INTEGRATED ANNUAL REPORT 2016

Our business

With at least 50% of the global population without access to bank accounts, our prepaid offerings are a lifestyle enabler for the majority of people in the countries we service.

Blue Label is a JSE-listed company that provides innovative technology for mobile commerce to emerging markets in South Africa and abroad.

Our users are rich, poor, urban and rural, and we allow them all to interact and transact on an equal footing. We reach them by utilising both physical and virtual distribution channels.

We target many of our services at people who do not have easy access to bank accounts, and we provide them the convenience of being able to transact where and when they want to. Our solid reputation is our licence to operate.

Our products and services include:
- Airtime, starter packs and data;
- Prepaid electricity and water;
- Ticketing for events, sports and transport; and
- Financial and value-added services.

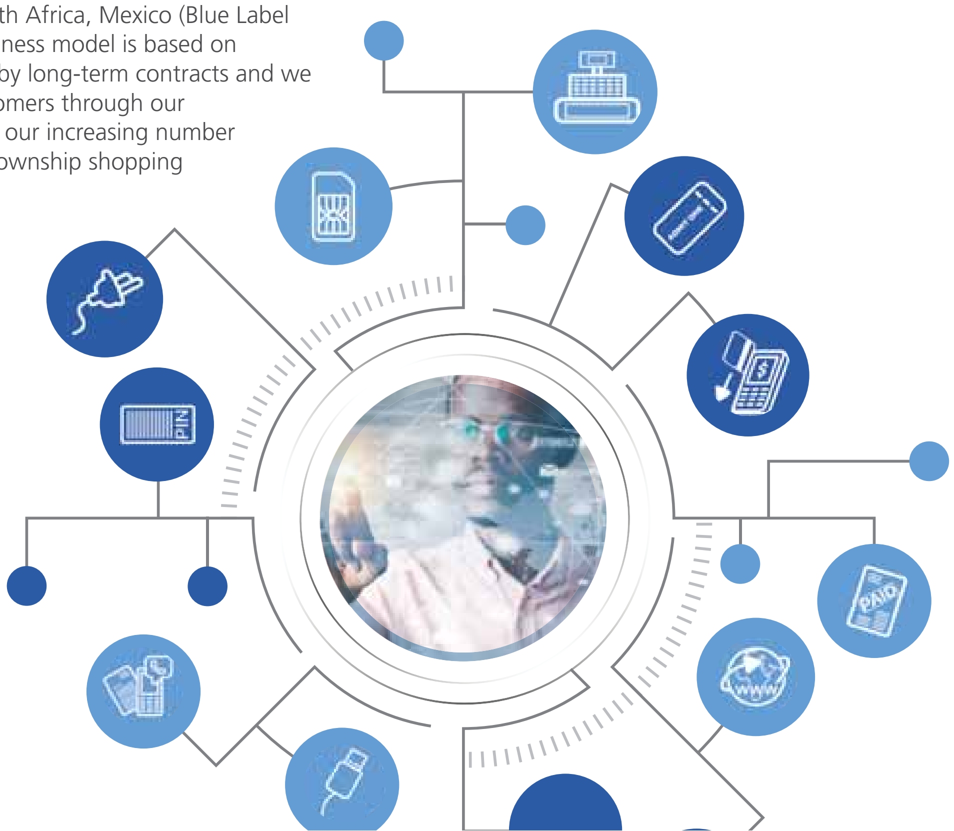
We know that prepaid provides certainty and believe that if a product can be digitised, we can create it and distribute it.

We are innovative and entrepreneurial. We focus on managing the last mile of the m-commerce distribution network. We aim to be the best at what we do. Our business model generates healthy cash flows.

We offer suppliers and merchants a mechanism to sell multiple products and services without incurring additional costs. We use neutral aggregation and intelligent switch capabilities with our proprietary technology, to offer multiple products and services that are distributed through a single interface. This allows the convergence of all suppliers under one roof.

Our main operating areas are in South Africa, Mexico (Blue Label Mexico) and India (Oxigen). Our business model is based on strategic partnerships, underpinned by long-term contracts and we market our products directly to customers through our expanding distribution channels and our increasing number of retail outlets in small towns and township shopping centres.

Our strategy is to extend our global footprint of touch points, both organically and through acquisitions. As a single distributor, we are able to utilise our variety of delivery mechanisms to service numerous merchants or vendors, providing multiple prepaid products and services that serve the ever-increasing need for them.



Contents

www.bluelabeltelecoms.co.za

Vision, mission and values

OUR VALUE SYSTEM

OUR VISION

is to be the leading global distributor of secure fintech products and services within emerging markets.

OUR MISSION

is to provide products and services required by the middle and lower tiers of the world's economic pyramid. We focus on diversifying the range of products and services we offer, while expanding our distribution footprint through organic and acquisitive growth.

Customer service orientation

Customers are our most important assets and our function is to satisfy their expectations in a sustainable manner.

Achievement and drive to succeed

We recognise and reward the achievement of goals and targets. We celebrate creative and exceptional deliverables.

Honesty and integrity

By conducting ourselves with honesty and integrity in all interactions, we create trust which is a key driver to maintaining stakeholder relationships.

Enjoyment

We believe in creating an enjoyable work environment in which we motivate and incentivise employees to be more productive and creative.

Collaboration

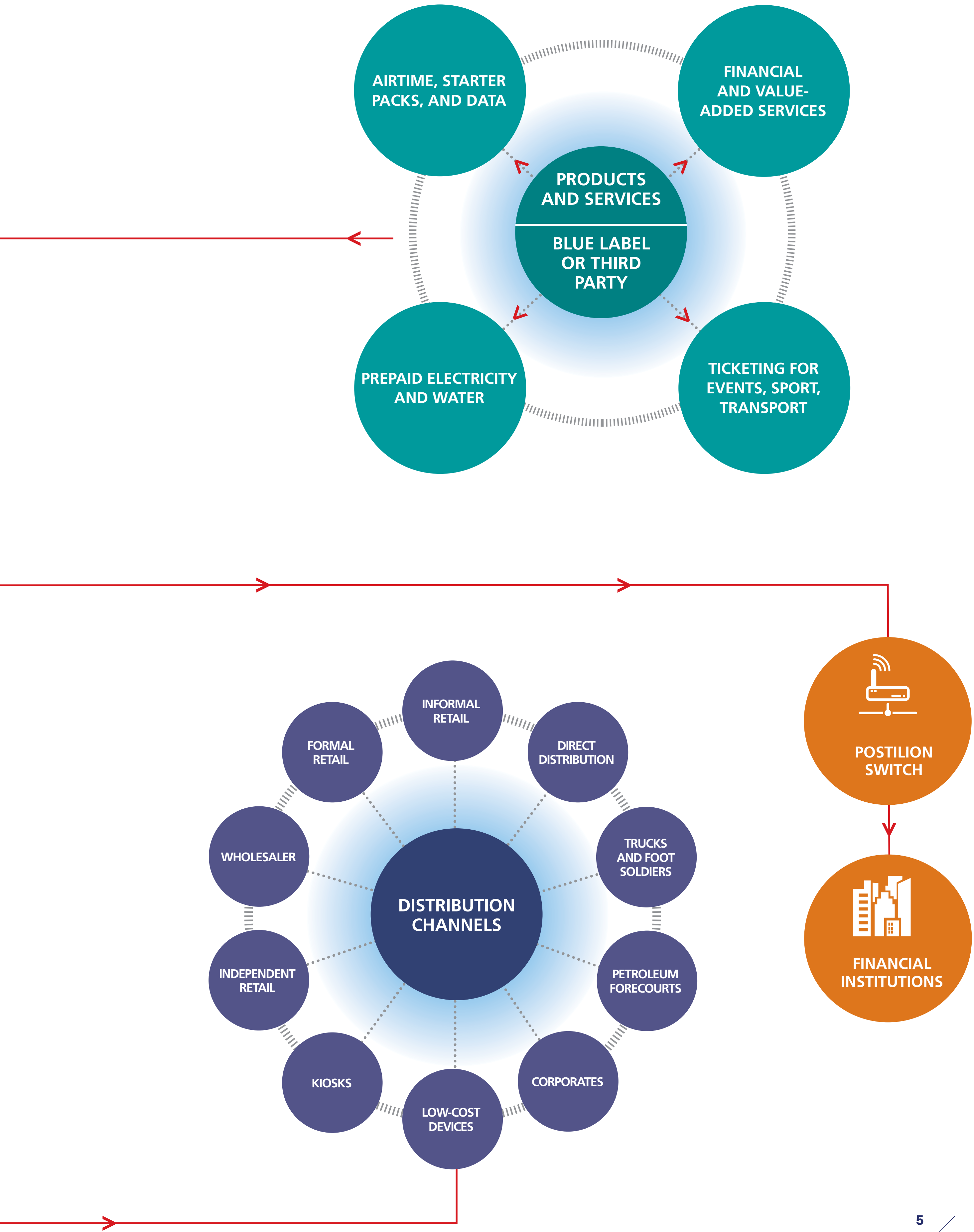
Consulting and working together as a team towards a common goal ensures that we can achieve our objectives, simultaneously developing sustainable value propositions for each stakeholder grouping.

How we work – business illustrated

Blue Label Telecoms is:

- The owner of scalable and transferable proprietary technology;
- An unaffiliated distributor of products and services in an open loop:
  - Hardware agnostic; and
  - Product and services agnostic
- A payment facilitator
- A virtual mall:
  - Our products and services require no stock management, therefore there is no obsolete stock, no perishables, no overstocking and no pilferage;
  - So long as you are able to pay, you are able to purchase: all payment options can be accommodated, including cash, debit card, credit card and EFT.

How we work – business illustrated continued



Approach and reporting framework

Approach

This is Blue Label's sixth integrated annual report, which continues to document the journey of our unique story, encompassing how the entrepreneurial Levy brothers envisioned and then built a business which listed on the JSE as Blue Label Telecoms Limited in 2007. Simultaneously, the report shares with stakeholders Blue Label's integrated thinking as it implements an integrated strategy across the Group.

In following the recommendations of the King Code of Governance Principles for South Africa and the structure set out by the International Integrated Reporting Council's framework, Blue Label's process aims to link material Group information with reference to strategy, governance, performance, remuneration and prospects in such a way that stakeholders obtain a view of the commercial, social and environmental context within which the Group operates.

This integrated annual report is the Group's primary report. It covers the Group's business segments and its financial and operational performance for the financial year ended 31 May 2016. Non-financial and sustainability information is limited to the South African operations, as the International Distribution business comprises operating entities accounted for as associates and joint ventures.

The report contains issues material to our strategy and of interest to our stakeholders. Blue Label has mapped its stakeholders, in particular its relationship with its employees, providers of capital, the media, customers, business partners and suppliers, communities, educational institutions and government bodies. These stakeholder groupings receive more structured engagement processes than other groupings and the level of inclusivity with these stakeholders is correspondingly more integrated into the Group's strategic thinking (refer to the stakeholder communication table on pages 47 to 52).

The integrated annual report provides a detailed understanding of the financial aspects of the Group's business. The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

This report contains the notice of Annual General Meeting, proxy form and information to enable shareholders to exercise their vote on the resolutions to be put to the meeting. This year the notice and other related disclosures were condensed into a booklet for physical distribution to shareholders at their request. The traditional integrated annual report is still produced and is available for viewing and download via the website.

Various supporting documents to the Group's library of disclosure, such as results presentations, short-form advertisements and SENS announcements can be accessed via the website.

Ultimately, the report aims to provide stakeholders with the means to assess the Group's ability to create and sustain value over the short, medium and long term.

Reporting framework

This report has been compiled in line with the requirements of King III, the principles of the International <IR> Framework and the GRI G3 Guidelines.

Blue Label utilises a risk-based model which identifies internal risks and stakeholder issues, in order to determine the material content of the report. Although Blue Label has not declared a GRI "in accordance level" in this year's report, we continue to consider our transition to "in accordance core" in future years.

Business model

Investment proposition

The appeal of prepaid products and services:

To consumers:

- Consumers have an alternative of how to pay for products and services – prepay or as it is sometimes described as "pay-as-you-go".
- Prepaid products and services are the ultimate budgeting tool, as consumers have absolute choice and control over what they spend.
- The majority of prepaid transactions are cash based, thereby removing the requirement for credit vetting.
- Prepaid products and services can be conveniently topped up, either virtually or physically, as and when required by consumers.
- Prepaid products and services are sold across a broad footprint of traditional and non-traditional outlets.
- Prepaid products and services enable the world's unbanked and badly banked consumers to purchase first-world products and services in a manner which suits them and allows consumers to transact as and when they wish.

To suppliers:

- Prepaid products and services are cash upfront, thereby guaranteeing payment.
- Guaranteed payments translate into no need for debtor collections and in turn no bad debts.

To merchants:

- Blue Label's expanding distribution network covers over 150 000 devices, from major retail chains to registered individuals. We continue to expand our footprint across the emerging markets of India and Mexico.
- Blue Label's prepaid products and services allow for multiple products to be sold from one device, thereby enabling merchants to have multiple revenue streams utilising a relatively small retail space.
- Prepaid products and services are delivered virtually, thereby eliminating stock management.

Business model strengthened

- Business founded in 2001 by entrepreneurial thinkers and commercial implementers.
- Business model strengthened by restructuring and consolidation ahead of listing.
- Listing in November 2007 raised R1.3 billion.
- Governance and compliance structure strengthened.
- Global shift in consumer transactional behaviour: from credit to debit to prepaid terms.
- High-volume low-margin distribution and sale of e-tokens of value.
- Leveraging favourable working capital management.
- Typical market in emerging and developing economies.
- Target market is world's unbanked and underbanked consumers.
- Enabling access to prepaid products and services.
- Strong barriers to entry for competitors include entrenched relationships, vendor lock-up through systems integration, ubiquity of POS and proprietary technologies.
- Long-term contracts with suppliers.
- Long-term relationships with participants across seven main distribution channels.
- Holds approximately 60% of South African prepaid airtime and about 50% of prepaid electricity market.
- In-house developed and maintained proprietary technology.
- Monetising existing footprint by offering additional value-added services.
- Processes over 5 billion transactions per annum
- CSI programme
- Creative, youthful and talented management team.

OUR BUSINESS MODEL

Business model strengthened since listing + positive cash generation + robust growth footprint + resilience to fluctuations in economic conditions

Positive cash generation

- Cash-generative business even during recessionary times.
- Trading revenue predominantly from sales of prepaid virtual and physical mobile and data airtime, prepaid electricity, tickets for events, sports and transport, insurance and other financial and value-added transactional services via its wholesale, retail and merchant distribution footprint.
- Trading and annuity revenue from sale of starter packs, their activation and ongoing utilisation
- Annuity revenue from subscription-based services.
- Interest income derived from a combination of high revenue volumes and favourable trading terms.
- Annual dividend policy.
- Capital expenditure relates mainly to point-of-sale devices and IT requirements.

Robust growth footprint

- Licensing of technology as an alternative to equity investment.
- Expanding goods and service offerings in South Africa: prepaid electricity, prepaid water, ticketing, loyalty programmes, bill payments, debit and credit card acquiring, money transfers.
- Replicating business model in other emerging markets, as in India and Mexico.
- Imparting offerings and learnings across global footprint.
- Established systems and infrastructure through airtime offerings, facilitating the introduction of new products and at relatively nominal incremental costs.
- Growth prospects, through both organic and by mergers and acquisitions.

Key facts

2016
Blue Label announces finalised terms for its proposed participation in the recapitalisation of Cell C, by subscribing for a 45% shareholding in Cell C

Founded by Mark Levy and **Brett Levy** in **2001**

Main categories of products and services

Airtime, starter packs and data, electricity and water, ticketing, financial and value-added services

2007
Listed on JSE as BLU

Headquarters Sandton, Johannesburg, with offices throughout South Africa

2010
Maiden dividend paid and has continued on an annual basis since then

Free float at about 57%, with diverse institutional shareholder base

Acquisition of RMCS in 2014, subsequently rebranded as Blue Label Connect, in a forward integration arrangement with the Edcon Group of retail outlets

2015
TicketPro secures sponsorship, naming rights and access management for the TicketPro Dome

Key facts continued

Corporate social investment:
Training: R6.5 million
Development: R7 million

Operations in South Africa, India and Mexico
Blue Label holds 58.18% of Oxigen Services India and 47.56% of Blue Label Mexico

R14 billion market capitalisation at R21.00 per share

Diverse revenue streams
Sales of commodities
Annuity income
Interest income

Employees Group-wide 1 844 across South Africa, India and Mexico

2012
Blue Label Telecoms announces sponsorship of Proteas T20 cricket squad

2011
Share buyback executed

Transaction volumes ±5 billion transactions p.a. peaking at 4 million online transactions per day, 80 million bulk print vouchers distributed per month, maintaining a database of over 62 million unique customers

Target market focuses on unbanked or badly banked or rural consumers, in South Africa, India and Mexico

Acquisition of 75% of Viamedia in 2014. Viamedia generates major content for mobile devices

2013
Blue Label Telecoms launches American Depositary Receipts programme in the US with BNY Mellon Bank

2016
Blue Label Telecoms part-sponsors Springbok Rugby

Highlights

Headline earnings per share
⬆
22%
to 100.35 cents

Core headline earnings per share
⬆
21%
to 102.85 cents

Earnings per share
⬆
20%
to 103.85 cents

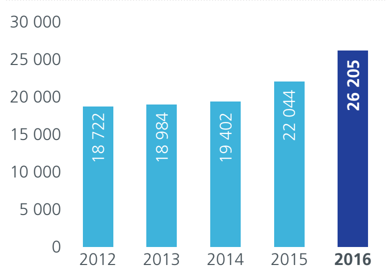
Dividend declared
⬆
16%
to 36 cents per share

Nine-year financial history

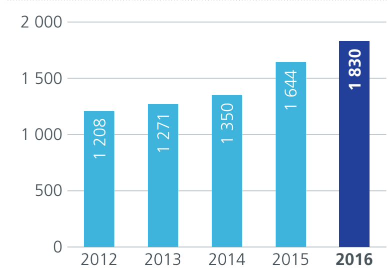
	2016 R'000	2015 R'000
Revenue	**26 204 722**	22 044 222
Gross profit	**1 829 694**	1 644 340
GP (%)	**6.98**	7.46
EBIT	**1 142 376**	986 146
EBITDA	**1 240 559**	1 080 165
Net profit attributable to the parent	**691 590**	577 617
Cash from operating activities	**432 942**	132 495
Cash and cash equivalents	**589 027**	788 411
Capital expenditure	**127 131**	178 684
Ratios	**cents per share**	cents per share
EPS	**103.85**	86.86
HEPS	**100.35**	82.26
Core EPS	**106.35**	89.71
Core HEPS	**102.85**	85.11
NAV per share	**662.32**	578.87
Dividends declared per share	**36***	31*
Dividend cover	**2.75***	2.62*
Weighted average number of shares ('000)	**665 950**	665 030
Number of employees at year-end – subsidiaries	**776**	1 305

* *Gross ordinary dividend.*
** *Figures relate to the pro forma unaudited information.*
*** *Includes a once-off income receipt of R79.4 million.*

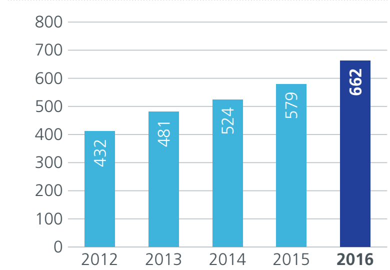
Revenue
(R'million)



Gross profit
(R'million)



NAV per share
(cents)



Highlights continued

Revenue ⬆ **19%** to R26.2 billion

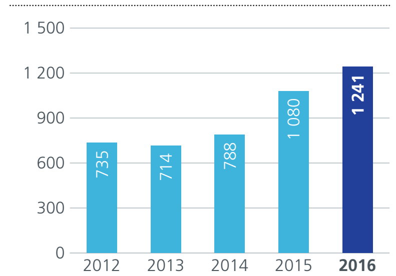
Gross profit ⬆ **11%** to R1.8 billion

EBITDA ⬆ **15%** to R1.2 billion

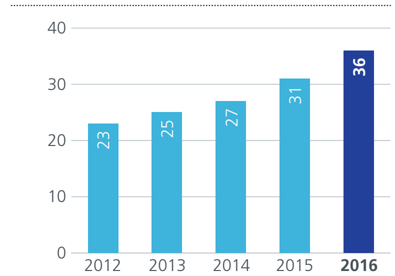
Nine-year financial history continued

2014 R'000	2013 R'000	2012*** R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
19 401 666	18 984 210	18 722 080	18 601 571	17 027 696	15 281 449	12 930 609**
1 349 534	1 271 245	1 208 077	1 124 569	1 174 224	1 065 609	719 102**
6.96	6.70	6.45	6.05	6.90	6.97	5.56**
722 856	645 671	643 828	517 060	569 459	474 847	273 254**
787 993	713 622	735 385	710 192	689 244	568 067	346 929**
450 230	424 841	438 104	431 448	365 022	390 547	269 423**
907 332	(439 794)	528 109	427 663	515 910	666 994	(19 796)
1 184 131	941 282	1 975 242	2 226 170	2 054 902	1 756 806	1 328 294
149 089	291 605	164 485	186 196	195 817	103 496	70 136
cents per share	cents per share	cents per share	cents per share	cents per share	cents per share	cents per share
67.88	64.22	61.87	57.04	48.17	51.13	35.16**
67.98	64.17	64.65	46.20	48.27	51.63	34.86**
69.44	66.13	64.37	60.34	52.34	55.93	48.40**
69.54	66.08	67.15	49.50	52.44	56.43	48.10**
524.40	480.77	432.08	388.90	342.76	294.04	249.17
27*	25*	23*	14	12	—	—
2.48*	2.52*	2.95*	3.30	4.02	—	—
663 298	661 578	708 060	756 359	757 793	763 834	766 361
1 176	1 112	1 216	1 357	1 620	1 979	1 616

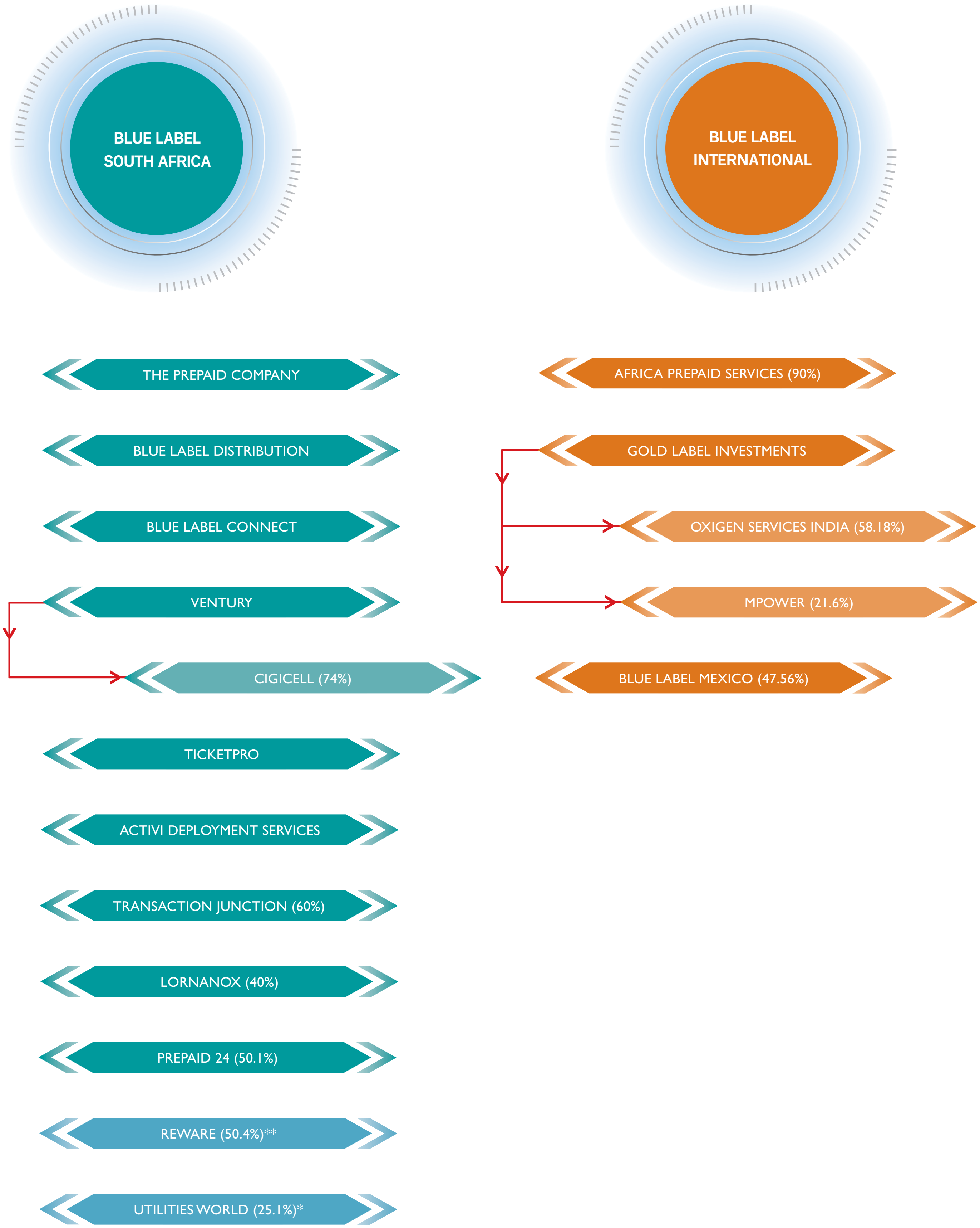
EBITDA
(R'million)



