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 advisor 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 transactions 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:

- **the amended terms of 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 183 333 334 authorised but unissued Blue Label shares under the control of the directors for the purposes of undertaking the Cell C Vendor Consideration Placement in order to part fund the Cell C Transaction;**
- **the placement of 16 666 666 authorised but unissued Blue Label shares under the control of the directors for the purposes of undertaking the 3G Acquisition Issue in order to part fund the 3G Acquisition;**

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	Reporting accountants to Blue Label
Investec Specialist Bank (Out of the Ordinary®)	pwc
Legal advisor to Blue Label	**Reporting accountants to Cell C**
WERKSMANS ATTORNEYS	KPMG cutting through complexity

Date of issue: Tuesday, 27 June 2017

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 during normal business hours from Tuesday, 27 June 2017, up to and including the date of the General Meeting.

CORPORATE INFORMATION AND ADVISORS

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, to this corporate information and advisors 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 the Cell C

16 April 1999

Place of incorporation of the 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
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
(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*
JS Mthimunye*
SJ Vilakazi*

*Independent

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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 amendments to the Cell C Transaction, the Cell C Vendor Consideration Placement, the 3G Acquisition Issue 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, 26 July 2017 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), so as to reach them by not later than 10:00 on Monday, 24 July 2017. 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 exercising of any Shareholder's rights at the General Meeting.

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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), so as to reach them by not later than 10:00 on Monday, 24 July 2017. 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 exercising of any Shareholder's rights at the General Meeting.

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 advisors.

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, 24 July 2017.

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 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

	2017
Record date to determine which Shareholders are eligible to receive the notice of General Meeting	Thursday, 15 June
Circular and notice of General Meeting posted to Shareholders and announced on SENS on	Tuesday, 27 June
Last day to trade in Blue Label Shares in order to be recorded in its securities register to vote at the General Meeting	Tuesday, 11 July
Record date to be entitled to attend, participate in and vote at the General Meeting by close of trading on	Friday, 14 July
Form of proxy for the General Meeting requested to be received by the Transfer Secretaries by no later than 10:00 on	Monday, 24 July
General Meeting held at 10:00 on	Wednesday, 26 July
Results of the General Meeting announced on SENS on	Wednesday, 26 July
Announcement as to the fulfilment of all Conditions Precedent to the Cell C Transaction released on SENS on	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, 11 July 2017 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;
"3G"	3G Mobile Proprietary Limited (registration number 2006/007512/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
"3G Acquisition"	the initial acquisition by The Prepaid Company of 47.37% of the issued share capital of 3G for the 3G Purchase Consideration;
"3G Acquisition Issue"	the issue, subject to the provisions of the Listings Requirements and the requisite Shareholder approval, of 16 666 666 authorised but unissued Blue Label shares to the shareholders of 3G at a price of R15.00 per Blue Label Share, as R250 million part payment towards the 3G Purchase Consideration;
"3G Purchase Consideration"	R900 million, which will be part settled by the 3G Acquisition Issue, and the remainder in cash, on the terms as set out in paragraph 6;
"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 the Corporate Information and Advisors section 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;
"CEC"	Comm Equipment Company Proprietary Limited (registration number 2014/180727/07), a private company duly registered and incorporated in accordance with the company laws of 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) M5 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) The termination of the Cell C Shareholders Agreement; 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 MOI"	the memorandum of incorporation of Cell C to be adopted with effect from closing and available for inspection as set out in paragraph 17 of the Circular;
"Cell C Recapitalisation"	the recapitalisation of Cell C by the Recapitalisation Participants, on amended terms from those set out in the Original Cell C Recapitalisation 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 R6.0 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 Net1, for Cell C Class "A" Shares comprising 15% of Cell C's total issued share capital for a subscription consideration of R2.0 billion, following the conclusion of the Cell C Recapitalisation; • the subscription by MS15 for Cell C Class "A" Shares comprising 5% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation; • the subscription by M5 for shares comprising 100% of the Cell C Class "B" Shares, which shares shall equate to 5% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation; and • the assumption of debt of Cell C by SPV1, SPV2 and SPV3 in exchange for the allotment and issue of Cell C Class "A" Shares comprising 30% of Cell C's total issued share capital following the conclusion of the Cell C Recapitalisation, which aggregate amount of debt will be equal to an amount which will result in Cell C's Net Borrowings being reduced to a maximum of R6.0 billion at the time of receipt by Cell C of the respective subscription considerations payable, or assumption of debt, as the case may be, by each of The Prepaid Company, Net1, MS15, M5, SPV1, SPV2 and SPV3;
"Cell C Recapitalisation Agreements"	the formal equity agreements concluded between the Recapitalisation Participants and Cell C on or about Monday, 19 June 2017, and which are available for inspection as set out in paragraph 17 of the Circular, which agreements relate to the equity aspects of the Cell C Recapitalisation (including the Cell C Shareholders' Agreement) and on amended terms from those set out in the Original Cell C Recapitalisation;
"Cell C Shareholders' Agreement"	the shareholders agreement, on amended terms from those set out in the Original Cell C Recapitalisation, between The Prepaid Company, Net1, M5, MS15, SPV1, SPV2, SPV3 and Cell C setting out the basis on which the parties (other than Cell C) will participate as shareholders of Cell C;

"Cell C Transaction"	Blue Label's participation, as set out in this Circular, on amended terms from those set out in the Original Cell C Recapitalisation, through its wholly-owned subsidiary The Prepaid Company, in the Cell C Recapitalisation in terms of which The Prepaid Company 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;
"Cell C Vendor Consideration Placement"	the placement, on amended terms from those set out in the Original Cell C Recapitalisation, subject to the provisions of the Listings Requirements and the requisite Shareholder approval, of 183 333 334 authorised but unissued Blue Label shares with Third Party Investors at a price of R15.00 per Blue Label Share so as to raise R2.75 billion to part fund the participation by Blue Label, through its wholly-owned subsidiary The Prepaid Company, in the Cell C Recapitalisation;
"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;
"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, 27 June 2017, 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 to, 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;
"EBITDA"	earnings before interest, tax, depreciation and amortisation;
"Effective Date"	the fifth Business Day after the last of the Conditions Precedent to the Cell C Recapitalisation have been waived or fulfilled, or such other date as may be agreed to in writing amongst the Recapitalisation Participants;
"Employee Believe Trust"	the Employee Believe Trust (a trust duly registered with the Master of the High Court of South Africa, Gauteng Division, Pretoria under Master's reference number IT003241/2016);
"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, 26 July 2017 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;
"IFRS"	International Financial Reporting Standards;
"Initial Circular"	the circular to Shareholders dated 18 October 2016 detailing, *inter alia*, the original terms of Blue Labels participation in the Original Cell C Recapitalisation;
"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"	Friday, 23 June 2017, 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;
"M5"	(previously MS10 in the Initial Circular) means, collectively certain individuals in the top management of Cell C, including the CEO and CFO. Any reference to M5 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. All the issued shares of M5 have been pledged in favour of the Industrial and Commercial Bank of China Limited and China Development Bank;
"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, which, post the Effective Date, will be 100% owned and controlled by the Employee Believe Trust, the ultimate beneficiaries of which are the employees of Cell C. All the issued shares of MS15 have been pledged in favour of the Industrial and Commercial Bank of China Limited and China Development Bank;
"Net Borrowings"	in terms of the amended Cell C Recapitalisation, means any contractual obligation for the Cell C group pertaining to monies borrowed, including shareholder loans: 1. less cash and cash equivalents (excluding cash received from working capital receivables and paid in respect of working capital payables outside of the ordinary course of business and restricted cash); 2. adjusted for working capital payables and working capital receivables that are exceptional and outside of the ordinary course of business that: (i) are not settled in a timely manner in accordance with normal payment terms; (ii) are unusual, material and non-recurring, and (iii) whose timely settlement is not restricted by: (a) lack of budgetary approvals; (b) lack of board approvals;

(c) lack of regulatory approvals (including that of the South African Reserve Bank); or

(d) lack of bank financing;

3. adjusted for current and owing income tax assets and/or liabilities;
4. adjusted for dividends declared but not settled;
5. adjusted for any credit deposits advanced by customers not covered in the working capital payables or the working capital receivables (without double counting); and
6. adjusted for any committed but unpaid capital drawdowns due in respect of investments in associates/joint ventures made by the company.

For the avoidance of doubt, Net Borrowings shall not include financial lease obligations;

"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;
Original Cell C Recapitalisation	the transaction as set out in the Initial Circular approved by Shareholders at the general meeting held on Wednesday, 16 November 2016, insofar as it related to the Company, via its wholly-owned subsidiary The Prepaid Company, acquiring an interest in Cell C;
"R" or "Rand"	South African Rand, the official currency of South Africa;
"Recapitalisation Participants"	the parties participating in the Cell C Recapitalisation, being The Prepaid Company, 3C, Net1, M5, MS15, SPV1, SPV2, SPV3 and Cell C (on amended terms from those set out in the Original Cell C Recapitalisation);
"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;
"SPV1"	Cedar Cellular Investment 1 (RF) Proprietary Limited, (registration number 2017/068178/07), a ring-fenced private company duly registered and incorporated in accordance with the company laws of South Africa, which is 100% held by 3C, and which will, in exchange for the assumption of approximately R3.2 billion of Cell C debt notes, be issued with Cell C Class "A" Shares comprising 11.8% of the issued share capital of Cell C post the implementation of the Cell C Recapitalisation. All the issued shares of SPV1 have been pledged in favour of the previous bondholders of Cell C;
"SPV2"	Magnolia Cellular Investment 2 (RF) Proprietary Limited, (registration number 2017/068221/07), a ring-fenced private company duly registered and incorporated in accordance with the company laws of South Africa, which is 100% held by 3C, and which will, in exchange for the assumption of approximately R4.1 billion of Cell C debt, be issued with Cell C Class "A" Shares comprising 16.0% of the issued share capital of Cell C post the implementation of the Cell C Recapitalisation. All the issued shares of SPV2 have been pledged in favour of the Industrial and Commercial Bank of China Limited and the China Development Bank;

"SPV3"	Yellowwood Cellular Investment 3 (RF) Proprietary Limited, (registration number 2017/068241/07), a ring-fenced private company duly registered and incorporated in accordance with the company laws of South Africa, which is 100% held by 3C, and which will, in exchange for the assumption of approximately R0.7 billion of Cell C debt, be issued with Cell C Class "A" Shares comprising 2.2% of the issued share capital of Cell C post the implementation of the Cell C Recapitalisation. All the issued shares of SPV3 have been pledged in favour of Nedbank Limited;
"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;
"Subscription Agreement"	the agreement forming part of the Cell C Recapitalisation Agreements in terms of which The Prepaid Company will subscribe for shares in Cell C;
"Subsidiary"	a subsidiary company as defined in section 3 of the Companies 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;
"Third Party Investors"	the parties who have entered into a subscription agreement with Blue Label to subscribe for Shares (as beneficial owner or in terms of a discretionary mandate given to them by their clients, as the case may be) pursuant to the Cell C Vendor Consideration; and
"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.

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*
JS Mthimunye*
SJ Vilakazi*
*Independent

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

Shareholders are referred to the Initial Circular detailing the proposed participation by Blue Label, acting through its wholly-owned subsidiary, The Prepaid Company, in the Original Cell C Recapitalisation transaction which was approved by Shareholders at the General Meeting held on 16 November 2016, as well as the SENS announcement released on Monday, 19 June 2017, detailing, *inter alia*, the amended terms of Blue Label's participation, through its wholly-owned subsidiary The Prepaid Company, in the Cell C Recapitalisation.

The purpose of this Circular is to advise Shareholders of the amended terms and conditions of the Cell C Recapitalisation and Blue Label's participation therein, as well as to provide information pertaining to the Cell C Vendor Consideration Placement and the 3G Acquisition Issue.

Accordingly this Circular is posted to Shareholders containing, *inter alia*, a notice of General Meeting convened for the purpose of approving the Cell C Transaction and the placement of authorised but unissued Blue Label shares under the control of the directors for the purpose of undertaking the Cell C Vendor Consideration Placement and the 3G Acquisition Issue.

2. RATIONALE FOR THE AMENDMENTS TO THE CELL C RECAPITALISATION

The amendments to the Original Cell C Recapitalisation, as set out in the Initial Circular, are as a result of:

- Net1 having agreed to participate in the Cell C Recapitalisation;
- a restructure of the subscribing management and staff members of Cell C, such that management reduced their subscription from 10% to 5% and staff reduced their effective subscription from 15% to 13.8% via the Employee Believe Trust; and
- Cell C's borrowings amounting to approximately R8.0 billion be uplifted to the newly formed special purpose vehicles, SPV1, SPV2 and SPV3, in order to facilitate the overall reduction in the Net Borrowings of Cell C and its Subsidiaries. Following such assumption, SPV1, SPV2 and SPV3 will be indebted to the relevant funders for the assumed amounts, and not Cell C.

3. OVERVIEW OF THE CELL C RECAPITALISATION, AS AMENDED

The implementation of the Cell C Recapitalisation will result in Cell C's Net Borrowings being reduced to a maximum of R6.0 billion, as at the Effective Date of the Cell C Recapitalisation, by way of:

- The Prepaid Company subscribing for Cell C Class "A" Shares comprising 45% of Cell C's total issued share capital for a subscription consideration of R5.5 billion;
- Net1 subscribing for Cell C Class "A" Shares comprising 15% of Cell C's total issued share capital for a subscription consideration of R2.0 billion;
- MS15 subscribing for Cell C Class "A" Shares comprising 5% of Cell C's total issued share capital for nominal consideration;
- M5 subscribing for 100% of the Cell C Class "B" Shares for nominal consideration, which shares shall equate to 5% of Cell C's total issued share capital; and
- SPV1, SPV2 and SPV3 (which are controlled by 3C), in exchange for assuming debt of Cell C, being allotted and issued Cell C Class "A" Shares comprising 30% of Cell C's total issued share capital. The aggregate amount of debt assumed by SPV1, SPV2 and SPV3 will be equal to an amount which will result in Cell C's Net Borrowings being reduced to a maximum of R6.0 billion at the time of receipt by Cell C of the respective subscription considerations payable, or assumption of debt, as the case may be, by each of The Prepaid Company, Net1, MS15, M5, SPV1, SPV2 and SPV3. Neither Cell C, Net1, Blue Label nor The Prepaid Company will bear any credit risk in respect of SPV1, SPV2 and SPV3, and the recourse of the creditors of the SPVs will be limited to the shares in Cell C held by the respective SPVs, MS15 and M5, but not to the shares of The Prepaid Company in Cell C.

The Prepaid Company has agreed to provide liquidity support to SPV2, by undertaking to provide subordinated loan funding to SPV2 of up to $80 million ($20 million of which will be provided by Oger Telecoms, thus reducing The Prepaid Company's obligations to a maximum of $60 million), which shall bear interest at a Libor linked rate, in order that it meet certain contingent interest payments due by SPV2. Such funding shall be provided by The Prepaid Company in three equal instalments, each six months, commencing on the first anniversary of the Effective Date. In addition, to the extent certain assets of Oger Telecoms are realised within the aforesaid 24-month period, a portion of such realisation shall further reduce The Prepaid Company's obligation in this regard.

As detailed in the Initial Circular, Net1 had committed to subscribe for R2.0 billion of Blue Label shares pursuant to a vendor consideration placement by Blue Label. Furthermore, Net1 agreed to invest an additional R2.0 billion directly into Cell C in consideration for a 15% shareholding in Cell C. Subsequently, as detailed in the announcement to Shareholders released on SENS on Thursday, 1 June 2017, Net1 and Blue Label have agreed that Net1 shall confine its investment to a total amount of R2.0 billion, which will be invested into Cell C, and as such, Net1 will no longer subscribe for shares in Blue Label.

In light of the above, Blue Label has signed binding subscription agreements with alternative Third Party Investors in terms of which the Third Party Investors will, subject to the Listings Requirements and the requisite Shareholder approval, subscribe for R2.75 billion of Blue Label shares in terms of a vendor placement at a price of R15.00 per share.

A summary of the salient changes to the Original Cell C Recapitalisation are set out in **Annexure 5**.

Except as disclosed in this Circular, there have been no material changes to the Original Cell C Recapitalisation. The Board is not aware of any material changes in the financial or trading position of the Blue Label Group subsequent to the Initial Circular.

