General Meeting but wish to be represented thereat, they must furnish their CSDP or broker, as the case may be, with their instructions for voting at the General Meeting.

Shareholders or their proxies may participate in the General Meeting by way of a teleconference call. Shareholders wishing to participate electronically in the General Meeting are required to:

- deliver written notice to the Company at 75 Grayston Drive, corner Benmore Road, Sandton, 2196 (marked for the attention of J van Eden, Company Secretary) that they wish to participate via electronic communication at the General Meeting; or
- register on the Company's website at www.bluelabeltelecoms.co.za where a link to the registration page will be placed, by no later than 10:00 on Monday, 14 November 2016.

In order for the abovementioned notice to be valid it must contain: (a) if the Blue Label Shareholder is an individual, a certified copy of his/her identity document and/ or passport; (b) if the Blue Label Shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/ or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The resolution or letter of representation must set out who from the relevant entity is authorised to represent the entity at the General Meeting via electronic communication; (c) a valid email address and/or facsimile number; and (d) confirmation of whether the Blue Label Shareholder wishes to vote via electronic communication.

Blue Label shall use its reasonable endeavours to notify a Blue Label Shareholder wishing to participate in the General Meeting by way of electronic communication of the relevant details through which the Shareholder can participate via electronic communication by no later than 24 hours before the General Meeting.

Should a Blue Label Shareholder wishing to participate in the General Meeting by way of electronic communication as mentioned above, such shareholder or his/her proxy, will be required to dial-in to the dial-in facility on the date of the General Meeting. The dial-in facility will be linked to the venue at which the General Meeting will take place on the date of, from the time of commencement of, and for the duration of, the General Meeting. The dial-in facility will enable all persons to participate electronically in the General Meeting in this manner (and as contemplated in section 63(2) of the Companies Act) and to communicate concurrently with each other without an intermediary and to participate reasonably effectively in the General Meeting. The costs borne by you or your proxy in relation to the dial-in facility will be for your own account.

By order of the Board

J van Eden
Group Company Secretary

Tuesday, 18 October 2016

Registered office
75 Grayston Drive
corner Benmore Road
Sandton
2196

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BLUE LABEL TELECOMS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)
Share code: BLU ISIN: ZAE000109088
("Blue Label" or the "Company")

FORM OF PROXY – GENERAL MEETING

All terms defined in the Circular, to which this form of proxy is attached, shall bear the same meanings when used in this form of proxy.

For use by Certificated Blue Label Shareholders or Own-name Dematerialised Blue Label Shareholders at the General Meeting to be held at 10:00 on Wednesday, 16 November 2016 at the office of Blue Label, 75 Grayston Drive, corner Benmore Road, Sandton, 2196, or any adjournment thereof.

Dematerialised Blue Label Shareholders, other than Own-name Dematerialised Blue Label Shareholders, must not complete this form of proxy.

I/We (FULL NAME IN BLOCK LETTERS)

of (address):

Telephone: (Work) Telephone: (Home)

Fax: Cell number:

being the holder(s) of Blue Label Shares

hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the chairperson of the General Meeting,

as my/our proxy to vote for me/us on my/our behalf at the General Meeting to be held at 10:00 on Wednesday, 16 November 2016 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution 1 – approval of the Proposed Transaction in terms of which Blue Label, through its wholly owned subsidiary The Prepaid Company, will subscribe for Cell C Class "A" Shares comprising 45% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation for a subscription consideration of R5.5 billion			
Ordinary resolution 2 – placing authorised but unissued shares under the control of directors for the purpose of the Vendor Consideration Placement pursuant to the Cell C Recapitalisation			
Ordinary resolution number 3 – general authorising resolution			

Signed at this day of 2016

Signature

Assisted by me (if applicable)

Please read the notes on the reverse side hereof.

A Blue Label Shareholder entitled to attend and vote at the General Meeting may appoint one or more persons as his/her proxy to attend, speak or vote in his/her stead at the General Meeting. A proxy need not be a Blue Label Shareholder.

On a show of hands, every Blue Label Shareholder or his proxy shall have one vote (irrespective of the number of Blue Label Shares held). On a poll, every Blue Label Shareholder or his proxy shall have one vote for each Blue Label Share held or represented.

Notes:

1. A Blue Label Shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided with or without deleting "the chairperson of the General Meeting", but any such deletion must be initialled by the Blue Label Shareholder. The person whose name appears first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert the number of Shares in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of Blue Label Shares exercisable by you, insert the number of Blue Label Shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise and compel the chairperson, if the chairperson is an authorised proxy, to vote in favour of the resolutions, or to authorise any other proxy to vote for or against the resolutions or abstain from voting as he/she deems fit, in respect of all the Blue Label Shareholder's votes exercisable thereat. A Blue Label Shareholder or its/his/her proxy is not obliged to use all the votes exercisable by the Blue Label Shareholder or its/his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the Blue Label Shareholder or its/his/her proxy.
3. Forms of proxy are requested be lodged with the Transfer Secretaries, Computershare, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by no later than 10:00 on Monday, 14 November 2016. Should the form of proxy not be returned to the Transfer Secretaries by the aforesaid date and time, it may be handed to the chairman of the General Meeting before the meeting is due to commence. The completion of a form of proxy will not preclude a Blue Label Shareholder from attending the General Meeting.)
4. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries or waived by the chairperson of the General Meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant Blue Label Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Blue Label Shareholder wish to do so.
7. The chairperson of the General Meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that the chairperson is satisfied as to the manner in which the Blue Label Shareholder wishes to vote.
8. The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, and any adjournment thereof, unless revoked as contemplated in section 58(5) of the Companies Act.
9. Joint holders – any such persons may vote at the General Meeting in respect of such joint shares as if he/she were solely entitled thereto; but if more than one of such joint holders are present or represented at the General Meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, is alone entitled to vote in respect thereof.
10. Own-name Dematerialised Blue Label Shareholders will be entitled to attend the General Meeting in person or, if they are unable to attend and wish to be represented thereat, must complete and return the attached form of proxy to the Transfer Secretaries in accordance with the time specified on the form of proxy.

Summary of the rights established in terms of section 58 of the Companies Act, 71 of 2008 ("Act"):

For purposes of this summary, "shareholder" shall have the meaning ascribed thereto in the Act.

1. At any time, a shareholder of a company is entitled to appoint an individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder, or give or withhold written consent on behalf of such shareholder in relation to an decision contemplated in section 60 of the Act.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed, or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Act or expires earlier as contemplated in section 58(8)(d) of the Act.
3. Except to the extent that the MOI of a company provides otherwise:
    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;
    2. a proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
    3. 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, 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.
5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is 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 company.
6. 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: (a) stated in the revocation instrument, if any; or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Act.
7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Act or the relevant company's MOI to be delivered by such company to the shareholder, must be delivered by such company to the shareholder, or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. 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, or the instrument appointing the proxy provide otherwise.
9. 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:
    1. such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
    2. the invitation, or form of instrument supplied by the relevant company, must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder; and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
    3. the company must not require that the proxy appointment be made irrevocable; and
    4. 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 Act.