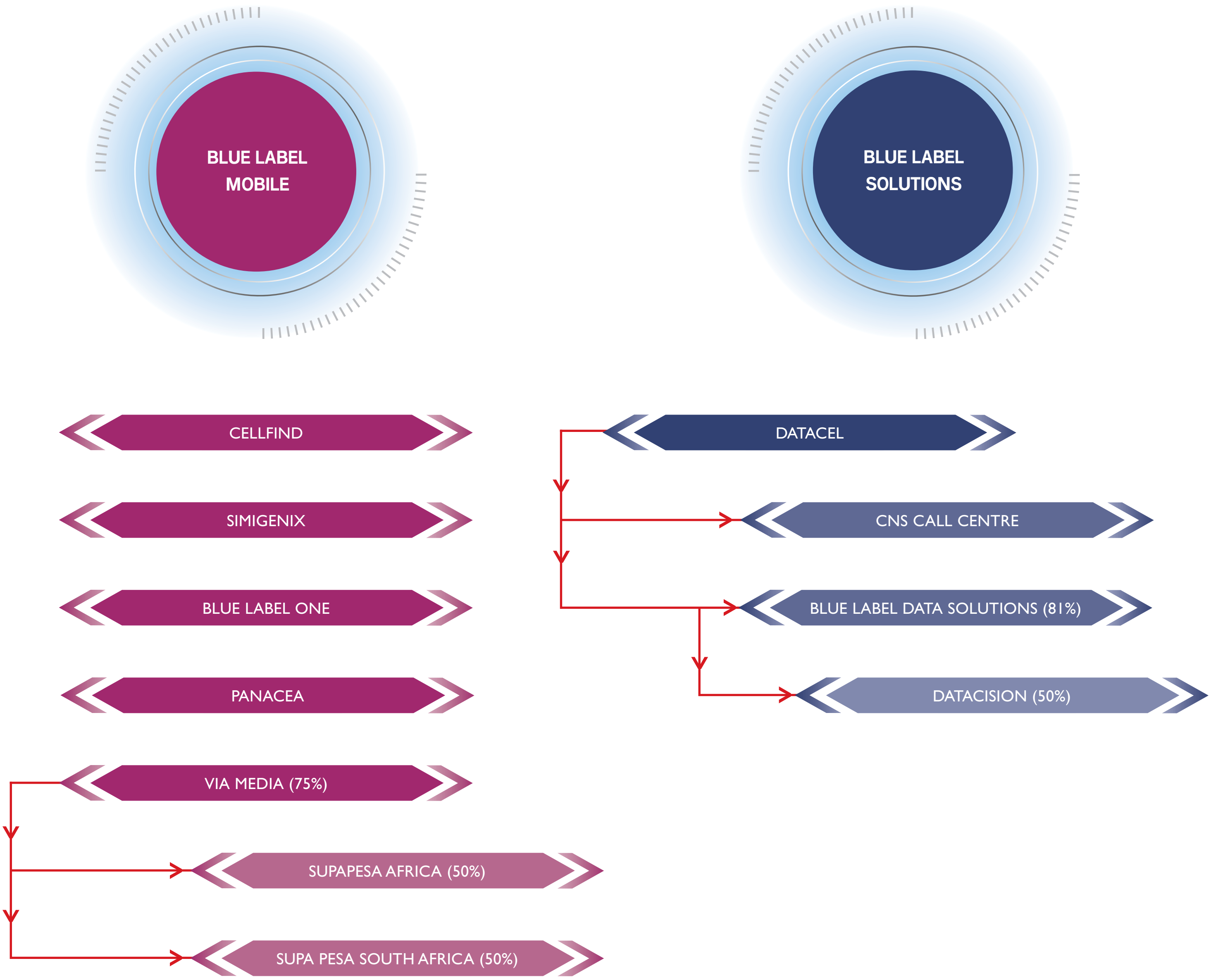
Dividends declared per share
(cents)



Operating organogram



** 100% unless otherwise stated.*
*** Post year-end.*


BLUE LABEL MOBILE
CELLFIND
SIMIGENIX
BLUE LABEL ONE
PANACEA
VIA MEDIA (75%)
SUPAPESA AFRICA (50%)
SUPA PESA SOUTH AFRICA (50%)
BLUE LABEL SOLUTIONS
DATACEL
CNS CALL CENTRE
BLUE LABEL DATA SOLUTIONS (81%)
DATACISION (50%)

Understanding material matters

Risk	Context	Mitigating factors
Fluctuating economic conditions, including political, social and environmental conditions in South Africa and on the international front	These factors can affect consumer health, and in turn could have an adverse effect on revenue and profitability, in spite of the Group's historical resilience to adverse economic conditions.	It has been the Group's experience that the diversity of its mix of products and services and distribution channels has limited its exposure to economic downturns and strikes. Consumers appear to be unwilling to reduce spending on utilities, transport and airtime. In this regard the Group's products continue to be in demand and remain resilient to downturns. The Group is focusing on its existing platforms, both locally and internationally. Its vast geography of point-of-sale presence afford continuous opportunities to provide additional products and services to be expedited on these expanding points of presence.
Margin compression	The network operators determine the margins to the prepaid airtime distribution channel. The Group may not always be able to pass on to the retailer, merchant or customer any margin compression enforced by the network operators.	Management is confident that based on historical trends, the Group will be able to continue to pass on any margin compression to the distribution channel. Any margin compression is also likely to force inefficient distributors out of the distribution chain, a trend welcomed by management. In addition, the Group is constantly looking to add new product and service offerings at comparatively higher margins than its traditional business, through the leverage of its significant distribution footprint and merchant relationships.
Declines in interest rates	As the Group is highly liquid, declines in interest rates could have an effect on finance income.	Wherever possible, free cash flow is utilised for early settlements or bulk buying in order to obtain discounts in excess of prevailing interest rates.
Further increases in rand/foreign exchange rates	Fluctuations in exchange rates affect the results reported from, and any refinancing required by, associate and joint venture companies in India, Mauritius and Mexico.	Every effort will be made to secure the best available foreign exchange rate for any further financing required. In most instances, forward cover is placed with reputable banking institutions relating to the importing of devices, tablets, phones, accessories and hardware.
Non-compliance with legislation	Non-compliance with legislation applicable to the Group could lead to fines and negative reputational impact, i.e. POPI, CPA, WASPA legislation, Companies Act, Income Tax Act, Value Added Tax Act, JSE Listings Requirements, OHSA, BEE Act, Employment Equity Act, industry charters and scorecards.	Legislation that affects the Group is identified, analysed and categorised according to its impact and relevance. The process is ongoing in order to test and ensure total compliance at an operational level. The compliance function is managed by Group Legal and Company Secretarial, as assisted by KPMG.

Understanding material matters continued

Risk	Context	Mitigating factors
Ability to attract and retain skilled resources	The Group's future performance will depend largely on the efforts and abilities of its key personnel and employees. The existing Group Executive Management pioneered the mass prepaid market and established the Group's business model. The Group's future success will depend, in part, upon its ability to continue to attract, retain, motivate and reward personnel, including executive officers and certain other key and specialised employees. There is a dearth of suitable technical skills in the ITC sector.	The joint CEOs and co-founders are both substantial shareholders and are passionate about and dedicated to the sustainability and growth of the Group. Key members of the management team are bound by service and restraint agreements and in most instances they are shareholders of Blue Label via the Forfeitable Share Scheme. Executive Management has implemented talent management and succession planning in key areas of the Group. Appropriate skills transfer activities are ongoing through on the job and other training programmes. The RNC has approved remuneration policies which include long-term retention benefits, short-term incentives and an outperformance bonus. In addition, key components of the Group's remuneration policy have been adjusted to focus on retention.
Increasing exposure to issues such as data security, breaches in technology security or privacy	As the bulk of the Group's inventory is of a virtual nature, defence against cybercrime is a top priority, as susceptibility to hacking and the penetration of firewalls and other defence systems are always matters of extreme concern.	The Group is dependent on the systems and platforms that it utilises to deliver its products and services, as well as to manage its merchant base. In recent years, technology spend has been increasing in recognition of this key imperative, in order to support not only organic and acquisitive growth in the business (and the concomitant rise in the number and type of transactions processed), but also to improve system availability and resilience. This invariably includes a major focus on the security of all systems, both production and enterprise, in order to suitably detect and manage security threats, as well as the ability to recover from collateral damage that may be caused as a result of cyber security breaches.

Understanding material matters continued

Risk	Context	Mitigating factors
Elimination of the middle man	In most industries a wholesaler is at risk of being eliminated from the supply chain if the supplier has the infrastructure and capabilities to supply the customer directly.	From inception, the objective of the Group was to become a one-stop destination for the supply and distribution of all of the mobile network's offerings. This would provide both convenience and efficiency to the retailer and customer. Furthermore, the technology and footprint developed by the Group allows retailers to earn additional revenue by introducing additional products. This would make it difficult to disintermediate the Group. No single network can offer this complete solution. The introduction of the sale of prepaid electricity tokens, and its phenomenal uptake in South Africa, strengthens the Group's foothold as a one-stop destination that is most convenient to the retailer. The Group's increasing bouquet of products and its neutral aggregation thereof will continue to ensure that its middle-man status as distributor is essential to the retailer and will remain entrenched. The Group will continually develop and upgrade new, innovative products to strengthen the foundation of its middle-man status. Many merchants have limited cash flow; however, utilising the Group's vending solutions allows them to vend products and services which they previously could not afford. The lack of affordability was due to various complexities, such as managing stock levels, obsolescence, pilferage at store level, the inability to order small quantities and access to limited stock ranges. In addition the introduction of a growing suite of products, necessitates that the Group not only excels in the sourcing, management and delivery of these products and the management of relationships in its merchant base, but simultaneously delivering an excellent supporting back-office capability – including the ability to deliver and manage reconciliation and settlement on behalf of its customers, extensive and professional merchant support services, and deep technology support for online and integrated systems. These competencies make it even more difficult for the Group to be disintermediated, because of the significant value that it provides to merchants, not only in the products and services that it delivers, but also in respect of the increasingly complex back-office support functionality required to deliver such services. The Group is an aggregator and an enabler to both its customers and suppliers. Without a distributor, every one of the four mobile operators and around 200 utilities across South Africa would need to deploy a device linked to technology at every merchant in the country, in order to provide the same access and level of service as that of which the Group has to offer. In comparison to the amount of commission the mobile network operators afford the Group for distribution, it would be more costly to them and they would not be able to provide the same level of service if they were to do it themselves. In addition the Group provides the capex, field support, R&D and call centre services to the merchant base.

Understanding material matters continued

Risk	Context	Mitigating factors
Disaster recovery and continuity of business	The Group has developed proprietary technology supporting the roll out of its bouquet of products and services. The Group's infrastructure connects into some of South Africa's major banks, public and private utility companies and telecommunication operators. In addition, the Group switches both debit and credit cards, electronic funds transfer transactions and e-token products on behalf of the country's leading retailers and petroleum companies. The effective and continuous operation of this infrastructure is critical to the Group's service delivery.	Management recognises the importance assigned to IT in its corporate governance systems. The Group's Business Continuity and Disaster Recovery Plan provides guidance for emergency and crisis management, business unit recovery and technology disaster recovery. The latter includes the restoration of IT facilities. The plan describes the IT framework and procedures to be activated in the event of a disaster. The major goals of the plan are to: • minimise interruptions and limit damage to normal operations; • minimise the economic impact of the interruption; • establish alternative means of operation in advance; • train personnel on emergency procedures; • provide for rapid restoration of service, ensuring availability/continuity of critical business operations; and • communicate appropriately to relevant stakeholders.

Ethical leadership and business conduct

Good corporate governance is essentially about effective and responsible leadership. It is characterised by the ethical values of responsibility, accountability, fairness and transparency. The typical aspects of corporate governance, such as the role and responsibilities of the Board and Directors individually, internal audit, risk management and stakeholder engagement rest on a foundation of ethical values.

Blue Label's ethical standards are encapsulated in its ethics statement, which provides a template for ethical reasoning as a guide to all employees in their dealings with both internal and external stakeholders. The ethics statement is applicable to employees across the Group, as well as to customers, business partners, suppliers and other stakeholders. Each is requested to uphold the ethical reasoning of the statement, thereby enabling us to live our values.

The purpose of the ethics statement is to:

- emphasise the Group's commitment to ethics and compliance with laws and regulations;
- set out basic standards of ethical and legal behaviour;
- provide reporting mechanisms for known or suspected ethical or legal violations; and
- help prevent and detect wrongdoing.

Blue Label reiterates its stance on the following matters:

- fraudulent, corrupt or illegal practices are not tolerated. Bribes or any other illicit payments including facilitations will neither be paid nor received;
- the Group does not participate in any illegal anti-competitive activity. Employees cannot authorise or participate in any illegal conduct or action that purports to restrict competition; and
- the Group is non-political.

Employees are expected to demonstrate ethical business practices. All new staff members undergo an induction programme that includes training on the above code of business conduct, including the function of the ethics hotline, such as what should be reported and how to report unethical behaviour via this channel. The ethics hotline is outsourced to KPMG Ethics Line, a division of KPMG, and has been certified by EthicsSA as fulfilling the External Whistleblowing Hotline Service Provider Standard EO1.1.1. This standard is a best practice set of guidelines or norms for the professional and ethical conduct of external whistleblowing hotline service providers operating their own centres or facilities.

A number of incidents were reported during the year. All incidents were human resource-related and were resolved by the Group Head of Human Resources and the relevant line managers, in terms of the Group's various policies and procedures.

Board of Directors

LAURENCE (LARRY) NESTADT
Independent
Non-Executive Chairman
Born: 1950

Larry has over 40 years' experience in his long and successful corporate career, both in South Africa and internationally. Larry is a co-founder and former executive director of Investec Bank Limited. He assisted in the creation and strategic development of a number of listed companies such as Capital Alliance Holdings Limited, Super Group Limited, Hosken Consolidated Investments Limited, SIB Holdings Limited and Global Capital Limited. He is the past chairman on each of the boards of these companies.

Larry has also served on the board of directors of Softline Limited, JCI Limited and Abacus Technologies Holdings Limited. He was a former director of a number of non-listed companies, internationally and locally, viz, Stenham Limited (UK) and Prefsure Life Limited (Aus). Currently, Larry holds various directorships and is executive chairman of Global Capital Proprietary Limited, and chairman of Melrose Motor Investments, MoreCorp Group Proprietary Limited, SellDirect Marketing Proprietary Limited and National Airways Corporation Proprietary Limited.

Larry joined the Board on its establishment in 2007. As a respected senior member of the South African business community, his strategic vision, guidance and experience contribute significantly to the Board and its deliberations.

BRETT LEVY
Joint Chief Executive Officer
Born: 1975

Brett has an impressive entrepreneurial history having founded and operated many small businesses in the early 1990s. He has been involved across a wide range of industries, including the distribution of fast-moving consumer goods and insurance replacements for electronic goods. Brett's business achievements have earned him a number of prestigious nominations, accolades and awards. These include the Absa Bank Jewish Entrepreneur of the Year Award (2003) and the Absa Jewish Business Achiever Non-Listed Company Award (2007), which he won jointly with his brother Mark. Brett was nominated as an Ernst & Young World Entrepreneur SA Finalist for 2007. In 2010 he received the Liberty Life Award for a Remarkable Success Story in the David Awards and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared with Mark the Top Entrepreneur accolade in the African Access National Business Awards.

Brett joined the Board on its establishment in 2007 and is a director of various local and global Group companies.

MARK LEVY
Joint Chief Executive Officer
BCompt (Unisa)
Born: 1971

Mark graduated with a BCompt degree from Unisa in 1993. After some years as a commodities trader, he decided to pursue a goal of becoming an entrepreneur, which skill and strength he has applied over the past several years in spearheading Blue Label's impressive organic and acquisitive growth and expansion in international markets. His business achievements are frequently recognised. Together with his brother Brett, Mark received the Absa Jewish Business Achiever Non-Listed Company Award (2007). He was nominated as an Ernst & Young World Entrepreneur SA finalist for 2007. In 2010 Mark was voted Top IT Personality of the year by ITWeb and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared with Brett the Top Entrepreneur accolade in the African Access National Business Awards.

Mark joined the Board on its establishment in 2007 and is a director of various local and global Group companies.

Chairman of
- Executive Committee
- Investment Committee
- Social, Ethics and Transformation Committee
- Audit, Risk and Compliance Committee
- Nomination Committee
- Remuneration Committee

Board of Directors continued

DEAN SUNTUP
Financial Director
BCom (Wits), Hons (Unisa), CA(SA)
Born: 1977

Dean completed his articles at PwC where he continued working after qualifying as a chartered accountant, assisting in the audits of various large corporations and multinational companies. In 2003 he joined BSC Technologies, a business established by the Levy brothers, and later became its Financial Director. In 2005 he transferred to The Prepaid Company in the role of Financial Director. Dean is a member of SAICA.

Dean joined the Board on his appointment as Financial Director in 2013 and is a director of various other Group companies.

GARY HARLOW
Independent
Non-Executive Director
BBusSci (Hons) (UCT), FCMA, CGMA, CA(SA)
Born: 1957

Gary graduated from the University of Cape Town in 1979, qualifying as a Chartered Accountant (SA) in 1982, an associate of the Chartered Institute of Management Accountants (UK) in 1983 and as a Fellow Chartered Management Accountant (UK) in 1996. His career was forged in merchant and investment banking. In the early 1990s he became an adviser to the African National Congress in developing black economic empowerment strategies and in 1992 was instrumental in the creation of Thebe Investment Corporation, South Africa's first broad-based black-owned company. Gary served as Joint Chief Executive Officer of Msele Corporate and Merchant Bank, South Africa's first black-controlled merchant bank.

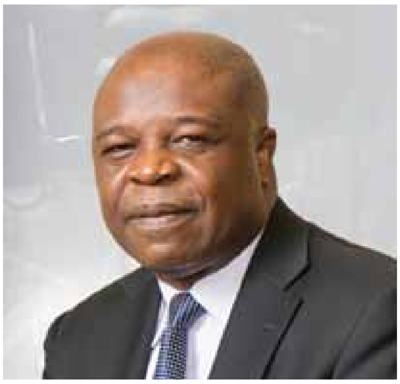
In 1996, Gary was appointed Group Chief Executive Officer of Unihold Limited, where he remains Executive Chairman. He led its transition from an engineering conglomerate to an international IT and telecommunications group, followed by a delisting through a management buyout in 2002. Gary continues to serve on numerous private and public company boards and is Chairman of Newpark Reit Limited.

Gary is also chairman and/or director of various Group subsidiaries.

Board Committee participation

- Member of Executive Committee
- Member of Investment Committee
- Member of Social, Ethics and Transformation Committee
- Member of Audit, Risk and Compliance Committee
- Member of Remuneration and Nomination Committee

Board of Directors continued



JERRY VILAKAZI
Independent Non-Executive Director

BA (Unisa), MA (Thames Valley), MA (London), MBA (California Coast University)

Born: 1961

Jerry is executive chairman of Palama, which he co-founded to facilitate investments in strategic private and listed companies. He is a past CEO of Business Unity South Africa, during which period he served as business representative at Nedlac and on various international business councils. Prior to this, he held various executive positions in government and in the private sector including that of Managing Director of the Black Management Forum where he also served on the board of the BMF Investment Company. In 2009 Jerry was appointed to the Presidential Broad-based Black Economic Empowerment Advisory Council and was appointed as a Commissioner of the National Planning Commission in 2010. He was appointed Public Service Commissioner in 1999 and played a role in shaping public service policies in post-1994 South Africa. Jerry was Chairman of the Mpumalanga Gambling Board from 2006 to 2015 and the State information Technology Agency (SOC) Proprietary Limited until the end of his term in 2015. He previously held the position of Chairman of Netcare Limited and advisor to Citi Bank. He is non-executive director of Sibanye Gold Limited where he also chairs the Social and Ethics Committee. He led a consortium that acquired equity and subsequently served on the board of PPC Limited in 2008.

JOE MTHIMUNYE
Independent Non-Executive Director

BCompt Hons/CTA (Unisa), CA(SA)

Born: 1965

Joe qualified as a chartered accountant in 1993. In 1996, he co-founded Gobodo Incorporated, an accounting practice with eight other partners which in time became the largest black accounting firm in South Africa. In 1999, he led a management buyout of Gobodo Corporate Finance from the accounting firm and rebranded it AloeCap Proprietary Limited, of which he is currently executive chairman. He also serves on the board of directors of various non-listed companies in which AloeCap Private Equity is invested.

Joe joined the Board on its establishment in 2007 and is Chairman of the Audit, Risk and Compliance Committee.

KEVIN ELLERINE
Non-Executive Director

National Diploma in Company Administration

Born: 1968

Kevin joined the family business, Ellerine Holdings, in 1991. After serving in various roles, in 1993 he was appointed as property manager of Ellerine Bros. Proprietary Limited, rising to managing director of the property division in 2000, a position he still holds today. He sits on the boards of the property and private equity companies in which Ellerines is invested. He is also a director of Hyprop Investments Limited and Newpark REIT Limited. Kevin's all-round business skill and acumen contribute to Board and Committee deliberations of the Group.

Kevin is a director of various other companies, including some Group subsidiaries.

Chairman of

- Executive Committee
- Investment Committee
- Social, Ethics and Transformation Committee
- Audit, Risk and Compliance Committee
- Nomination Committee
- Remuneration Committee

Board of Directors continued

PHUTI MAHANYELE

Independent Non-Executive Director

BA Economics (Rutgers, USA), MBA (De Montfort, UK), Executive Education Program (Harvard, USA)

Born: 1971

Phuti is Executive Chairperson of Sigma Capital, an investment holding company. She is the former CEO of Shanduka Group. Previously, she held senior positions at the Development Bank of Southern Africa, and in the North American and South African offices of Fieldstone, an international firm specialising in financing infrastructure assets. Currently, she sits on the boards of Comair Limited and Reunert Limited.

Phuti chairs the Bain Academy, which supports professionals in corporate Africa. She also participates in the Young Global Leaders initiative of the World Economic Forum. Phuti is an honorary member of the Golden Key International Honour Society and sits on the advisory board of Stellenbosch University.

Phuti joined the Board on 1 September 2016 and is a member of the Audit, Risk and Compliance Committee.

YUSUF MAHOMED

Independent Non-Executive Director (effective 18 August 2015)

BPharm (UDW), MSc (Pharm Tech) from Chelsea College, University of London

Born: 1953

Yusuf is chairperson of the Cell C Foundation which is responsible for Cell C Proprietary Limited corporate social investment initiatives. He is also a director of Legend Power Solutions Proprietary Limited and alternate director of Avon Peaking Power Proprietary Limited and Dedisa Peaking Power Proprietary Limited. His previous directorships included Cell C Proprietary Limited, Siemens Proprietary Limited and Ubambo Investment Holding Proprietary Limited. He was also a member of the South African Pharmacy Council. Yusuf is one of the founder members of 3 C Telecommunications, Cellsaf and Cell C Proprietary Limited.

Yusuf also serves as a director of various Group subsidiaries.

Board Committee participation

- Member of Executive Committee
- Member of Investment Committee
- Member of Social, Ethics and Transformation Committee
- Member of Audit, Risk and Compliance Committee
- Member of Remuneration and Nomination Committee

Senior Management

ANN NGWENYA
Senior Business Development Manager
BA International Relations (Northern Kentucky), Public Relations accreditation

ANDREW MURRAY
Chief Information Officer
BSc Eng (Wits)

ARCHIE RANTAO
Director of Sales Community Channels
Executive Development Programme (Unisa)
Certificate in Operations Management (Wits)

JANINE VAN EDEN
Group Company Secretary
BProc LLB (RAU), Conveyancing

LARRY POGIR
Executive Chairman – Blue Label Data Solutions
BCom (Unisa)

MICHAEL CAMPBELL
Group Head of Investor and Media Relations
BProc, FCIS, AIAC, EMP (UCT)

WALTER KLUCZNIK
Chief Financial Officer – SA Distribution
Chartered Accountant (Buenos Aires)

Senior Management continued

ETIENNE DE VILLIERS
General Counsel
BA LLB (Natal)

INGRID HINDLEY
Group Head of Human Resources
BSocSci Honours (Industrial Psychology) (Natal)

JABU MOGANE
Director Sales and Marketing of Community Channels

NEIL BARNARD
Chief Executive Officer – Blue Label Mobile
BSc Information Technology (Unisa), MCSE

ROB FLEMING
Chief Marketing Officer
BCom (Rhodes)

TANYA GROTA
Group Finance – Chief Technical Adviser
BCom Hons (Wits), CA(SA)

WERNER VAN REENEN
Chief Executive Officer – SA Distribution
BCom (Hons) (Marketing) (Unisa)

Chairman's report

The Blue Label strategy endures

Larry Nestadt
Chairman

"Blue Label's highly cash generative model for distributing virtual goods and services, creates unique integration opportunities, which the Group continues to develop."

Dear stakeholders

Blue Label Telecoms continues to deliver on its vision of being a leading distributor of secure fintech products and services within emerging markets. The Group remains true to its mission of distributing products and services to the middle and lower tiers of the world's economic pyramid. Fifteen years after the co-founders and Joint CEOs Brett Levy and Mark Levy envisioned the commercialisation of prepaid airtime, the Blue Label strategy endures. It focuses on diversifying its range of products and services, while expanding its distribution footprint through organic growth in South Africa, India and Mexico.

Products and services are delivered by sophisticated proprietary technology, through a vast network of point of sale devices. The range of merchandise distributed embraces prepaid airtime, prepaid electricity, ticketing and financial and value-added services. Recent additions to the bouquet of its offerings include hardware devices, handsets, low cost smartphones and tablets earmarked for the retail channel.

This year, the core South African Distribution segment delivered 19% growth in revenue, achieved mainly organically through increased sales and underpinned by the Group's ever-expanding distribution channels.

On the international front, the share of losses in Blue Label Mexico declined by 28% from R89 million to R63 million. The share of losses of R27.7 million from Oxigen Services India was congruent with significant expenditure incurred on the expansion of its mobile wallet subscriber base, which presently touch some 25 million wallets.

Group earnings gained further momentum, resulting in headline earnings increasing by 22% to R668 million. This equated to an increase in headline earnings per share from 82.26 cents to 100.35 cents, net of the negative contributions by Blue Label Mexico

Chairman's report continued

and Oxigen Services India totalling 13.66 cents per share. Core headline earnings per share increased by 21% to 102.85 cents. This growth was predominantly achieved through the increase in revenue by 19%, gross profit by 11% and EBITDA by 15%. Earnings per share increased by 20% to 103.85 cents.

Capital and reserves accumulated to R4.5 billion, net of accumulated dividends paid to date totalling R913 million, further solidifying the foundation of Group resources. The net asset value equated to R6.62 per share.

The Board approved ordinary dividend number 7 of 36 cents per share, a 16% increase on the 31 cents per share declared in 2015. This equates to dividend cover of 2.73 times or a pay-out ratio of 35.9% on HEPS.

The Group's pipeline of corporate action remains active. Criteria for considering acquisitions is that they enhance earnings, add to our product line, distribution network or geography, and are of a strategic or defensive benefit.

On 5 October 2016 Blue Label announced the finalised terms for its proposed participation in the recapitalisation of Cell C Proprietary Limited, by subscribing for a 45% shareholding in Cell C at a cost of R5.5 billion. The Board is of the opinion that the rationale for the transaction is compelling, both from an investment and commercial perspective. The process to completion of the transaction is progressing positively. A general meeting has been convened for shareholders to consider the proposed transaction on 16 November 2016.