4. PAYMENT TERMS OF THE CELL C TRANSACTION

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

- R2.75 billion via the Cell C Vendor Consideration Placement with the Third Party Investors, it being recorded that the Cell C Vendor Consideration Placement shall be at a maximum discount of 10% to the 30-business day weighted average traded price of Blue Label Shares, in terms of paragraph 5.62 of the Listings Requirements; and
- R2.75 billion from available cash resources as a result of a change in working capital structure.

The resolution to place sufficient authorised but unissued shares of Blue Label under the control of the directors for the purpose of undertaking the Cell C 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 August 2017, unless otherwise stipulated below, or such later date as agreed between the Recapitalisation Participants:

- Approval of the amendments to the participation in the Original Cell C Recapitalisation by Blue Label Shareholders;
- Obtaining exchange control approval by FinSurv, and any other regulatory approvals if and to the extent required by law;
- 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 (in this regard it is noted that Cell C and its lenders have agreed the final form versions of the debt agreements which contain the terms applicable to its debt restructure);
- 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 Cell C Recapitalisation becoming fully unconditional in accordance with their terms.

6. 3G ACQUISITION

Shareholders are referred to the announcement released on SENS on Tuesday, 27 June 2017 in which Blue Label informed Shareholders that it has entered into agreements with the shareholders of 3G in respect of the 3G Acquisition. The acquisition of the remaining 52.63% of the issued share capital in 3G is subject to regulatory approvals, including those contemplated in the Competition Act, 89 of 1998.

The 3G group, through its wholly-owned subsidiary CEC, provides the financing to Cell C for the mobile handset element of post-paid contracts.

3G also procures high end branded mobile handsets for supply to Cell C and major retailers in South Africa and beyond its borders. Both of these functions dovetail into Blue Label's strategic objectives to provide value added services to both Cell C and its own customer base. The 3G group affords the ideal platform to consolidate Blue Label's low cost and certified pre-owned mobile handset divisions into a single entity. The resultant vertical integration is both earnings accretive and provides a solid foundation for distribution into the burgeoning low cost smartphone market.

In terms of the Listings Requirements, the 3G Acquisition is classified as a Category 2 transaction and therefore does not require shareholder approval.

Blue Label will be undertaking the 3G Acquisition Issue in order to part settle the 3G Purchase Consideration.

The resolution to place sufficient authorised but unissued shares of Blue Label under the control of the directors for the purpose of undertaking the 3G Acquisition Issue has been included in the notice of the General Meeting, which notice is annexed hereto and forms part of this Circular.

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 Cell C Transaction, the Cell C Vendor Consideration Placement and the 3G Acquisition Issue.

Shareholder	**Number of shares**	**Percentage of voting rights (%)**
Shotput Investments	100 000 000	14.83
Brett Levy & The Jay Trust	84 427 825	12.52
Mark Levy & The Cassycode Trust	77 020 416	11.42
36ONE	39 723 650	5.89
Capricorn Fund Managers	15 456 826	2.29
Other shareholder(s)	10 598 367	1.57
LM Nestadt Trust	8 204 674	1.22
Selwyn Diamond	4 984 083	0.74
Rubin Pogir Family Trust	4 500 000	0.67
Dean Suntup	4 358 540	0.65
Sean Kaplan	4 016 595	0.60
Unihold Group Limited	2 414 815	0.36
EE Trust	1 200 000	0.18
Ellerine Group	800 000	0.12
Total	**357 705 791**	**53.03**

In terms of the Listings Requirements, the aforementioned transactions require the approval of the majority of Blue Label Shareholders. As a result of the irrevocable undertakings and letters of support detailed above, 53.03% of Shareholders are supportive of the Cell C Transaction, the Cell C Vendor Consideration Placement and the 3G Acquisition Issue, and therefore, it is anticipated that at the General Meeting, all resolutions required to authorise and implement the aforementioned transactions will be passed.

8. ***PRO FORMA* FINANCIAL EFFECTS OF THE CELL C TRANSACTION, INCLUDING THE CELL C VENDOR CONSIDERATION PLACEMENT**

The table below sets out the *pro forma* financial effects of the Cell C Transaction, including the Cell C Vendor Consideration Placement on the published unaudited results of the Blue Label Group for the half year-ended 30 November 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 Cell C Transaction and the Cell C Vendor Consideration Placement 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 unaudited results of the Blue Label Group for the half year-ended 30 November 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 Cell C Transaction and the Cell C Vendor Consideration Placement[2] (cents)	Change (%)
Basic earnings per share	81.78	17.96	(78.0%)
Diluted basic earnings per share**	81.12	17.84	(78.0%)
Headline earnings per share	81.78	17.34	(78.8%)
Diluted headline earnings per share**	81.12	17.23	(78.8%)
Core headline earnings per share*	82.86	18.69	(77.4%)
Net asset value per share	695.78	864.83	24.3%
Net tangible asset value per share[3]	521.30	727.64	39.6%
Weighted average number of shares ('000)	666 665	849 998	
Diluted weighted average number of shares ('000)	672 077	855 410	
Number of shares in issue ('000)	674 509	857 842	

* *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 unaudited results of the Blue Label Group for the half year-ended 30 November 2016.
2. The "*Pro forma* after the Cell C Transaction and Cell C Vendor Consideration Placement" column has been calculated on the basis that all of the steps to implement the Cell C Recapitalisation and the Cell C Transaction, including the Cell C Vendor Consideration Placement have been completed and is stated after considering the Cell C Recapitalisation and Blue Label Group *pro forma* adjustments.

   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 and the Cell C Transaction, including the Cell C Vendor Consideration Placement were effective on 1 June 2016, while the effects on net asset value and net tangible asset value per share are calculated on the basis that the Cell C Recapitalisation and the Cell C Transaction, including the Cell C Vendor Consideration Placement were effective on 30 November 2016 for purposes of presenting the *pro forma* effects thereof on the Blue Label Group.

   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 Cell C Vendor Consideration Placement.
3. Net tangible asset value is calculated as net asset value attributable to the owner of the parent, less the value of goodwill, other intangible assets and deferred tax assets attributable to the owner of the parent.
4. The detailed notes and assumptions to the *pro forma* financial effects are presented in **Annexure 3** 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 assurance report on the *pro forma* financial effects and *pro forma* financial information is contained in **Annexure 4**.

9. 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.

10. CONSENTS

The legal advisers, 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.

11. PROSPECTS

The Board is of the opinion that the Cell C 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.

12. OPINIONS AND RECOMMENDATIONS

The Board is of the opinion that the approval of the Cell C Transaction on the terms and conditions set out herein are in the interests of Blue Label Shareholders on account of the benefits that the Cell C Transaction is anticipated to accrue 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.

13. RESPONSIBILITY STATEMENT

The Board:

- has considered all statements of fact and opinion in this Circular;
- collectively and individually, accept full responsibility for the accuracy of the information that has been included in this Circular;
- 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;
- has 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.

14. 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.

Initial Circular	Blue Label circular to shareholders, dated 18 October 2016, detailing, *inter alia*, the terms and conditions of the Blue Label's participation in the Original Cell C Recapitalisation	https://www.bluelabeltelecoms.co.za/pdf/circular-2016.pdf

15. 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 Cell C Transaction.

16. **GENERAL MEETING**

In order to seek the approval of Shareholders for the amendments to the Cell C Transaction, the Cell C Vendor Consideration Placement, and the 3G Acquisition Issue, 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.

17. **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, 27 June 2017 up to and including the date of the General Meeting:

- the Memorandum of Incorporation of Blue Label and its major Subsidiaries;
- the signed Cell C Recapitalisation 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 published unaudited results of the Blue Label Group for the half year-ended 30 November 2016;
- the audited annual financial statements of Cell C for the years ended 31 December 2016, 31 December 2015 and 31 December 2014;
- the reviewed interim results of Cell C for the six months ended 31 December 2016;
- signed copies of the reporting accountants' reports;
- copies of the irrevocable undertakings referred to in paragraph 7;
- the written consent letters referred to in paragraph 10;
- the documents listed in paragraph 14, being the Initial Circular; and
- copies of this Circular.

By order of the Board

Blue Label Telecoms Limited
Per: **BM Levy and MS Levy**
Joint Chief Executive Officers

Sandton
Tuesday, 27 June 2017

HISTORICAL FINANCIAL INFORMATION OF CELL C FOR THE YEARS ENDED 31 DECEMBER 2016, 31 DECEMBER 2015 AND 31 DECEMBER 2014

Basis of preparation

The consolidated statements of financial position at 31 December 2016, 31 December 2015, 31 December 2014 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 2016, 2015 and 2014. 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 Inc. in accordance with International Standards on Auditing.

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

Cell C is classified as a public company based on the requirements set out in the Company's Act of South Africa; however, the current registration number and reference to Cell C as a Proprietary Limited are reflected in the financial statements as the revised memorandum of incorporation converting Cell C from a private company to a public company and the accompanying change of name has not yet been filed. The revised memorandum of incorporation will be filed post the recapitalisation.

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 1 726 sites to its network and embarked upon a targeted LTE roll-out 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 2016, 2015 and 2014

	2016 (Rm)	2015 (Rm)	2014 (Rm)
Revenue	14 646	13 228	11 634
Revenue growth	10.7%	13.7%	1%
EBITDA	3 106	1 948	424
EBITDA margin	21.2%	14.7%	3.6%
Net profit/(loss) after tax	541	(5 644)	(4 867)
CAPEX	2 856	2 349	2 256
CAPEX as a % of revenue	19.5%	17.7%	19.3%
Gross debt*	19 801	20 956	15 654
Cash	279	776	1 249
Net debt	19 522	20 180	14 405
PPE	8 751	7 430	6 825
Total assets	15 762	14 903	15 476
Total liabilities	27 450	27 131	22 117
Working capital**	(726)	(63)	2 128

* 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 2016 financial information

Operational review

Since 2012, Cell C has been implementing a turn-around strategy which continued to deliver improved performance in 2016. The 2016 financial year was exceptionally challenging, with South Africa's economic growth essentially flat. Despite this tough environment, Cell C turned its first profit off the back of strong performance in most key financial metrics.

We've set out to be the leading innovator in the mobile space and launched several market-leading products and services to our customers. The success of these products was evidenced in the steady growth of our subscriber base and the uptake of these services.

Cell C's innovative drive to offer customers alternative technologies like Wi-Fi Calling has enhanced the overall customer experience while providing the company with alternative revenue streams. Cell C became the first mobile operator in Africa to offer Wi-Fi Calling on Apple handset devices in 2016 and remains the only operator in SA to offer this service commercially to its customers.

We have placed great focus on customer service and our efforts were rewarded with significant improvements in our service metrics across the board. In November 2016, Cell C was awarded "The Best Call Centre" award in the Ask Africa Orange Index; the most widely-referenced service excellence benchmark in the country, beating 28 call centres across various industries to the top spot. In addition, Our Net Promoter Score, used widely as a customer service benchmark, improved 8% year-on-year. Cell C also remains the mobile operator with the highest number of positive ratings on HelloPeter.

Innovation was also a key factor in enhancing the overall customer experience and improving efficiencies in the call centre environment. Call volumes decreased in the latter part of the year as a result of proactive inventions including the introduction of eStatements to allow our customers to self-serve and enjoy a better billing experience. Cell C's customer-centric strategy also led to a 14% increase in retention upgrades compared to 2015.

Cell C's products and services were supported by a quality network with the rollout of additional sites continuing on a daily basis. Cell C now has approximately 5 000 sites, of which 2 500 are LTE and more than 2 000 are LTE-Advanced. In 2016 Cell C started the replacement of the Core Transmission legacy SDH technology with new IP-MPLS and DWDM Core. This was done to increase capacity to support the data growth on our network, reduce reliance on third party transmission providers and improve network redundancy.

Financial review

Revenue increased by R1 418 million, or 11%, to R14 646 million for the year-ended 31 December 2016, from R13 228 million for the comparable period in 2015. This can be attributed to the 8% growth in our service revenue, principally due to strong growth in our total active customer base by 20%, which is now at 15.3 million compared to 12.8 million in 2015.

The growth in revenue was underpinned by the significant growth in data consumption. Data revenue increased by 35% year-on-year which was supported by an increase in data usage of 67% year-on-year. Data revenue now makes up 37% of service revenue compared to 30% a year ago. Active data customers have increased by 23% year-on-year whilst the effective price of data per MB has decreased by more than 20% year-on-year.

Voice revenue declined by 2% year-on-year. Voice traffic is now carried by other means such as WhatsApp calling and other VoIP series. The effective price of voice per minute has decreased by 8% year-on-year.

Wholesale revenue increased by R220 million or 147% to R370 million year-on-year. The increase is attributable to the significant growth in the MVNO customer base and increased data consumption by these customers.

The increase also reflected growth of 19.5% in our non-service revenue, to R2 894 million, principally due to the demand for smart devices, which led to significant growth in our equipment revenue. This more than offset the R70 million, or 7%, decrease in the interconnect revenue, mainly attributed to a reduction in MTRs and the related rate of asymmetry which came into effect in October 2015.

Our direct expenditure increased by R209 million for the year-ended 31 December 2016, principally due to an increase in roaming costs (mainly driven by an increase in the volume of roaming data traffic) and an increase in handset cost of sales. Operating expenses increased by R54 million or 1% compared to 2015. This mainly due to an increase in commercial expense due to costs incurred opening new retail stores, as well as, an increase in our spend on sponsorship and marketing support. Furthermore, our administrative expense increased mainly due to higher subcontracting costs for CRM services, settling USD invoices at higher rates due to the depreciation of the Rand against foreign currencies during 2016. However, this was offset by a decrease in network expense principally due to our network optimisation project.

EBITDA increased by R1 158 million or 59% in 2016 compared to 2015 which translated to an EBITDA margin of 21.2% in 2016 compared to an EBITDA margin of 14.7% in 2015.

Profit increased by R6 185 million in 2016 compared to 2015. The increase was driven by the positive operational performance which generated Earnings before interest and tax of R1 335 million. Furthermore, the strengthening of the Rand against major currencies resulted in unrealised forex gains in 2016.

Despite earning a profit during the year, the group's total liabilities exceeded its total assets by R11 688 million (2015: R12 228 million) at 31 December 2016. The company holds intangible assets that may not be recognised as such in the financial statements in accordance with IFRS.

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 for several years. This presented Blue Label with the opportunity to make a strategic investment in Cell C and they 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 the revised capital restructure, Blue Label Telecoms Limited and Net1 Applied technologies will provide additional capital in aggregate of approximately R7.5 billion. Cell C have approached their existing debt providers to restructure the existing facilities, allowing for a reduction of the existing net borrowings to a maximum of R6 billion on transaction date. At 31 December 2016, the restructure would have given the effect of an aggregate increase of approximately R15.5 billion in the net asset value on transaction date.

The group and shareholders are in the process of finalising the transactions involved. At the date of approval of the financial statements for the year-ended 31 December 2016:

- the Group and shareholder have made significant progress under the umbrella agreement (entered into on 24 February 2017) and are confident that the transaction will be completed within the timeframes provided;
- the Group have received standstill undertakings from the lenders that are party to the security package, to defer repayments until 31 August 2017;
- the restructuring agreements have been finalised and are awaiting signature by the shareholders and the lenders;
- the conditions precedent are at an advanced stage and remain on target to be fulfilled prior to 31 August 2017;
- the recapitalisation of the Group will result in the Group's assets exceeding its liabilities and will also restore the liquidity of the Group;

- the synergies achieved through the recapitalisation of the group will contribute to growth in the revenue and cost optimisation;
- the Group has increased the cash generated from operations in 2016 and has experienced 16% growth in the customer base during the year, and the financial forecasts for the group, which includes the effects of the recapitalisation, indicates that the company 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.

Events subsequent to the reporting date

The group and shareholder have made significant progress and are in the process of finalising the restructure. At the date of approval of these financial statements, an umbrella restructuring agreement was entered into on 24 February 2017 with the new shareholders which was approved by the board accompanied by irrevocable undertakings from the relevant investors (the "umbrella restructuring agreement"). Cell C has further received standstill undertakings on payments due, from the lenders that are party to the security package, until 31 August 2017.

Property, plant and equipment ("PPE")

PPE increased by a net R1 321 million when compared to the prior year. The increase in PPE was due to the continued LTE network expansion in 2016. 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 prooved to provide LTE-Advanced, positioning Cell C as the key broadband provider in South Africa.

The company increased the active tower base by 268 towers from 4 724 in 2015 to 4 992 at December 2016.

Loans and borrowings

The total borrowings decrease was mainly due to a decrease of R1 361 million in the existing USD and EUR denominated facilities driven by the appreciation of the Rand compared to USD and EUR.