The highlight of our CSI commitment was the official opening in May 2016 of the Protea Glen Boys & Girls Clubs of South Africa, offering after school care and extramural activities to the surrounding community. The Social, Ethics and Transformation Committee supported expenditure of R6.5 million for upliftment projects for the year.

Looking ahead, the distribution of prepaid electricity is expected to continue to grow through government programmes for the rolling out of additional prepaid electricity meters throughout South Africa. New initiatives at Blue Label Mexico, including the escalation of distribution of starter packs, are expected to result in further declines in losses incurred by its aggressive roll-out strategy. Oxigen Services India continues to focus on expanding its mobile wallet subscriber base, supported by increased marketing to the vast unbanked population in India. This is expected to result in compounding growth in both transactional revenue and the intrinsic value of the wallet subscriber base.

I thank my fellow Directors, the management team led by Brett Levy and Mark Levy, the senior management team, all employees and other stakeholders for their support over the past year.

Larry Nestadt
Chairman

9 November 2016

The momentum in Group earnings continues

Mark Levy and Brett Levy
Joint Chief Executive Officers

We continue to implement our strategic objective of distributing electronic tokens of value in emerging markets.

Blue Label is a distributor of digital merchandise

We continue to implement our strategic objective of distributing electronic tokens of value in emerging markets. We have strategically expanded our range of products and services, while simultaneously increasing our distribution footprint. The speed of creating, launching and delivering new products is one of our key strengths*.

* *To reach one billion users, telephones took 110 years, TV took 49 years, mobile phones took 22 years.*
The internet took 14 years and smartphones took eight years.
With every new technology introduced, reaching one billion users takes half as long as the previous one.
Source: Oxigen Services India/Wikipedia

The importance of distribution is that the operator of the last mile of the channel determines merchandising techniques and pricing, as the point-of-sale (POS) terminal is located in the last mile of the channel and in most instances is placed there by Blue Label.

The distribution of physical and virtual tokens is achieved through the roll out of various technologies, including POS devices, and is akin to a virtual delivery system, with our proprietary technology as the enabling carrier for transactions. Incremental costs are minimal, because the heavy lifting to establish the distribution network is already in place, which results in profit margins filtering straight through to the bottom line.

In South Africa, we distribute a variety of categories of products and services: prepaid airtime, starter packs, data, prepaid electricity and water, ticketing for events, sports and transport, financial services, such as debit and debit card acquiring, bill payments, Lotto and money transfers to name a few. In a replication of the South African business model, we operate in India and Mexico.

Technology is our cornerstone

Our strong distribution capability is underpinned by sophisticated proprietary technology platforms. Technology is our competitive advantage and its success and strength can be attributed to its adaptability to cater for ever-changing demands, which is complemented by our thorough methodology in deploying technology. Our technology platform is product and hardware agnostic, a neutral aggregator, capable of plug ’n play, proven, scalable and owes no fees to others.

The level of sophistication has enabled the introduction of modern products and services, such as prepaid electricity and its proprietary, UniPIN, the offline solution to an online problem. The success and rapid uptake of the product with consumers, municipalities and utilities alike, holds us in good stead as and when the distribution of prepaid water e-tokens are enabled, as in the case of electricity.

Acquisitive and organic growth over many years has enabled us to consolidate and optimise various technology landscapes, as well as share technology skills, know-how and resources, both locally and across our international operations.

During the year, we commenced accumulating "big data" in-house, recognising the benefits from accruing and channelling our vast data resources. Ultimately, a "big database" will aggregate, process, analyse and prioritise the huge sets of customer and transactional data sourced from Group subsidiaries and their partners. "Big data" records are being normalised and harmonised into a single usable profile per customer. Initial output reveals patterns and trends enabling us to improve customer engagement and spend, while results help identify vertical integration as well as cross and upselling opportunities around the Group.

How we operate

The distribution model is based on strategic partnerships, underpinned by long-term contracts, which inevitably develop into firm relationships where customers become partners. The model continues to evolve, enabling us to drive opportunities in both the vertical and forward integration planes.

Income is derived from three main pillars: the sales of commodities (such as airtime, electricity and ticketing), annuity transactions (from our SIM card base, location-based services, content and other subscription services) and interest earned on surplus cash generated.

The commission structure is based on long-term contracts with not only the network operators, but also other product and service providers, covering payment terms, annuity and commissions receivable. Commissions received are shared with merchants in the distribution channel as an added incentive to sell our merchandise. In turn, the Group channels merchants' R&D feedback and manages all their field support requirements, in addition to supplying merchandise and marketing materials.

Field support is differentiated into three tier groupings: Gold, Silver and Bronze. Merchants are encouraged to upgrade to a higher level, while their value proposition in selling our merchandise is enhanced. This allows for price differentiation and response times via service level agreements with us.

We run our businesses sustainably and ensure cost containment on all levels. The Board oversees these commitments, ensuring that a rigorous risk assessment process is driven through the IRCC, which in turn reports to the ARCC, a committee of the Board.

Operations are grouped into four main segments: South African Distribution, International Distribution, Mobile and Solutions. The South African segment remains the predominant contributor to the Group's profitability, derived mainly from the sale of prepaid airtime, starter packs, data and the electricity businesses. The Technology division is housed in this segment, as the bulk of its functions and services are interdependent with the distribution of airtime, starter packs, electricity and ticketing. The strategy of the International segment is to pursue growth opportunities across our global footprint, presently though our operations in India and Mexico.

South Africa's core business is solid

South African Distribution segment is the predominant contributor to Group profitability. This year, revenue grew 19% to R26.2 billion, primarily attributable to organic growth, underpinned by an expanding multitude of distribution channels, ultimately resulting in growth in market share. Revenue generated on "PINless top-ups" increased by R1.4 billion to R4.1 billion, equating to effective growth in the segment's revenue of 23%, as only the commissions earned thereon are recognised.

International segment is evolving

Since inception of the Group's investment in Oxigen Services India in 2004, our focus has been on expanding its offline network of retail outlets, now reaching in excess of 200 000 touch points. This part of the business generated profitability of which the Group's share equated to R24 million, in comparison to R2.6 million in the previous financial year.

In line with a dynamic shift in demand for online wallets, a strategic decision was made to enter this field of business. Although offline retail-based wallets continue to increase, creation of wallets through online channels has the potential to compound transactional growth, as consumers transact on web-based and/or mobile applications.

Creating additional wallets not only increases transactional revenue, but also the wallets have an intrinsic value based on worldwide trends.

Developing brand awareness and visual identity are keys to acquiring both online and offline wallets. Accordingly, during the second half of the financial year, significant expenditure was incurred in marketing the brand and the acquiring of wallets. This resulted in the online part of the business incurring losses, with the effect that the Group's net share of losses in Oxigen Services India amounted to R28 million.

At the end of the previous financial year, the total wallet subscribers amounted to 5.4 million. At the end of the current year, this subscriber base has increased to 22.6 million, the bulk of which was congruent with the expenditure incurred in the second half of the financial year.

The Group's share of losses in Blue Label Mexico was R63.3 million, a decrease of 28% from the previous year. Although the telco sector is highly competitive, declining losses were attributable to increases in revenue by 14% and gross profit by R67 million, underpinned by higher gross profit margins and a focus on cost efficiencies. Further declines in losses are expected.

Measuring Group performance

This year, Group earnings gained momentum, resulting in headline earnings increasing by 22% to R668 million. Revenue increased by 19% to R26.2 billion. We do not measure an increase in revenue as indicative of the Group's growth. Rather, we believe growth should be measured by gross profit achieved, as there is an increasing trend for us to act as agent on products. This means that only the gross profit or commission earned, not the face value of the sale, is included in the revenue line.

As an illustration, growth continues to escalate in "PINless top-ups" distributed as an alternative mechanism for vending prepaid airtime.

An example of our reliance on the gross profit metric is our accounting treatment of prepaid electricity and water sales, where we act as the agent on behalf of utilities. Only the commission earned on these sales is included in revenue, not the product's face value.

Gross profit increased by 11% to R1.8 billion. The contraction in gross profit margin from 7.46% to 6.98% was directly attributable to additional margin incentives afforded to large and long-term distributors, which in part boosted our revenue.

We pride ourselves in working smart in order to perform exceptionally. We often deploy funds for financing bulk inventory purchases or for making early settlement payments, where favourable discount rates are obtainable.

We think of our culture as a "can-do company". This ethos speaks to our tenacious entrepreneurial and creative spirit complemented by robust internal controls and due processes. We believe we are unique – our achievements in building the Group, our proprietary AEON technology, the UniPIN prepaid electricity voucher, and various unique selling points such as our ticketing engine and online wallets, to name a few.

Our values (see page 2) were selected and ranked by the staff. We celebrate achievements by embodying our values in a charter that ensures their longevity in our working culture.

Forward integration – retail strategy

The retail strategy complements our existing distribution channels. By extending reach in the formal retail sector, we can amplify our footprint and capitalise on opportunities in "managing the last mile" of the distribution chain.

The Group has a strong track record on importing hardware, such as POS devices, tablets, phablets and phones, gained through varying economic cycles. A derisked model is pursued, with the bulk of stock (by value) pre-ordered and the remainder held on consignment in store. Certain products, for example, cellphones, sell better in retail outlets, with customers preferring to purchase and activate them in a personalised, hands-on, expert and online environment. The trend is in customers demanding low-cost smartphones, fully enabled with social media and data consumption apps. There is also a requirement for certified pre-owned and refurbished handsets and screens.

Owing to the high cost of branded smartphones, we believe that customers in the postpaid world will soon benefit by being able to finance the mobile device element of their contract. We are well aligned with this opportunity as it integrates with our importation and distribution of both branded and unbranded handsets.

In terms of our route to market, we are entrenched in the Edcon Group. Its excellent back-end approved customer credit facilities and systems, complements our unequalled experience and management of starter packs/SIM cards throughout South Africa. In addition, our diverse range of merchandise is available at retail outlets branded Blue Label Connect and Edgars Connect.

Vertical integration plan is progressing

On 10 December 2015, we announced our proposed participation in the recapitalisation of Cell C, followed on 5 October 2016 by the finalised terms for the acquisition of a 45% stake in Cell C for R5.5 billion.

The process to finalisation and implementation continues steadily. Our rationale for this bold vertical integration plan embraces three main pillars:

1. Valuation and ROI in the medium term: Cell C houses good and attractively valued assets, which can serve as the cornerstone to a positive turnaround in Cell C's financial and operational performance. A restructured Cell C offers compelling growth prospects, including a liquidity event such as a stock exchange listing.
2. Margin defence in protecting our existing trading relationship with Cell C: Our participation in a recapitalised Cell C aligns with our vertical integration plan, will neutralise any theoretic disintermediation and enable us to manage more of the "last mile". It is important to emphasise that our existing contracts with the main networks continue in "business as usual" mode, with long-term contracts in place.
3. Synergies as Blue Label becomes a virtual service provider to Cell C across a multitude of shared services: We foresee a number of opportunities for Blue Label in a tie-up with Cell C, arising from vertical integration and other synergies in the procurement chain, distribution network and in products and services.

Marketing and brand awareness campaigns

Our marketing approach focuses on delivering technology, products and services which are required by merchants and consumers. Extensive research and perception studies help to identify opportunities in order to entrench our distribution footprint in formal retail, independent, petroleum forecourts, corporate or low-cost device channels.

Our visual identity and brand awareness campaign, accelerated just after the financial year-end, with Blue Label's partnership with SA Rugby in sponsoring the Springboks for the remainder of 2016. With jersey branding rights, on and off-field prominence, and concomitant media exposure around each game, both domestically and abroad, stakeholders are assured to see the name Blue Label Telecoms prominently.

Brett Levy **Mark Levy**
Joint Chief Executive Officers

9 November 2016

A strong underlying performance

Dean Suntup
Financial Director

"The Group's performance was primarily attributable to organic growth, underpinned by an expanding multitude of distribution channels and in turn a growth in market share."

Financial review

The momentum of growth in Group earnings continued, resulting in core headline earnings increasing by 21% to R685 million. This equated to an increase in headline earnings per share from 82.26 cents to 100.35 cents. After adjusting for the amortisation of intangible asset write-offs, net of taxation and non-controlling interests as a consequence of purchase price allocations, the resultant core headline earnings per share increased by 21% to 102.85 cents.

Growth in earnings was predominantly achieved through increases in revenue of 19%, gross profit of 11% and EBITDA of 15%.

The Group's performance was primarily attributable to organic growth, underpinned by an expanding multitude of distribution channels and in turn a growth in market share.

On the international front, the Group's share of losses in Blue Label Mexico (BLM) declined by 28%, from R89 million to R63 million. A negative contribution of R27.7 million from Oxigen Services India (OSI) was congruent with significant expenditure incurred on the expansion of its mobile wallet subscriber base. The above losses incurred impacted negatively on Group headline earnings per share by 9.50 cents and 4.16 cents respectively.

Capital and reserves accumulated to R4.5 billion, net of accumulated dividends paid to date totalling R913 million, further strengthening the Group's balance sheet. The net asset value equated to R6.62 per share.

Financial Director's report continued

Group income statement

	May 2016 R'000	May 2015 R'000	Growth R'000	% growth
Revenue	**26 204 722**	22 044 222	4 160 500	19
Gross profit	**1 829 694**	1 644 340	185 354	11
GP margins (%)	**6.98**	7.46	(0.48)	
Other income	**126 294**	99 972	26 322	26
Overheads	**(715 429)**	(664 147)	(51 282)	8
EBITDA	**1 240 559**	1 080 165	160 394	15
Depreciation, amortisation and impairment	**(98 183)**	(94 019)	(4 164)	4
EBIT	**1 142 376**	986 146	156 230	16
Finance costs	**(214 110)**	(233 165)	19 055	(8)
Finance income	**193 899**	173 047	20 852	12
Share of (losses)/ profit from associates	**(31 279)**	12 497	(43 776)	(350)
Share of losses from joint ventures	**(40 491)**	(91 835)	51 344	(56)
Net profit before taxation	**1 050 395**	846 690	203 705	24
Taxation	**(318 783)**	(265 497)	(53 286)	20
Net profit after tax	**731 612**	581 193	150 419	26
Non-controlling interest	**(40 022)**	(3 576)	(36 446)	1 019
Net profit attributable to equity holders of parent	**691 590**	577 617	113 973	20
Core intangible adjustment	**16 650**	18 961	(2 311)	(12)
Core net profit	**708 240**	596 578	111 662	19
Headline earnings adjustment	**(23 329)**	(30 566)	7 237	(24)
Core headline earnings	**684 911**	566 012	118 899	21
Earnings per share (cents)	**103.85**	86.86	16.99	20
Headline earnings per share (cents)	**100.35**	82.26	18.09	22
Core earnings per share (cents)	**106.35**	89.71	16.64	19
Core headline earnings per share (cents)	**102.85**	85.11	17.74	21

Revenue
Revenue increased by 19% from R22 billion to R26.2 billion. This growth was organically achieved through access to additional channels of distribution.

Revenue does not include the turnover generated by the group's international operations in that they are associate and joint venture companies which are equity accounted for only.

Gross profit
Although there was a contraction in gross profit margins from 7.46% to 6.98%, gross profit increased from R1.64 billion to R1.8 billion congruent with the increase in revenue generated.

Overheads
Overheads, comprising employee costs and operating expenses increased by 8%, of which the former accounted for 5% and the latter 12%.

EBITDA
The resultant EBITDA increased by 15% from R1.08 billion to R1.24 billion. The comparative year included a once-off income receipt of R37 million relating to the disposal of the Group's interest in Ukash.

Depreciation, amortisation and impairment charges
Depreciation, amortisation and impairment charges amounted to R98 million equating to an increase of R4 million on the comparative year. Of this amount, R20.6 million pertained to the amortisation of intangible assets resulting from purchase price allocations from historical acquisitions compared to R22.3 million in the comparative year.

Net finance costs
Finance costs
Finance costs totalled R214 million, of which R48 million related to interest paid on borrowed funds and facilities and R166 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds and facilities amounted to R68 million and the imputed IFRS interest adjustment equated to R165 million.

The decline of R20 million on interest paid on borrowed funds and facilities was congruent with cash generated from trading operations. This decline was net of the perpetuation of applying excess funds to bulk inventory purchase transactions and early settlement payments attracting favourable discounts. Finance facilities were utilised on a piecemeal basis for this purpose and repaid during the current year.

Finance income

Finance income totalled R194 million, of which R64 million was attributable to interest received on cash resources and R130 million to imputed IFRS interest adjustments on credit afforded to customers. On a comparative basis, interest received on cash resources amounted to R31 million and the imputed IFRS interest adjustment to R142 million.

The increase in interest received from cash resources was directly attributable to growth in revenue, partially offset by the utilisation of funds for financing and investing activities.

Share of losses from associates

Share of losses primarily related to Oxigen Services India in which the Group's share of losses equated to R28 million.

Share of losses from joint ventures

The Group's share of losses was attributable to losses incurred by Blue Label Mexico, of which the Group's share equated to R63 million. This amount was partially offset by a net share of profit of R19.7 million generated by 2DFine Holdings Mauritius.

Non-controlling interests

Non-controlling interests comprises minority share of profits in Cigicell, Transaction Junction, Via Media and Blue Label Data Solutions, the total of which equated to a growth of R36 million inclusive of a reduction in minority share of losses in Africa Prepaid Services.

Of this growth, R15.6 million was attributable to Cigicell and R3.6 million to Transaction Junction. Non-controlling share of losses declined by R7.7 million, in line with the decline in losses in the APS Group. Viamedia increased by R6 million from R8.3 million to R14.3 million as the comparative year.

Core headline earnings

Core headline earnings increased by R119 million (21%) to R685 million. This equated to headline per share of 100.35 cents.

Segmental report

	2016 R'000	2015 R'000	Growth R'000	% growth
South African Distribution				
Revenue	**25 722 540**	21 657 891	4 064 649	19
Gross profit	**1 582 743**	1 444 730	138 013	10
EBITDA	**1 133 433**	1 038 252	95 181	9
Core net profit	**750 951**	684 756	66 195	10
Core headline earnings	**751 086**	683 744	67 342	10
Gross profit margin (%)	**6.15**	6.67		
EBITDA margin (%)	**4.41**	4.79		

Growth in revenue of 19% was organically achieved through increased sales by expanding distribution channels. Revenue generated on "PINless top-ups" increased by R1.4 billion from R2.7 billion to R4.1 billion, equating to effective growth in South African Distribution revenue of 23%, in that only the commission earned thereon is recognised.

Net commissions earned on the distribution of prepaid electricity continued to increase, escalating by R33 million to R197 million (20%) on turnover of R12.1 billion generated on behalf of the utilities.

Although there was a contraction in gross profit margins, gross profit increased by R138 million (10%) to R1.6 billion. The decline in margins from 6.67% to 6.15% was directly attributable to revenue generated from large distributors that were afforded additional margin incentives. This in turn manifested itself in an element of the growth in revenue.

The resultant growth in EBITDA of 9% to R1.1 billion equated to an EBITDA margin of 4.41%.

Contribution to core net profit increased by R66 million to R751 million (10%).

	2016 R'000	2015 R'000	Growth R'000	% growth
International Distribution				
EBITDA	**44 152**	35 379	8 773	25
Share of (losses)/profits from associates and joint ventures	**(70 283)**	(81 267)	10 984	14
– Ukash	**—**	12 004	(12 004)	(100)
– Oxigen Services India	**(27 672)**	2 621	(30 293)	(1 156)
– Blue Label Mexico	**(63 293)**	(88 508)	25 215	28
– 2DFine Holdings Mauritius	**19 734**	(7 574)	27 308	361
– Mpower	**948**	190	758	399
Core net loss	**(29 352)**	(46 958)	17 606	37
Core headline loss	**(59 304)**	(80 025)	20 721	26
– Equity holders of the parent	**(59 327)**	(72 337)	13 010	18
– Non-controlling interests	**23**	(7 688)	7 711	100

The share of net losses from associates and joint ventures comprised the following:

Ukash

Share of profits in Ukash ceased in March 2015 as the Group disposed of its interest therein.

Oxigen Services India

Since inception of the Group's investment in OSI in 2004, focus has been on expanding its offline network of retail outlets. In this regard approximately 200 000 points of presence are operative. This element of the business generated profitability of R45 million of which the Group's share equated to R25 million, in comparison to R2.6 million in the previous financial year.

In line with the dynamics of a shift in demand for online wallets, a strategic decision was made to enter this field. Although offline retail-based wallets continue to increase, penetration into the creation of wallets through online channels has the potential of compounding transactional growth through consumers being afforded the ability to transact on web-based and/or mobile applications.

The creation of these additional wallets will not only increase transactional revenue, but the wallets in themselves have an intrinsic value based on worldwide trends in this regard. In order to escalate penetration in both online and offline wallet acquisition, brand awareness is key to achieving this objective. Accordingly, during the second half of the financial year significant expenditure was incurred on the marketing of the brand and the acquisition of wallets. This resulted in the online company incurring losses of R92 million of which the Group's share equated to R53 million. The Group's net share of losses amounted to R28 million, equating to a negative turnaround of R30.3 million, after the amortisation of intangibles.

At the end of the previous financial year the total wallet subscribers amounted to 5.4 million. At the end of the current year this subscriber base has increased to 22.6 million, the bulk of which was congruent with the expenditure incurred in the second half of the financial year.

Daily money transfer deposits have grown from USD3.3 million per day as at 31 May 2015 to USD4.0 million per day as at 31 July 2016, increasing exponentially through its connectivity with the National Payment Corporation of India.

Blue Label Mexico

BLM's losses declined from R186 million to R130 million, of which the Group's share was R63.3 million after the amortisation of intangible assets.

The decline in losses was attributable to increases in revenue by 14%, gross profit by R67 million, underpinned by higher gross profit margins. Focus on cost efficiencies confined an increase in operational expenditure to 3%. The resultant EBITDA increased by R54 million (44%).

The increase in gross profit was primarily attributable to BLM becoming a multi-carrier distributor as opposed to historically being confined to one network. This has created a more competitive environment among the networks to the benefit of the Company.

The introduction of the distribution of starter packs that generate monthly compounded annuity income is expected to gain momentum which will result in further declines in losses going forward.

2DFine Holdings Mauritius

The Group's effective shareholding in OSI prior to March 2016 was 55.83%. Of this shareholding, 37.22% was held by Gold Label Investments (GLI), a wholly owned subsidiary of the Group and 18.61% indirectly through the Group's 50% shareholding in 2DFine Holdings Mauritius. In March 2016, a rights issue was offered by OSI for USD10.5 million. The Group exercised its rights for the entire amount through GLI congruent with 2DFine Holdings Mauritius waiving its rights. The effect of this is that GLI's shareholding has increased from 37.22% to 40.97% and its indirect shareholding of 18.61% has been diluted to 17.21%. The latter has in turn resulted in a gain of R30 million on dilution, being the Group's share of the increased net asset value emanating from the rights issue.

This gain was offset by the Group's share of losses of R10.2 million attributable to interest paid on historical loans from GLI and BLT. The Group's share of interest paid in the comparative year amounted to R7.6 million.

After deducting the gain on dilution of R30 million, the negative contribution by the international segment to core headline earnings amounted to R59.3 million.

	2016 R'000	2015 R'000	Growth R'000	% growth
Mobile				
Revenue	**291 856**	240 168	51 688	22
Gross profit	**182 533**	136 773	45 760	33
EBITDA	**111 142**	51 359	59 783	116
Core net profit	**64 273**	28 559	35 714	125
Core headline earnings	**65 333**	28 346	36 987	130

This segment comprises Viamedia, Supa Pesa, Blue Label One, Cellfind, Panacea and Simigenix, all of which contributed positive growth to revenue, EBITDA and core net profit.

Of the growth in EBITDA, Viamedia contributed R27 million, of which R17 million pertained to the release of a contingent portion of the acquisition price of a joint venture with Supa Pesa. The balance of the growth in EBITDA of R33 million pertained to the balance of the companies.

At core net profit level, of the positive contributions to growth, Viamedia accounted for R18 million, Blue Label One for R3 million and Cellfind, Panacea Mobile and Simigenix for R12 million. The balance of growth of R2 million was attributable to Blue Label Engage which incurred a loss in the comparative year. This company was disposed of in December 2014.

	2016 R’000	2015 R’000	Growth R’000	% growth
Solutions				
Revenue	**190 326**	146 163	44 163	30
Gross profit	**64 418**	62 837	1 581	3
EBITDA	**35 889**	40 831	(4 942)	(12)
Core net profit	**16 116**	23 975	(7 859)	(33)
Core headline earnings	**21 564**	23 975	(2 411)	(10)

In October 2015 Velociti was disposed of at a loss of R5.4 million. On exclusion of this capital loss as well as its historical positive contribution of R4 million to core net profit, the growth of the remaining entities increased from R20 million to R21.6 million (8%). This growth was primarily attributable to the contribution by Blue Label Data Solutions which generated revenue of R155 million and a growth in EBITDA of 12% from R33 million to R37 million. Its contribution to core headline earnings amounted to R21.4 million, equating to a growth of 12%.

	2016 R’000	2015 R’000	Growth R’000	% growth
Corporate				
EBITDA	**(84 057)**	(85 656)	1 599	2
Core net loss	**(93 748)**	(93 754)	6	—
Core headline loss	**(93 745)**	(97 716)	3 971	4

In the comparative year EBITDA losses were confined to R86 million inclusive of a once-off income receipt.

The current year EBITDA includes a release of the contingent portion of the acquisition price of Viamedia amounting to R31 million, partially offset by professional fees of R22 million relating to potential acquisitions. This limited EBITDA losses to R84 million, resulting in a marginal decline of 2%.

Statement of financial position

Total assets increased by R279 million to R7.3 billion, of which growth in non-current assets accounted for R235 million and current assets for R44 million.

The movement in non-current assets included a net increase in investments in associate and joint venture companies of R362 million. These increases were offset by declines of R6 million of capital expenditure after depreciation, R53 million in intangible assets and goodwill, R24 million in loans receivable, R36 million in trade receivables relating to postpaid contracts in excess of 12 months and R8 million in other non-current assets.

The net increase in investment in associate and joint venture companies comprised additional capital contributions to BLM of R43 million and OSI of R168 million, a positive impact on foreign currency translation reserves of R82 million, a loan of R60 million granted to Edgars Connect, interest capitalised on loans of R46 million, unrealised foreign exchange gains thereon of R35 million and the gain of R30 million on dilution relating to the Group's share of the increased net asset value emanating from the rights issue in OSI. These increases were partially offset by the Group's share of losses totalling R102 million inclusive of the amortisation of applicable intangible assets.

The net decline in intangible assets and goodwill mainly pertained to the amortisation of intangibles by R130 million, the decline in goodwill and intangible assets by R5 million relating to the disposal of Velociti, offset by R85 million expended on the purchase of software, development costs, starter pack bases and the expansion of distribution channels.

There was a net increase in current assets of R44 million. The material movements relate to an increase in inventories of R226 million and loans receivable of R54 million, offset by declines in cash resources of R199 million and trade receivables of R33 million.

The stock turn was 25 days. Bulk inventory purchase opportunities at favourable discounts validated the consequent increase in inventory. The nature of the business enables it to reduce its inventory holdings within the above number of days at any given time.

The debtors collections improved from 46 days in the comparative year to 38 days.

The net profit attributable to equity holders of R692 million, less a dividend of R209 million, resulted in retained earnings accumulating to R3.1 billion.

In spite of an increase in trading activities, trade and other payables declined by R332 million as a result of early settlement payments in return for favourable settlement discounts. Consequently, average credit terms declined from 53 days in the comparative year to 40 days.

Statement of cash flows

Cash flows from operating activities amounted to R433 million predominately attributable to increased trading activity, net of working capital requirements.

Cash flows applied to investing activities amounted to R396 million. Of this amount, R43 million related to an additional investment in BLM and R159 million to OSI. A further R59 million was applied to a loan to the associated Edgars Connect stores, R85 million to the purchase of intangible assets, R29 million to net loans granted and R42 million to capital expenditure. The above outflows were partially offset by net inflows received of R21 million of which R13 million related to the disposal of Velociti.

After applying R23 million to the acquisition of treasury shares and a dividend payment of R213 million to shareholders and non-controlling interests, cash on hand at year-end amounted to R589 million.

Forfeitable share scheme

Forfeitable shares totalling 2 591 066 (2015: 2 937 836) were issued to qualifying employees. During the period 612 453 (2015: 419 998) shares were forfeited and 3 163 359 (2015: 3 819 409) shares vested.

Dividend

The Group's current dividend policy is to declare an annual dividend. On 23 August 2016 the Board approved a gross ordinary dividend (dividend number 7) of 36 cents per ordinary share (30.6 cents per ordinary share net of dividend withholding tax) for the year ended 31 May 2016.

This dividend of R242 823 255 inclusive of withholding tax, equates to a 2.73 cover on headline earnings. The dividend for the year ended 31 May 2016 has not been recognised in the financial statements as it was declared after that date.

Appreciation

I wish to express my gratitude to the Group's finance team for their professional input and dedication throughout the year.

Dean Suntup
Financial Director

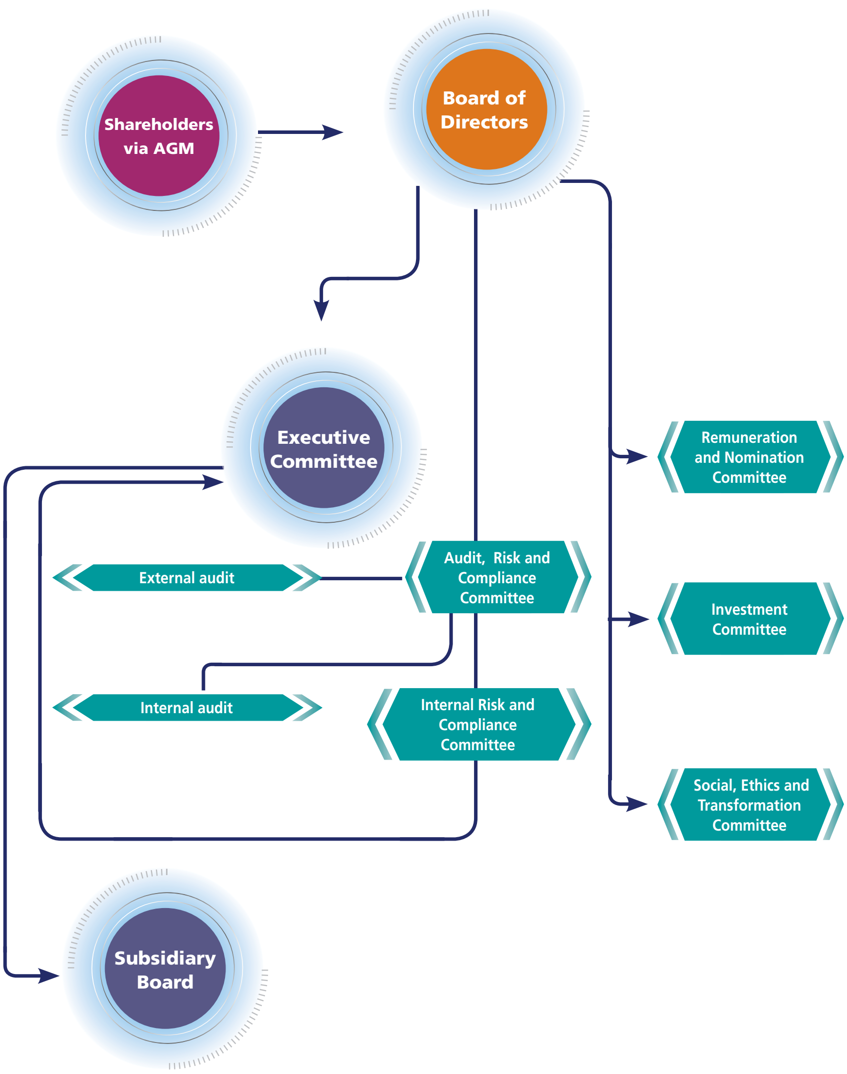
9 November 2016

Governance framework

The Board regards governance as a fundamental essential for the success of the Group's business. It is committed to applying the principles of good governance in directing and managing the Group in order to achieve its strategic objectives. The Board is the focal point for and custodian of the Group's governance framework, and is supported by its committee structures, management, shareholders and other stakeholders of the Company. The Board is ultimately accountable for the performance and affairs of the Company.

The governance framework facilitates a balance between the Board's role of providing direction and oversight with accountability to support acceptable risk parameters, consistent compliance with regulations, standards and codes relevant to the Group. At the same time the Board encourages entrepreneurship and innovation, which are recognised as key drivers of Group performance. At the operations, governance processes are aligned with the governance framework established by Blue Label. Each subsidiary company has its own board of directors and its strategy, business plan and performance criteria are clearly defined. The strategy and business plan of each subsidiary are presented to the Blue Label Board by the subsidiary's board each year. Subsidiary boards comprise Executive and Non-Executive Directors, some of whom are Executive and Non-Executive Directors of Blue Label.

GOVERNANCE FRAMEWORK



Application of King III

Blue Label is committed to King III and continues to develop its governance policies, practices and procedures, in line with an integrated governance, risk and compliance framework. The Board is responsible for ensuring the principles contained in King III are applied. The JSE Listings Requirements further stipulate compulsory adherence to certain specific requirements of King III. Blue Label is closely monitoring the development of King IV and will align governance requirements and formal practices upon the release of King IV. A summarised table of Blue Label's application of King III is available on the Company's website at www.bluelabeltelecoms.co.za.

Board of directors

Board composition

Blue Label has a unitary Board structure comprising 10 Directors as at 1 September 2016. Six are Independent Non-Executive Directors, while one is Non-Executive and three are Executive Directors. A biography of each Director appears on pages 18 to 21 of the integrated annual report.

The Board has a balance of Independent Directors and Non-Executive Directors. In line with King III, the roles of the Chairman and the Chief Executives are separate. The Board is led by Larry Nestadt, an Independent Non-Executive Chairman. The Joint Chief Executives are Brett Levy and Mark Levy.

The Chairman's role includes setting the ethical tone for the Board and ensuring that the Board remains efficient, focused and operates as a unit. The Chairman provides overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions. He also facilitates appropriate communication with shareholders and enables constructive relations between the Executive and Non-Executive Directors.

Governance framework continued

The Joint Chief Executives' principal role is to provide leadership to the executive team in running the Group's businesses. The Board defines the Group's levels of authority, reserving specific powers for the Board, while delegating others to Senior Management. The collective responsibility of management vests with the Joint Chief Executives who regularly report to the Board on the Group's progress in delivering its objectives and strategy.

The Group's Financial Director is Dean Suntup. The Audit, Risk and Compliance Committee is satisfied that he has the appropriate expertise and experience for this position.

The role of the Board and Board procedures

The Board directs the Group towards and facilitates the achievement of the Group's strategy and operational objectives. It is accountable for the development and execution of the Group's strategy, operating performance and financial results. Its primary responsibilities include: determining the Group's purpose and values, providing strategic direction to the Group, appointing the Joint Chief Executive Officers, identifying key risk areas and key performance indicators of the Group's businesses, monitoring the performance of the Group against agreed objectives, deciding on significant financial matters and reviewing the performance of the Executive Directors against defined objectives. A range of non-financial information is also provided to the Board to enable it to consider qualitative performance factors that involve broader stakeholder interests.

The Board, which meets at least quarterly, retains full and effective control over all the operations. Additional ad hoc Board meetings are convened as circumstances require.

The Board has unrestricted access to all Group information, records, documents and resources to enable it to discharge its responsibilities in a proper manner. The Executive Directors are tasked with ensuring that Board members are provided with all relevant information and facts to enable them to reach objective and informed decisions.

Board meetings are scheduled well in advance and Board documentation is provided timeously. The Board agenda and meeting structure assist the Board in focusing on corporate governance, its legal and fiduciary duties, Group strategy and operational performance monitoring, thus ensuring that the Board's time and energy is appropriately applied. Between Board meetings, Directors are kept informed of key developments affecting the Group. Non-Executive Directors have access to management and may meet without the attendance of Executive Directors.

The Board acts in the best interests of the Group by ensuring that individual Directors:

- adhere to the legal standards of conduct set out in the Companies Act;
- are permitted to take independent professional advice in connection with discharging their duties following an agreed procedure;
- disclose real and perceived conflicts to the Board annually as well as prior to each Board meeting;
- deal in securities only in accordance with the dealings in securities policy adopted by the Board; and
- adhere to policies on release of price-sensitive information as required in terms of the JSE Listings Requirements.

The Board is kept informed of the Group's going concern status and monitors the solvency and liquidity of the Company and Group on a regular basis.

Board Charter

The Board has adopted a written charter to assist it in conducting its business in accordance with the principles of good corporate governance and legislation.

The purpose of the Board Charter is to ensure that each director is aware of the powers, duties and responsibilities when acting on behalf of the Company. The Board Charter is subject to the provisions of the Act, JSE Listings Requirements, the Company's MoI, and all other applicable legislation.

Salient features of the Board Charter are:

- role and function of the Board;
- detailed responsibilities;
- discharge of duties;
- Board composition; and
- establishment of committees.

Board appointments

One-third of the Directors retire by rotation every three years in terms of the MoI. If eligible, available and recommended for re-election by the RNC, their names are submitted for re-election at the AGM, accompanied by a short biography set out in the integrated annual report. In this regard Messrs BM Levy, JS Mthimunye and LM Nestadt will be retiring at the forthcoming AGM and, being eligible, have made themselves available for re-election. A brief biography of each Director appears on pages 18 to 20.

The RNC assists the Board with the assessment, recruitment and nomination of new Directors, subject to the whole Board approving these appointments. Board members are also invited to interview potential appointees.

Governance framework continued

A formal and transparent procedure applies to all new Board appointments, which are subject to approval by shareholders at the first AGM following that Director's appointment. Prior to appointment, candidates are required to complete a fit and proper test, as per the JSE Listings Requirements.

Induction of a new Director is tailored according to the knowledge and experience of the Director in a listed environment. Focus is placed on providing information on the Board structure, business operations and Group strategy. Ongoing training and development of Directors involve ad hoc presentations to the Board by professional advisers and Senior Management to ensure the Board is kept abreast of governance, regulatory and operational developments.

The Board Charter provides for assessing of the Board and its Committees every other year. During the year the Board and its committees assessed its performance and effectiveness according to the following categories:

- effectiveness and composition
- dynamics;
- risk management;
- succession planning;
- ethical leadership; and
- corporate citizenship.

Based on the consolidated feedback from the assessment, the Board is satisfied with the overall performance and effectiveness of the Board, its members and the Committees. No major areas of concern were identified.

Company Secretary

The Company Secretary's roles and responsibilities are set out in the Act, which stipulates the Company Secretary has duties towards the Board, the Group and shareholders.

All Directors have full access to all Group information, property and records, and the services and advice of the Group Company Secretary or, where appropriate, to the services of independent professionals and advisers. The Company Secretary is neither a Director of the Board nor a Director of the Group's operational companies and therefore maintains an arm's-length relationship with the Group and its Directors.

Duties include ensuring that the Board complies with procedures and regulations of a statutory nature, such as changes in legislation or practices that might affect Board members in their capacity as Directors.

All meetings of shareholders, Directors and Board Committees are properly recorded and distributed.

The Company Secretary also ensures that all Board and Committee charters are kept current, and assists in the evaluation of the Board, Directors and Committees. The Company Secretary offers advice to directors on business ethics and good governance. She also plays a role in ensuring that the Board's policies and instructions are communicated to relevant persons in the Group and that pertinent issues from management are referred back to the Board where appropriate.

The performance appraisal of the Company Secretary for the year under review took into account the quality of support received and guidance provided to the Board. All parties were satisfied with the quality of support received as well as the competency and experience of the Company Secretary. The Company Secretary is responsible for complying with the JSE Listings Requirements. This includes the preparation and submission of all relevant communication, such as SENS announcements, to the securities exchange.

Board Committees

The Board has delegated certain functions to well-structured Committees without abdicating its own responsibilities. Board Committees operate under written terms of reference approved by the Board. Board Committees are free to take independent professional advice as and when deemed necessary, for which a formal policy is in place. The Group Company Secretary provides secretarial services for the Committees.

There is transparency and full disclosure from Board Committees to the Board. The minutes of Committees are submitted to the Board for noting and discussion. In addition, Directors have full access to all Board Committee documentation and Committee chairpersons provide the Board with verbal reports on recent activities.

The Board is of the opinion that all Board Committees have effectively discharged their responsibilities, as contained in their respective terms of reference.

Governance framework continued

The Committees, their members and principal functions are set out below:

Committee	Members and attendees	Principal activities
Executive (weekly meeting)	MS Levy (C) EC de Villiers* BM Levy MV Pamensky~ DA Suntup W van Reenen* DR Hilewitz* DB Rivkind*	• Implement strategies and policies of the Group. • Manage the business of the Group. • Senior Management appointments and performance management. • Prioritise the allocation of capital, technical matters and human resources. • Review and approve acquisitions, disposals and investments of up to R40 million per transaction.
Audit, Risk and Compliance (quarterly meeting)	JS Mthimunye (C) EC de Villiers* GD Harlow BM Levy* MS Levy* P Mahanyele† DA Suntup* SJ Vilakazi	More information on the activities and responsibilities of the Committee is included on pages 58 and 59. The report of the Committee is on pages 58 to 60.
Remuneration and Nomination (bi-annual meeting)	GD Harlow (C of RC) LM Nestadt (C of NC) EC de Villiers* BM Levy* MS Levy* JS Mthimunye DA Suntup*	• Determine and agree with the Board, the framework or broad policy for the remuneration of the Executive Directors, Non-Executive Directors and any other members of Executive Management, or as it is designated to consider. • Annually evaluate the independence of Non-Executive Directors as well as the composition of the board and its committees. • Review, for recommendation to the Board, the design of and targets for the Group's Forfeitable Share Plan. • Determine annually whether awards are to be made under the forfeitable share plan and the overall individual amounts of such awards. • Recommend to the Board the remuneration of Non-Executive Directors for approval by shareholders. • Identify and nominate candidates to fill vacancies on the Board as and when they arise, for the ultimate approval of the Board. • Recommend the appointment of new Executive and Non-Executive Directors, including recommendations on the composition of the Board and the balance between Executive and Non-Executive Directors and any adjustments that are deemed necessary. The report of the Committee is on pages 53 to 57.

Governance framework continued

Committee	Members and attendees	Principal activities
Social, Ethics and Transformation (bi-annual meeting)	SJ Vilakazi (C) MJ Campbell* EC de Villiers* KM Ellerine GD Harlow IJ Hindley* BM Levy (alternate DA Suntup) Y Mahomed#	• Monitor the Group's activities and compliance with legislation relating to equality, black economic empowerment, good corporate citizenship, the environment, health, public safety, and consumer and labour relations, as well as advise the Board, where necessary and appropriate. • Review ethical business conduct, including any activity on the ethics hotline. The report of the Committee is on page 61.
Investment (ad hoc, minimum two meetings)	GD Harlow (C) EC de Villiers* KM Ellerine DR Hilewitz BM Levy MS Levy JS Mthimunye MV Pamensky~ DA Suntup	• Review acquisitions, investments and disposals made within the Executive Committee's mandate. • Review, consider and approve proposed acquisitions, investments and disposals of the Group recommended by the Executive Committee ranging between R40 million and R100 million per transaction. • Review, consider and recommend to the Board acquisitions and investments of the Group above R100 million. • Annually review the performance of each investment and acquisition made.

Attendance at meetings:

	Board	Special Board	Audit, Risk and Compliance	Remuneration and Nomination	Social, Ethics and Transformation	Investment
Total number of meetings held during the year	4	1	4	1	2	5
Actual attendance/ possible maximum attendance of meetings						
LM Nestadt	4/4	1/1	—	1/1	—	—
KM Ellerine	4/4	1/1	—	–	2/2	5/5
GD Harlow	4/4	1/1	4/4	1/1	2/2	5/5
BM Levy	4/4	1/1	3/4*	1/1*	2/2	5/5
MS Levy	4/4	1/1	4/4*	1/1*	—	5/5
Y Mahomed°	3/3	—	—	—	2/2#*	—
JS Mthimunye	3/4	1/1	3/4	1/1	—	5/5
MV Pamensky~	3/3	1/1	—	—	—	4/4
SJ Vilakazi	3/4	0/1	3/4	—	2/2	2/2**
DA Suntup	4/4	1/1	4/4*	1/1*	—^	5/5
DR Hilewitz	—	—	—	—	—	4/5

C *Chairman.*
* *Attendee.*
o *Appointed 18 August 2015.*
~ *Resigned 30 November 2015.*
# *Appointed 8 March 2016.*
^ *Alternate to BM Levy.*
† *Appointed 1 September 2016.*
** *By invitation.*

King III summary

Summary of the application of King III principles

It is the responsibility of the Board to ensure the application of the principles contained in the King III Code, without diluting the Group's focus on sustainable performance. Blue Label's approach and application of King III is explained in the table below, which also summarises chapter 2 of the principles of King III. The complete register is available on our website.

Chapter and principle	Comments on application
Chapter 2 – Board and Directors	
The Board should act as the focal point for and custodian of corporate governance	The Board Charter sets out the Board's role, powers and responsibilities both in terms of the latest governance developments as well as the requirements for its composition, meeting procedures and work plan. The Board Charter has been reviewed to ensure alignment to governance requirements.
The Board should appreciate that strategy, risk, performance and sustainability are inseparable	The Board is active in forming the strategy of the Group, ensuring appropriate alignment with the purpose and mandate of the Group. The Board appreciates that strategy, risk, performance and sustainability are inseparable.
The Board and its Directors should act in the best interests of the Company	The Board Charter requires the Directors to act in the best interest of the Company by ensuring that individual Directors: • adhere to the standard of Directors' conduct as set out in the Companies Act; • recognise that his/her primary fiduciary duty is towards the Company as an entity and to exercise such with the best interests of the Company at heart; • are permitted to take independent advice necessary to carry out their duties following an agreed procedure; • disclose real or perceived conflicts to the Board and deal with them accordingly; and • deal in securities only in accordance with the policy adopted by the Board.
The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act	• No business rescue proceedings were required.
The Board should elect a Chairman of the Board who is an Independent Non-Executive Director. The CEO of the Company should not also fulfil the role of Chairman of the Board	The Chairman of the Board is an experienced Independent Non-Executive Director elected by the Board. See Chairman's curriculum vitae on page 18.

Chapter and principle	Comments on application
The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	The Board approved the roles of Joint Chief Executive Officers and has formalised their functions, including adopting their powers in terms of a governance guideline and delegation of authority framework. Both guideline and framework were updated in June 2016.
The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent	Presently, the Board comprises: • three Executive Directors; • one Non-Executive Director; and • six Independent Non-Executive Directors Y Mahomed appointed 18 August 2015 MV Pamensky resigned 30 November 2015 Ms P Mahanyele appointed 1 September 2016
Directors should be appointed through a formal process	The RNC is a Committee of the Board and assists in identifying and selecting suitable members who will meet the Board's requirements in terms of knowledge, skills and resources. All appointments are made in compliance with the Companies Act, JSE Listings Requirements and the Company's MoI.
The induction and ongoing training and development of Directors should be conducted through formal processes	Induction programmes for new Directors are tailored based on the knowledge and experience of the Director and focus on providing information on the Board and Group's structure, the Group's strategy and operations. Ad hoc presentations are made to the Board by professional advisers and Senior Management to ensure that the Board is up to date with governance, regulatory and operational developments.
The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	The role and function of the Company Secretary is in line with the requirements of the Act, governance principles and JSE Listings Requirements.
The evaluation of the Board, its Committees and individual Directors should be performed every year	1. Performance evaluations of the Board and its Committees takes place every other year, rather than annually as recommended by King III. The Board is satisfied that evaluations every other year are appropriate for the business. 2. Evaluations of individual Executive Directors' performance take place annually, once during remuneration increase and performance bonus award periods and, as applicable, prior to the AGM regarding the re-election of Directors. 3. Evaluations of individual Non-Executive Directors' performance takes place annually (in respect of those standing for re-election at the AGM) and for the remaining Directors every other year (as part of the Board and Committee evaluations).

King III summary continued

Chapter and principle	Comments on application
The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities	The Board has appointed the following Committees to assist it in its duties: • ARCC. • Exco. • Investment Committee. • RNC. • Social, Ethics and Transformation Committee.
A governance framework should be agreed between the Group and its subsidiary boards	• The governance framework is applied by subsidiary boards.
Companies should remunerate Directors and executives fairly and responsibly	• The RNC is established and assists the Board in ensuring the Group's remuneration policy attracts, retains and motivates top-quality people in the best interests of the Group.
Companies should disclose the remuneration of each individual Director and prescribed officer	• The disclosure of Directors' remuneration meets the requirements of the Act and this governance principle. No additional prescribed officers were identified for the year.
Shareholders should approve the Company's remuneration policy	• The Remuneration policy was endorsed and Non-Executive Directors' remuneration was approved by shareholders at the AGM on 27 November 2015.

Governance of risk

Structure

The Board accepts its responsibility for the governance of risk, which includes the total process of risk management and the formation of its opinion on the effectiveness of the process. The Board forms its opinion on the process of risk management based on the recommendations of the ARCC and is satisfied with the effectiveness of the risk management process. The ARCC is responsible for ensuring that the Group has implemented an effective policy and plan for risk management and that the risk disclosures are comprehensive, timely and relevant. The Board and Committee's responsibilities are documented in the Blue Label Enterprise Risk Management Framework Policy.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management. The IRCC, established by management, supports the enterprise-wide risk approach by identifying, evaluating and measuring Group-wide risks and compliance in all functional areas of the Group, as well as maintaining adequate internal controls. The IRCC reports to the ARCC bi-annually in this regard.

Process

Group-wide strategic risk assessments are conducted bi-annually. These assessments are facilitated by internal audit which plays an important role in evaluating the risk management process and guiding management to continuing improvement. Internal audit does not take any direct responsibility for making risk management decisions or managing the risk management function. The outcome of the risk assessments is integral in developing a plan for internal audit engagements for the forthcoming year. The risk assessments conducted involve risk identification and prioritisation at subsidiary and holding company level, followed by interviews with Senior Management at subsidiary level and key members of Executive Management to confirm risks, their descriptions and prioritisation. Each risk is evaluated in terms of the potential impact, the likelihood of occurrence and the perceived effectiveness of controls in place to manage the risks according to set criteria. The Group's material risks are listed on pages 14 to 16.

A risk appetite and tolerance framework has been implemented in line with the principles of King III. In terms of the framework, priority risks will be considered according to risk appetite, which is defined as how much risk the Group is prepared to take in pursuit of its objectives. The Group has identified its strategic risks and acknowledges that its appetite to accept risk varies across these risks. The ARCC has elected to set risk tolerances in respect of each of the prioritised risks. This framework is refined during each reporting period.

Technology governance

The Board is responsible for the Group's technology governance risk and compliance. The Board has delegated its responsibility for the implementation of IT governance to management, which in turn, has adopted an IT governance framework. The Information Security Officer continues to drive a number of programmes across the organisation in order to ensure the framework is effectively communicated and that all Group companies are informed of the framework and associated policies. Management has implemented controls to ensure that the policies are effectively adopted and maintained across the organisation.

A number of areas relating to technology governance have improved over the prior year. In particular, controls have been formalised to ensure consistent and adequate risk management has been applied. The operation's environment has been assessed to ascertain the process requirements from both an enhancement as well as a compliance perspective. Progress has been made in disaster recovery in dealing with multi-node failure and location outages.

On project and system changes, processes have been formalised to streamline work activity as well as to ensure that focus is appropriately maintained. Congruent with growth in business, there has been a marked increase in new requests for technology enhancements. A process has been implemented to ensure that efforts are focused on developments that will assist customers to meet their objectives, while maintaining acceptable performance levels from the systems.

In order to gear the technology function to support the growing business environment, a number of governance, risk and compliance objectives have been set. The governance framework was developed by initially identifying generic technology risks and the policies developed aligned to the framework are in some cases more Group specific. A policy framework has been implemented across the Group to manage these risks.

Compliance report

Blue Label's compliance function oversees the discharge of legal and regulatory responsibilities. The function monitors, assesses, researches and reports on the regulatory environment in which the Group operates. The compliance function reports to the Audit, Risk and Compliance Committee.

The process of compliance reporting encompasses:

- identifying and prioritising all acts and regulations at a national level applicable to Blue Label;
- incorporating regulatory requirements into control measures such as standard operating procedures or processes, manuals or policies;
- recommending corrective measures or steps to ensure compliance; and
- monitoring compliance through the adequacy and effectiveness of control measures, which includes the use of best industry practice compliance tools and active involvement by Blue Label's internal auditors to actively monitor and manage each business units' compliance against regulations on a continual basis.