During 2016, the group drew down an additional R2 300 million for the capex expansion and repaid R1 712 million.

The company defaulted on capital repayments for the China Development Bank Loan facility, China Development Bank Capex facility, Industrial and Commercial Bank of China facility, Nedbank long-term loan and the Development Bank of Southern Africa. This resulted in a cross default on the security package which rendered all loans that shared in the security package payable on demand. Furthermore, the default on the Nedbank and DBSA facilities rendered these facilities payable on demand. Accordingly, all these loans and borrowings were classified as current liabilities at year-end.

The company received an initial waiver from the lenders to 19 December 2016, confirming that they would not execute their right to demand immediate repayment. After year-end the waiver was extended to 31 January 2017 and the lenders that are party to the security package also provided Cell C with standstill undertakings to defer repayments until 31 August 2017, as part of the umbrella restructuring agreement.

Commentary on 2015 Financial Information

Operational review

Investment in network expansion and capacity upgrades continued as budgeted with 202 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 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 expenses due to an aggressive marketing campaign rolled out in 2015. Furthermore, payroll expenses increased due to employee bonuses being accrued for in 2015 which were not accrued in 2014.

Net loss before tax decreased by R1 821 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.

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 resale value.

Trade receivables and other non-current liabilities

The decrease in trade receivables was mainly due to the amendment made to the 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 turnaround 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 R1.1 billion in other income for penalties imposed on a vendor;

(ii) recognition of R145 million profit on disposal of assets; and

(iii) the release of R261 million in deferred revenue was due to a change in estimate. If these exceptional items are excluded, the *pro forma* operational EBITDA would have been R653 million.

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

Sixty-six 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 PPE 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 R576.4 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.

Cell C Proprietary Limited
Registration number: 1999/007722/07
3 year historical Group Financial Information for the year-ended 31 December 2016

Audited

Statements of Financial Position

	Note	2016 R'000	2015 R'000	2014 R'000
Assets				
Non-current assets				
Property, plant and equipment	8	**8 751 109**	7 430 186	6 825 145
Intangible assets	9	**796 381**	650 955	385 455
Investment in joint ventures	10	**114 181**	110 601	110 452
Deferred tax	11	**1 983 290**	1 983 290	1 983 290
Derivative non-current financial assets	13	**–**	68 419	76 085
Long-term trade and other receivables	15	**–**	–	383 401
		11 644 961	10 243 451	9 763 828
Current assets				
Inventories	14	**370 358**	427 833	161 285
Trade and other receivables	15	**3 420 269**	3 314 885	4 294 948
Derivative current financial assets	13	**48 063**	141 276	6 570
Cash and cash equivalents	16	**278 810**	775 605	1 249 182
		4 117 500	4 659 599	5 711 985
Total assets		**15 762 461**	14 903 050	15 475 813
Equity and liabilities				
Equity				
Share capital and share premium	17	**14 168 218**	14 168 218	14 110 106
Accumulated loss		**(25 855 451)**	(26 396 071)	(20 751 622)
		(11 687 233)	(12 227 853)	(6 641 516)
Non-current liabilities				
Interest-bearing loans and borrowings	18	**–**	16 978 948	10 310 392
Obligations under finance lease	19	**1 543 451**	1 355 581	1 336 513
Operating lease liability		**272 175**	227 914	123 143
Derivative non-current financial liabilities	13	**120 370**	272 196	475 791
Provisions and other employee benefits	21	**100 117**	120 278	72 000
Other non-current liabilities	12	**58 614**	25 834	1 648 557
		2 094 727	18 980 751	13 966 396
Current liabilities				
Interest-bearing loans and borrowings	18	**17 731 264**	2 114 361	3 174 744
Obligations under finance lease	19	**101 662**	80 920	58 552
Trade and other payables	20	**4 795 567**	4 581 135	3 961 250
Unearned revenue		**2 086 328**	803 390	656 894
Provisions and other employee benefits	21	**335 712**	289 625	8 714
Derivative current financial liabilities	13	**216 693**	177 387	290 779
Other current liabilities	12	**87 741**	103 334	–
		25 354 967	8 150 152	8 150 933
Total liabilities		**27 449 694**	27 130 903	22 117 329
Total equity and liabilities		**15 762 461**	14 903 050	15 475 813
Net asset value per share (cents)		**(1 823 281 279)**	(1 907 621 373)	(1 039 360 876)
Net tangible asset value per share (cents)		**(1 947 521 684)**	(2 009 174 415)	(1 099 682 473)

Statements of Comprehensive Income

	Note	2016 R'000	2015 R'000	2014 R'000
Revenue	2	**14 646 123**	13 228 448	11 634 148
Other income	3	**247 384**	243 397	144 248
Operating expenses	4	**(13 558 048)**	(13 397 014)	(13 067 478)
Profit/(Loss) before equity accounted earnings, net finance cost and tax	**4**	**1 335 459**	74 831	(1 289 082)
Finance income	5	**3 101 898**	774 044	525 774
Finance costs	6	**(3 896 665)**	(6 493 473)	(3 170 653)
Share of profit in/(impairment of) equity accounted joint venture	10	**(72)**	149	110 452
Profit/(Loss) before tax		**540 620**	(5 644 449)	(3 823 509)
Income tax	7	**–**	–	(1 043 878)
Total comprehensive income for the year		**540 620**	(5 644 449)	(4 867 387)

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

Earnings per share (cents)	**25**	**843 340 094**	(880 569 267)	(761 719 405)

Statements of Changes in Equity

	Share capital* R'000	Share premium R'000	Accumulated loss R'000	Total R'000
Balance at 1 January 2014	**–**	**12 041 276**	(15 884 235)	(2 890 822)
Total comprehensive income 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)
Total comprehensive income 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)
Total comprehensive income for the year	–	–	540 620	540 620
Balance at 31 December 2016	**–**	**14 168 218**	(25 855 451)	(11 687 233)

* Share capital of R641 (2015: R641, 2014: R639) is not shown due to the amount being less than R1 000.

Statements of Cash Flows

	Note	2016 R'000	2015 R'000	2014 R'000
Cash flows from operating activities				
Cash generated from operating activities	**26**	**3 993 208**	2 470 979	1 481 945
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment		**–**	–	4 235
Dividends received		**–**	–	2 400
Finance income received		**229 560**	116 415	–
Acquisition of property, plant and equipment		**(2 333 763)**	(2 095 392)	(1 993 286)
Acquisition of intangible assets		**(522 629)**	(463 285)	(170 439)
Net cash used in investing activities		**(2 626 832)**	(2 442 262)	(2 157 090)
Cash flows from financing activities				
Proceeds from issue of shares		**–**	58 112	2 068 830
Withholding tax paid		**(6 400)**	–	–
Proceeds from Interest-bearing loans and borrowings		**2 299 768**	7 062 546	3 108 111
Repayment of Interest-bearing loans and borrowings		**(1 710 925)**	(5 042 930)	(2 474 977)
Repayment of finance lease liabilities		**(142 381)**	(74 680)	(38 208)
Finance cost paid		**(2 303 233)**	(2 505 342)	(1 371 416)
Net cash (utilised in)/generated by financing activities		**(1 863 171)**	(502 294)	1 292 340
Net (decrease)/increase in cash and cash equivalents		**(496 795)**	(473 577)	617 195
Cash and cash equivalents at the beginning of the year		**775 605**	1 249 182	631 987
Cash and cash equivalents at the end of the year		**278 810**	775 605	1 249 182

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 2016 comprise the Company and its subsidiaries (together referred to as the Group) 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 2014 year except for subscriber acquisition costs. Subscriber Acquisition costs (relating to contracts) were historically expensed during the period incurred prior to 2015. 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 for 2014. 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: note 1.7; 1.8; 1.9; 1.10; 1.12; and 1.15.

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 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 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 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 a 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 the asset if the arrangement conveys to the Group the right to control the use of the underlying asset for the majority of its economic useful life.

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.

Indefeasible right of use

Indefeasible right of use relates to the right to access fibre assets in a manner it determines over the useful life.

Computer software

Computer software that is not considered as an integral part of any hardware equipment is recorded as an intangible asset.

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.

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 (CGU) to which the asset belongs. An impairment loss is recognised in profit or loss whenever the carrying amount of the CGU 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 – 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 (i.e. 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 assets 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.

Service revenue consist of the following:

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 i.e. 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; and
- 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.

Non Service revenue consist of the following:

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 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 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. 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 an entity 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 seven 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

	2016 R'000	2015 R'000	2014 R'000
Service revenue	**11 751 976**	10 806 221	10 194 164
Non-service revenue	**2 894 147**	2 422 227	1 439 984
	14 646 123	**13 228 448**	**11 634 148**

3. OTHER INCOME

	2016 R'000	2015 R'000	2014 R'000
Bad debt recoveries	**28 305**	26 123	25 194
Dividend received from joint venture	**–**	–	2 400
Profit on disposal of property, plant and equipment	**28 866**	30 408	20 358
Gain on settlement with creditor	**75 000**	75 000	–
Rental recoveries	**39 742**	44 743	31 916
Sundry income	**75 471**	67 123	64 380
	247 384	**243 397**	**144 248**

4. **PROFIT/(LOSS) BEFORE EQUITY ACCOUNTED EARNINGS**

Net finance cost and tax expenses are stated after taking into account the following:

	2016 R'000	2015 R'000	2014 R'000
Amortisation	**377 202**	220 621	172 647
Bad debts	**120 779**	200 524	268 798
Cost of mobile equipment sales	**2 518 687**	2 106 687	1 657 851
Depreciation	**1 376 350**	1 272 002	965 593
Network property rental	**1 037 281**	1 070 572	1 042 810
Auditors remuneration	**4 562**	4 400	4 742
Other property rental	**237 959**	203 666	194 105
Employee and directors costs	**1 030 492**	982 721	910 080
Impairment of property, plant and equipment and intangible assets	**17 128**	380 631	576 406

5. **FINANCE INCOME**

	2016 R'000	2015 R'000	2014 R'000
Investment income	**47 031**	37 281	33 038
Foreign exchange gains			
- realised	**182 492**	50 595	238 327
- unrealised	**2 872 375**	686 168	254 409
	3 101 898	**774 044**	**525 774**

6. **FINANCE COSTS**

	2016 R'000	2015 R'000	2014 R'000
Interest paid	**2 374 101**	1 856 030	1 273 598
Financing costs	**670 952**	307 699	43 132
Foreign exchange losses			
- realised	**513 583**	449 349	554 546
- unrealised	**338 029**	3 880 395	1 299 377
	3 896 665	**6 493 473**	**3 170 653**

7. INCOME TAX

7.1 Major components of the tax

	2016 R'000	2015 R'000	2014 R'000
Deferred tax			
Current year tax movements	**–**	–	(1 043 878)
	–	**–**	**(1 043 878)**
Estimated tax losses available for utilisation against income	**19 877 498**	20 643 403	13 236 421
Applied to recognised deferred tax asset	**(3 804 445)**	(4 521 926)	(3 098 085)
Estimated tax losses available for utilisation against future income	**16 073 053**	**16 121 477**	**10 138 336**
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	**(1.22)**	0.96	(9.16)
Disallowed expenditure	**10.37**	0.72	3.49
Unrecognised deferred tax asset	**–**	(29.68)	(49.84)
Dividends received	**–**	–	0.02
Equity earnings	**–**	–	0.19
Tax losses utilised	**(37.15)**	–	–
	–	**–**	**(27.30)**

8. **PROPERTY, PLANT AND EQUIPMENT**

	Cost R'000	Accumulated depreciation and impairment R'000	Carrying amount R'000
2016			
GSM Network	14 707 752	(7 741 529)	6 966 223
Computer equipment	909 963	(775 373)	134 590
Leasehold improvements	544 180	(392 835)	151 345
Furniture and fixtures	56 598	(35 472)	21 126
Equipment	294 652	(252 556)	42 096
Network and equipment assets – leased	1 850 994	(459 304)	1 391 690
Motor vehicles – leased	71 300	(27 261)	44 039
	18 435 439	**(9 684 330)**	**8 751 109**
2015			
GSM Network	12 525 412	(6 682 738)	5 842 674
Computer equipment	827 493	(701 973)	125 520
Leasehold improvements	486 845	(356 951)	129 894
Furniture and fixtures	56 585	(27 589)	28 996
Equipment	273 212	(230 906)	42 306
Network and equipment assets – leased	1 595 782	(362 272)	1 233 510
Motor vehicles – leased	38 661	(11 375)	27 286
	15 803 990	**(8 373 804)**	**7 430 186**
2014			
GSM network	10 588 523	(5 260 255)	5 328 268
Computer equipment	742 834	(655 833)	87 001
Leasehold improvements	439 870	(329 817)	110 053
Furniture and fixtures	56 139	(19 534)	36 605
Equipments	250 284	(221 762)	28 522
Network and equipment assets – leased	1 510 049	(296 054)	1 213 995
RICA devices	14 626	(14 626)	–
Motor vehicles – leased	27 069	(6 368)	20 701
	13 629 394	**(6 804 249)**	**6 825 145**

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	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	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**
Opening balance	5 842 674	125 520	129 894	42 306	28 996	1 233 510	27 286	7 430 186
Additions	2 171 568	20 125	72 961	6 754	–	473 191	43 597	2 788 196
Disposals	(556)	–	(8)	–	(7)	(129 894)	(5 016)	(135 481)
Transfers*	8 454	62 423	(2 177)	4 724	21	(11 759)	–	61 686
Impairment loss**	(17 128)	–	–	–	–	–	–	(17 128)
Depreciation	(1 038 789)	(73 478)	(49 325)	(11 688)	(7 884)	(173 358)	(21 828)	(1 376 350)
Balance at 31 December 2016	**6 966 223**	**134 590**	**151 345**	**42 096**	**21 126**	**1 391 690**	**44 039**	**8 751 109**

* 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

8. **PROPERTY, PLANT AND EQUIPMENT (continued)**

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**

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2016			
Computer software	2 530 451	(2 228 360)	302 091
Subscriber acquisition cost	613 538	(239 856)	373 682
Indefeasible rights of use (IRU)	141 290	(20 682)	120 608
	3 285 279	**(2 488 898)**	**796 381**
2015			
Computer software	2 493 445	(2 062 433)	431 012
Subscriber acquisition cost	127 916	(35 698)	92 218
Indefeasible rights of use (IRU)	141 290	(13 565)	127 725
	2 762 651	**(2 111 696)**	**650 955**
2014			
Computer software	2 147 979	(1 884 339)	263 640
Indefeasible rights of use (IRU)	128 528	(6 713)	121 815
	2 276 507	**(1 891 052)**	**385 455**

	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	–	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**
Opening balance	92 218	127 725	431 012	650 955
Transfers *	–	–	(61 686)	(61 686)
Additions	485 622	–	98 692	584 314
Amortisation	(204 158)	(7 117)	(165 927)	(377 202)
Balance at 31 December 2016	**373 682**	**120 608**	**302 091**	**796 381**

* Refer to note 8.

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 2016, 2015 and 2014
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%

10.1 **Details of joint venture (continued)**

Name of company	Carrying amount 2016 R'000	Carrying amount 2015 R'000	Carrying amount 2014 R'000
Fibreco	**108 990**	106 613	108 972
Mobile Number Portability Company	**5 191**	3 988	1 480
	114 181	110 601	110 452
Fibreco			
Loans receivable	**86 696**	83 044	83 044
Share of profits/(losses)	**22 294**	23 569	25 928
	108 990	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:

	2016 R'000	2015 R'000	2014 R'000
Opening balance	**106 613**	108 972	–
Share of profit/(losses)	**(1 275)**	(2 359)	25 928
Reversal of impairment of loan	**–**	–	82 000
Interest on loan	**3 652**	–	1 044
	108 990	**106 613**	**108 972**
Revenue	**100 028**	84 471	76 460
(Loss)/Profit for the year	**(3 569)**	(10 037)	(166 563)
Depreciation and amortisation	**(20 436)**	(18 678)	(22 263)
Interest income	**323**	148	5 675
Interest expense	**(2 731)**	(6 117)	(19 559)
Income tax (expense)/income	**(289)**	(50)	(77 847)
	(23 133)	**(24 697)**	**(113 994)**
Non-current assets	**314 918**	293 200	298 666
Current assets*	**44 348**	127 478	106 926
Current liabilities**	**(72 439)**	(126 329)	(98 294)
Non-current liabilities***	**(189 093)**	(191 114)	(195 099)
Net asset value of Fibreco	**97 734**	**103 235**	**112 199**

* Includes cash and cash equivalents of R26.733 million (2015: R21.015 million, 2014: (R26.204) million)

** Includes current financial liabilities (excluding trade and other payables and provisions) of R35.680 million (2015: R23.964 million, 2014: R20.495 million)

*** Includes non-current financial liabilities of (excluding accruals and unearned income) R189.000 million (2015: R189.000 million, 2014: R189.000 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 2016 to 31 December 2016.

10.1 **Details of joint venture (continued)**

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

	2016 R'000	2015 R'000	2014 R'000
The Group's share of profit from continuing operations	**5 191**	3 988	1 480
Aggregated carrying amount of the Group's interest in these joint ventures	**5 191**	**3 988**	**1 480**
	5 191	**3 988**	**1 480**
Net assets of the joint venture	**97 734**	103 235	112 199
Elimination of unrealised profit	**(30 176)**	(31 814)	(33 630)
	67 558	**71 421**	**78 569**
Proportion of the Group's ownership interest	**33%**	33%	33%
Carrying amount of Groups interest in joint venture	**22 294**	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.

11. DEFERRED TAX

	2016 R'000	2015 R'000	2014 R'000
Reconciliation of deferred tax asset			
At beginning of the year	**1 983 290**	1 983 290	3 027 168
Current year tax movements	**–**	–	(1 043 878)
At end of year	**1 983 290**	**1 983 290**	**1 983 290**
Deferred tax			
Property, plant and equipment	**(34 428)**	(57 033)	642 405
Tax losses	**1 065 245**	1 266 139	867 494
Provisions	**237 714**	278 600	37 959
Prepayments	**(53 386)**	(8 883)	(30 232)
Income received in advance	**599 252**	287 582	–
Other temporary differences	**168 893**	216 885	465 664
	1 983 290	**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.

12. OTHER LIABILITIES

	2016 R'000	2015 R'000	2014 R'000
Non-current			
Fibreco loan	**–**	–	48 557
Credit deposit	**–**	–	1 600 000
Financial guarantee	**58 614**	25 834	–
	58 614	**25 834**	**1 648 557**
Current			
Financial guarantee	**87 741**	103 334	–
	87 741	**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 2016 and 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:

	Assets R'000	Liabilities R'000
2016		
Cross currency interest rate swap	–	(337 063)
Participating coupon only swap	48 063	–
Collar option	–	–
	48 063	**(337 063)**
2015		
Cross currency interest rate swap	–	(449 583)
Participating coupon only swap	203 684	–
Collar option	6 011	–
	209 695	**(449 583)**
2014		
Cross currency interest rate swap	–	(759 625)
Forward foreign exchange contracts		(6 945)
Participating coupon only swap	82 655	
	82 655	**(766 570)**
2016		
Current	48 063	(216 693)
Non-current	–	(120 370)
	48 063	**(337 063)**
2015		
Current	141 276	(177 387)
Non-current	68 419	(272 196)
	209 695	**(449 583)**
2014		
Current	6 570	(290 779)
Non-current	76 085	(475 791)
	82 655	**(766 570)**

13.1 Derivatives

13.1.1 Hedging

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 78% (2015 & 2014: 100%) of the principal and the interest repayments on the Euro denominated China Development Bank loan facility. The notional value of the hedge is €107.976 million (2015:€167.962 million, 2014: €203.954 million).

The participating coupon-only swap has been entered into to hedge 64% (2015: 72%, 2014: 73%) of the principal repayments on the USD denominated China Development Bank CapEx loan facility. The notional value of the hedge is $172.702 million (2015: $213.377 million, 2014: $242.818 million).

The notional value of the collar option was €100 million in 2015 to hedge 25% of the principle repayment of the Euro bond. The collar option was settled during 2016.

	Notional value 2016 FC'000	Fair value 2016 R'000	Maturity dates	Hedging instrument
USD Denominated				
China Development Bank CapEx facility loan	172 702	48 063	20 May 2017	Participating coupon only swap
EURO Denominated				
China Development Bank loan	107 976	(337 063)	20 Nov 2018	Cross currency interest rate swap

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 market 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.

	2016 R'000	2015 R'000	2014 R'000
Level 2			
Participating coupon only swap	**48 063**	203 684	82 655
Foreign exchange contract	**–**	–	(6 945)
Collar option	**–**	6 011	–
	48 063	**209 695**	**75 710**

- Cell C pays a predetermined fixed rate on USD notional amounts.
- These amounts are converted at an adjusted USD/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 basis-adjusted ZAR swap curve.
- The floating USD cash flows are calculated by projecting the USD forward rates and adding a spread of 2.5%.
- These amounts are subsequently discounted off the USD 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.

	2016 R'000	2015 R'000	2014 R'000
Level 3			
Cross currency interest rate swap	**(337 063)**	**(449 583)**	**(759 625)**
Reconciliation of level 3 measurement of financial liabilities			
Opening balance	**(449 583)**	(759 625)	(678 477)
Gains or losses in profit or loss	**202 624**	400 146	8 956
Day one loss amortised to finance income in the statement of comprehensive income	**(90 104)**	(90 104)	(90 104)
	(337 063)	**(449 583)**	**(759 625)**

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 500 bps.
- 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 EUR115m 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, profit before tax for the year will be R19.055 million (2015: R47.092 million, 2014: R70.779 million) higher, 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, profit before tax for the year will be R19.309 million (2015: R48.011 million, 2014: R72.624 million) lower, mainly as a result of a higher interest expense on the cross currency swap.

14. INVENTORIES

	2016 R'000	2015 R'000	2014 R'000
Merchandise	**382 372**	455 176	177 210
Provision for obsolete stock	**(12 014)**	(27 343)	(15 925)
	370 358	**427 833**	**161 285**

15. TRADE AND OTHER RECEIVABLES

	2016 R'000	2015 R'000	2014 R'000
Trade and other receivables	**3 257 214**	3 033 613	4 407 613
Prepayments and other sundry debtors	**321 685**	492 413	440 111
Allowance for impairment	**(158 630)**	(211 141)	(169 375)
	3 420 269	**3 314 885**	**4 678 349**

Included in other sundry debtors is a loan of R3.4 million (2015: R3.2 million, 2014: 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

	2016 R'000	2015 R'000	2014 R'000
Cash at bank and on hand	**278 810**	775 605	1 249 182
	278 810	**775 605**	**1 249 182**

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

17. SHARE CAPITAL AND SHARE PREMIUM

	2016 R'000	2015 R'000	2014 R'000
Authorised			
1000 Ordinary shares (2015 & 2014: 1000 Ordinary shares)	**1**	1	1
	1	**1**	**1**
Issued capital comprises:			
641 Ordinary shares (2015: 641, 2014: 639 Ordinary shares)*	**–**	–	–
Share premium	**14 168 218**	14 168 218	14 110 106
	14 168 218	**14 168 218**	**14 110 106**

* Share capital of R641 (2015: R641, 2014: R639) is not shown due to the amount being less than R1 000.

18. INTEREST-BEARING LOANS AND BORROWINGS

Unsecured

	2016 R'000	2015 R'000	2014 R'000
Oger Telecom Limited – Current account	**9 780**	11 047	23 202
Loan of $0.71 million (2015: $0.71 million, 2014: $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.			
Oger Telecom (South Africa) Proprietary Limited ("OTSA") – Current account	**–**	–	29 147
The loan was converted to equity in 2015. (2014: $2.524 million)			
Senior subordinated bonds	**–**	–	1 967 119
The bonds were repaid on 26 June 2015. (2014: $170.352 million), the balance included interest of $8 881 million in 2014			
Development Bank of South Africa	**242 786**	287 957	294 020
R226.169 million (2015: R271.402 million, 2014: R294.019 million) loan expiring on 26 March 2021, bearing interest on a leverage grid to a maximum margin equalling 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 R16.617 million accrued interest.			
Nedbank Revolving Credit Facility	**1 178 097**	972 984	1 128 892
R1.2 billion (2015: R1.2 billion, 2014: R1.3 billion) facility expiring on 31 October 2017, bearing interest at JIBAR + 4.95%. The Company has drawn down on R1.167 billion of the available facility. The balance includes R11.097 million accrued interest. The facility includes letters of credit amounting to approximately R18 million.			
Nedbank Long-Term Loan	**265 275**	302 950	200 268
R262.5 million (2015: R300 million, 2014: 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 R2.775 million accrued interest.			
Total unsecured	**1 695 938**	**1 574 938**	**3 642 648**

Secured

	2016 R'000	2015 R'000	2014 R'000
Senior secured bonds Comprises bonds of €400 million (2015: €400 million 2014: €166.956 million) bearing interest at 8.625% which is accrued monthly and settled half-yearly. The balance includes €17.5 million accrued interest. The bonds are repayable on 1 July 2018.	**6 035 116**	6 744 142	2 334 728
China Development Bank Loan €137.969 million (2015: €167.962 million, 2014: €204.832 million) loan expiring on 24 Aug 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 €0.558 million (2015: €0.670 million, 2014: €0.878 million) accrued interest. The Company has drawn down the entire facility.	**2 002 424**	2 843 191	2 864 398
Industrial and Commercial Bank of China (ICBC) $173.781 million (2015: $158.417 million, 2014: $76.221 million) 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 $23.22 million. The balance includes accrued interest of $0.710 million (2015: $0.533, 2014: $0.212 million).	**2 397 019**	2 466 245	880 155
Industrial and Commercial Bank of China (ICBC) FSA2 ZAR R43.051 million (2015: R0 million, 2014:R0 million) CapEx loan expiring on 30 June 2023, bearing interest at JIBAR + 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 R1 256.949 million. The balance includes R0.421 million accrued interest.	**43 472**	–	–
CDB/ZTE Financing $46.245 million (2015: $20.245) 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 semi-annually based on a sliding scale. The company has an undrawn facility of $84.755 million. The balance includes accrued interest of $0.217 million.	**638 259**	323 324	–
Bridge vendor financing The balance in 2015 included accrued interest of $0.214 million. The principle loan was settled during 2015.	**–**	3 325	–
Industrial and Commercial Bank of China FSA2 $95.473 million (2015: $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 $144.527 million. The balance includes $0.399 million accrued interest.	**1 316 896**	691 739	–

	2016 R'000	2015 R'000	2014 R'000
China Development Bank CapEx Facility	**3 738 488**	4 632 515	3 852 484
$271.335 million (2015: $297.594 million, 2014: $332.625 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 $0.807 million (2015: $0.973, 2014: $1.021 million) accrued interest.			
Capitalised Finance costs – Borrowings	**(136 348)**	(186 110)	(89 277)
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	**16 035 326**	**17 518 371**	**9 842 488**
Total unsecured and secured	**17 731 264**	**19 093 309**	**13 485 136**
Current portion of Interest-bearing borrowings			
Oger Telecom Limited – Current account	**9 780**	–	–
Oger Telecom (South Africa) Proprietary Limited ("OTSA") – Current account	**–**	–	29 147
Senior subordinated bonds	**–**	–	1 967 119
Nedbank Revolving Credit Facility	**1 178 097**	5 984	1 892
Nedbank Long-Term Loan	**265 275**	77 950	50 272
Development Bank of South Africa	**242 786**	84 405	45 234
Industrial and Commercial Bank of China	**2 397 019**	155 749	2 445
Senior secured bonds	**6 035 116**	–	96 523
China Development Bank Loan	**2 002 424**	1 022 682	515 602
China Development Bank CapEx Facility	**3 738 488**	829 930	488 975
Capitalised Finance costs – Borrowings	**(136 348)**	(67 817)	(22 465)
CDB/ZTE Financing	**638 259**	38	–
Bridge Vendor Financing	**–**	3 325	–
Industrial and Commercial Bank of China (ICBC) FSA2	**1 316 896**	2 115	–
Industrial and Commercial Bank of China (ICBC) FSA2 ZAR	**43 472**	–	–
	17 731 264	**2 114 361**	**3 174 744**
Current	**17 731 264**	2 114 361	3 174 744
Non-current	**–**	16 978 948	10 310 392
Total	**17 731 264**	**19 093 309**	**13 485 136**

The Company defaulted on capital repayments for the China Development Bank Loan facility, China Development Bank Capex facility, Industrial and Commercial Bank of China facility, Nedbank long-term loan and the Development Bank of South Africa. This resulted in a cross default on the security package which rendered all loans that shared in the security package payable on demand. Furthermore, the default on the Nedbank and DBSA facilities rendered these facilities payable on demand. Accordingly, all these loans and borrowings were classified as current liabilities at year-end.

The Company received an initial waiver, from the lenders, to 19 December 2016 confirming that they would not execute their right to demand immediate re-payment. After year-end, the waiver was extended to 31 January 2017, and the lenders that are party to the security package also provided Cell C with standstill undertakings to defer repayments until 31 August 2017 as part of the umbrella restructuring agreement described in note 30.

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; and
- ICBC FSA 2 ZAR 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.

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;
- 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; and
- Industrial and Commercial Bank of China FSA2 ZAR is 50% guaranteed by Oger Telecom Limited.

Oger Telecom Limited guarantees a maximum of €36 million (2015: €43 million, 2014: €80 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. The financial covenants were not tested due to the standstill undertakings received from the lenders. Refer to subsequent events note 29.

19. OBLIGATIONS UNDER FINANCE LEASE

	2016 R'000	2015 R'000	2014 R'000
Non-current			
Telkom links	**518 681**	675 934	765 175
Motor vehicles	**18 750**	12 560	10 114
Network leases	**1 006 020**	667 087	561 224
	1 543 451	**1 355 581**	**1 336 513**
Current			
Telkom links	**36 929**	35 204	24 031
Motor vehicles	**29 143**	15 271	10 378
Network leases	**35 590**	30 445	24 143
	101 662	**80 920**	**58 552**
	1 645 113	**1 436 501**	**1 395 065**
Reconciliation of finance leases			
Total minimum lease payments	**3 478 873**	3 062 975	3 133 056
less: future finance charges	**(1 833 760)**	(1 626 474)	(1 737 991)
	1 645 113	**1 436 501**	**1 395 065**
Total minimum lease payments due			
- Not later than 1 year	**343 024**	287 209	259 564
- Between 1 and 5 years	**1 204 406**	1 033 986	976 348
Later than five years	**1 931 443**	1 741 780	1 897 144
	3 478 873	**3 062 975**	**3 133 056**
Present value of minimum lease payments due			
Not later than one year	**101 662**	80 920	58 552
Later than one year and not later than five years	**378 366**	321 634	258 001
Later than five years	**1 165 085**	1 033 947	1 078 512
	1 645 113	**1 436 501**	**1 395 065**

Finance lease obligations for motor vehicles are capitalised at an effective rate of between 8.5% – 13.1% (2015: 7.75% – 11.9%, 2013: 7.25% – 11.2%). The remaining terms of the current lease liabilities are between one and forty two months. Average monthly repayments are R0.43 million (2015: R0.96 million, 2014: 0.647 million)

Finance lease obligations relate to Telkom links and other network leases are capitalised at an effective rate of between 14.85% and 18% (2015: 14.85%, 2014: 14.85%). The remaining terms of the current lease liabilities are up to fifteen years. Average monthly repayments for Telkom links are R10.77 million (2015: R11.622 million, 2014: 11.73 million) and for other network leases are R15.64 million (2015: R8.959 million, 2014: 7.715 million).

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

20. TRADE AND OTHER PAYABLES

	2016 R'000	2015 R'000	2014 R'000
Trade payables	**2 408 866**	1 566 821	1 064 166
Accrued expenses	**2 386 701**	2 514 314	2 497 084
Deposits	**–**	500 000	400 000
	4 795 567	**4 581 135**	**3 961 250**

Included in trade payables is NIL (2015: R46.5 million, 2014: R42.7 million) payable to Fibreco.

21. PROVISIONS AND OTHER EMPLOYEE BENEFITS

	2016 R'000	2015 R'000	2014 R'000
Current	**335 712**	289 625	8 714
Non-current	**100 117**	120 278	72 000
	435 829	**409 903**	**80 714**

R'000	Bonuses R'000	Performance incentives R'000	Retention bonus R'000	Onerous operating lease R'000	Total
Other provisions					
Opening balance	180 000	135 278	90 000	4 625	409 903
Additional provisions recognised	237 805	80 238	–	–	318 043
Reductions arising from payments	(180 000)	(32 399)	(76 878)	(2 840)	(292 117)
Transfer	–	13 122	(13 122)	–	–
Balance at 31 December 2016	**237 805**	**196 239**	**–**	**1 785**	**435 829**

Performance incentive

The Group introduced a performance incentive scheme during 2013 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 Menlyn shopping centre. Due to changes in its property management policies, Cell C had ceased to use this property by December 2014. This lease expires in November 2017. The facility has 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 2015 year, which was paid in 2016. Employees were eligible for the bonus payment if the following conditions are met:

- The group 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 2017.