There have been no material instances of non-compliance by the Group or its Directors during the past financial year.

Stakeholder relations

The Board has ultimate accountability for stakeholder strategy and engagement, recognising that developing and nurturing dialogue with key stakeholders is a driver of business sustainability.

The Board acknowledges that Blue Label's relationship with its stakeholders is a core capital, as defined by the framework for International Integrated Reporting. The responsibility for satisfactory stakeholder relationships vests with every employee in the Group, as we consider a good reputation to be a competitive advantage, which affords the Group the ability to create additional value.

We approach stakeholders with trust and respect and look to them for the same mutual good faith. A broad range of internal and external stakeholders with a material or potential interest in, or who are affected by us, have been identified.

We recognise the importance of identifying issues of a shared interest, but also value the opportunity for engagement, as it provides a unique insight into the expectations of each stakeholder group. We apply a measured approach to interacting with and responding to stakeholders, with a view to establishing enduring relationships. A stakeholder engagement programme has been formalised for key stakeholder groupings. This process takes into account the impact that each stakeholder group may have on our business, ensuring that the frequency and form of engagement is aligned to its estimated impact.

Some of the initiatives and methods used in the process of engaging with stakeholders comprise: face-to-face formal or informal, individual or group meetings (including the AGM), media and securities exchange news announcements, presentations, roadshows, telephone and conference calls, the Blue Label website (www.bluelabeltelecoms.co.za), investor site and trade visits. We rely on the results of perception studies, independent research, reputation audits, whistleblowing facilities and formal grievance mechanisms as well as financial and sustainability reports. In addition, we initiate newsletters, circulars and e-mail updates, regular customer, business partner and supplier meetings, below and above-the-line advertising and marketing across various channels, formal consultations and audit processes, and host management and sales conferences. Dialogue, review and feedback are encouraged wherever possible, which in turn are presented to Exco for consideration.

Prior to financial year-end, Blue Label announced a part-sponsorship of the national Springbok Rugby team, primarily in order to raise visibility and awareness of the name "Blue Label Telecoms". Sponsorship rights enabled the Company to brand its name on the Springbok rugby jersey and in numerous on- and off-field advertising exposures.

Blue Label's stakeholder engagement programme supports its efforts to be a successful, stable and ethical company contributing to the economic growth of the communities in which we operate.

In terms of King III and the Board's requirement to address stakeholder management, the Board's approach to stakeholder engagement includes:

- identifying and engaging with important stakeholders;
- appreciating that stakeholder perceptions affect reputation, and therefore managing reputation risk;
- delegating to management the responsibility to deal with stakeholder relationships;
- overseeing the mechanisms and processes for the constructive engagement of stakeholders;
- disclosing stakeholder engagement in the integrated annual report;
- striving to achieve a balance of stakeholders' legitimate expectations in the best interests of the Group; and
- ensuring equitable treatment of shareholders.

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Employees – investing in the development of our people	Continuous communication with employees covers matters of a strategic, financial and operational nature, including new developments, product launches, health and safety initiatives, internal policies and practices such as the ethics hotline, competitions, business initiatives, charitable initiatives, human resource matters, staff wellness, staff-related news and regulatory and compliance matters. Blue Label also holds an annual off-site conference attended by Directors and Senior Management. The purpose of the conference is to obtain input and feedback from attendees on strategic and common operational matters. Subsidiaries host their own management, sales and strategy conferences at least once a year.	Staff meetings, newsletters, posters, e-mails, staff notices posted on notice boards, in the canteen and in elevators, lunch and coffee station discussions, management presentations and briefings of strategy updates, financial and personal performance. For those staff based in outside regions, access to relevant information is directed via the MyTrack portal. Other forms of engagement include wellness days, a carnival day, blood donor drives, health campaigns, the year-end awards ceremony, and social events with employees, customers and service providers. More details are provided in the human capital section on page 72. From time to time, keynote and motivational speakers are invited to address discussion groups, breakaway sessions and team building exercises.	Newly appointed staff attend an induction programme held at the beginning of each month. Innovation in our entrepreneurial environment is nurtured and motivation and values are reinforced in a safe and rewarding environment. Focus is on balancing the organisation's entrepreneurial spirit with a structured work environment by streamlining processes and procedures in a relatively flat organogram and an open communication system. Staff performance is reviewed bi-annually with the intention of measuring performance and reviewing salaries. There is a forum to which staff may make recommendations and/or requests. External training, coaching and mentoring programmes are available to staff on the recommendation of their line manager. See page 70 for more details.

Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Providers of capital, including shareholders, institutional and retail investors and financial analysts – delivering value to Blue Label's shareholders	Engagement includes ongoing and/or ad hoc meetings with senior management, involving presentations and discussions covering Group financial performance, overview of strategic direction and the investment proposition. Visits to head office and the warehouse at No 75 Grayston Drive and to a local shopping centre, merchant trading grounds and our customers' sites are arranged on request. Individuals from this stakeholder group and their contact details are registered on the Blue Label investor database. Questions received via telephone or e-mail are answered expediently, with a return time of no longer than 48 hours from receipt, with due regard of close periods.	Management undertakes local and international roadshows to existing and prospective institutional investors and analysts, at which one-on-one and group meetings take place. Integrated annual report, interim report and AGM. The highlights of the interim and year-end results are published in the press as a short-form advertisement, with the long form posted on the website. Material announcements are issued through SENS via the JSE. Ad hoc face-to-face meetings, group meetings, teleconference and videoconference calls with management and/or the Head of Investor Relations. Speaker and presenter at investor conferences, JSE showcases and other workshops. Investor alerts are e-mailed to those registered on our database. Other activities as arranged by sell-side analysts, banks and financial communication and media houses.	To address this stakeholder group's request to increase its understanding of the business model, the geographies and markets in which we operate, as well as the five categories of products and services distributed, management is available to take meetings and conference calls throughout the year, subject to close period dates. Presentations and webcasts are posted on the website. A warehouse, situated at No 75 Grayston Drive, can be visited by prior arrangement. Visits are arranged to local markets, petroleum forecourts, retail outlets, Mom & Pop stores and malls, where our merchants' activities can be witnessed. By prior arrangement the truck and footsoldier model can be seen in action in nearby local communities. Visits of this nature were held in and around Johannesburg during the year.

Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Customers – enhancing innovation	The Group's customer base comprises corporate clients, chain stores, petroleum forecourts, large independent retail clients, wholesale/cash-and-carry stores, and Mom & Pop stores. Engagement involves servicing customers, through a dedicated call cycle where face-to-face meetings take place at which sharing of information on new products, market research and trends, business queries and other growth opportunities are discussed. Field technicians are deployed to assist customers with technical support and installation of terminals. Outbound calls to merchants measure customer satisfaction scores regarding touch points, trade marketing and Blu Approved branding. Senior Management liaises regularly with its customers and supplier counterparts and, in so doing, continues building and strengthening long-term relationships, which in turn, enhances growth opportunities. Merchants are categorised into three service tier groupings – gold, silver and bronze.	A dedicated, national helpdesk operating daily from 07:00 to 21:00, with a team of customer relationship and technical support consultants. Face-to-face formal and informal meetings, as well as formal consultation. The Group has a CRM system, self-help facilities and dedicated CRCs to enhance its customer engagement service. Customer satisfaction surveys are carried out across all customer segments on a regular basis. Differing levels of after-sales service is offered in each customer tier.	Price and value for money drive the relationship with this stakeholder group. FAQs by customers usually involve technical matters or account queries. It is essential that queries are expeditiously resolved in order to impart a greater sense of value to the customer. A call-out is logged for technical matters and a technician will visit the site within 24 to 48 hours. Account queries that require escalation are dealt with by a CRC who will visit the merchant. The contact centre reports regular updates to the merchant base through SMS and e-mail communications. CRCs and regional managers maintain good relationships through a scheduled call cycle that ensures open communication and updates on new product offerings. Support is also provided for POS material, branding, minor repairs and maintenance. Emphasis is placed on upselling and cross-selling opportunities within the Group's products and services. Differentiating service levels incentivise merchants to upgrade to a higher level, enhancing their value proposition in selling more of our products and services.

Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Business partners and suppliers – we collaborate to enhance the end customer's experience	The relationships with business partners such as Vodacom, MTN, Cell C, Telkom, Eskom, municipalities, utilities, parastatals, event, concert and sport organisers, transport providers, commercial banks and merchant acquirers, as well as service providers are managed in terms of written distributor and/or dealer agreements. The nature of agreements are generally long term. Relationship managers are appointed to each partner to provide a single and dedicated point of contact. Suppliers are managed in a formal procurement process, during which issues such as quality of product, creditworthiness and B-BBEE status are confirmed, prior to their appointment. Suppliers of services are, if appropriate, initially engaged through a tender process and, where successful, agreements are concluded. The majority of the Group's goods and services are procured from locally based suppliers. Engaging this group of stakeholders also provides a platform for product innovation, as well as line of sight into indicative market supply and demand trends. Existing trading relationships with the network operators afford the Group a clear line of sight into cross- and up-selling opportunities.	Written distributor and/or dealer agreements. Formal and informal meetings. Site visits are held on request. Supplier relationships may transform into customer service arrangements.	We recognise the need to work co-operatively in order to ensure quality and value for money in products and services. Adherence to contract terms and conditions and full payment for goods delivered and services rendered, are key to maintaining sound relationships with this stakeholder group. Matters raised pertain mostly to technical and operational issues, which are resolved timeously thereby ensuring a smooth service delivery. Supplier relationships may transform into customer service arrangements.

Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Communities, educational institutions and research organisations – participating with leaders in the communities in which we operate	By deepening our understanding of the interests of the communities in which we operate, we enhance trust and strengthen relationships. The TPC community channel specialises in the development and empowerment of broad-based communities through the deployment of mobile technology and products. The community channel aims to distribute the Group's products more widely, to create job opportunities for members of the communities and to share a portion of the revenue with them. Senior Management, such as the Group Head of Human Resources and the Head of Investor and Media Relations, also engage regularly with the business community, professional associations and research organisations across various levels. The Joint CEOs and Senior Management are involved in collaborative projects and workshops with local and international business and secondary schools. Management also takes cognisance of the published works of Financial Technology Partners LP, Frost and Sullivan, and the Institute for Futures Research at the University of Stellenbosch. The outputs of relevant print, electronic and social media monitoring services are also noted. The Joint CEOs are regularly recognised for their contributions to entrepreneurialism, business development and the community at large, if not as award recipients, then as judges. Some accolades are listed in each of their biographies on page 18.	Formal and informal meetings and forums. Training and workshops. Outreach programmes, as requested. Presentation at conferences, participation in panel and roundtable discussions. Addressing public conferences, roundtable sessions on best practices, governance and sustainability. Frequent engagement with lecturers, students and scholars at formal and informal settings. Case studies assist the Group and the community in gaining a better understanding of developments, challenges, achievements and failures. The Group, represented by Executive Directors or Senior Management, frequently participates in group discussions with the community on business entrepreneurialism and administration.	The Group supports making responsible contributions to broader societal issues, be it through its charitable donations, CSI spend or in developing our business model among communities. See page 71 for more detail. The communities in which the TPC community channel operates mainly focuses on the upliftment of their communities, the enhancement of skills and the delivery of services in their mostly rural areas. These issues are directly addressed by the community channel, in focusing on providing services, creating job opportunities and stimulating economic upliftment. These opportunities provide extramural stimulus for senior staff and enable them to extend their knowledge, mentoring reach and networks. This provides the Group access to talented individuals, while gaining direct line of sight into academia, where it may be able to offer and receive learning.

Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Members of the media, including journalists, reporters and editors – engaging with outsiders to our business who may have difficulty understanding our activities	Briefings to media are held at the interim and full-year results, followed by Q&A. One-on-one interviews are conducted on radio, TV and with print and online journalists and editors. Ad hoc requests for interviews and participation in panel discussions. Daily media monitoring assists the Group in understanding the reach, interpretation and needs of this stakeholder group.	News releases are distributed to media and news services both locally and overseas, as per a database maintained by the Company. Print, online, broadcast and social media monitoring is outsourced and reports of coverage are received and distributed daily among business segments, as appropriate. A media agency is engaged to assist the Group in maximising its news-worthy activities.	Mid-cap companies do not readily gain news coverage. To raise this stakeholder group's interest and awareness of the scope of business, products and services, media briefings and trade visits, were held throughout the year. Numerous interviews with Senior Management resulted in articles being published in the press, clips aired on radio and TV, on subjects such as profiles of the CEOs, Group financial performance, various new products such as ticketing and prepaid water, and the recently proposed subscription for equity in a recapitalised Cell C. Management participates on radio and TV at the release of interim and year-end financial results.
Government, regulatory bodies and the public sector – we believe in partnering with regulators	The Group regularly engages national and local government, parastatals and other public organisations through various tender processes. From a compliance perspective, the completion and rendition of statutory returns are undertaken diligently. Blue Label is not a member of any industry association or national/international advocacy organisation in which the Company has positions in governance bodies, participates in projects or committees or provides substantive funding. The Group occasionally consults the Department of Labour and physically lodges returns at the CIPC to expedite registration.	Formal personal meetings, written communications and tender processes. The Group takes cognisance of the implications of the B-BBEE Codes of Best Practice. Meetings are held covering matters such as health and safety, employment equity, and the Codes of Best Practice. The Group meets all its statutory filing obligations in respect of the Department of Labour, CIPC, SARS, etc.	Our sound reputation is our licence to operate and we therefore have to uphold our stature with all stakeholders. During the year under review no prosecutions were brought against the Group for the contravention or non-compliance of any laws or regulations.

Remuneration report

The Board has delegated to the Remuneration and Nomination Committee (RNC) the responsibility of determining the remuneration of the Executive Directors and Senior Managers, as well as to approve the allocation of shares under the Group's forfeitable share scheme. The RNC also fulfils the functions of the Nomination Committee.

The RNC consists of three Independent Non-Executive Directors, namely Messrs GD Harlow (Chairman of RNC), LM Nestadt (Chairman of the Nomination Agenda of the RNC), and JS Mthimunye. The chairpersons respectively report to the Board on deliberations and decisions. The Joint CEOs and the Financial Director may attend meetings of the RNC by invitation, but do not vote on decisions.

With regard to the annual salary review of staff, the Group Head of Human Resources presents recommendations for consideration by the RNC. The RNC formulates its own proposals regarding the fee structure for Non-Executive Directors and the fees payable to members of Board Committees for consideration by the Board and ultimately, for approval by shareholders.

Philosophy

Blue Label's remuneration philosophy is to recruit and retain staff, who believe in and live the culture and values of the organisation. In turn, the remuneration policy strives to reward employees in a fair and equitable way in order to ensure a culture of high performance through employees who are motivated, engaged and who subscribe to the principle of achieving a balance between shareholder interests and appropriate remuneration packages.
Remuneration is designed to support Blue Label's business strategy and vision, and to align with best practices. Total rewards are set at levels that are competitive in the context of the relevant areas of responsibility and the industry in which the Group operates, with due regard to market conditions. Total incentive-based rewards are earned through the attainment of demanding key performance indices and targets, consistent with shareholder growth expectations.

The RNC is conscious of the fact that succession planning is essential to perpetuate institutional memory and ensures that comparable alternative candidates are in place for certain identified positions.

During the year, the RNC reviewed its philosophy, while also taking cognisance of best peer practices. As a result thereof, the RNC realigned its policy with regard to the criteria pertaining to the forfeitable share plan as well as introducing an outperformance bonus for members of the Executive Committee.

Governance

Key duties of the RNC include:
- ensuring that the Group upholds its entrenched remuneration philosophy;
- ensuring that the combination of fixed and variable pay is appropriate when benchmarking remuneration levels;
- reviewing incentive schemes aligned to growth in shareholder value;
- reviewing incentive schemes to ensure that they are administered and implemented in terms of their rules and performance targets;
- reviewing remuneration of Executive Directors and Senior Management;
- submitting recommendations to the Board with regard to Non-Executive remuneration for ultimate approval by shareholders; and
- managing stakeholder relations and expectations, as deemed appropriate on remuneration matters.

In the course of deliberations, the RNC considers the views of the Joint CEOs on the remuneration and performance of other Executive Directors and Senior Management.

From time to time, independent advice on market information and remuneration trends is provided to the RNC by external remuneration consultants. Blue Label's Human Resources Department also assists the Committee by providing supporting information and documentation relating to matters for its consideration, including the assessment of proposed changes to legislation, such as determining the employer's responsibility to provide retirement funding for staff. Ad hoc consultations are held with key institutional shareholders for their comment and input.

Additional governance principles applicable to the composition and principal activities of the RNC are fully set out on page 39 (Governance Framework) of the integrated annual report.

Policy

The remuneration of Executive Directors and Senior Management is determined on a total cost-to-company basis, comprising four components:
- **Fixed remuneration** – fixed monthly salary and benefits. Fixed remuneration is reviewed annually in order to ensure that Executive Directors and Senior Management, who contribute to the success of the Group, remain remunerated at appropriate levels in accordance with the remuneration philosophy.

Remuneration report

- **Incentive bonus** – a short-term performance-related bonus payment. The variable pay element provided by the short-term bonus plan is intended to enhance total pay opportunities, should it be merited by Group and individual performance. The purpose of the annual performance-related bonus payment is to reward and motivate the achievement of Group and subsidiary financial targets, as well as strategic and personal performance. The Joint CEOs may earn an annual incentive bonus of up to 120% and the Financial Director of up to 70% of annualised fixed remuneration. Senior Management may earn up to 50% of their annualised fixed remuneration.
- **Forfeitable share scheme** – a long-term performance-related incentive scheme. This incentive, in the form of forfeitable shares awarded in terms of the share plan, is based on a percentage of total annualised fixed remuneration. The intention is to reward sustained long-term performance and to align the interests of the Executive Directors and Senior Management with those of shareholders.
- **Outperformance bonus** – a bonus in the form of additional share allocations to members of the Executive Committee, linked to the annual growth in the share price, with the intention of recognising and rewarding their contribution to the overall strategy of the Group.

Fixed remuneration

Blue Label applies a discretionary approach in all remuneration reviews and there is no minimum across-the-board increase to all employees. Salary increases for the 2017 financial year ranged from 0% to 6.5% (2016: 0% to 6%).Management of each operating company were granted discretion to apply an appropriate increase, within the stipulated range, to each staff member under their control.

Details of the Directors' remuneration for the year ended 31 May 2016 appear on pages 136 and 137.

Incentive bonus plan

The Executive Directors and Senior Management participate in an annual incentive bonus structure which is based on the achievement of short-term performance targets. These targets comprise financial and non-financial components. The financial performance component is based on growth in core headline earnings per share.

The non-financial elements include the achievement of transformation targets, progress in delivering the Group's growth strategy, rolling out the Group's transactional footprint, the rate and level of progress in respect of organisational development and succession planning, together with the application of leadership qualities, corporate governance best practices and risk mitigation.

For the 2016 financial year, the Group achieved the levels required in terms of its predetermined targets for growth in core headline earnings per share. In addition, the non-financial targets set for the Executive Directors and Senior Management were also achieved. As a result, each Joint CEO was paid a bonus of 120% of annual salary and the Financial Director received a bonus of 70% of annual salary.

The bonus parameters for Executive Directors and Senior Management for the 2017 financial year have been determined as follows:

1. Executive Directors

Joint CEOs up to 120% of annual salary, Financial Director up to 70% of annual salary, of which 80% will apply to financial criteria and 20% to non-financial criteria.

- Financial (80%):
  - If growth in core headline earnings per share is less than CPI, no element of the 80% will be paid.
  - If growth in core headline earnings per share is equal to CPI plus 10%, then 70% of the 80% will be paid, either in full or pro rata, as the case may be.
  - If growth in core headline earnings per share exceeds CPI plus 10%, then an additional 30% of the 80% will be paid.
- Non-financial (20%):

The following criteria will be taken into account in determining qualification for the 20%: the achievement of agreed transformation targets, progress in delivering the Group's growth strategy, the roll out of the Group's transactional footprint, the rate and level of progress made in respect of organisational development and succession planning, together with the application of leadership qualities, corporate governance best practices and risk mitigation.

2. Senior Management

A maximum of 50% of annual salary will be paid, of which 80% will apply to financial criteria and 20% to non-financial criteria.

The financial criteria will be split as to 60% on the performance of the subsidiary which employs the person concerned (where applicable) and 20% on Group performance.

- Financial per subsidiary (60%):
  - If growth in core headline earnings per share is less than CPI, no element of the 60% will be paid.
  - If growth in core headline earnings per share is equal to CPI plus 10%, then 70% of the 60% will be paid in full or pro rata, as the case may be.

- If growth in core headline earnings per share exceeds CPI plus 10%, then an additional 30% of the 60% will be paid.
- Group performance (20%):
  - If growth in core headline earnings per share is less than CPI, no element of the 20% will be paid.
  - If growth in core headline earnings per share is equal to CPI plus 10%, then 70% of the 20% will be paid, either in full or pro rata, as the case may be.
  - If growth in core headline earnings per share exceeds CPI plus 10%, then an additional 30% of the 20% will be paid.
- Non-financial (20%):

The following criteria will be taken into account in determining qualification for the 20%: the achievement of agreed transformation targets, progress in delivering its growth strategy, the roll out of its transactional footprint, the rate and level of progress made in respect of organisational development and succession planning, together with the application of leadership qualities, corporate governance best practices and risk mitigation.

Forfeitable share scheme

The forfeitable share scheme vesting criteria for the 2013 share scheme allocation was as follows:

- 40% for retention (three years from date of award);
- 60% financial (50% for growth in core headline earnings per share and 10% based on shareholder returns);
- The 50% for growth in core headline earnings per share was based on the following achievements:
  - If growth is 5% above CPI compounded annually over three years, then 20% of the 50% would vest.
  - If growth is 10% above CPI compounded annually over three years, then an additional 50% (i.e. a total of 70%) of the 50% would vest.
  - If growth is 25% above CPI compounded annually over three years, then a further 30% (i.e. a total of 100%) of the 50% would vest.

The measurement period was from 1 June 2013 to 31 May 2016.

- The 10% for shareholder return was based on a 10% compounded growth in the share price over the three-year vesting period, measured with reference to the weighted average price per share during the month of the commencement of the allocation plus dividends over the three-year period against the weighted average share price for the month during which the vesting takes place.

In line with the criteria being met in all respects, vesting of the 2013 share scheme allocations fell due on 31 August 2016. The vesting of these awards was postponed due to the Company trading under a Cautionary Announcement with regard to the subscription of shares in Cell C Proprietary Limited. The cautionary was, however, withdrawn on 18 October 2016 and accordingly the 2013 share awards vested on that date.

The financial performance criteria for the forfeitable shares allocated in 2014 and 2015 to Senior Management will be measured at subsidiary level as opposed to Group level.

The vesting criteria for the forfeitable shares allocated in September 2016 to Executive Directors are as follows:

- 33.33% for retention (three years from date of award);
- 66.67% financial (33.33% for growth in core headline earnings per share and 33.33% based on shareholder returns);
- The 33.33% for growth in core headline earnings per share is based on the following achievements:
  - If growth is 5% above CPI compounded annually over three years, then 20% of the 33.33% will vest.
  - If growth is 10% above CPI compounded annually over three years, then an additional 50% (i.e. a total of 70%) of the 33.33% would vest. If growth is between 5% and 10% above CPI over the three years then the additional 50% will be reduced on a pro-rata basis.
  - If growth is 25% above CPI compounded annually over three years, then a further 30% (i.e. a total of 100%) of the 33.33% will vest. If growth is between 10% and 25% above CPI over the three years then the additional 30% will be reduced on a pro-rata basis.
- The 33.33% for shareholder return is based on a 10% compounded growth in the share price over the three-year vesting period, measured with reference to the weighted average price per share during the month of the commencement of the allocation plus dividends over the three-year period against the weighted average share price for the month during which the vesting takes place.

The measurement period is from 1 June 2016 to 31 May 2019.

Remuneration report continued

The vesting criteria for the forfeitable shares allocated in September 2016 to Senior Management are as follows:

- 40% for retention (three years from date of award); and
- 60% financial (30% for growth in core headline earnings per share and 30% based on shareholder returns).
- The 30% for growth in core headline earnings per share is based on the following achievements:
  - If growth is 5% above CPI compounded annually over three years, then 20% of the 30% will vest.
  - If growth is 10% above CPI compounded annually over three years, then an additional 50% (i.e. a total of 70%) of the 30% would vest. If growth is between 5% and 10% above CPI over the three years then the additional 50% will be reduced on a pro-rata basis.
  - If growth is 25% above CPI compounded annually over three years, then a further 30% (i.e. a total of 100%) of the 30% will vest. If growth is between 10% and 25% above CPI over the three years then the additional 30% will be reduced on a pro-rata basis.
- The 30% for shareholder return is based on a 10% compounded growth in the share price over the three-year vesting period, measured with reference to the weighted average price per share during the month of the commencement of the allocation plus dividends over the three-year period against the weighted average share price for the month during which the vesting takes place.

The measurement period is from 1 June 2016 to 31 May 2019.

Outperformance bonus

This bonus, awarded in shares, is earmarked for members of the Executive Committee and will be based on the growth in the share price as follows:

- Should the share price increase by 20% or more, the bonus will equate to 50% of the employee's annual cost-to-company remuneration.
- Should the share price increase from between 15% and 20%, the employee will be entitled to a pro-rata share of this bonus.
- No outperformance bonus will be awarded if the growth in the share price is less than 15%.

The quantum of shares to be awarded will be calculated on an annual basis at the end of each financial year and at the ruling share price at that date. 50% of the award will vest one year later and a further 50% one year thereafter, on the proviso that the recipients remain in the employ of the Company throughout the relative vesting periods.

The Remuneration Committee has the right to exercise its discretion from time to time in the awarding of all of the above incentive bonuses as well as the awarding and vesting of shares pertaining to the forfeitable share scheme. The exercising of this right only occurs in exceptional circumstances in which the committee believes that a change in policy is merited.

Executive Directors' service contracts

The three-year service contracts of the Executive Directors expire as follows:

- Messrs BM Levy and MS Levy, Joint CEOs – 14 November 2017.
- Mr DA Suntup, FD – 14 November 2017.

Each contract includes a restraint of trade undertaking applicable for a period of 12 months from the date from which the Executive leaves the employment from the Company on his own accord. The restraint of trade is not enforceable in the event that the employment contract is not renewed by the Company, or if the Executive's employment is illegitimately terminated by the Company.