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.

	2016 R'000	2015 R'000	2014 R'000
Contributions (employer portion)	**54 914**	46 923	53 600

23. CAPITAL AND LEASE COMMITMENTS

23.1 Capital expenditure

	2016 R'000	2015 R'000	2014 R'000
Contracted for but not yet incurred	**4 896 480**	6 566 551	1 317 957
	4 896 480	**6 566 551**	**1 317 957**

Included in the amounts committed at 31 December 2016, is R3.8 billion which was approved for capital expenditure for the 2017 financial year. Refer to note 24.3 for capital management.

23.2 Operating lease – As lessee (expense)

	2016 R'000	2015 R'000	2014 R'000
Minimum lease payments due			
- payable within one year	**1 097 904**	893 935	2 036 320
- payable between 1 and 5 years	**4 044 410**	3 224 041	2 783 826
- payable after 5 years	**1 415 477**	1 567 535	2 822 950
	6 557 791	**5 685 511**	**7 643 096**
Less operating lease adjustments	**(272 175)**	(227 914)	(123 143)
	6 285 616	**5 457 597**	**7 519 953**

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:

	Loans and receivables R'000	Fair value through profit or loss R'000	Total carrying value R'000	Fair value R'000
2016				
Derivative financial assets	–	48 063	48 063	48 063
Trade and other receivables	3 098 584	–	3 098 584	3 098 584
Cash and cash equivalents	278 810	–	278 810	278 810
	3 377 394	**48 063**	**3 425 457**	**3 425 457**
2015				
Derivative financial assets	–	209 695	209 695	209 695
Trade and other receivables	2 822 472	–	2 822 472	2 822 472
Cash and cash equivalents	775 605	–	775 605	775 605
	3 598 077	**209 695**	**3 807 772**	**3 807 772**
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**

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
2016				
Loans and borrowings – non-current	17 731 264	–	17 731 264	17 731 264
Obligations under finance lease – non-current	1 543 451	–	1 543 451	1 543 451
Obligations under finance lease – current	101 662	–	101 662	101 662
Derivative financial liabilities – non-current	–	120 370	120 370	120 370
Derivative financial liabilities – current	–	216 693	216 693	216 693
Other liabilities	–	146 355	146 355	146 355
Trade and other payables	4 759 117	–	4 759 117	4 759 117
	24 135 494	**483 418**	**24 618 912**	**24 618 912**
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	4 560 584	–	4 560 584	4 560 584
	25 090 394	**578 751**	**25 669 145**	**25 669 145**
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**

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 program 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 R3 billion (2015: R2.3 billion, 2014: R2.1 billion) for the 2015 financial year, the group used close to R2.8 billion (2015: R2.6 billion, 2014: R2.2 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
- 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.

	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 2014						
Non-derivative financial instruments						
High yield bonds	(4 301 847)	(5 096 182)	(2 278 312)	(193 574)	(2 624 296)	–
Borrowings	(9 130 940)	(10 266 547)	(1 516 683)	(2 985 447)	(5 274 414)	(490 003)
Shareholders' loans	(52 349)	(52 349)	(29 147)	–	–	(23 202)
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)**
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)	–	–	–
	(6 945)	**(6 945)**	**(6 945)**	**–**	**–**	**–**

	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 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	(4 560 584)	(4 560 584)	(4 560 584)	–	–	–
Other liabilities	(129 168)	(129 168)	(103 334)	(25 834)	–	–
	(25 405 672)	**(31 328 678)**	**(8 186 272)**	**(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**	**–**	**–**
Derivative- Forward exchange contract						
Outflow	(6 945)	(6 011)	(6 011)	–	–	–

	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 2016						
Non derivative financial instruments						
Loans and borrowings	(17 867 612)	(17 867 612)	(17 867 612)	–	–	–
Obligations under finance lease	(1 645 113)	(3 478 873)	(343 024)	(329 581)	(874 825)	(1 931 443)
Trade and other payables	(4 759 117)	(4 759 117)	(4 759 117)	–	–	–
Other liabilities	(146 355)	(146 355)	(87 741)	(58 614)	–	–
	(24 418 197)	**(26 251 957)**	**(23 057 494)**	**(388 195)**	**(874 825)**	**(1 931 443)**
Derivative- Cross-currency interest rate swaps						
Inflow	1 485 055	1 467 270	838 995	628 275	–	–
Outflow	(2 002 328)	(2 166 803)	(1 205 446)	(961 357)	–	–
Day one valuation	180 209	–	–	–	–	–
	(337 064)	**(699 533)**	**(366 451)**	**(333 082)**	**–**	**–**
Derivative- Participating coupon only swap						
Inflow	311 876	312 478	312 478	–	–	–
Outflow	(263 813)	(270 892)	(270 892)	–	–	–
	48 063	**41 586**	**41 586**	**–**	**–**	**–**

Loans and borrowings are classified as payable on demand. Refer to note 18.

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 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)**	**(1078 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	**25 954**	**19 371**	**33 278**	**10 664**	**89 277**
Other non-current liabilities	**–**	**(48 557)**	**(1 600 000)**	**–**	**(1 648 557)**
Trade and other receivables	**–**	**–**	**–**	**3 200**	**3 3200**
	(2 037 678)	**(29 186)**	**(3 804 927)**	**13 864**	**(5 857 927)**
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)**

	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 2016					
Floating rates					
Loans and borrowings	(12 085 580)	–	–	–	(12 085 580)
Obligations under finance lease	(101 662)	(102 176)	(276 190)	(1 165 085)	(1 645 113)
Cash and cash equivalents	278 810	–	–	–	278 810
Trade and other payables	(374 968)	–	–	–	(374 968)
	(12 283 400)	**(102 176)**	**(276 190)**	**(1 165 085)**	**(13 826 851)**
Fixed rates					
High yield bonds	(5 782 032)	–	–	–	(5 782 032)
Capitalised finance cost	136 348	–	–	–	136 348
Trade and other receivables	–	–	–	3 370	3 370
	(5 645 684)	**–**	**–**	**3 370**	**(5 642 314)**

	2016 R'000	2015 R'000	2014 R'000
Sources of financial income and expenses			
Interest income	**47 031**	37 281	33 038
Interest expense	**(2 374 101)**	(1 850 217)	(1 273 598)
Foreign exchange loss	**(851 612)**	(4 329 744)	(1 853 923)
Foreign exchange gain	**3 054 867**	736 763	492 736
Finance expenses	**(670 952)**	(312 789)	(43 132)
The sources of financial income and expenses relate to the following categories:			
Interest income			
– Time deposits (interest income on bank deposits)	**47 031**	37 281	30 020
– Time deposits (interest income on loans and receivables)	**–**	–	3 018
Interest expense			
-Bank borrowings and lease obligations (interest expense on financial liabilities measured at amortised cost)	**(1 211 486)**	(1 161 350)	(1 063 185)
– Other current liabilities	**(1 638 373)**	(873 211)	(210 413)
– Fair value of financial guarantee	**(195 194)**	(129 168)	–
Foreign exchange losses			
– Bank borrowings (foreign exchange loss on financial liabilities measured at amortised cost)	**(287 739)**	(4 065 653)	(1 766 379)
– Shareholder loans (foreign exchange loss on financial liabilities measured at amortised cost)	**(20)**	(2 446)	(4 769)
– Trade payables	**(502 332)**	(252 382)	(75 830)
– Derivatives	**(61 521)**	(9 263)	(6 945)
Foreign exchange gains			
– Bank borrowings (foreign exchange gains on financial liabilities measured at amortised cost)	**2 332 969**	264 196	371 601
– Derivatives	**44 353**	472 567	121 135
– Trade payables	**676 279**	–	–
– Shareholder loans (Foreign exchange gains on financial liabilities measured at amortised cost)	**1 266**	–	–

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 2016, 2015, and 2014, 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, profit before tax for the year will be R47 million (2015: R20 million, 2014: R16 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 Rand-denominated borrowings and derivative liabilities had been 1.0% lower with all other variables held constant, profit before tax for the year will be R47 million (2015: 20 million, 2014: R16 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 US dollar-denominated borrowings and derivative liabilities had been 1.0% higher with all other variables held constant, profit before tax for the year will be R25.9 million (2015: R45.8 million, 2014: R5 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, profit before tax for the year will be R39.2 million (2015: R48 million, 2014: R7 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, profit before tax for the year will be R59.5 million (2015: R26 million, 2014: R51 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, profit before tax for the year will be R59.3 million (2015: R21 million, 2014: R45 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 R278 million (2015: R409 million, 2014: 2 760 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.

	2016 R'000	**2015 R'000**	**2014 R'000**
Exposure to credit risk			
Trade and other receivables	**3 420 269**	3 314 885	4 678 349
Cash and cash equivalents	**278 810**	775 605	1 249 182
	3 699 079	4 090 490	5 927 531

24.6.1 Impairment losses

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

	2016 R'000	2015 R'000	2014 R'000
Gross			
Not past due	**2 526 803**	2 573 578	4 333 992
< 30 days	**358 467**	136 333	143 078
30 – 60 days	**138 093**	111 395	115 795
60 – 90 days	**74 579**	55 481	68 332
90 – 180 days	**220 712**	477 912	115 245
>180 days	**260 245**	171 327	71 282
	3 578 899	**3 526 026**	**4 847 724**
Impairment			
< 30 days	**–**	–	(121 497)
60 – 90 days	**–**	(17 686)	(10 449)
90 – 180 days	**(42 619)**	(142 626)	(22 420)
>180 days	**(116 011)**	(50 829)	(15 009)
	(158 630)	**(211 141)**	**(169 375)**
Net			
Not past due	**2 526 803**	2 573 578	4 333 992
< 30 days	**358 467**	136 333	21 581
30 – 60 days	**138 093**	111 395	115 795
60 – 90 days	**74 579**	37 795	57 883
90 – 180 days	**178 093**	335 286	92 825
>180 days	**144 234**	120 498	56 273
	3 420 269	**3 314 885**	**4 678 349**

Excluding the trade receivables amounting to R278.185 million (2015: R409.16 million, 2014: R2 759.73 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 R86.35 million (2015: R23.42 million, 2014: R 2 043.82 million)

	2016 R'000	2015 R'000	2014 R'000
Reconciliation of allowance for impairment of trade and other receivables			
Opening balance	**211 141**	169 375	98 660
Allowance for impairment	**280 877**	266 812	260 524
Amounts written off as uncollectable	**(333 388)**	(225 046)	(189 809)
	158 630	**211 141**	**169 375**

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, profit before tax for the year would have been R1 162.2 million (2015: R807.1 million, 2014: R599.1 million) lower, 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, profit before tax for the year would have been R1 155.1 million (2015: R796.2 million, 2014: R607.5 million) higher, 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, profit before tax for the year would have been R746.3 million (2015: R928.2 million, 2014: R407.1 million) lower, 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, profit before tax for the year would have been R755.9 million (2015: R853.3 million, 2014: R457.2 million) higher, 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, profit before tax for the year would have been R0.032 million (2015: R0.005 million, 2014: R0.034 million) lower, 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, profit before tax for the year would have been R0.032 million (2015: R0.005 million, 2014: R0.0034 million) higher, mainly as a result of foreign exchange gains on translation of Pound denominated borrowings.

	USD '000	EUR '000	GBP '000
2014			
Net foreign currency exposure			
Loans and bank 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 context	12 521	7 1124	–
	(342 003)	**(160 814)**	**(19)**

	USD '000	EUR '000	GBP '000
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)**

	USD '000	EUR '000	GBP '000
2016			
Net foreign currency exposure			
Loans and borrowings	(586 835)	(137 969)	–
Cross currency swap	–	107 976	–
Participating coupon only swap	172 702	–	–
High yield bonds	–	(400 000)	–
Interest on bonds and borrowings	(2 124)	(18 067)	–
Shareholders' loans	(712)	–	–
Trade and other payables	(40 196)	(89)	(18)
	(457 165)	**(448 149)**	**(18)**

	Spot rate 31 December 2016	Spot rate 31 December 2015	Spot rate 31 December 2014
Currency	**R**	**R**	**R**
USD	**13.74**	15.52	11.55
EUR	**14.46**	16.86	13.98
GBP	**16.94**	22.99	18.00

	Average rate 2016	Average rate 2015	Average rate 2014
Currency	**R**	**R**	**R**
USD	**14.71**	12.96	10.85
EUR	**16.28**	14.30	14.39
GBP	**19.99**	20.10	17.84

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)

	2016 Cents per share	2015 Cents per share	2014 Cents per share
Basic earnings per share	**84 340 094**	(880 569 267)	(761 719)
Headline earnings per share	**81 996 156**	(810 633 941)	(666 761)

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:

	2016 R'000	2015 R'000	2014 R'000
Profit for the year attributable to owners of the Company	**540 620**	(5 644 449)	(4 867 387)
	2016	**2015**	**2014**
Issued normal shares	**641**	641	639

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:

	2016 R'000	2015 R'000	2014 R'000
Profit for the year attributable to owners of the Company	**540 620**	(5 644 449)	(4 867 387)
Impairment of property, plant and equipment	**17 128**	380 631	576 406
(Reversal of impairment)/Impairment of loans to joint venture	**–**	–	(82 000)
Profit on disposal of property, plant and equipment	**(28 866)**	(30 408)	(20 358)
Tax impact on adjustments	**(3 287)**	98 062	132 733
Headline earnings for headline earnings per share	**525 595**	(5 196 164)	(4 260 606)
Issued normal shares	**641**	641	639

26. CASH GENERATED FROM OPERATIONS

Cash generated from operations are calculated below:

	2016 R'000	2015 R'000	2014 R'000
Profit/(Loss) before equity accounted	**1 335 459**	74 831	(1 289 082)
Adjustments for:			
Profit on disposal of property, plant and equipment	**(29 096)**	(30 408)	(20 358)
Gain on settlement of creditors	**(75 000)**	(75 000)	-
Depreciation and amortisation of non-current assets	**1 753 552**	1 492 623	1 138 240
Impairment of property, plant and equipment	**17 128**	380 631	576 406
Movement in provisions	**25 926**	329 189	(81 206)
Movements in operating leases liabilities	**44 261**	104 771	(20 855)
	3 072 230	**2 276 637**	**303 145**
Changes in working capital			
Trade and other receivables	**435 989**	1 513 335	607 092
Inventories	**57 475**	(266 548)	230 809
Trade and other payables	**(872 611)**	449 616	196 645
Unearned revenue	**1 282 938**	146 496	181 197
Other non-current liabilities	**17 187**	(1 648 557)	(36 943)
	920 978	**194 342**	**1 178 800**
Total cash generated from operations	**3 993 208**	**2 470 979**	**1 481 945**
Acquisition of property, plant and equipment	**(2 788 196)**	(2 349 148)	(2 204 209)
Adjusted for non-cash additions or leased assets	**516 788**	253 756	210 923
	(2 271 408)	(2 095 392)	(1 993 286)

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% (2015 – 100%, 2014 – 100%) of the Company's ordinary shares.

The subsidiaries of the Group are identified in note and the joint ventures 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		
	2016 R'000	**2015 R'000**	**2014 R'000**	**2016 R'000**	**2015 R'000**	**2014 R'000**
Parent						
Oger Telecom South Africa Proprietary Limited	**–**	–	296	**–**	–	38 328
Oger Telecom Limited	**–**	–	–	**9 780**	11 047	23 202
	–	–	296	**9 780**	11 047	61 530

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

	Transactions			Balances		
	2016 R'000	**2015 R'000**	**2014 R'000**	**2016 R'000**	**2015 R'000**	**2014 R'000**
Joint venture						
Mobile Number Portability Company Proprietary Limited	**13 240**	41 801	1 519	**10**	–	520
Fibreco Telecommunications Proprietary Limited	**21 712**	23 137	18 145	**1 100**	49 510	91 307
	34 952	64 938	19 664	**1 110**	49 510	91 827

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

	Transactions		Balances	
	2015 R'000	**2014 R'000**	**2015 R'000**	**2014 R'000**
Common Directorship				
Atos Origin Proprietary Limited	14 232	6 647	–	1 423
Grintek Group	–	20 486	133	398
Huawei Technologies Africa	594 368	170 144	152 343	84 868
Kunene Bros Holdings Proprietary Limited	–	–	–	-
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	6	12 933
	5 127 626	244 859	183 969	99 622

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

The above related party relationships ceased to exist in 2016 due to the common Directors resigning from Cell C during 2015.

	Transactions			Balances		
R'000	2016 R'000	2015 R'000	2014 R'000	2016 R'000	2015 R'000	2014
Other related parties with shared ownership						
AVEA	**(31)**	(240)	(226)	**(194)**	(347)	(320)
AVEA	**43**	130	215	**246**	480	432
	12	(110)	(11)	**52**	133	112

Transactions with AVEA consist of the international roaming cost.

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

	2016 R'000	2015 R'000	2014 R'000
Interest transactions			
Cell SAF	**(68)**	(68)	(68)
	(68)	**(68)**	**(68)**
Foreign exchange transactions			
Oger Telecom Limited	**1 266**	7 595	2 115
Oger Telecom South Africa Proprietary Limited	**20**	9 264	2 654
	1 286	16 859	4 769

The following represents the cellular telephone charges for related parties:

	2016 R'000	2015 R'000	2014 R'000
Transaction			
Directors/Key Personnel	**1 241**	1 445	940
	1 241	**1 445**	**940**

Mobile packages are offered to Directors/Key personal at a discount.

28. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

	2016 R'000	2015 R'000	2014 R'000
Remuneration			
In Aggregate	**63 897**	22 588	60 793
	63 897	**22 588**	**60 793**

29. GOING CONCERN

Despite earning a profit during the year, at 31 December 2016 the Group's total liabilities exceeded its total assets by R11.69 billion (2015: R12.23 billion, 2014: R6.64 billion) and the Group's current liabilities exceeded its current assets by R21.24 billion (2015: R3.49 billion, 2014: R2.44 billion). The deterioration in the current deficit during the year was as a result of the default in capital repayment of loans and borrowings that resulted in loans and borrowings being classified as current liabilities at year-end, as described in note 18.

Recapitalisation of the Group

An offer to recapitalise Cell C was received on 9 December 2015, which was approved by the Board of Directors on 18 December 2015. This restructure will give an effect of an aggregate increase of approximately R15.5 billion in the net asset value on transaction date. The Group and shareholder have made significant progress and are in the process of finalising the restructure. At the date of approval of these financial statements, an umbrella restructuring agreement was entered into on 24 February 2017 with the new shareholders which was approved by the Board accompanied by irrevocable undertakings from the relevant investors (the "umbrella restructuring agreement"). There are conditions precedent that are required to be fulfilled prior to 31 August 2017. The Board of Directors have analysed the outstanding conditions and have put plans in place to ensure that Cell C meets these conditions prior to the due date. The umbrella restructuring agreement also requires relevant investors to fulfil their undertakings prior to 31 August 2017. The shareholders and Board of Directors are confident that the sale will be completed as anticipated in the umbrella restructuring agreement.

On the basis set out below, the Group and the shareholders have demonstrated that funds will be available to finance future operations and that the realization of assets and settlement of liabilities will occur in the ordinary course of business. The Directors have reviewed the Group's performance, budget and cash flow forecast for the period to 30 June 2018. 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:

1. The Group and shareholder have made significant progress under the umbrella agreement and are confident that the transaction will be completed within the time frames provided, as described above;
2. The Group have received standstill undertakings, from the lenders that are party to the security package to defer repayments until 31 August 2017;
3. The restructuring agreements have been finalized and are awaiting signature by the shareholders and the lender;
4. The conditions precedent are at an advanced stage and remain on target to be fulfilled prior to 31 August 2017;
5. The recapitalisation of the Group will result in the Group's assets exceeding its liabilities and will also restore the liquidity of the Group;
6. The synergies achieved through the recapitalisation of the Group will contribute to grow in revenue and cost optimization;
7. The Group has increased the cash generated from operations in 2016 and has experienced 16% growth in the customer base during the year, and the financial forecasts for the Group, which includes the effects of the recapitalisation, indicates that the Company will achieve profitability in the medium-term and therefore will be able to utilize the deferred tax assets as well as other assets in the normal course of business; and
8. The Group currently holds intangible assets relating to spectrum and other assets that may not be recognised in the financial statements in accordance with IFRS.

Accordingly, the financial statements have been prepared on the basis of accounting policies applicable to a going-concern.

In the event, however, that the conditions precedent as set out in the umbrella restructuring agreement are not fulfilled prior to 31 August 2017 and should the relevant investors not fulfil their undertakings per the umbrella restructuring agreement, the agreement may not be completed and a material uncertainty will exist that may cast significant doubt on the ability of the Group to continue as a going-concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The shareholders and Board of Directors are confident that the sale 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

As described in note 29 in further detail, the Group and shareholder have made significant progress and are in the process of finalising the restructure. At the date of approval of these financial statements, an umbrella restructuring agreement was entered into on 24 February 2017 with the new shareholders which was approved by the Board accompanied by irrevocable undertakings from the relevant investors (the "umbrella restructuring agreement"). Cell C has further received standstill undertakings on payments due, from the lenders that are party to the security package, until 31 August 2017.

31. OPERATING SEGMENTS

31.1 Basis for segmentation

The Group has the following seven 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 expanded in 2016 due to change in operations.

The following summary describes the operations of each reportable segment:

Basis for segmentation

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, are limited to a certain pre-determined limit. Any usage above that limit will be charged on a prepaid basis.
MVNO	This segment offers products and services to mobile virtual network operators and other distributors.
Other	Other revenues consist of wholesale distribution of services and other miscellaneous charges.
Incoming revenues	Interconnect revenues
FTTH	Fibre to the home products
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.

	2016 R'000	**2015 R'000**	**2014 R'000**
External revenue			
Prepaid	**6 488 390**	5 849 247	4 903 820
Contract	**3 608 956**	3 457 746	3 478 897
MVNO	**369 888**	149 459	149 548
Other	**307 858**	431 216	314 205
Incoming revenues	**971 460**	1 041 474	1 347 694
FTTH	**5 424**	–	-
Equipment	**2 894 147**	2 299 306	1 439 984
	14 646 123	13 228 448	11 634 148

32. RELEVANT STANDARDS AND INTERPRETATIONS BECOMING EFFECTIVE AFTER YEARS ENDED 31 DECEMBER 2016

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 2016, the following Standards and Interpretations were in issue but not yet effective.

IFRS/IAS	**Description**	**Effective date for annual periods beginning on or after**
IAS 16	Leases	1 January 2019
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 7	Disclosure Initiative	1 January 2016

Effect of the above changes in accounting standards:

IFRS 15

The new standard will affect the amount, timing and recognition of revenue and some costs for telecom companies. It will also have a follow-on impact to financial reporting, IT systems, internal controls and disclosures related to revenue. New qualitative and quantitative disclosure requirements aim to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Entities will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue is recognized when or as an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized:

- over time, in a manner that best reflects the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The impact on the financial statements has not yet been fully determined but it is expected to result in a change illustrated below:

Area	Key requirement	Impact
Bundled offerings	IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. As a result, companies will recognise a greater amount of revenue on subsidised handsets up-front.	During 2012, Cell C changed its accounting policy to recognize the handsets and telco services as separately identifiable components using the residual balance method. This accounting policy is aligns closely with the requirements of IFRS 15 and will not have a significant impact on implementation.
Early upgrades	IFRS 15 requires an entity to determine the appropriate accounting, including whether a material right has been granted to the customer, if the right affects the transaction price, if modification accounting applies or if waived amounts are an incentive to enter into a new contract.	This requirement has been implemented as part of the accounting policy change above.
Unit of account	IFRS 15 requires an entity to determine the appropriate unit of account for multiple-user plans under which individuals receive multiple services – e.g. data, sms or minutes – among themselves at discounted prices.	This requirement is expected to have an impact on the value recognised for the multiple services provided.
Non-refundable fees for set-up	IFRS 15 requires an entity to evaluate whether up-front set-up and installation services are separate performance obligations.	This requirement is expected to have an impact on the revenue recognised for the non-refundable fees.
Contracts paid over more than one year	IFRS 15 requires entities to consider if a contract greater than 12 months includes a significant financing component. This will impact the transaction price to reflect the time value of money.	This requirement will not have an impact on the amount recognised based on our current contractual arrangements to supply handsets to customers.
Subscriber acquisitions costs	IFRS 15 requires an entity to recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs.The incremental costs of obtaining a contract are those costs that an entity would not have incurred if the contract had not been obtained. All other contract acquisition costs incurred regardless of whether a contract was obtained are recognised as an expense.	This requirement will not have an impact as Cell C currently capitalises subscriber acquisition costs.

IFRS 16

The International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). 1 January 2019 IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related on 1 January interpretations.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

It is expected that the accounting treatment for lease contracts applicable to the Company, such as tower and other infrastructure leases will be impacted by the new standard. This will result in an increase in lease liabilities and right of use assets in the statement of financial position with a corresponding reduction in operating lease expenses and an increase in depreciation and finance costs in the statement of comprehensive income.

IFRS 9

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 also replaces the rule-based hedge accounting requirements in IAS 39. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually uses for risk management purposes.

It is expected that the requirement will impact the timing of impairments recognized.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF CELL C FOR THE YEARS ENDED 31 DECEMBER 2016, 31 DECEMBER 2015 AND 31 DECEMBER 2014

The Directors
Blue Label Telecoms Limited
75 Grayston Drive
Morningside Ext. 5
Sandton
Johannesburg
2057

The Directors
Cell C Proprietary Limited
Waterfall Campus
Cnr Maxwell Drive and Pretoria Main Road
Buccleuch Ext. 10
Midrand
2090
22 June 2017

Independent Reporting Accountant's Report on the Report of Historical Financial Information of Cell C Proprietary Limited for the years ended 31 December 2016, 31 December 2015 and 31 December 2014

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

Introduction

At your request, and for the purposes of the Circular, we have audited the historical financial information of Cell C and its subsidiaries ("Cell C" or the "Group") for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 presented in the Report of Historical Financial Information of Cell C for the years ended 31 December 2016, 31 December 2015 and 2014 attached as **Annexure 1** to the Circular (collectively "Historical Financial Information").

The Historical Financial Information comprises the consolidated statements of financial position, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, a summary of significant accounting policies and other explanatory notes (collectively "the Historical Financial Information"), as presented in **Annexure 1** to the Circular, in compliance with IFRS and the JSE Listings Requirements.

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

Part A – Historical Financial Information for the year-ended 31 December 2016

Unqualified Opinion on the Historical Financial Information for the year-ended 31 December 2016

In our opinion, the Historical Financial Information for the year-ended 31 December 2016, as set out in **Annexure 1** to the Circular, presents fairly, in all material respects, for the purpose of the Circular, the consolidated financial position of Cell C at 31 December 2016 and its financial performance and cash flows for the for the year then ended in accordance with IFRS and the JSE Listings Requirements.

Emphasis of matter

Despite earning a profit during the year, at 31 December 2016 the group's total liabilities exceeded its total assets by R11.69 billion (2015: R12.23 billion) and the group's current liabilities exceeded its current assets by R21.24 billion (2015: R3.49 billion). As stated in note 29 to the Historical Financial Information, the group is in the process of finalising an umbrella restructuring agreement that will return the group to solvency and liquidity and allow it to maintain profitability in the future. The completion of the agreement depends, however, on the fulfilment of certain conditions precedent by 31 August 2017 and the relevant investors fulfilling their undertakings per the agreement. These events or conditions, along with other matters as set forth in note 29, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going-concern. Our opinion is not qualified in respect of this matter.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Independent Reporting Accountant's Responsibilities for the Historical Financial Information* section of our report. We are independent of Cell C in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion on the Historical Financial Information for the year-ended 31 December 2016.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of deferred tax assets

Refer to note 1.15 for the accounting policy and note 11 for the deferred tax asset recognised

The key audit matter

As disclosed in note 11 to the consolidated financial statements, the Group has recognised a significant deferred tax asset amounting to R1 983 billion at 31 December 2016, of which R1 065 billion relates to historical tax losses. The recognition of deferred tax assets (and provisions against any unrecoverable portion) is an area of management judgement.

As disclosed in note 29 to the consolidated financial statements, negotiations with key stakeholders, including certain significant new shareholders and lenders are at an advanced stage and an umbrella agreement was entered into with new investors and lenders and approved by the board of directors on 24 February 2017.

In terms of this agreement, the recapitalisation of the Group is expected to be finalised and fully implemented by 31 August 2017. The restructured Group will have the effect of an aggregated increase of approximately R15,5 billion in the net asset value effective 31 August 2017 , restoring the group to solvency and liquidity, and maintaining profitability in the future through a significant decrease in the group's interest and foreign exchange expenses. These matters were taken into consideration when assessing the recoverability of deferred tax assets against future taxable profits. The utilisation of the tax losses is based on the projected profits for the next five years, as reflected in the group business plan approved by management and the board of directors.

Given the significance of the judgements made by the directors in continuing to recognise the deferred tax asset despite the group's financial position at year-end, the recognition of the deferred tax asset was a focus area in our audit of the consolidated financial statements.

How we addressed the matter in our audit

As part of our audit, we obtained the budgets and cash flow forecasts prepared to support the group's ability to recognise the deferred tax asset in relation to the utilisation of tax losses.

Together with the valuation specialists on our audit team, we have:

- considered if the forecasts being used for these purposes have been updated to include the impact of the recapitalisation (see below for further details);
- assessed the reasonableness of certain key assumptions used to prepare the budgets and cash flow forecasts based on our understanding of the industry; and
- challenged management's approach to the deferred tax asset recognised in the year, including the decision to continue to use a five-year forecast for the recognition of deferred tax assets in respect of losses.

In addition, we assessed the recoverability of the deferred tax asset using both our specialist tax knowledge and our knowledge of the group.

In respect of the umbrella restructuring agreement and its inclusion in the budgets and forecasts, as indicated above, we:

- understood the current status of negotiations with key stakeholders through discussion with the directors;
- considered ongoing correspondence with the new investors and the lenders and the impact that this has on any assumptions and judgements applied by management;
- inspected the approved umbrella agreement and proposed restructure, assessing the significance of the conditions precedent; and
- understood and challenged the directors' plans to meet the outstanding conditions precedent based on our knowledge of the group.

Revenue recognition

Refer to note 1.10 for the accounting policy and note 2 for the relevant disclosure

The key audit matter

There is a risk of overstating the revenue recognised during the year because of the pressure management may be under to achieve planned results and targets.

In addition, recognition of revenue is an inherent industry risk because of the complexity of the operation of the billing systems and the combination of products sold and price changes in the year. This includes the complexity of the calculation of unearned and deferred revenue at year-end, which requires management judgement.

As a result of the risk of overstatement of revenue and the complexity inherent in its recognition, revenue recognition was considered to be a key audit matter in our audit of the consolidated financial statements.

How we addressed the matter in our audit

Together with our IT specialists, we evaluated the design of the relevant IT systems and related internal controls, and tested the operating effectiveness of key controls, in particular controls in place over the authorisation of rate changes and the input of this information to the billing systems.

Our audit approach also included procedures in respect of:

- testing the end-to-end reconciliation between business support systems, billing systems and the general ledger. This testing included assessing whether significant journals processed between the billing system and general ledger were appropriate and valid;
- testing the supporting evidence for manual journal entries posted to revenue accounts to identify unusual items; and
- testing a sample of customer invoices and agreeing the invoices to cash received from customers. Our testing included customer invoices for corporate and wholesale customers.

In respect of unearned and deferred revenue, our procedures included:

- assessing the assumptions and methodologies used in performing the unearned revenue calculation; and
- assessing the integrity of the reports and data obtained from the system relating to unearned revenue and deferred revenue.

Responsibilities of the directors and the directors of Cell C for the Historical Financial Information for the year-ended 31 December 2016

The directors of Blue Label Telecoms Limited ("Blue Label" or the "Company") ("Directors") are responsible for the compilation, contents and preparation of the Circular including the Historical Financial Information for the year-ended 31 December 2016 in accordance with the JSE Listings Requirements.

The directors of Cell C are responsible for the preparation and fair presentation of the Historical Financial Information for the year-ended 31 December 2016 in accordance with the IFRS and the Listings Requirements, and for such internal control as the directors of Cell C determine is necessary to enable the preparation of Historical Financial Information for the year-ended 31 December 2016 that is free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information for the year-ended 31 December 2016, the directors of Cell C are responsible for assessing the group's ability to continue as a going-concern, disclosing, as applicable, matters related to going-concern and using the going-concern basis of accounting unless the directors of Cell C either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Reporting Accountant's Responsibilities for the Historical Financial Information for the year-ended 31 December 2016.