Non-executive remuneration

Non-Executive Directors receive fees for their services on the Board and Board Committees, dependent on their attendance at meetings. Non-Executive Directors do not receive short-term incentives, nor do they participate in the forfeitable share plan or outperformance bonus of the Company. The fees payable to the Chairman and Non-Executive Directors are recommended by the RNC to the Board which, in turn, proposes the fees for approval by the shareholders at the AGM.

Non-Executive Directors may be contracted to render services to the Group in addition to the aforegoing services from time to time. There were no services contracted with Non-Executive Directors during the year, as is reflected on pages 136 and 137 of the integrated annual report.

The Board resolved at its meeting held on 28 June 2016 that Non-Executive Directors' remuneration be increased for the 2017 financial year by 6.5%, subject to the approval of shareholders.

The proposed fees payable to Non-Executive Directors are set out below:

Services as Directors	Current fee	Proposed fee
– Chairman of the Board (per annum)	R946 858	R1 008 404
– Board members (per meeting)	R43 353	R46 171
Audit, Risk and Compliance Committee (per meeting)		
– Chairman	R60 212	R64 126
– Member	R36 128	R38 476
Remuneration and Nomination Committee (per meeting)		
– Chairman	R48 170	R51 301
– Member	R28 903	R30 782
Investment Committee (per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086
Transformation, Social and Ethics Committee (per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086
Ad hoc Committee (per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086

On behalf of the Remuneration Committee:

GD Harlow
Chairman

9 November 2016

Audit, Risk and Compliance Committee report

The Audit, Risk and Compliance Committee (ARCC) is pleased to present its report for the financial year ended 31 May 2016.

The Committee is an independent statutory committee appointed by the shareholders of the Company. In addition to its statutory duties, the Board has delegated further duties to the Committee. This report covers both these sets of duties and responsibilities.

Mandate and terms of reference

The Committee has adopted comprehensive and formal terms of reference which have been approved by the Board and which are reviewed on an annual basis. The responsibilities of the ARCC include:

- examining and reviewing the Group's financial statements and reporting of interim and final results;
- reviewing and considering, for recommendation to the Board, the consolidated budget for the ensuing financial year;
- overseeing integrated reporting;
- overseeing the Internal Risk and Compliance Committee function;
- monitoring the risk management framework and assessing the risks that impact on the Group's ability to achieve its strategic objectives;
- reviewing and satisfying itself of the expertise, resources and experience of the Blue Label finance function;
- overseeing the internal audit function and internal financial control process;
- recommending the appointment of the external auditor and overseeing the external audit process, including their audit fee, independence and nature and extent of any non-audit services; and
- monitoring compliance activities.

Membership and meetings held

In accordance with the requirements of the Companies Act, No 71 of 2008 (the Act) Messrs JS Mthimunye, GD Harlow and SJ Vilakazi were appointed to the Committee by shareholders at the Annual General Meeting held on 27 November 2015.

Membership of the Committee remained unchanged during the year under review:

- JS Mthimunye (Independent Non-Executive Chairman)
- GD Harlow (Independent Non-Executive Director)
- SJ Vilakazi (Independent Non-Executive Director)

On 1 September 2016, we welcomed Ms P Mahanyele (Independent Non-Executive Director) to the Committee.

The members of the Committee collectively have experience in audit, accounting, commerce, economics, law, corporate governance and general industry. All of the members of the ARCC are Independent Non-Executive Directors.

The Committee meets quarterly and the quorum for each meeting is three members present throughout the meeting. Mandatory attendees at the meetings are the Joint Chief Executive Officers and the Financial Director of Blue Label. The external audit partner from PricewaterhouseCoopers Inc. (PwC) and a director from KPMG Services Proprietary Limited (KPMG), to whom Blue Label outsources its internal audit function, are also attendees. Both internal and external auditors are afforded the opportunity to address the meeting and have unlimited access to the Committee. During the year, the Committee met with the external and internal auditors respectively without the presence of management. The internal audit function reports directly to the ARCC and is also responsible to the Financial Director on day-to-day administrative matters.

Statutory duties discharged

In execution of its statutory duties during the year under review, the Committee:

- nominated and recommended to shareholders the reappointment of PwC as independent external auditors, with Deon Storm the audit partner, as the registered independent auditor;
- approved the fees to be paid to PwC and other external auditors, where applicable, and approved the terms of engagement;
- maintained a non-audit services policy which determines the nature and extent of any non-audit services that PwC may provide to the Group;
- discharged those statutory duties as prescribed by section 94 of the Act, acting in its capacity as the appointed audit committee of the subsidiary companies of Blue Label;

- considered the Committee's report describing how duties have been discharged; and
- submitted matters to the Board concerning the Company's accounting policies, financial controls, records and reporting, as appropriate.

Other duties discharged

Financial statements and reporting

The Committee:

- monitored compliance with accounting standards and legal requirements and ensured that all regulatory compliance matters had been considered in the preparation of the financial statements;
- reviewed the external auditor's report to the Committee and management's responses thereto and made appropriate recommendations to the Board of Directors regarding actions to be taken;
- reviewed and commented on the annual financial statements, interim reports, paid advertisements, announcements and the accounting policies and recommended these to the Board for approval;
- reviewed and recommended to the Board for adoption the consolidated budget for the ensuing financial year; and
- considered the going concern status of the Company and Group on the basis of review of the annual financial statements and the information available to the Committee and recommended such going concern status for adoption by the Board. The Board statement on the going concern status of the Group and Company is contained on page 75 of the Directors' report.

External audit and non-audit services

The ARCC has satisfied itself as to the independence of the external auditor, PwC, as set out in section 94(7) of the Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought from and provided by PwC that internal governance processes within the firm support and demonstrate its claim to independence.

To assess the effectiveness of the external auditors, the Committee considered PwC's fulfilment of the agreed audit plan and variations from the plan, and the robustness and perceptiveness of PwC in its handling of key accounting treatments and disclosures.

The Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2016 financial year.

Any non-audit services to be provided by the external auditors are governed by a formal written policy which incorporates a monetary delegation of authority in terms of non-audit services to be provided. The non-audit services rendered by the external auditors during the year ended 31 May 2016 comprised tax advisory services, tax compliance services and general advisory services. The fees applicable to the aforementioned services totalled R11.7 million (2015: R0.5 million), of which R2.4 million relate to non-audit services and the remainder to acquisition-related costs.

The ARCC has nominated, for approval at the Annual General Meeting, the reappointment of PwC as registered auditors for the 2016 financial year. The Committee also satisfied itself that PwC is accredited and appears on the JSE List of Accredited Auditors as contemplated in paragraph 3.86 of the JSE Listings Requirements.

Internal audit and internal controls

The Committee:

- reviewed the co-operation and co-ordination between the internal and external audit functions in order to avoid duplication of work. This will be further formalised through a combined assurance facilitation;
- examined and reviewed the progress made by internal audit against the approved 2015/16 audit plan;
- approved the internal audit plan for the 2016/17 financial year;
- considered the effectiveness of internal audit;
- considered internal audit findings and corrective actions taken in response to such findings; and
- reviewed the effectiveness of the systems of internal control, including internal financial control and risk management.

Risk management and compliance

The Committee:

- reviewed the integrity of the risk control systems and ensured that the risk policies and strategies of the Company are effectively managed;
- made recommendations to the Board concerning the levels of tolerance and risk appetite;

- monitored bi-annual risk assessments;
- ensured that management considered and implemented appropriate risk responses;
- reviewed legal matters that could have a material impact on the Group; and
- reviewed developments in corporate governance and best practice and considered their impact and implications across the Group with particular reference to the principles of King III.

Expertise and experience of the Financial Director and finance function

The Committee considered the appropriateness of the expertise and experience of the Financial Director and finance function in accordance with the JSE Listings Requirements and governance best practice. The ARCC concluded that the finance function is adequately resourced with technically competent individuals and is effective. The Committee confirms that it is satisfied that Dean Suntup possesses the appropriate expertise and experience to discharge his responsibilities as Financial Director.

Annual financial statements

The Committee has reviewed the accounting policies and financial statements of the Company and the Group and is satisfied that they are appropriate and comply with International Financial Reporting Standards, the JSE Listings Requirements and the requirements of the Act.

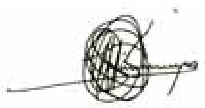
The Committee recommended the approval of the adoption of the annual financial statements to the Board.

The contents of the ARCC report were approved by the Committee on 22 August 2016. Subsequent to this date, the Committee has performed the following responsibilities:

- The Committee considered the integrated annual report, incorporating the annual financial statements for the year ended 31 May 2016. The Committee considered the sustainability information as disclosed in the integrated annual report and assessed its consistency with operational and other information known to its members.
- As recommended by King III, internal audit provides an annual written assessment on internal financial controls to the ARCC.
- The Committee recommended the approval of the integrated annual report to the Board.

The ARCC is satisfied that it has complied with its legal, regulatory and other responsibilities as per its terms of reference.

On behalf of the Audit, Risk and Compliance Committee



JS Mthimunye
Chairman

9 November 2016

Social, Ethics and Transformation Committee report

Dear stakeholders

I am pleased to report on the activities of the Committee for the financial year ended 31 May 2016.

The Committee was formed in February 2012 in accordance with section 72(4) of the Act and operates under Board-approved terms of reference, which includes holding meetings twice per financial year. This year two main items occupied the Committee's deliberations:

Transformation across the Group's workplace:

- Review current initiatives and their effectiveness and making appropriate recommendations
- Monitoring progress of the roadmap to address equity B-BBEE shortfalls
- Company and subsidiary B-BBEE ratings
- Impacts of the revised and clarified dti codes of good practice.

Boys & Girls Clubs of South Africa (BGCSA):

- The ongoing support of the flagship project, the Protea Glen Club, Soweto, culminated in its official opening in May 2016. It was attended by members of the committee and the Board of Directors. Key note speakers included Brett Levy, Archie Rantao and MEC Lesufi.

The following items were also considered during the year:

Social and economic development matters:

- Transformation and B-BBEE in general
- Employment equity, including feedback from the Chairperson of the Employment Equity Committee
- Ten principles of the United Global Compact

Labour and employment:

- Training and development, including Board participation, leadership and mentoring programmes

Corporate citizenship:

- Corporate Social Investment, including monitoring and spend on projects
- Sponsorship and donations
- Ethics Statement and Whistle Blowing Policy

Environment:

- Health and safety review
- Health and safety practices
- Review of environmental footprint

On 8 March 2016 we welcomed Yusuf Mahomed as a member of the committee.

I look forward to reporting on our progress next year.

SJ Vilakazi
Chairman

9 November 2016

Operational overview

South African distribution

The South African Distribution segment is the largest distributor of prepaid products and transactional services in South Africa, covering both the wholesale and retail markets. The product range includes prepaid airtime, data, starter packs, hardware, electricity, water, all forms of ticketing and financial services. These products are supplied across a diverse distribution footprint reaching all South Africans, thereby achieving the strategic objective of having core products and services within arm's reach of urban and rural communities.

The South African Distribution segment is the predominant contributor to the Group's revenue and profitability. The principal operating companies in this segment are The Prepaid Company, Blue Label Connect, Blue Label Distribution, TicketPro, Cigicell, Edgars Connect and Transaction Junction.

Overview

As the leading distributor of prepaid airtime and electricity in South Africa, augmented by an expanding suite of products and services, this segment is well positioned to supply its products and services through its widespread distribution footprint of approximately 150 000 devices. Distribution channels range from Mom & Pop stores, spaza shops, independent stores, wholesalers, petroleum forecourts to multi-channel retail and corporate banking partners.

SA Distribution's unique ability to deliver both virtual and physical product to an extensive distribution footprint through a single company with a proven platform across different channels to market, differentiates it as the market leader in South Africa.

Products include but are not limited to, physical products such as hardware (POS terminals, handsets, tablets and accessories), prepaid starter packs and hybrid packages and virtual products such as prepaid airtime, prepaid data, prepaid electricity, prepaid water, bill payments, voucher products, gaming, money transfers and ticketing.

The informal sector contributes approximately 89% to SA Distribution's revenue, with the remaining 11% derived from the corporate and formal retail sectors.

In a drive to reach into and uplift rural communities, SA Distribution utilises a unique and diverse route to market strategies. Solutions are facilitated by a fleet of trucks accompanied by footsoldiers, with further opportunities available through *Start your own Business* initiatives, which include *bicycle trader*, *gazebo & umbrella table* or the option of purchasing *Business in a Box* from sales agents or retail partners. In addition, innovative incentives are offered to retain merchants and reward growth, which in turn, gives SA Distribution further opportunities to cross- and up-sell.

The trend in consumers opting for "PINless or direct top-up" as an alternative redemption method for prepaid airtime, continues to escalate, with sales increasing 52% to R4.1 billion during the past year.

The majority of SA Distribution's revenue continues to be derived from the sales and distribution of prepaid airtime, data and starter packs.

Growth in sales is driven primarily through the expansion of the distribution footprint, complemented by the increasing range of products and value-added services.

SA Distribution's prepaid starter pack offers differentiation through community driven SIM packs pre-commissioned with community-related added value and content.

All starter pack sales are tracked via state-of-the-art tracking software and systems to ensure effective and accurate reporting. Flexible RICA registration solutions allow merchants to RICA SIM cards via a terminal, USSD and online from a mobile application.

SA Distribution's prepaid airtime sales are predominantly voucher based and utilised for redeeming voice/data top-ups. Growth in prepaid airtime sales has been further driven by PINless/direct top-ups. The *chat 4 change* product continues to gain momentum and has further differentiated prepaid offerings in the market.

The Prepaid Company (TPC)

The Prepaid Company is the leading distributor of prepaid products for all the major network operators. It facilitates, manages and maintains the distribution of all airtime and data, including the distribution of approximately 80 million bulk print vouchers per month. In addition, TPC activates approximately 700 000 starter packs monthly. Services are supported by proprietary technology, which ensures purchasing efficiency and inventory control.

TPC is responsible for supplier agreements and procurement on behalf of the Group, including wholesale and community sales, starter packs, handsets, tablets and bulk airtime printing. Group treasury falls under its ambit.

Operational overview continued

Blue Label Distribution

Blue Label Distribution is the largest distributor of virtual vouchers, with over 150 000 distribution points. It offers tailormade and specialised solutions enabling virtual products and services to reach a diverse distribution footprint.

Distribution expands across all segments of the market and includes corporates (insurance, banking), retail (food and non-food retailers), petroleum forecourts, independent/informal channels (Moms & Pops/spaza shops), store-in-store and standalone stores (Edgars Connect).

Products and services are enabled in several ways, which include connectivity to terminals, touch screens, vending machines, self-service terminals, mobile platforms and third-party integration into existing POS software and mobile channels.

Business is supported by eight regional offices located in Johannesburg, Polokwane, Mbombela, Bloemfontein, Durban, Port Elizabeth, East London and Cape Town. Regional offices ensure that customer support teams are in close proximity to merchants in providing them with service and field support.

Blue Label Connect

Blue Label Connect distributes tailormade hybrid top-up airtime and data contracts on behalf of all major South African cellular networks. These may be purchased as a SIM only package or alternatively bundled with mobile phones, tablets and accessories.

Blue Label Connect, through its over the air mobile platform, enables retailers to extend their customers' offerings into the digital space in order to maximise convenience for customers. Its cost-effective mobile platforms allow customers to purchase products and services utilising their mobile phones.

Edgars Connect

Blue Label in partnership with the Edcon Group, has rolled out 53 Edgars Connect standalone stores, with a view to expanding this concept nationally.

Edgars Connect is a specialty store in which customers are able to access a variety of products, including various types of handsets, tablets, prepaid, hybrid top-up and post-paid options, telephony accessories, the full product offering under the Blu Approved brand, as well as the TicketPro range of tickets.

Prepaid electricity and water

The supply of prepaid electricity tokens on behalf of the utilities is based on the same model as that of prepaid airtime. Blue Label has been vending prepaid electricity for the past 12 years and is a leading distributor in its field.

The commission earned thereon equated to R197 million (2015: R165 million). The Group acts as an agent and not as a principal in respect of electricity and water sales, resulting in only the commissions earned thereon, and not the face value of sales, being accounted for in revenue. In the current year turnover generated on behalf of the utilities increased to R12.1 billion (2015: R10.4 billion).

Recently, the Group acquired a controlling equity interest in Prepaid 24, an online vendor of prepaid products and payment services via the web, as well as a 25.1% stake in Utilities World, a provider of revenue management software and services to municipalities. Through these partnerships the Group expects to expand its customer base and product offerings to municipalities, as well as broaden its model into the rest of Africa.

Eskom's campaigns informing consumers of the benefits of converting to prepaid electricity has resulted in a continued increase in demand.

TicketPro

TicketPro's ticketing platform is one of the most innovative in South Africa, offering promoters, event organisers, stadiums, transport and travel companies a single turnkey ticketing system. It offers flexible payment options, CRM functionality with extensive and customisable reporting, complimentary ticket management, tailormade accreditation systems and state-of-the-art access control, including NFC and season ticket functionality.

TicketPro is South Africa's second largest ticketing company. Its ecosystem continually expands as it reaches deeper into sports, events, exhibitions, transport and travel ticketing sectors. All ticket types are administered, including 1D, 2D, NFC, secure print, home print and till slip ticketing.

Distribution channels include Edgars, Edgars Active, Edgars Connect, Jet, Jet Mart, CNA, Samsung and Choppies. Direct ticket sales and collections are also available at PostNet branches.

South African distribution continued

During the year, TicketPro sold over 2 million event tickets at 63 different venues, almost double the number to that achieved in the comparative year.

Financial services

In support of financial inclusion of unbanked and underbanked communities, Blue Label offers a comprehensive suite of financial services products, including bill payments, merchant acquiring and money transfers.

This year, revenue from bill payments increased, due to an incline in transaction volumes and the expansion of the bill payments' footprint.

Currently there are in excess of 250 bill issuers on the bill payment platform, covering products and services such as TV licences, satellite TV subscriptions, telephone landlines, traffic fines, municipal rates and taxes, electricity accounts, funeral policies, school fees and furniture accounts.

Current growth is expected to perpetuate as the bill payments solution is rolled out into additional independent and retail channels.

Blue Label, in partnership with Edcon, recently launched Moova Money, a mobile money transfer solution. This enables consumers to transfer money and cash out from Edcon outlets or transfer money to the Moova Money mobile wallet, thereby facilitating the purchase of products and services via the Edcon USSD application.

Technology The South African Distribution segment houses Blue Label's Technology division. The segment's dependency on back-end system management, up-time and product and service delivery is crucial to ensuring the continual expansion of the distribution footprint and products and services offered.

The proprietary AEON and AMS systems, as well as Transaction Junction's Postilion switch, entrenches the Group's capability as a neutral aggregator in connecting to multiple service and product providers and distribution channels, regardless of the channel's technology requirements.

Transaction Junction (TJ) is the foremost bank independent payment services provider in southern Africa. It processes volumes in excess of 1.2 billion transactions per annum. TJ plays a vital role in the payment ecosystem, as it consistently delivers quality solutions to customers. It serves multiple industries, including major retailers, financial institutions, petroleum companies and companies seeking to extend their payment services requirements securely and on time.

The South African Distribution segment's contribution to core net profit equated to R751 million (2015: R685 million).

Blue Approved

Blu Approved is the Group's brand that is displayed at its points of presence.

Blu Approved serves as a stamp of approval and authenticity, duly endorsed and acknowledged by Blue Label.

Mobile segment

This segment provides mobile phone users with a complete ecosystem of services that include smartphone applications, WAP, MMS, e-mail, LBS, instant messaging, web messaging, SMS and USSD.

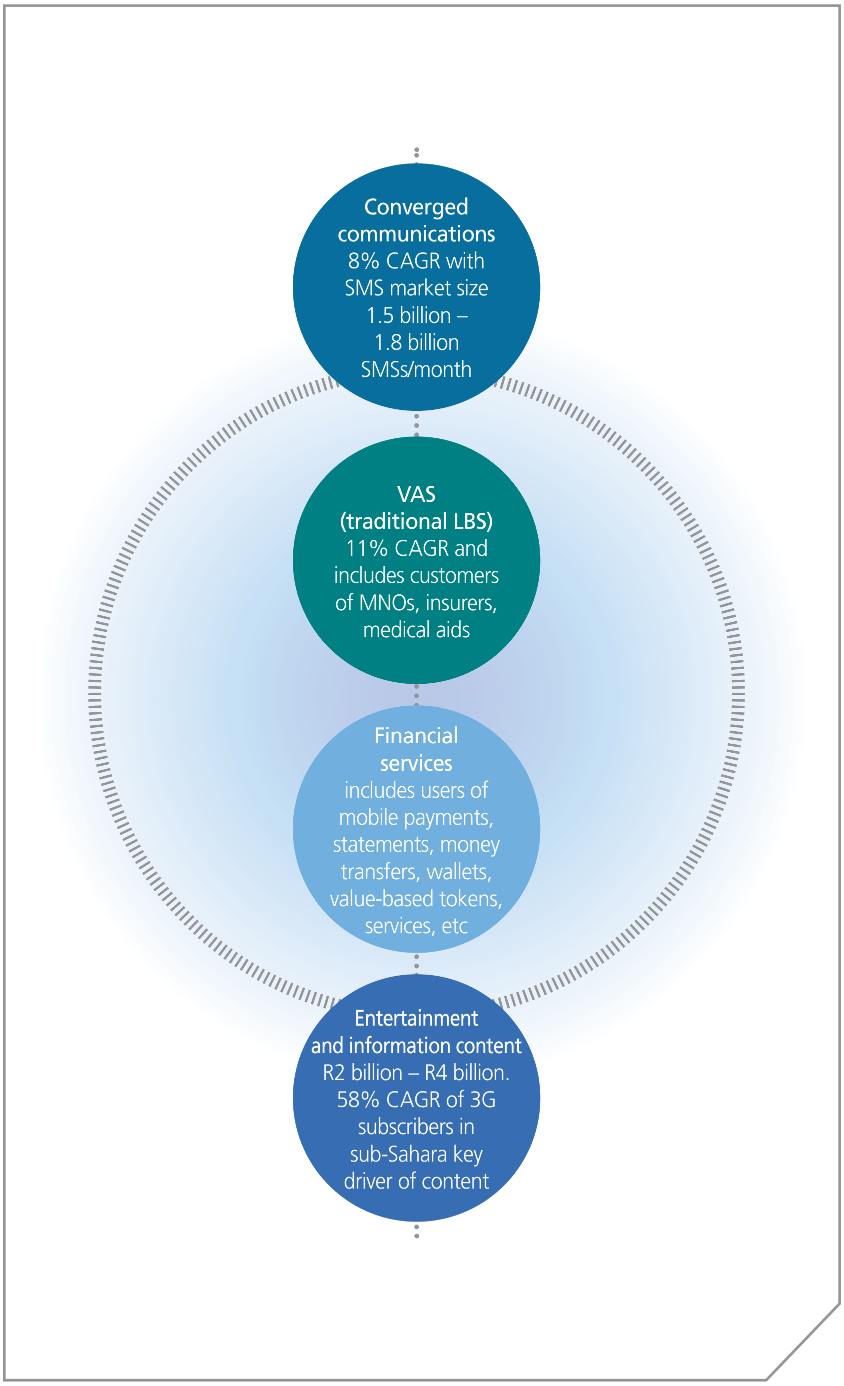
The Mobile segment's capability allows for the rapid roll out of mobile-mediated sales, financial services, banking, couponing, loyalty, rewards, ticketing, transport, NFC, media advertising, gaming and location-based services. The technologies and products developed enable its customers to reach their customers, agnostic to any phone type or any mobile operator. Core net profit contribution from this segment amounted to R64 million (2015: R29 million).

The Mobile segment houses the following main operating entities:

Cellfind is one of Africa's largest enabler of mobile messaging, value-added services and mobile financial services.

It boasts an impressive sending capacity of 1 000 SMSs per second. During the year, it sent 2.6 billion SMSs, up 8% on last year, while a new record has been set in each month of the new year, with in excess of 300 million SMSs sent per month.

Viamedia offers downloadable content for mobile phone users, across both B2C and B2B platforms. Its extensive infotainment catalogues are now downloadable across networks in seven countries in Africa and in 10 languages.



Solutions segment

This segment specialises in providing data and analytical support services, as well as inbound customer care and outbound telesales contact centre services.

Blue Label Data Solutions (BLDS) is one of South Africa's market leaders in consumer data, big data, validation, verification, cleansing of data and lead generation. BLDS is accredited by the Direct Marketing Association of South Africa, of which it is a founding member.

The focus this year has been on accumulating "big data" in-house, recognising that there are benefits to be reaped in organising and channelling it. A sophisticated "big database" is currently being developed in order to aggregate, process, analyse and prioritise vast sets of customer and transactional data, from across all the subsidiaries in the Group and their partners. The project entails normalising and harmonising vast numbers of records into a single usable profile per customer. The output already reveals patterns and trends for improving customer engagement and spend, while enabling cross- and up-selling opportunities to be identified throughout the Group's subsidiaries.

During the year, databases continued to amplify and now exceed 62 million consumers, from which 2.2 million qualifying leads were generated, while sending 879 million SMSs.

BLDS remains mindful of its obligations in terms of POPI and the Financial Advisory and Intermediary Services Act, as well as of "treating customers fairly" – as is relevant to the financial services industry.

In October 2015, the Velociti call centre was disposed of at a loss of R5.4 million. The contribution from this segment to core net profit equated to R16 million (2015: R24 million).

How we operate

In a targeted approach of mining data and harnessing algorithmic technology, our data scientists transform large and complex datasets into effective and insightful marketing data, where characteristics of underlying consumers are identified, and in turn, consumer behaviour, patterns and trends are profiled. In short: *The richer the data, the more precise we are in lead generation*.

62 million unique cell numbers

31.5 million ID numbers linked to full contact details

1.95 million right party contacts

1.7 million e-mail addresses linked to IDs

16.6 million on opt-in register

International segment

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

Blue Label Mexico (BLM)

The business in Mexico encapsulates a number of agreements with key participants in the sales and distribution channels, including the major network operators and the world's largest bakery, Grupo Bimbo, a joint 47.56% shareholder with Blue Label in BLM.

The project to expand the distribution network across Mexico progresses steadily with some 75 000 terminals now installed. BLM's strategy is to redeploy underperforming devices, while enhancing terminal activity by driving additional product and service transactions through its *Red Qiubo* terminal base.

The range of products and services on offer through BLM's technology platform includes PINless recharge, bill payments, cash collections, card payments acceptance with Citibanamex as the acquirer and Visa as a strategic partner, as well as digital food vouchers. During the year the uptake of SIM cards, which generate monthly compounded annuity income, gained momentum.

Blue Label's share of losses for the year continued to narrow, amounting to R63 million (2015: R89 million loss), consistent with judicious management of overhead costs, increasing revenue and the improvement of gross profit margins. The latter was attributable to BLM becoming a multi-carrier distributor for all networks.

Oxigen Services India

India's fintech economy continues to expand rapidly, as it embraces the country's financial inclusion imperatives. In turn, Oxigen is evolving into a two-part business, of product distribution in the offline environment and payment solutions and financial services to online mobile internet customers.

Since inception, Oxigen's focus has been on expanding its offline network of retail outlets, currently underpinned by approximately 200 000 POPs. Main products include mobile top-ups, data card recharge, satellite TV recharge, bill payments, correspondence banking and domestic remittances.

During the year, the Reserve Bank of India awarded Oxigen a licence to connect to a centralised bill payments and settlement system (the Bharat Bill Payments System), enabling it to access large numbers of pan-India billers, for payments in categories such as utilities, telephones, insurance and taxes. Recently, Oxigen launched the Aadhaar Enabled Payment System at micro-ATM terminals, enabling customers to remotely cash-in/out on cardless transactions by utilising their Aadhaar ID numbers as authentication. In furthering convenience for customers, Oxigen has connected to Immediate Payment Service (IMPS) of NPCI, an instant 24/7 interbank electronic funds transfer service.

In aligning with the dynamic expansion of India's fintech economy, a strategic decision was made to enter the online wallet market. Although offline retail-based wallets continue to increase, acquiring additional wallet subscribers through online channels has the potential of compounding transactional revenue. These wallets also have an intrinsic value based on worldwide trends. At financial year-end, Oxigen Wallet supported 23 million subscribers, an increase of 18 million from the prior year. In order to attract and retain wallet subscribers, in both offline and online ecosystems, significant developmental, marketing and advertising spend is required.

Recently, the virtual Visa card was launched, enabling wallet users, who do not have a debit or credit card, to transact by creating their own multi-or-one time Visa card. The interoperability of a large number of virtual prepaid Visa cards on the Oxigen platform opens up the online merchant websites in accepting the Oxigen Wallet.

As at July 2016, Oxigen transacted approximately USD4 million per day in money transfers, up from USD3.3 million per day in the prior year. Transfers, in turn, are conduits for remittances. The market potential for both domestic and international remittances is estimated at over USD100 billion, with 7% growth compounded annually. Currently, India is the top remittance receiving country in the world at USD70 billion, ahead of China, the Philippines, France and Mexico.*

Blue Label's share of losses for the year equated to R28 million (2015: R2.6 million profit).

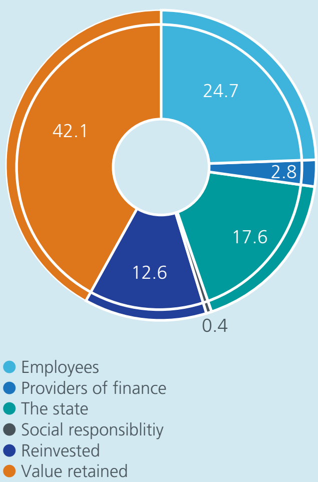
*Source: *World Bank*

Oxigen now reaches 200 000 merchants, supports 25 million wallets, touches 150 million unique customers, underpins over 600 million transactions per annum in off- and online environments, and has processed over 2.5 billion transactions.

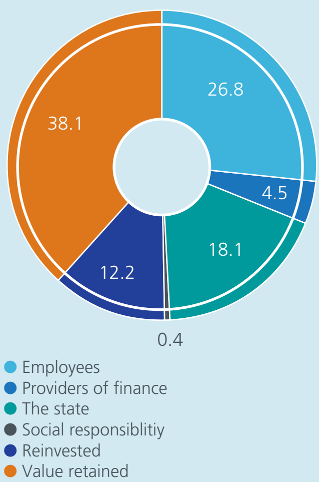
Value added statement

	2016 R'000	2016 %
VALUE ADDED		
Value added by operating activities	**1 674 203**	**96.3**
Revenue	**26 204 722**	
Net operating expenses	**(24 530 519)**	
Value added by investing activities	**64 266**	**3.7**
Interest income	**64 266**	
	1 738 469	**100**
VALUE DISTRIBUTED		
Distributed to employees	**427 116**	**24.7**
Salaries, wages, medical and other benefits	**427 116**	
Distributed to providers of finance	**48 207**	**2.8**
Finance costs	**48 207**	
Distributed to the state	**305 420**	**17.6**
Income tax	**305 420**	
Distributed to social responsibility	**6 528**	**0.4**
Corporate social investment	**6 528**	
Value reinvested	**219 586**	**12.6**
Depreciation, amortisation and impairment	**98 183**	
Net discounting finance cost	**36 270**	
Share of losses of associates and joint ventures	**71 770**	
Deferred taxation	**13 363**	
Value retained	**731 612**	**42.1**
Retained profit	**691 590**	
Non-controlling shareholders' interest	**40 022**	
	1 738 469	**100**

Value distributed 2016



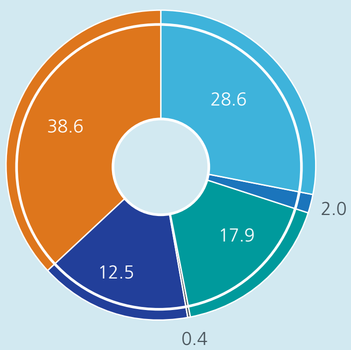
Value distributed 2015



Value added statement continued

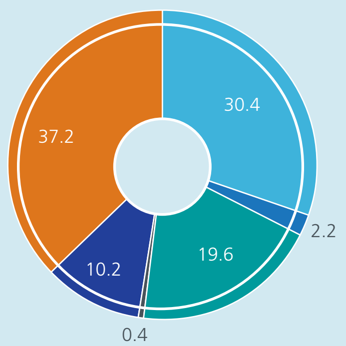
2015 R'000	2015 %	2014 R'000	2014 %	2013 R'000	2013 %	2012 R'000	2012 %
1 492 949	98.0	1 125 610	96.7	1 050 765	95.9	1 068 131	94.7
22 044 222		19 401 666		18 984 210		18 722 080	
(20 551 273)		(18 276 056)		(17 933 445)		(17 653 949)	
30 721	2.0	38 807	3.3	45 489	4.1	59 730	5.3
30 721		38 807		45 489		59 730	
1 523 670	100	1 164 417	100	1 096 254	100	1 127 861	100
407 448	26.8	332 542	28.6	332 901	30.4	329 406	29.2
407 448		332 542		332 901		329 406	
67 964	4.5	22 993	2.0	23 767	2.2	3 307	0.3
67 964		22 993		23 767		3 307	
275 768	18.1	208 996	17.9	215 075	19.6	190 759	16.9
275 768		208 996		215 075		190 759	
5 336	0.4	5 075	0.4	4 242	0.4	3 340	0.3
5 336		5 075		4 242		3 340	
185 961	12.2	145 896	12.5	112 164	10.2	181 575	16.1
94 019		65 137		67 951		91 557	
22 875		26 440		15 558		66 505	
79 338		56 873		47 326		19 835	
(10 271)		(2 554)		(18 671)		3 678	
581 193	38.1	448 915	38.6	408 105	37.2	419 474	37.2
577 617		450 230		424 841		438 104	
3 576		(1 315)		(16 736)		(18 630)	
1 523 670	100	1 164 417	100	1 096 254	100	1 127 861	100

Value distributed 2014



- Employees
- Providers of finance
- The state
- Social responsiblitiy
- Reinvested
- Value retained

Value distributed 2013



- Employees
- Providers of finance
- The state
- Social responsiblitiy
- Reinvested
- Value retained

Value distributed 2012

- Employees
- Providers of finance
- The state
- Social responsiblitiy
- Reinvested
- Value retained

Social practices

The Group has made significant progress in pursuing its transformation agenda, inclusive of but not limited to staff development, social upliftment and initiatives which have a positive impact on the South African economy as a whole.

Training and development

The Group continues to adopt a blended learning approach to staff development. All training and development initiatives are aimed at addressing development needs identified in the workplace and the upskilling of staff. A blended learning approach incorporates both online and classroom-based training. As a significant number of staff are based in regional offices, this method allows all staff to benefit from the same standards of training regardless of where they are based.

Online training initiatives

The e-learning option allows staff with identified training needs to access training material via the e-learning portal. Material covered focuses on Microsoft Office applications (e.g. Excel, Word, PowerPoint) at beginner, intermediate and advanced levels.

The technology staff have unlimited access to "Safari Books". This ensures that they have exposure to cutting-edge material aimed at enhancing their technology skillsets. Once staff have completed the various assessments linked to Safari Books, they are able to register and complete a number of online examinations for certification.

Classroom-based training initiatives

The Group offers various modules in a classroom environment. The purpose of these modules is to address various shortfalls within the skillset of the lower to middle levels of staff. Modules offered include customer service training, planning and organising, meeting management, supervisory skills for mid-management, time management, project management and problem solving. All course material is customised for the Group environment and specifically focuses on issues encountered on a daily basis.

Product-based training

Blue Label Distribution utilises the "MyTrack" portal to communicate, train and house product-related content. Staff may access the "MyTrack" website to view the latest changes and updates on products and services and other related information. Each staff member loads a training plan, specific to their job role, and progresses from Baby Blu (induction course), via Light Blu and finally to True Blu. On completion of each set, staff are incentivised and rewarded by earning points and badges. Usage is carefully monitored to ensure that all staff are up to date with the latest products, services, policies and procedures.

Senior Management and Executives

Certain members of staff participate in a guided coaching programme aimed at enhancing their strategic thinking and leadership skills. Each participant is assigned a coach and together with their direct manager agree to a development plan around their specific needs. Pre- and post-course assessments are completed and significant improvements in the strategic and leadership abilities have been recorded.

Ad hoc training

The Group may also support staff requesting ad hoc job-related training. Such training is linked to the staff members' development plan and participation is subject to a work-back contract.

The Group skills development spend for the period under review was R7 million (2015: R3.9 million). The growth in spend resulted from a greater commitment to the development needs of staff, an increased focus on upskilling technology staff, and the upwardly revised target contained within the amended B-BBEE codes, which came into effect during the period under review.

Learnerships

There are 14 (2015: 13) learners currently completing various SETA accredited learnerships within the Group. In order to optimise the value add both to the organisation and the learners, three streams of learnerships have been implemented – technology, financial accounting and end-user computing. This focused approach ensures that learners gain maximum exposure to their discipline in the workplace, while the organisation derives a dedicated learner. As appropriate, learners are deployed in the Technology division, offering first line end-user support in the creditors, debtors and finance loadings departments.

Socio-economic development (SED)

The Group streamlined SED spend for the year to focus primarily on initiatives relating to youth, sports development and technological development. Spend on SED amounted to R6.5 million (2015: R5.3 million). The increase was attributable to several subsidiaries being aligned to the ICT sector B-BBEE scorecard, which carries a higher SED target than the generic code.

The Group supports a number of beneficiaries. The main focus remains on the Boys and Girls Club of South Africa (BGCSA). The highlight for the year was the opening of the Protea Glen Club on 19 May 2016. The event was well attended by stakeholders and attracted national media coverage. The clubs offer facility-based after-school programmes for young people of ages between six and 19, duly supervised by trained professional staff who provide daily structured programmes and activities.

Enterprise and supplier development

The amended B-BBEE codes have consolidated the measurement of procurement and enterprise development into a single item focusing on enterprise and supplier development.

The Group continues to provide financial and strategic support to ZOK, a qualifying enterprise focused on empowering young, budding entrepreneurs. They have access to a fully equipped container which enables them to operate as a retail outlet, selling prepaid airtime and electricity among other retail offerings.

Given the fact that the bulk of the Group's procurement is from the MNOs, the Group took a strategic decision to route all "non-core" procurement and services through The Marvellous Company , a level 1 B-BEEE rated company.

Human capital

The recognition of the importance of human capital is prioritised throughout the Group. In order to improve on the employee experience, the Group has identified a number of key areas requiring enhancements to the existing processes, policies, infrastructure and/or resources.

Talent acquisition and retention

During the year, the Group took a decision to in-source the talent acquisition process. Profiles of the types of individuals required are created on various employment portals, which in turn, proactively search for potential candidates. Apart from driving cost efficiencies, this cloud-based approach also ensures a standardised talent acquisition process, delivers higher success rates and a quicker turnaround time. All vacant positions are advertised on the career page of the Blue Label web portal. Internal applicants are given preference, in an effort to drive promotions and advancement within the organisation.

Employee benefits

This year, the Group conducted a comparative study of staff benefits among its peer groups. The Group is implementing a provident fund for all employees, who will have the option of joining the Group provident fund scheme. The existing Group life benefits will remain unchanged.

The Group transferred all medical aid members from Bonitas to Discovery Health in April 2016, in order to ensure a consistent and equal service for all members.

Payroll system

Following a recommendation from internal audit that the Group adopt a more structured, yet accessible payroll system to enhance the payroll functionality, while offering a world-class employee and management self-service capability, the Group reviewed a number of potential product solutions.

After due consideration, the Group selected Educos to provide the necessary HR information infrastructure. The Group is in the process of moving all payroll and HR functionality from the existing system to the Educos system. The new system is web based, thereby allowing staff remote access to the system. It has a number of security features which protect the data in accordance with Group IT policies and procedures. The HR modules allow for a more structured engagement with staff relating to recruitment, training, performance management, disciplinary matters, employment equity and health and safety.

Staff wellness

The Group regularly holds Wellness Days at the workplace. Examples of services on offer include medical assessments, fitness assessments, blood donor days and charity support days. The Group also provides a 24/7 counselling service and other interventions when required.

Corporate governance

Management views incidents of child or forced labour as morally abhorrent and does not allow such activities. The Group upholds the protection of rights as afforded by the Constitution of the Republic of South Africa, the Bill of Rights and the relevant labour legislation.

Employment equity

The Group actively promotes and supports equal opportunity and fair and consistent treatment to all staff, as contained in the Group Employment Equity and Transformation Policy.

While the talent acquisition process is aimed at promoting staff internally, the underlying premise is one of merit based appointments.

The Employment Equity Committee is representative of the organisation and meets regularly to discuss and critically review issues such as barriers to employment, affirmative action requirements, performance against set targets and indirect issues that may impact negatively on the employee experience and the fulfilment of the goals as set out in the policy.

The Company and Group employment equity performances are reviewed by the Social Ethics and Transformation Committee.

Employees across the Group continue to be non-unionised.

The table below reflects the demographics of the employee base over three years, excluding international operations:

Levels	AM	CM	IM	WM	AF	CF	IF	WF	Total 2016	Total 2015	Total 2014
Unskilled and defined decision-makers	17	1	1	1	18	0	0	1	39	52	62
Semi-skilled and discretionary decision-makers	84	18	12	16	92	22	2	28	274	240	239
Skilled technical and academically qualified workers, junior management and supervisors	67	24	24	119	33	8	9	71	355	351	280
Professionally qualified and experienced specialists and mid-management	0	2	2	47	0	0	2	13	66	92	81
Senior Management	0	0	0	17	0	0	1	6	24	33	32
Top Management	2	0	0	15	1	0	0	0	18	27	36
Grand Total	**170**	**45**	**39**	**215**	**144**	**30**	**14**	**119**	**776**	**1305**	**1176**
Split as follows:											
Total permanent staff	154	42	37	212	138	30	14	116	743	795	730
Non-permanent staff	16	3	2	3	6	0	0	3	33	510	446

AM: African male, CM: Coloured male, IM: Indian male, WM: White male, AF: African female, CF: Coloured female, IF: Indian female, WF: White female.

The headcount decreased significantly from 1 305 to 776 in the period under review, mainly due to the disposal of the Velociti call centre.

The Group remains dedicated to attracting and retaining talent particularly from disadvantaged backgrounds at all levels in the organisation, but specifically at the professionally qualified level.

The consolidated Group Employment Equity Plan was submitted to and approved by the Department of Labour.

Health, safety and environment

The Group reviews and evaluates its health and safety policies, practices and procedures annually. This forms part of the Group's commitment to ensuring a safe and secure working environment for staff, contractors and visitors alike. The review also confirms compliance with relevant legislation.

The 2015/16 annual Health and Safety OSH Act Compliance Audit was conducted at head office, 75 Grayston Drive, Sandton and returned a compliance score of 94%. All health and safety policies and procedures are well managed and co-ordinated and the contribution of the Health and Safety Committee and Health and Safety Manager are to be commended.

Ten reportable injuries were recorded in the period under review, of which nine were submitted to the Department of Labour in terms of the Workmen's Compensation Act. The DIFR increased from 0.92 (2015) to 1.75 in the period under review, mainly as a result of the sale of Velociti, which reduced the employee pool significantly.

Reportable incidents recorded:

	2016	2015
Total number of injuries reported	**10**	9
Total number of claims submitted to Workmen's Compensation Department (WC Department)	**9**	9
Total number of fatalities recorded on duty	**0**	0
Disabling injury frequency rate (DIFR)	**1.75**	0.92

As the Group is a distributor of virtual merchandise utilising its proprietary AEON platform, it does not empirically measure impacts to the environment of delivering its goods and services. However, the Group and members of staff are mindful of their environmental responsibilities, as evidenced by the adoption in the workplace of a number of initiatives.

In reducing carbon footprint, a shuttle bus for the convenience of staff operates between the Sandton Gautrain Station and head office in Grayston Drive.

Overhead lighting throughout the head office building has been fitted with motion activated sensors, ensuring that electricity is conserved when lighting is not required. In a similar manner, the water flow to all wash-hand basins is motion controlled.

In respect of Company vehicles, fuel usage and driving styles are monitored electronically in order to encourage more economical driving styles, while ensuring vehicle pollution is minimised.

Over the past few years we have been producing increasingly voluminous integrated annual reports. Not only has the cost of printing and posting of these reports increased significantly, this practice also negatively affects our carbon footprint and our efforts to promote sustainability. Legislation and best practice now enable us to provide shareholders with a summarised information booklet, with the traditional integrated annual report still being available for viewing and downloading on the website.

At our CSI programme, the 700m^2 Protea Glen Boys & Girls Club of South Africa was constructed using interlocking plastic water bottles filled with sand, as opposed to bricks and mortar. This not only brought down the costs of construction, but also proved to be a most efficient and environmentally friendly building methodology.

PROMINENT NOTICE

These annual financial statements have been audited by our external auditor PricewaterhouseCoopers Inc. in compliance with the applicable requirements of the Companies Act, No 71 of 2008. Dean Suntup, Financial Director, supervised the preparation of the annual financial statements.

DA Suntup CA(SA)
Financial Director

STATEMENT OF DIRECTORS' RESPONSIBILITY

For the year ended 31 May 2016

The Directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the Group and Company financial statements of Blue Label Telecoms Limited, its subsidiaries, joint ventures and associates (the Group).

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008.

The Directors consider that having applied IFRS in preparing the Group and Company financial statements they have selected the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS statements that they consider to be applicable have been followed.

The Directors are satisfied that the information contained in the Group and Company financial statements fairly presents the results of operations for the year and the financial position of the Group at year-end. The Directors also prepared the other information included in the Group and Company financial statements and are responsible for both its accuracy and its consistency.

In addition, the Directors are responsible for the Company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Group and Company financial statements have been prepared on the going concern basis, since the Directors have every reason to believe that the Group and Company have adequate resources in place to continue in operation for the foreseeable future, based on forecasts and available cash resources. These Group and Company financial statements support the viability of the Group and the Company.

The independent auditing firm PricewaterhouseCoopers Inc., which was given unrestricted access to all financial records and related data including minutes of all meetings of shareholders, the Board of Directors and Committees of the Board has audited the Group financial statements. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements which appear on pages 82 to 179 were produced and approved by the Board of Directors on 23 August 2016 and are signed on its behalf by:

LM Nestadt
Non-executive Chairman

DA Suntup
Financial Director

BM Levy
Joint Chief Executive Officer

MS Levy
Joint Chief Executive Officer

DECLARATION BY THE COMPANY SECRETARY

For the year ended 31 May 2016

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008 (the Act), I confirm that for the year ended 31 May 2016, Blue Label Telecoms Limited has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

J van Eden
Group Company Secretary

Sandton
23 August 2016

DIRECTORS' REPORT

The Directors have pleasure in presenting the Group and Company annual financial statements of Blue Label Telecoms Limited (Blue Label Telecoms or the Company) and its subsidiary, associate and joint venture companies (the Group) for the year ended 31 May 2016.

Principal activities and strategy

Blue Label Telecoms' core business is the virtual distribution of secure electronic tokens of value and transactional services across its global footprint of touch points. The Group's stated strategy is to extend its global footprint of touch points, both organically and acquisitively, to meet the significant demand for the delivery of multiple prepaid products and services through a single distributor, across various delivery mechanisms and via numerous merchants or vendors.

Financial results

The Group recorded a net profit after tax attributable to equity holders for the year ended 31 May 2016 of R692 million (2015: R578 million). Full details of the financial position and results of the Company, the Group and its segments are set out in the annual financial statements and Group annual financial statements. The Group and Company annual financial statements for the year ended 31 May 2016 were approved by the Board and signed on its behalf on 23 August 2016.

Going concern

The financial statements have been prepared on the going concern basis, since the Directors have every reason to believe that the Blue Label Telecoms Group and the Company have adequate resources in place to continue in operation for the foreseeable future.

Disposal

On 30 October 2015 the Group disposed of its interest in Velociti Proprietary Limited for an amount of R16.5 million. Refer to note 2.2 of the Group annual financial statements for further information.

Acquisitions

The Group's effective shareholding in Oxigen Services India Private Limited (OSI) prior to March 2016 was 55.83%. Of this shareholding, 37.22% was held by Gold Label Investments (GLI), a wholly owned subsidiary of the Group and 18.61% indirectly through the Group's 50% shareholding in 2DFine Holdings Mauritius. In March 2016, rights issue was offered by OSI for USD10.5 million (R167 million). The Group exercised its rights for the entire amount through GLI congruent with 2DFine Holdings Mauritius waiving its rights. The effect of this is that GLI's shareholding has increased from 37.22% to 40.97% and its indirect shareholding of 18.61% has been diluted to 17.21%. The latter has in turn resulted in a gain of R30 million on dilution, being the Group's share of the increased net asset value emanating from the rights issue. The Group's effective shareholding in OSI therefore increased by 2.35% to 58.18%.

In September 2015 the Group increased its holding by 0.92% to 47.56% in Blue Label Mexico S.A. de C.V. for an amount of R42.5 million.

Refer to note 2.1 of the Group annual financial statements for further information.

Share capital

Full details of the authorised, issued and unissued capital of the Company at 31 May 2016 are contained in note 6 of the Group annual financial statements. There were no shares issued during the financial year ended 31 May 2016 (2015: nil).

Subsequent events

Subsequent to year-end, dividend number 7 was declared and approved by the Board.

Dividend

On 23 August 2016 the Board approved a dividend of 36 cents per ordinary share. The dividend in respect of ordinary shares for the year ended 31 May 2016 of R242 823 255 has not been recognised in the financial statements as it was declared after this date. The salient dates are as follows:

Last date to trade cum dividend	Tuesday, 13 September 2016
Shares commence trading ex dividend	Wednesday, 14 September 2016
Record date	Friday, 16 September 2016
Payment of dividend	Monday, 19 September 2016

Share certificates may be dematerialised or rematerialised between Wednesday, 14 September 2016 and Friday, 16 September 2016, both days inclusive.

Before declaring the final dividend the Board applied the solvency and liquidity test on the Company and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after payment of the final dividend. The final dividend will be paid 26 days after the Directors have performed the solvency and liquidity testing.

Dividend tax is provided for at 15% of the amount of any dividend paid by Blue Label Telecoms, subject to certain exemptions. The dividend tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

Directorate

The following are the details of the Company's Directors:

Name	Office	Appointment date	Date and nature of change
Larry M Nestadt	Independent Non-Executive Director	5 October 2007	—
Brett M Levy	Joint Chief Executive Officer	1 February 2007	—
Mark S Levy	Joint Chief Executive Officer	1 February 2007	—
Kevin M Ellerine	Non-Executive Director	8 December 2009	—
Gary D Harlow	Independent Non-Executive Director	5 October 2007	—
Yusuf Mahomed	Independent Non-Executive Director	18 August 2015	—
Joe S Mthimunye	Independent Non-Executive Director	5 October 2007	—
Mark V Pamensky	Chief Operating Officer	5 October 2007	Resigned 30 November 2015
Dean A Suntup	Financial Director	14 November 2013	—
Jeremiah S Vilakazi	Independent Non-Executive Director	19 October 2011	—

Directors' interests

The individual interests declared by Directors in the Company's share capital as at 31 May 2016, held directly or indirectly, were as follows:

	Nature of interest			
	Direct beneficial		Indirect beneficial	
Director/officer	**2016**	2015	**2016**	2015
BM Levy	**62 883 164**	62 548 690	**21 272 778**	21 272 778
MS Levy	**55 475 756**	55 141 282	**21 272 777**	21 272 777
KM Ellerine	**—**	—	**266 667**	266 667
GD Harlow	**—**	—	**2 414 815**	2 414 815
Y Mahomed	**—**	—	**12 500**	—
JS Mthimunye	**30 000**	30 000	**5 000**	—
LM Nestadt	**—**	—	**8 204 674**	8 204 674
MV Pamensky	**—**	—	**—**	5 565 738
DA Suntup	**540 005**	394 176	**3 877 778**	3 877 778
JS Vilakazi	**—**	—	**—**	—

The aggregate interest of the current Directors in the capital of the Company was as follows:

	Number of shares	
Director/officer	**2016**	2015
Beneficial	**176 255 914**	180 989 375

The beneficial interest held by Directors and officers of the Company constitutes 26.46% (2015: 27.20%) of the issued share capital of the Company.

Details of Directors' emoluments and equity compensation benefits are set out in note 5.3 of the Group annual financial statements and details of the forfeitable share plan are set out in note 5.2.

Resolutions

On 27 November 2015 the Company passed and filed with the Companies and Intellectual Property Commission the following special resolutions:

- approving the remuneration of non-executive directors; and
- granting a general authority to repurchase the Company's shares.

Except for the aforementioned, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the Group, were passed by the Company or its subsidiaries during the period covered at the date of signing these Group and Company annual financial statements.

Company Secretary

The Board is satisfied that Ms J van Eden has the requisite knowledge and experience to carry out the duties of a company secretary of a public company in accordance with section 88 of the Act and is not disqualified to act as such. She is not a director of the Board and maintains an arm's-length relationship with the Board.