Our objectives are to obtain reasonable assurance about whether the Historical Financial Information for the year-ended 31 December 2016 is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Historical Financial Information for the year-ended 31 December 2016.

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

- Identify and assess the risks of material misstatement of the Historical Financial Information for the year-ended 31 December 2016, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of Cell C.
- Conclude on the appropriateness of the directors of Cell C's use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going-concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent reporting accountant's report to the related disclosures in the Historical Financial Information for the year-ended 31 December 2016 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent reporting accountant's report. However, future events or conditions may cause the group to cease to continue as a going-concern.
- Evaluate the overall presentation, structure and content of the Historical Financial Information for the year-ended 31 December 2016, including the disclosures, and whether the Historical Financial Information for the year-ended 31 December 2016 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the Historical Financial Information for the year-ended 31 December 2016. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Part B – Historical Financial Information for the years ended 31 December 2015 and 31 December 2014

Responsibilities of the directors and the directors of Cell C for the Historical Financial Information for the years ended 31 December 2015 and 31 December 2014

The directors are responsible for the compilation, contents and preparation of the Circular including the Historical Financial Information for the years ended 31 December 2015 and 31 December 2014 in accordance with IFRS and the JSE Listings Requirements.

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

Independent Reporting Accountant's Responsibilities for the Historical Financial Information for the years ended 31 December 2015 and 31 December 2014

Our responsibility is to express an opinion on the Historical Financial Information for the years ended 31 December 2015 and 31 December 2014 based on our audits. 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 for the years ended 31 December 2015 and 31 December 2014 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 for the years ended 31 December 2015 and 31 December 2014. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information for the years ended 31 December 2015 and 31 December 2014, 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 for the years ended 31 December 2015 and 31 December 2014, 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 for the years ended 31 December 2015 and 31 December 2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The evidence included which we previously obtained in the conduct of our audit of the statutory financial statements of the group underlying the Annual Financial Information of the Group from which the Historical Financial Information for the years ended 31 December 2015 and 31 December 2014 has been derived.

Unqualified opinion on the Historical Financial Information for the year-ended 31 December 2015

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 1** to the Circular, presents fairly, in all material respects, for the purpose of the Circular, the consolidated financial position of Cell C as at 31 December 2015 and 31 December 2014, and its financial performance and 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.

KPMG Inc.
Registered Auditor

Ahmed Bulbulia
Chartered Accountant
Registered Auditor
Director

22 June 2017

KPMG Crescent
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PRO FORMA FINANCIAL INFORMATION OF THE CELL C TRANSACTION, INCLUDING THE CELL C VENDOR CONSIDERATION PLACEMENT

The tables below set out the *pro forma* financial information of the Blue Label Group based on the published unaudited results for the half year-ended 30 November 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 Cell C Transaction and the Cell C Vendor Consideration Placement going forward.

The purpose of the *pro forma* financial information is to illustrate the impact of the Cell C Transaction, including the Cell C Vendor Consideration Placement had it been effective 30 November 2016 for purposes of the *pro forma* condensed group statement of financial position and 1 June 2016 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 Cell C Transaction and the Cell C Vendor Consideration Placement 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 unaudited results of the Blue Label Group for the half year-ended 30 November 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 30 November 2016 and the *pro forma* condensed group statement of comprehensive income for the half year then ended, should be read in conjunction with the independent reporting accountant's assurance report thereon contained in **Annexure 4**.

The *pro forma* condensed group statement of comprehensive income below presents the effects of the Cell C Transaction, including the Cell C Vendor Consideration Placement, on the published unaudited results of the Blue Label Group for the half year-ended 30 November 2016 on the assumption that the Cell C Transaction, including the Cell C Vendor Consideration Placement, was effective 1 June 2016.

***Pro forma* condensed group statement of comprehensive income for the half year-ended 30 November 2016**

	Blue Label Group half year ended 30 Nov 2016[1] R'000	Cell C half year ended 31 Dec 2016[2] R'000	Cell C Recapital-isation *Pro forma* adjustments[3] R'000	Blue Label Group *Pro forma* adjustments[4, 5] R'000	*Pro forma* after the Cell C Transaction and the Cell C Vendor Consideration Placement[6] R'000
Revenue	13 245 513	–	–	150 000	13 395 513
Other income	2 861	–	–	–	2 861
Change in inventories of finished goods	(12 100 814)	–	–	(146 696)	(12 247 510)
Employee compensation and benefit expense	(210 487)	–	–	–	(210 487)
Depreciation, amortisation and impairment charges	(55 435)	–	–	–	(55 435)
Other expenses	(221 864)	–	–	(10 022)	(231 886)
Operating profit	**659 774**	**–**	**–**	**(6 718)**	**653 056**
Finance costs	(141 680)	–	–	(57 520)	(199 200)
Finance income	118 307	–	–	(1 114)	117 193
Gain on associate measured at fair value	264 204	–	–	–	264 204
Share of (loss)/profit from associates and joint ventures	(147 577)	242 018	(580 453)	(4 230)	(490 242)
Profit for the period before taxation	**753 028**	**242 018**	**(580 453)**	**(69 582)**	**345 011**
Taxation	(189 064)	–	–	15 492	(173 572)
Net profit for the period	**563 964**	**242 018**	**(580 453)**	**(54 090)**	**171 439**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Share of other comprehensive loss of associates and joint ventures	(81 844)	–	–	–	(81 844)
Foreign exchange losses on translation of foreign operations	(35)	–	–	–	(35)
Other comprehensive loss for the period, net of tax	**(81 879)**	**–**	**–**	**–**	**(81 879)**
Total comprehensive income for the period	**482 085**	**242 018**	**(580 453)**	**(54 090)**	**89 560**

	Blue Label Group half year ended 30 Nov 2016[1] R'000	Cell C half year ended 31 Dec 2016[2] R'000	Cell C Recapital-isation *Pro forma* adjustments[3] R'000	Blue Label Group *Pro forma* adjustments[4, 5] R'000	*Pro forma* after the Cell C Transaction and the Cell C Vendor Consideration Placement[6] R'000
Net profit for the period attributable to:	**563 964**	**242 018**	**(580 453)**	**(54 090)**	**171 439**
Equity holders of the parent	545 168	242 018	(580 453)	(54 090)	152 643
Non-controlling interest	18 796	–	–	–	18 796
Total comprehensive income for the period attributable to:	**482 085**	**242 018**	**(580 453)**	**(54 090)**	**89 560**
Equity holders of the parent	464 561	242 018	(580 453)	(54 090)	72 036
Non-controlling interest	17 524	–	–	–	17 524
Earnings per share for profit attributable to equity holders (cents)					
Basic earnings per share	81.78				17.96
Diluted basic earnings per share**	81.12				17.84
Headline earnings per share	81.78				17.34
Diluted headline earnings per share**	81.12				17.23
Core headline earnings per share*	82.86				18.69
Weighted average number of shares ('000)	666 665			183 333	849 998
Diluted weighted average number of shares ('000)	672 077			183 333	855 410
Number of shares in issue ('000)	674 509			183 333	857 842

* *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 half year ended 30 Nov 2016[1] R'000	Cell C half year ended 31 Dec 2016[2] R'000	Cell C Recapital-isation *Pro forma* adjustments[3] R'000	Blue Label Group *Pro forma* adjustments[4, 5] R'000	*Pro forma* after the Cell C Transaction and the Cell C Vendor Consideration Placement[6] R'000
Reconciliation of headline earnings					
Profit attributable to equity holders of the parent	545 168	242 018	(580 453)	(54 090)	152 643
Profit on disposal of property, plant and equipment	17	(12 990)	–	–	(12 973)
Impairment of intangible assets and property, plant and equipment	–	7 708	–	–	7 708
Headline earnings	**545 185**	**236 736**	**(580 453)**	**(54 090)**	**147 378**
Reconciliation between headline earnings and core headline earnings for the period:					
Headline earnings	545 185	236 736	(580 453)	(54 090)	147 378
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	7 240	–	–	4 230	11 470
Core headline earnings for the period	**552 425**	**236 736**	**(580 453)**	**(49 860)**	**158 848**

1. Extracted from the published unaudited results of the Blue Label Group for the half year-ended 30 November 2016.
2. The "Cell C half year-ended 31 December 2016" column reflects the subscription by Blue Label, through its wholly-owned subsidiary The Prepaid Company, 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 Cell C Transaction was effective 1 June 2016 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, Investments in Associates and Joint Ventures.
   2.3 The financial information for Cell C is based on the reviewed condensed group interim financial statements of Cell C for the six months ended 31 December 2016, as follows:

	R'000
Profit and total comprehensive profit reported for the six months ended 31 December 2016	537 818
Blue Label's equity interest	45%
Blue Label's share of profit from associates and joint ventures	**242 018**

The condensed group interim financial statements of Cell C for the six months ended 31 December 2016 were 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 condensed group interim financial statements of Cell C for the six months ended 31 December 2016, together with KPMG Incorporated's review report thereon is available for inspection as stated in paragraph 17 in the Circular.

3. The "Cell C Recapitalisation *pro forma* adjustments" column reflects the *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 2016 for purposes of presenting the *pro forma* effects thereof on Cell C.

3.2 The following *pro forma* adjustments to Blue Label's share of reported profits from Cell C:

	R'000
Reversal of actual net realised and unrealised foreign exchange gains and losses incurred on foreign denominated borrowings (including vendor financed capital equipment balances) during the six months ended 31 December 2016 on the basis that Net Borrowings (including vendor financed capital equipment balances) will consist of Rand denominated borrowings and fully hedged foreign denominated borrowings following the implementation of the Cell C Recapitalisation.	(1 481 896)
Reversal of actual realised and unrealised foreign exchange gains incurred on derivatives to hedge foreign borrowings during the six months ended 31 December 2016 on the basis that net borrowings will consist of Rand denominated and fully hedged foreign denominated borrowings following the implementation of the Cell C Recapitalisation.	31 472
Reversal of actual interest incurred on existing borrowings during the six months ended 31 December 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 which were treated as finance costs by Cell C during the six months ended 31 December 2016 which will no longer apply subsequent to the Cell C Recapitalisation as explained in note 4.4.	792 091
Increase in interest expense calculated at an assumed average effective interest rate of 8.6% per annum over six months totalling R228 million on the basis that net borrowings will, following the Cell C Recapitalisation, be reduced to a maximum of R6.0 billion.	(227 562)
Net assumed realised and unrealised foreign exchange gains and losses incurred on option contracts entered into in order to hedge the foreign currency risk on assumed foreign denominated Net Borrowings following the Cell C Recapitalisation. The exchange rates assumed have been based on prevailing exchange rates as at the latest practicable dates.	(12 504)
Recognition of the expense arising in connection with the Cell C management retention schemes of R600 million and R480 million over the service period of four and six years respectively, apportioned for six months.	(203 808)
Marketing fee adjustment relating to sales, promotions and advertising as discussed in note 4.3.	(150 000)
Net adjustment to align accounting policy differences between the Blue Label Group and Cell C*	(37 690)
Subtotal	**(1 289 897)**
Blue Label's equity interest	45%
Blue Label's share of loss from associates and joint ventures	**(580 453)**

*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 six months ended 31 December 2016:

	R'000
Revenue[a]	(220 039)
Operating expenses[b]	(173 146)
General and administration costs[c]	9 652
Finance costs	345 843
Handset subsidy[a]	220 039
Financial guarantee[b]	173 146
Subscriber acquisition costs[d]	(47 342)
Net adjustment to Cell C's profit and total comprehensive income reported for the six months ended 31 December 2016	**(37 690)**

(a) Revenue is reduced by R220 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 impact to 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 R173 million to recognise the cost of providing financial guarantees to the third-party financier in relation to customer handsets sold as bad debts instead of recognising the cost of providing the guarantee as part of finance costs.

(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.

(d) Finance costs are adjusted to recognise gross subscriber acquisition costs capitalised to intangible assets in relation to the handset financing arrangement as finance costs.

3.3 The Blue Label Group has elected an accounting policy choice 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 M5 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* adjustments" column reflects the *pro forma* adjustments in relation to the Cell C Transaction and the Cell C Vendor Consideration Placement 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 managements' best estimates at this stage.

4.2 The Cell C Transaction, including the Cell C Vendor Consideration Placement is effective on 1 June 2016 for purposes of presenting the *pro forma* effects thereof on the Blue Label Group.

4.3 A revised marketing fee from Cell C of R25 million per month for six months which will apply subsequent to the Cell C Transaction equating to R150 million.

4.4 The Prepaid Company to forfeit early settlement discounts *in lieu* of utilising credit terms afforded to it by Cell C subsequent to the Cell C Recapitalisation and the Cell C Transaction. These initiatives result in an adjustment to change in inventories of finished goods by R189 million due to the reversal of actual rebates received from Cell C during the six months ended 30 November 2016. This will no longer apply subsequent to the Cell C Transaction on the basis that Blue Label elects to utilise payment terms afforded to it *in lieu* of early settlement discounts. This amount is offset by R43 million, emanating from a reduction to the change in inventories of finished goods due to a present value adjustment applied on the value of stock purchased on terms.

4.5 An adjustment to other expenses of R10 million represents the additional estimated one-off transaction costs relating to the Cell C Transaction.

4.6 R2.75 billion of the total subscription consideration of R5.5 billion by The Prepaid Company will be settled from available cash resources as a result of changes in the working capital structure.

Consequently, finance costs and finance income are adjusted by R57.5 million and R1.1 million respectively.

	R'000
The present value adjustment applied to the value of stock purchased on terms, using an interest rate of 10.5%. Refer to note 4.4.	42 623
Impact on finance costs following changes to the working capital structure.*	14 897
Adjustment to finance costs	**57 520**

*Note: The adjustments to finance costs and finance income have been arrived at by recalculating interest charged/received for the six months ended 30 November 2016 assuming the cash flows arising from changes to the working capital structure were effective on 1 June 2016. The actual average interest rate of cash placed on call and working capital borrowing facilities amounted to 7.55% and 10% per annum, respectively, during the six months ended 30 November 2016.

4.7 The purchase consideration for the Cell C Transaction has been assumed to be allocated between identifiable intangible assets and notional goodwill based on a provisional fair value allocation exercise. 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 Cell C Transaction and may differ from the assumptions underlying these *pro forma* effects.

	R'000
Gross 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 six months ended 30 November 2016, net of taxation.	(9 400)
Blue Label's equity interest	45%
Blue Label's share of amortisation	**(4 230)**

4.8 The reduction in tax payable of R15.5 million is based on the reversal of rebates and the impact on finance income and finance costs calculated at the corporate tax rate of 28%.

4.9 Various tag along and drag along provisions contained in the Cell C Recapitalisation Agreements do not give rise to any *pro forma* adjustments due to these rights being exercisable at fair value.

5. 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 will be issued pursuant to the Cell C Vendor Consideration Placement.

Actual price of discounted Blue Label Shares to be issued	R15 per share
Value to be raised (R'000)	2 750 000
Blue Label Shares to be issued (000)	183 333

6. The "*Pro forma* after the Cell C Transaction and the Cell C Vendor Consideration Placement" column reflects the *pro forma* adjustments in relation to the Cell C Recapitalisation, the Cell C Transaction and the Cell C Vendor Consideration Placement.

7. All effects are of a recurring nature except where otherwise noted.

***Pro forma* condensed group statement of financial position at 30 November 2016**

The *pro forma* condensed group statement of financial position below presents the effects of the Cell C Transaction, including the Cell C Vendor Consideration Placement, on the published unaudited results of the Blue Label Group for the half year-ended 30 November 2016 on the assumption that the Cell C Transaction, including the Cell C Vendor Consideration Placement, was effective 30 November 2016.

	Blue Label Group as at 30 November 2016[1] R'000	Blue Label Group *Pro forma* adjustments[2] R'000	*Pro forma* after the Cell C Transaction and the Cell C Vendor Consideration Placement R'000
ASSETS			
Non-current assets	**2 380 693**	**5 500 000**	**7 880 693**
Property, plant and equipment	114 296	–	114 296
Intangible assets and goodwill	1 176 858	–	1 176 858
Investment in and loans to associates and joint ventures	943 475	5 500 000	6 443 475
Loans receivable	83 396	–	83 396
Starter pack assets	6 746	–	6 746
Trade and other receivables	36 845	–	36 845
Deferred taxation assets	19 077	–	19 077
Current assets	**5 892 908**	**(2 533 046)**	**3 359 862**
Inventories	2 042 354	(1 701 181)	341 173
Loans receivable	103 699	–	103 699
Starter pack assets	1 722	–	1 722
Trade and other receivables	2 899 293	–	2 899 293
Current tax assets	13 975	–	13 975
Cash and cash equivalents	831 865	(831 865)	–
Total assets	**8 273 601**	**2 966 954**	**11 240 555**
EQUITY AND LIABILITIES			
Capital and reserves	**4 756 212**	**2 725 728**	**7 481 940**
Share capital, share premium and treasury shares	3 953 872	2 735 750	6 689 622
Restructuring reserve	(1 843 912)	–	(1 843 912)
Other reserves	106 998	–	106 998
Share-based payment reserve	34 613	–	34 613
Transaction with non-controlling interest reserve	(965 861)	–	(965 861)
Retained earnings	3 407 395	(10 022)	3 397 373
Non-controlling interest	63 107	–	63 107
Non-current liabilities	**100 022**	**–**	**100 022**
Deferred taxation liabilities	77 000	–	77 000
Trade and other payables	23 022	–	23 022
Current liabilities	**3 417 367**	**241 226**	**3 658 593**
Trade and other payables	3 341 114	241 226	3 582 340
Provisions	32 459	–	32 459
Current tax liabilities	25 769	–	25 769
Current portion of non-interest-bearing borrowings	18 025	–	18 025
Total equity and liabilities	**8 273 601**	**2 966 954**	**11 240 555**
Net asset value per share (cents)	695.78	–	864.83
Net tangible asset value per share (cents) *	521.30	–	727.64
Number of shares in issue ('000)	674 509	183 333	857 842

**Net tangible asset value is calculated as net asset value attributable to the owner of the parent, less the value of goodwill, other intangible assets and deferred tax assets attributable to the owner of the parent.*

1. Extracted from the published unaudited results of the Blue Label Group for the half year-ended 30 November 2016.
2. The "Blue Label Group *pro forma* adjustments" column reflects the *pro forma* adjustments in relation to the Cell C Transaction and the Cell C Vendor Consideration Placement 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 Cell C Transaction, including the Cell C Vendor Consideration Placement is effective on 30 November 2016 for purposes of presenting the *pro forma* effects thereof on the Blue Label Group.
   2.3 The R5.5 billion subscription consideration and the 45% equity interest in Cell C's total issued share capital arising as a result thereof is accounted for 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 Blue Label 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 Blue Label Group's investment in associates includes notional goodwill identified on acquisition.
      - The Blue Label 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 Blue Label 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 Cell C Recapitalisation Agreements do not give rise to any *pro forma* adjustments due to these rights being exercisable at fair value.

      As discussed in paragraph 2 to the Circular, Blue Label has agreed to provide liquidity support to SPV2, by undertaking to provide subordinated loan funding to SPV2 of up to $60 million, in order that SPV2 meet certain contingent interest payments due by them. In terms of IFRS and on subsequent reporting dates, the expected cash outflows incurred in connection with the liquidity support will be capitalised and treated as a non-current receivable due by SPV2. The directors of Blue Label deem any amount advanced under the liquidity support arrangement to be fully recoverable. Consequently, on the basis that any amounts advanced are deemed fully recoverable by the directors of Blue Label and on the basis that such funding shall be provided by Blue Label after the first anniversary of the Effective Date of the Cell C Transaction, the *pro forma* financial effects do not illustrate any impact in this regard. The recoverability of the subordinated loan funding will be assessed for impairment at subsequent reporting dates.
   2.4 The purchase consideration for the Cell C Transaction has been assumed to be allocated between identifiable intangible assets and notional goodwill based on a provisional fair value allocation exercise. 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 Cell C Transaction and may differ from the assumptions underlying these *pro forma* effects. Notional goodwill will be tested for impairment at reporting dates.

	R'000
Cell C shareholders' equity reported as at 31 December 2016	**(11 687 233)**
Pro forma adjustments as a consequence of the Cell C Recapitalisation (refer note 2.4.2):	
Subscription by shareholders in terms of the Cell C Recapitalisation, considering the assumption of debt by SPV1, SPV2 and SPV3.	13 075 337
Previously capitalised finance raising fees on borrowings pre the Cell C Recapitalisation carried on the statement of financial position are written off as a consequence of the Cell C Recapitalisation.*	(136 348)
Hedging reserve for derivative financial assets and liabilities carried on the statement of financial position to hedge foreign borrowings is recycled in the income statement because the hedged item is no longer expected to occur as a result of the Cell C Recapitalisation.*	(180 209)
Estimated one-off transaction and debt costs relating to the Cell C Recapitalisation.*	(817 311)
Net adjustment to align accounting policy differences between the Blue Label Group and Cell C**.	(76 881)
Cell C *pro forma* shareholders' equity as at 31 December 2016	**177 355**
Additional intangible assets identified as part of provisional fair value allocation exercise	
Indefinite life intangible assets	4 546 000
Definite life intangible assets	522 200
Deferred tax liability	(1 419 096)
	3 826 459
Blue Label's equity interest at 45%	1 721 907
Notional goodwill	3 778 093
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 for the six months ended 31 December 2016. The condensed group interim financial statements of Cell C for the six months ended 31 December 2016 were 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 condensed group interim financial statements of Cell C for the six months ended 31 December 2016 together with KPMG Incorporated's review report thereon is available for inspection as stated in paragraph 17 in the 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 is implemented on 31 December 2016 for purposes of presenting the *pro forma* effects thereof on Cell C.
- The Prepaid Company, Net1, M5 and MS15 subscription consideration is based on the subscription consideration due by the respective parties in terms of the Cell C Recapitalisation considering the assumption of debt by SPV1, SPV2 and SPV3.
- As discussed in note 3.3 to the *pro forma* condensed group statement of comprehensive income, the Blue Label Group has elected 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: These one-off costs are regarded as pre-acquisition costs, and consequently have no impact on Blue Label Group's *pro forma* condensed group statement of comprehensive income.

** 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 for the six months ended 31 December 2016:

	R'000
Intangible assets [a]	(76 881)
Trade and other receivables [b]	1 140 503
Trade and other payables [b]	(1 140 503)
Net adjustment to Cell C shareholders' equity as at 31 December 2016	**(76 881)**

a) Intangible assets are reduced by R76.9 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 additional one-off expenses of R10 million, relating to the Cell C Transaction, assumed to be settled from cash have been taken into account in determining the *pro forma* financial effects. A further R14.25 million in transaction costs have been capitalised to share premium as it relates directly to the Cell C Vendor Consideration Placement.

2.6 The R5.5 billion subscription consideration will be funded as follows:

2.6.1 R2.75 billion via the Cell C Vendor Consideration Placement at R15 per share resulting in an increase in Blue Label Shares by 183 333 334 as discussed in note 5 to the *pro forma* condensed group statement of comprehensive income.

2.6.2 R2.75 billion from available cash resources arising as a result of changes in the working capital structure. Consequently, inventory, cash and cash equivalents and trade and other payables are adjusted based on the changes to the working capital structure assumed as a consequence of the manner of settlement.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION

23 June 2017

The Board of Directors
Blue Label Telecoms Limited
75 Grayston Drive
Cnr Benmore Road
Morningside Ext 5
Sandton
2196

Independent reporting accountant's 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 the subscription for 45% of the total share capital of Cell C Proprietary Limited for a subscription consideration of R5.5 billion following the conclusion of Cell C Proprietary Limited's recapitalisation programme together with the Cell C Vendor Consideration Placement of 183 333 334 new Blue Label shares (collectively "the Proposed Transaction").

At your request and solely for the purposes of the Circular to be dated on or about 27 June 2017, 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 8 and **Annexure 3** to the Circular, consists of the *pro forma* statement of financial position as at 30 November 2016, the *pro forma* statement of comprehensive income for the six months ended 30 November 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 30 November 2016, and the Company's financial performance for the period then ended, as if the Proposed Transaction had taken place at 30 November 2016 and 1 June 2016, 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 unaudited results for the six months ended 30 November 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 8 and **Annexure 3** to the Circular. The directors of Blue Label are also responsible for the financial information from which it has been prepared.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("IRBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's 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 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 8 and **Annexure 3** of the Circular.

PricewaterhouseCoopers Inc.
D Storm
Director
Registered Auditor

Sunninghill
23 June 2017

SUMMARY OF CHANGES TO THE CELL C RECAPITALISATION AGREEMENTS

Subscription Agreement between The Prepaid Company and Cell C

- This agreement is substantially the same as the agreement signed between The Prepaid Company and Cell C pursuant to the transaction contemplated in the Initial Circular. Given the delay in implementation of the Cell C Recapitalisation, some additional warranties have been provided by Cell C to The Prepaid Company which are standard for a transaction of this nature.
- Whilst previously The Prepaid Company enjoyed an indemnity from Oger Telecoms in respect of the Net Borrowings of Cell C exceeding R8 billion and in respect of possible claims by CellSAF, this is no longer in place.
- To mitigate concerns in this area, The Prepaid Company has been, and is still constantly engaged with management of Cell C throughout the process of the debt restructure of Cell C and it is a suspensive condition to the transaction that The Prepaid Company is satisfied with the debt position of Cell C and that the Net Borrowings of Cell C shall not exceed R6 billion.
- Consequential changes have also been made as a result of changes to the Recapitalisation Participants.

Cell C's MOI

- Given the fact that Cell C has listed debt instruments, the memorandum of incorporation of Cell C has been amended to take into account the fact that Cell C will be a public company as opposed to a private company.
- In regards to the appointment of directors, previously a shareholder could appoint a director for each 10% or more of the issued shares held and if a shareholder could appoint two or more directors as aforesaid, it could also appoint a further independent director and directors (other than independent directors) voted in accordance with their shareholding. As a result of the amendments, The Prepaid Company can appoint 4 of the 11 directors and each director has 1 vote.
- Consequential changes have also been made as a result of changes to the Recapitalisation Participants.

Cell C Shareholders' Agreement

- Consequential changes have been made as a result of changes to the Recapitalisation Participants.
- Save that Blue Label must control The Prepaid Company for a period of four years following the Effective Date (failing which a deemed offer shall be triggered), the terms of the shareholders' agreement remain substantially the same. In the Initial Circular, salient terms of the Cell C shareholders' agreement were set out. The table below describes the changes to the salient terms.

Terms contained in the Initial Circular	Amended terms
Blue Label had guaranteed the obligations in terms of the agreements of The Prepaid Company	The guarantee by Blue Label has been deleted
The Prepaid Company will be entitled to appoint two directors to the board of Cell C	The Prepaid Company shall be entitled to appoint 4 directors to the board of Cell C
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	Each shareholder is now entitled to exercise "tag along" rights should any shareholder propose to sell more than 50% of the issued share capital of Cell C
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	Save for certain exceptions and provided the amount received by certain shareholders is in excess of a certain hurdle amount, any shareholder selling shares constituting more than 50% of the shares in Cell 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

Terms contained in the Initial Circular	Amended terms
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	This right has been deleted and replaced with a clause that should any shareholder acquire more than 50% of the shares in Cell C, then M5 can put its shares to such controlling shareholder at a five times EBITDA multiple. In return for having the aforesaid put option, M5 has granted to any shareholder acquiring 50% or more of the shares in Cell C with a call option of M5's shares at a seven times EBITDA multiple
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 stock exchange operated by the JSE, and subject to Cell C achieving certain profitability hurdles, 3C shall have the right to trigger and implement a listing of Cell C's shares on a recognised stock exchange	3C no longer has this right
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	The right of the Prepaid Company has been removed as a consequence of the removal of 3C's right to trigger a listing of Cell C
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 profitability hurdles and the Listings 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	This is unchanged (M5, which replaced M10, have this right)
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	This is unchanged (M5, which replaced M10, have this right)
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	This is unchanged (M5 have replaced M10)
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	This is unchanged

Liquidity undertaking agreement by The Prepaid Company in favour of China Development Bank and the Industrial and Commercial Bank of China Limited

As part of the restructure of the debt into Cell C by third-party lenders, The Prepaid Company will be required to provide liquidity support to SPV2 of up to $80 million, which liquidity support will be provided over 24 months and will be in the form of subordinated funding to SPV2.

$20 million of the aforesaid $80 million will be contributed by Oger Telecoms thus reducing The Prepaid Company's obligation in this regard to a maximum of $60 million. In addition, to the extent certain assets of Oger Telecoms are realised within the aforesaid 24-month period, a portion of such realisation shall further reduce The Prepaid Company's obligation in this regard.

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 Thursday, 15 June 2017, that the General Meeting of Blue Label Shareholders will be held at the offices of Blue Label, 75 Grayston Drive, Sandton, on Wednesday, 26 July 2017 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, 14 July 2017. Accordingly, the last day to trade in order to be eligible to participate and vote at the General Meeting will be Tuesday, 11 July 2017.

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

1. **ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE AMENDMENTS TO THE CELL C RECAPITALISATION**

   "RESOLVED AS AN ORDINARY RESOLUTION that as required by the listings requirements of the JSE Limited ("**Listings Requirements**"), Blue Label Telecoms Limited's ("**Blue Label**") participation in the Cell C Proprietary Limited ("**Cell C**") recapitalisation as set out in this Circular, on amended terms from those set out in the Initial Circular sent to Blue Label shareholders dated 18 October 2016 and approved at the general meeting of Blue Label shareholders held on 16 November 2016, is hereby approved."

   The reason for ordinary resolution Number 1 is to approve the amendments to the Cell C Transaction.

   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 DIRECTORS FOR PURPOSES OF THE CELL C VENDOR CONSIDERATION PLACEMENT PURSUANT TO THE CELL C RECAPITALISATION**

   "RESOLVED AS AN ORDINARY RESOLUTION that 183 333 334 authorised but unissued Blue Label shares ("**Shares**"), be and are hereby placed under the control of the directors, for the purpose of the Cell C Vendor Consideration Placement, to be issued at R15.00 per Share, 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 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."

   The reason for ordinary resolution Number 2 is to place authorised but unissued Blue Label shares under the control of the directors for the purposes of the Cell C Vendor consideration, pursuant to the Cell C Transaction.

   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 – PLACING AUTHORISED BUT UNISSUED SHARES UNDER CONTROL OF DIRECTORS FOR PURPOSES OF THE 3G ACQUISITION ISSUE PURSUANT TO THE 3G ACQUISITION**

"RESOLVED AS AN ORDINARY RESOLUTION that 16 666 666 authorised but unissued Blue Label shares, be and are hereby placed under the control of the directors, for the purpose of the 3G Acquisition Issue, to be issued at R15.00 per Share, as set out in this Circular, in order to part settle the 3G Purchase Consideration, and that they be and are hereby authorised to issue any such 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."

The reason for ordinary resolution Number 3 is to place authorised but unissued Blue Label shares under the control of the directors for the purposes of the 3G Acquisition Issue, pursuant to the 3G Acquisition.

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.

4. **ORDINARY RESOLUTION NUMBER 4 – 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."

The reason for ordinary resolution Number 4 is to authorise and empower the directors of Blue Label to implement the transactions contemplated in resolutions 1 to 3 above.

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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) so as to reach them by no later than 10:00 on Monday, 24 July 2017. 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 exercising of any Shareholder's rights at the General Meeting. 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, 24 July 2017.

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, 27 June 2017

Registered office
75 Grayston Drive, corner Benmore Road
Sandton
2196

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")

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, 26 July 2017 at the offices 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.

Full name: 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, 26 July 2017 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution 1 – Approval of the amendments to the Cell C Recapitalisation			
Ordinary resolution 2 – Placing authorised but unissued shares under the control of directors for the purpose of the Cell C Vendor Consideration Placement pursuant to the Cell C Recapitalisation			
Ordinary resolution 3 – Placing authorised but unissued shares under the control of directors for the purpose of the 3G Acquisition Issue pursuant to the 3G Acquisition			
Ordinary resolution 4 – General authorising resolution			

Signed at this day of 2017

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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), so as to reach them by no later than 10:00 on Monday, 24 July 2017. 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 exercising of any Shareholder's rights at the General Meeting. 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:
   - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
   - 3.2 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
   - 3.3 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:
   - 9.1 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;
   - 9.2 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;
   - 9.3 the company must not require that the proxy appointment be made irrevocable; and
   - 9.4 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.

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