The business and postal address of the Company Secretary appear on the Company's website at www.bluelabeltelecoms.co.za.

American depository receipt facility

Blue Label Telecoms has a sponsored American depository receipt facility. The facility is sponsored by BNY Mellon and details of the administrators are reflected on the Company's website.

Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act.

Larry Nestadt
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BLUE LABEL TELECOMS LIMITED

For the year ended 31 May 2016

Report on the financial statements

We have audited the Group and Company financial statements of Blue Label Telecoms Limited set out on pages 82 to 179, which comprise the Group and Company statements of financial position as at 31 May 2016, and the Group income statement, Group and Company statements of comprehensive income, Group and Company statements of changes in equity and Group and Company statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the Group and Company financial statements present fairly, in all material respects, the consolidated and separate financial position of Blue Label Telecoms Limited as at 31 May 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 May 2016, we have read the Directors' report, the Audit, Risk and Compliance Committee's report and the Declaration by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited the reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in *Government Gazette Number 39475* dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Blue Label Telecoms Limited for 12 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D Storm
Registered Auditor
Johannesburg
23 August 2016

GROUP INCOME STATEMENT

For the year ended 31 May 2016

	Notes	2016 R'000	2015 R'000
Revenue	1.2	**26 204 722**	22 044 222
Other income		**126 294**	99 972
Changes in inventories of finished goods		**(24 375 028)**	(20 399 882)
Employee compensation and benefit expense	5.2	**(427 116)**	(407 448)
Depreciation, amortisation and impairment charges		**(98 183)**	(94 019)
Other expenses		**(288 313)**	(256 699)
Operating profit	1.3	**1 142 376**	986 146
Finance costs	1.4	**(214 110)**	(233 165)
Finance income	1.4	**193 899**	173 047
Share of losses from associates and joint ventures	2.1	**(71 770)**	(79 338)
Net profit before taxation		**1 050 395**	846 690
Taxation	7.1	**(318 783)**	(265 497)
Net profit for the year		**731 612**	581 193
Net profit for the year attributable to:			
Equity holders of the parent		**691 590**	577 617
Non-controlling interest		**40 022**	3 576
Earnings per share for profit attributable to:			
Equity holders (cents)			
– Basic	1.5	**103.85**	86.86
– Diluted	1.5	**102.84**	85.03

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2016

	2016 R'000	2015 R'000
Net profit for the year	**731 612**	581 193
Other comprehensive income:		
Items reclassified to profit or loss		
Foreign currency translation reserve reclassified to profit or loss*	**—**	(18 467)
Items that may be subsequently reclassified to profit or loss		
Foreign exchange profit/(loss) on translation of associates and joint ventures*	**81 544**	(10 497)
Foreign exchange (loss)/profit on translation of foreign operations*	**(15)**	5 863
Other comprehensive income/(loss) for the year, net of tax	**81 529**	(23 101)
Total comprehensive income for the year	**813 141**	558 092
Total comprehensive income for the year attributable to:		
Equity holders of the parent	**770 652**	549 691
Non-controlling interest	**42 489**	8 401

** These components of other comprehensive income do not attract any tax.*

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 May 2016

	Notes	2016 R'000	2015 R'000
Assets			
Non-current assets		**2 275 161**	2 040 214
Property, plant and equipment	4.3	**100 434**	106 684
Intangible assets	4.2	**598 333**	648 284
Goodwill	4.1	**603 440**	606 609
Investments in and loans to associates and joint ventures	2.1	**910 567**	548 572
Loans receivable	3.1.1	**5 910**	29 733
Starter pack assets		**6 099**	4 449
Trade and other receivables	3.1.2	**29 166**	65 085
Deferred taxation assets	7.2	**21 212**	30 798
Current assets		**5 030 790**	4 986 606
Starter pack assets		**1 576**	1 938
Inventories	4.4	**1 658 860**	1 433 104
Loans receivable	3.1.1	**98 217**	44 569
Trade and other receivables	3.1.2	**2 679 023**	2 712 165
Current tax assets		**4 087**	6 419
Cash and cash equivalents	3.1.3	**589 027**	788 411
Total assets		**7 305 951**	7 026 820
Equity and liabilities			
Capital and reserves		**4 519 567**	3 917 981
Share capital	6	*****	*
Share premium		**4 012 359**	4 012 359
Treasury shares		**(69 847)**	(68 471)
Restructuring reserve		**(1 843 912)**	(1 843 912)
Foreign currency translation reserve		**179 784**	100 722
Non-distributable reserve		**7 821**	7 821
Transactions with non-controlling interest reserve		**(965 861)**	(965 861)
Equity compensation benefit reserve		**42 039**	39 297
Retained earnings		**3 105 050**	2 622 558
Total ordinary shareholders' equity		**4 467 433**	3 904 513
Non-controlling interest		**52 134**	13 468
Non-current liabilities		**102 954**	197 673
Deferred taxation liabilities	7.2	**62 141**	54 451
Trade and other payables	3.2.1	**40 813**	143 222
Current liabilities		**2 683 430**	2 911 166
Trade and other payables	3.2.1	**2 601 807**	2 831 000
Provisions	4.5	**24 928**	21 491
Current tax liabilities		**40 608**	42 588
Borrowings	3.2.2	**16 087**	16 087
Total equity and liabilities		**7 305 951**	7 026 820

** Less than R1 000.*

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2016

	Notes	Share capital R'000	Share premium R'000	Treasury shares R'000	Retained earnings R'000
Balance as at 31 May 2014		*	4 012 359	(66 527)	2 222 685
Net profit for the year		—	—	—	577 617
Other comprehensive loss		—	—	—	—
Total comprehensive income		—	—	—	577 617
Treasury shares purchased	6	—	—	(19 131)	—
Equity compensation benefit scheme shares vested		—	—	17 187	—
Equity compensation benefit movement		—	—	—	—
Share of equity movement in associates		—	—	—	—
Associate disposed		—	—	—	3 081
Dividends declared		—	—	—	(182 117)
Transaction with non-controlling interest reserve movement		—	—	—	—
Non-controlling interest acquired		—	—	—	1 292
Non-controlling interest disposed of		—	—	—	—
Balance as at 31 May 2015		*****	**4 012 359**	**(68 471)**	**2 622 558**
Net profit for the year		**—**	**—**	**—**	**691 590**
Other comprehensive income		**—**	**—**	**—**	**—**
Total comprehensive income		**—**	**—**	**—**	**691 590**
Treasury shares purchased	6	**—**	**—**	**(23 052)**	**—**
Equity compensation benefit scheme shares vested		**—**	**—**	**21 676**	**—**
Equity compensation benefit movement		**—**	**—**	**—**	**—**
Share of equity movement in associates		**—**	**—**	**—**	**—**
Dividends declared		**—**	**—**	**—**	**(209 098)**
Balance as at 31 May 2016		*****	**4 012 359**	**(69 847)**	**3 105 050**

** Less than R1 000.*

[1] *The restructuring reserve arose as a result of the restatement of Group comparatives, as required in terms of the principles of predecessor accounting. This reserve represents the difference between the fair value of the entities under the Group's control and their respective net asset values, as at the assumed restructure date of 1 June 2006.*

[2] *The non-distributable reserve arose as a result of BLT's share of share premium issued by associate companies pre-2010.*

[3] *The transactions with non-controlling interest reserve relates to the excess payments over the carrying amounts arising on transactions with non-controlling shareholders as these are treated as equity participants.*

[4] *This relates to the Group's movement in equity compensation benefit (refer to note 5.2) as well as the Group's share of the movement in equity compensation benefit of associate companies (refer to note 2.1).*

[5] *The share-based payment reserve relates to a BEE transaction concluded by Cigicell Proprietary Limited, a subsidiary of BLT. In September 2009 Ventury Proprietary Limited sold 26% of its stake in Cigicell Proprietary Limited to Sangrilor Proprietary Limited. The Group previously did not recognise this disposal and accounted for Cigicell Proprietary Limited as a wholly owned subsidiary until the purchase consideration was settled by Sangrilor Proprietary Limited. The purchase consideration was settled through the declaration of dividends by Cigicell Proprietary Limited on 1 April 2015. On this date the share-based payment reserve was released to retained earnings. The Group accounted for this sale on that date.*

GROUP STATEMENT OF CHANGES IN EQUITY continued

For the year ended 31 May 2016

Restructuring reserve[1] R'000	Foreign currency translation reserve R'000	Non-distributable reserve[2] R'000	Transactions with non-controlling interest reserve[3] R'000	Equity compensation benefit reserve[4] R'000	Share-based payment reserve[5] R'000	Total ordinary shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
(1 843 912)	128 648	10 150	(957 230)	32 368	1 292	3 539 833	(15 844)	3 523 989
—	—	—	—	—	—	577 617	3 576	581 193
—	(27 926)	—	—	—	—	(27 926)	4 825	(23 101)
—	(27 926)	—	—	—	—	549 691	8 401	558 092
—	—	—	—	—	—	(19 131)	—	(19 131)
—	—	—	—	(16 949)	—	238	(238)	—
—	—	—	—	24 082	—	24 082	208	24 290
—	—	—	—	548	—	548	—	548
—	—	(2 329)	—	(752)	—	—	—	—
—	—	—	—	—	—	(182 117)	(4 874)	(186 991)
—	—	—	(1 499)	—	—	(1 499)	—	(1 499)
—	—	—	(7 132)	—	(1 292)	(7 132)	21 529	14 397
—	—	—	—	—	—	—	4 286	4 286
(1 843 912)	**100 722**	**7 821**	**(965 861)**	**39 297**	**—**	**3 904 513**	**13 468**	**3 917 981**
—	**—**	**—**	**—**	**—**	**—**	**691 590**	**40 022**	**731 612**
—	**79 062**	**—**	**—**	**—**	**—**	**79 062**	**2 467**	**81 529**
—	**79 062**	**—**	**—**	**—**	**—**	**770 652**	**42 489**	**813 141**
—	**—**	**—**	**—**	**—**	**—**	**(23 052)**	**—**	**(23 052)**
—	**—**	**—**	**—**	**(21 429)**	**—**	**247**	**(247)**	**—**
—	**—**	**—**	**—**	**23 421**	**—**	**23 421**	**424**	**23 845**
—	**—**	**—**	**—**	**750**	**—**	**750**	**—**	**750**
—	**—**	**—**	**—**	**—**	**—**	**(209 098)**	**(4 000)**	**(213 098)**
(1 843 912)	**179 784**	**7 821**	**(965 861)**	**42 039**	**—**	**4 467 433**	**52 134**	**4 519 567**

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 May 2016

	Notes	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash received from customers		**26 271 886**	21 499 455
Cash paid to suppliers and employees		**(25 527 701)**	(21 069 649)
Cash generated by operations	1.6	**744 185**	429 806
Interest received		**42 082**	15 995
Interest paid		**(48 207)**	(67 811)
Taxation paid	7.3	**(305 118)**	(245 495)
Net cash generated from operating activities		**432 942**	132 495
Cash flows from investing activities			
Acquisition of intangible assets	4.2	**(85 175)**	(125 366)
Proceeds on disposal of intangible assets		*****	308
Proceeds on disposal of property, plant and equipment		**3 585**	3 116
Acquisition of property, plant and equipment	4.3	**(41 956)**	(53 318)
Disposal of subsidiaries net of cash disposed	2.2	**13 219**	2 334
Acquisition of subsidiaries net of cash acquired		**—**	(157 460)
Acquisition of associate and joint venture		*****	(100)
Proceeds on disposal of associate		**—**	94 897
Loans advanced to Blue Label Mexico**		**—**	(48 979)
Capital contribution to Blue Label Mexico		**(42 654)**	—
Capital contribution to Oxigen Services India		**(159 425)**	—
Equity loans advanced to Lornanox		**(58 883)**	—
Loans advanced to associates and joint ventures		**(2 213)**	(14 353)
Loans repaid by associates and joint ventures		**593**	—
Loans granted		**(59 182)**	(17 837)
Loans receivable repaid		**31 876**	7 522
Settlement of contingent consideration		**(1 931)**	(19 515)
Contingent proceeds received		**5 813**	—
Net cash utilised in investing activities		**(396 333)**	(328 751)
Cash flows from financing activities			
Interest-bearing borrowings repaid		**—**	(3 573)
Interest-bearing borrowings raised		**—**	4 419
Acquisition of treasury shares	6	**(23 052)**	(19 131)
Dividends paid to non-controlling interest		**(4 000)**	(4 874)
Dividends paid to equity holders of the parent		**(209 098)**	(182 117)
Net cash utilised in financing activities		**(236 150)**	(205 276)
Net decrease in cash and cash equivalents		**(199 541)**	(401 532)
Cash and cash equivalents at the beginning of the year		**788 411**	1 184 131
Exchange gains on cash and cash equivalents		**157**	5 812
Cash and cash equivalents at the end of the year	3.1.3	**589 027**	788 411

* *Less than R1 000.*
** *These loans were subsequently capitalised. Refer to note 2.1.*

INDEX TO THE NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS For the year ended 31 May 2016

Where applicable, accounting policies and critical accounting estimates and judgements are included in the relevant note.

1. Results of operations

1.1 Segmental summary

The Group's segment reporting follows the organisational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to these segments. Management's assessment of the Group's organisational structure takes the geographical location of the segments into account.

Operating segments are reported internally to the chief operating decision-maker in a manner consistent with the financial statements. In addition, the chief operating decision-maker uses core net profit and core headline earnings as non-IFRS measures in evaluating the Group's performance on a segmental level. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors, who are responsible for making strategic decisions on behalf of the Group.

Transactions between reportable segments are conducted on similar terms as other transactions of a similar nature.

The segment results for the year ended 31 May are as follows:

	Total		**South Africa Distribution**	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Total segment revenue	**32 439 100**	27 780 173	**31 934 736**	27 364 493
Inter-segment revenue	**(6 234 378)**	(5 735 951)	**(6 212 196)**	(5 706 602)
Revenue	**26 204 722**	22 044 222	**25 722 540**	21 657 891
Segment result				
Operating profit/(loss) before depreciation, amortisation and impairment charges	**1 240 559**	1 080 165	**1 133 433**	1 038 252
Depreciation and amortisation	**(95 615)**	(89 112)	**(74 562)**	(72 649)
Impairment of property, plant and equipment	**—**	—	**—**	—
Impairment of intangible assets	**(2 568)**	—	**(1 042)**	—
Impairment of loans	**—**	(4 907)	**—**	(219)
Finance costs	**(214 110)**	(233 165)	**(203 713)**	(225 994)
Finance income	**193 899**	173 047	**169 198**	156 703
Share of (losses)/profits from associates and joint ventures	**(71 770)**	(79 338)	**(4 937)**	—
Taxation	**(318 783)**	(265 497)	**(258 313)**	(222 905)
Net profit/(loss) for the year	**731 612**	581 193	**760 064**	673 188
Reconciliation of net profit for the year to core headline earnings for the year				
Net profit/(loss) for the year	**731 612**	581 193	**760 064**	673 188
Amortisation of intangibles raised through business combinations net of tax	**17 457**	19 628	**11 617**	13 389
Core net profit/(loss) for the year*	**749 069**	600 821	**771 681**	686 577
Headline earnings adjustment	**(23 029)**	(30 570)	**435**	(1 016)
Core headline earnings for the year*	**726 040**	570 251	**772 116**	685 561
Core headline earnings for the year attributable to:				
Equity holders of parent	**684 911**	566 012	**751 086**	683 744
Non-controlling interest	**41 129**	4 239	**21 030**	1 817
Non-cash items				
Net (loss)/profit on sale of subsidiaries	**(3 885)**	3 691	**—**	—
Net profit on disposal of associates	**—**	18 771	**—**	—
Discounting of receivables	**129 633**	142 326	**129 633**	142 326
Discounting of payables	**(165 903)**	(165 201)	**(165 903)**	(165 201)
The segment assets and liabilities at 31 May are as follows:				
Assets excluding investments in associates and joint ventures	**6 395 384**	6 478 248	**5 725 082**	5 866 457
Investments in associates and joint ventures	**910 567**	548 572	**62 649**	6 000
Total assets	**7 305 951**	7 026 820	**5 787 731**	5 872 457
Additions to non-current assets				
Property, plant and equipment	**41 956**	54 897	**37 706**	44 673
Intangible assets and goodwill	**85 175**	374 095	**53 562**	344 909
Investment in associates	**210 416**	51 424	**—**	—
Investment in joint ventures	**—**	30 051	**—**	—
Total liabilities	**(2 786 387)**	(3 108 839)	**(2 482 650)**	(2 781 588)

Segmental summary

The Company is domiciled in the Republic of South Africa. The result of its revenue from external customers in South Africa is R26.188 billion (2015: R22.026 billion), and the total revenue from external customers from other countries is R16.9 million (2015: R18.6 million).

The total non-current assets other than financial instruments and deferred tax assets located in South Africa is R1.426 billion (2015: R1.483 billion), and the total non-current assets located in other countries is R792 million (2015: R459 million).

The South African Distribution segment includes revenues of R7.647 billion and R4.637 billion earned from two external customers.

1. Results of operations continued

1.1 Segmental summary continued

At 31 May 2016, the Group is managed on the basis of five main business segments:

- South African Distribution, which includes the distribution of physical and virtual prepaid airtime and electricity of the South African mobile/fixed-line network operators and utility suppliers, and the distribution of starter packs in South Africa.
- International Distribution, which includes international distribution of physical and virtual prepaid airtime in India and Mexico, and payment solutions in India. This segment also incorporates the Africa Prepaid Services group.
- Mobile, which includes the provision of a complete mobile transactional ecosystem and services provisioning platform delivering mobile-centric products and services through any mobile channel, including location-based and WASP services, and music and digital content provision.
- Solutions, which includes marketing of cellular and financial products and services through outbound telemarketing and other channels, provides inbound customer care and technical support, and markets data and analytics services.
- Corporate, which performs the head office administration function.

	International Distribution		Mobile		Solutions		Corporate	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000
	—	—	**307 661**	251 085	**196 703**	164 595	**—**	—
	—	—	**(15 805)**	(10 917)	**(6 377)**	(18 432)	**—**	—
	—	—	**291 856**	240 168	**190 326**	146 163	**—**	—
	44 152	35 379	**111 142**	51 359	**35 889**	40 831	**(84 057)**	(85 656)
	—	—	**(13 288)**	(7 068)	**(1 521)**	(2 877)	**(6 244)**	(6 518)
	—	—	**—**	—	**—**	—	**—**	—
	—	—	**(1 526)**	—	**—**	—	**—**	—
	—	(4 688)	**—**	—	**—**	—	**—**	—
	(1)	(152)	**(2 584)**	(733)	**—**	(2)	**(7 812)**	(6 284)
	10 224	7 190	**3 277**	1 322	**933**	449	**10 267**	7 383
	(70 283)	(81 267)	**2 690**	2 658	**760**	(729)	**—**	—
	(16 062)	(14 701)	**(23 826)**	(15 732)	**(14 680)**	(9 480)	**(5 902)**	(2 679)
	(31 970)	(58 239)	**75 885**	31 806	**21 381**	28 192	**(93 748)**	(93 754)
	(31 970)	(58 239)	**75 885**	31 806	**21 381**	28 192	**(93 748)**	(93 754)
	2 641	3 593	**3 199**	2 646	**—**	—	**—**	—
	(29 329)	(54 646)	**79 084**	34 452	**21 381**	28 192	**(93 748)**	(93 754)
	(29 975)	(25 379)	**1 060**	(213)	**5 448**	—	**3**	(3 962)
	(59 304)	(80 025)	**80 144**	34 239	**26 829**	28 192	**(93 745)**	(97 716)
	(59 327)	(72 337)	**65 333**	28 346	**21 564**	23 975	**(93 745)**	(97 716)
	23	(7 688)	**14 811**	5 893	**5 265**	4 217	**—**	—
	—	—	**—**	—	**(3 885)**	—	**—**	3 691
	—	18 771	**—**	—	**—**	—	**—**	—
	—	—	**—**	—	**—**	—	**—**	—
	—	—	**—**	—	**—**	—	**—**	—
	16 608	18 894	**489 351**	425 046	**135 841**	151 077	**28 502**	16 774
	792 488	500 203	**54 210**	41 905	**1 220**	464	**—**	—
	809 096	519 097	**543 561**	466 951	**137 061**	151 541	**28 502**	16 774
	—	—	**2 469**	8 257	**928**	1 657	**853**	310
	—	—	**31 198**	27 722	**407**	1 445	**8**	19
	210 416	51 424	**—**	—	**—**	—	**—**	—
	—	—	**—**	30 051	**—**	—	**—**	—
	(35 974)	(26 792)	**(120 457)**	(147 536)	**(17 101)**	(18 011)	**(130 205)**	(134 912)

** Core net profit and core headline earnings*

Historically, a measurement of the Group's performance and the growth thereon was based on core earnings per share. This has been substituted to core headline earnings per share which is a more informative measurement of the day-to-day operations of the Group. Core net profit and core headline earnings are non-IFRS measures used by the Group in evaluating the Group's performance. These supplement the IFRS measures. Core net profit is calculated by adjusting net profit for the year with the amortisation of intangible assets net of deferred taxation and non-controlling interests that arise as a consequence of the purchase price allocations completed in terms of IFRS 3 – *Business Combinations*. Core headline earnings is calculated by adjusting core net profit with the headline earnings adjustments required by SAICA circular 2/2015.

Reconciliation of core net profit and core headline earnings to relevant IFRS measures are presented in note 1.5.

1. Results of operations continued

1.2 Revenue

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of indirect taxes, estimated returns, rebates and discounts, and after eliminated sales within the Group.

Revenue from the sale of goods is recognised when:
- the Group has transferred to the customer the risks and rewards of ownership of the goods; and
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and
- the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably; and
- it is probable that the economic benefits associated with a transaction will flow to the Group.

Revenue from the rendering of a service is recognised when:
- the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably; and
- it is probable that the economic benefits associated with a transaction will flow to the Group; and
- the stage of completion of the transaction at the end of the reporting period can be measured reliably.

The main categories of revenue are as follows:

(a) Prepaid airtime, data and related revenue
Sales of prepaid airtime and data are recognised when the Group sells airtime and data to the customer. Incentives relating to these sales, based on contractual criteria, are recognised only once the associated criteria have been met. For this category of revenue the Group will act as either a principal or an agent.

(b) Postpaid airtime, data and related revenue
Sales of postpaid airtime and data are recognised on airtime and data contracted to be delivered to customers for a period of time and billed on a monthly basis in arrears. Incentives relating to these sales, based on contractual criteria, are recognised only once the associated criteria have been met. For this category of revenue the Group will act as either a principal or an agent.

(c) Prepaid and postpaid SIM cards
Revenue is recognised when a SIM card is initially sold to the customer. Activation bonuses received from the networks are recognised when the SIM card is activated on the relevant cellular network. Ongoing revenue and other incentives are recognised once the associated contractual criteria have been met. The point of activation is determined by the relevant cellular networks. For this category of revenue the Group acts as a principal.

(d) Sales of services
Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. These services include location-based services, SMS transaction services, media, call centre and data transaction revenue, and technology revenue. For this category of revenue the Group will act as either a principal or an agent.

(e) Electricity commission
Commissions on the sale of prepaid electricity are recognised when the Group sells electricity to the customer on behalf of the utility suppliers. Commissions are recorded based on agreed rates per the contracts. For this category of revenue the Group acts as an agent.

(f) Sales of handsets, tablets and other devices
Revenue is recognised when the handset, tablet or device is sold to the customer. For this category of revenue the Group acts as a principal.

Critical accounting estimates and assumptions

Significant judgements are made by management when concluding whether the Group is transacting as an agent or a principal. The assessment is performed for each separate revenue stream in the Group. The assessment requires an analysis of key indicators, specifically whether the Group:
- carries any inventory risk;
- has the primary responsibility for providing the goods or services to the customer;
- has the latitude to establish pricing; and
- bears the customer's credit risk.

These indicators are used to determine whether the Group has exposure to the significant risks and rewards associated with the sale of goods or rendering of services. For example, any sale relating to inventory that is held by the Group, not on consignment, is a strong indicator that the Group is acting as a principal.

Where the Group acts in its capacity as principal for the sale of goods or the rendering of services, as it does in the sale of physical prepaid airtime and the sale of handsets, revenue is recognised as the fair value of the consideration receivable net of discounts and taxes. Where the Group acts in its capacity as an agent, as it does in the sale of electricity and PINless airtime, the amount of revenue recorded is the fair value of commission received or receivable.

For the year ended 31 May 2016

1. Results of operations continued

1.2 Revenue continued

	2016 R'000	2015 R'000
Prepaid airtime, data and related revenue	**24 147 786**	20 245 563
Postpaid airtime, data and related revenue	**141 397**	127 030
Prepaid and postpaid SIM cards	**607 833**	701 223
Services	**542 748**	442 600
Electricity commission	**246 371**	201 170
Handsets, tablets and other devices	**322 967**	178 886
Other revenue*	**195 620**	147 750
	26 204 722	22 044 222

** Other revenue primarily comprises meter installations, device rentals and ticket sales.*

1.3 Operating profit

	2016 R'000	2015 R'000
The following has been charged/(credited) in arriving at operating profit:		
Acquisition-related costs	**21 639**	1 971
Advertising and promotional expenses	**12 215**	14 252
Amortisation of intangible assets**	**130 353**	121 819
Audit fees – services as auditors	**16 816**	14 188
Audit fees – other	**2 468**	491
Consulting fees	**28 261**	29 645
Contingent purchase price release* (refer to note 3.2.1)	**(48 120)**	(923)
Depreciation	**42 738**	40 813
Foreign exchange profit*	**(73 499)**	(20 443)
Impairment of loans	**—**	4 907
Impairment of trade receivables	**6 418**	14 463
Impairment of trade receivables – provision	**2 923**	(4 738)
Impairment of intangible assets	**2 568**	—
Impairment of inventory	**5 368**	—
IT infrastructure costs and computer-related costs	**23 321**	21 117
Legal fees	**3 282**	14 701
Loss/(profit) on disposal of subsidiaries	**3 885**	(3 962)
Profit on disposal of associates	**—**	(37 238)
Management fees paid	**6 241**	5 624
Motor vehicle expenses	**9 559**	9 484
Operating lease rentals – premises[(a)]	**32 894**	33 692
Overseas travel	**6 512**	5 536
Profit on disposal of property, plant and equipment*	**(500)**	(1 707)

** Included in other income on the Group income statement.*

*** Included in the amortisation charge is an amount of R77.5 million (2014: R73.5 million) in respect of the purchased starter pack bases and postpaid bases, which is charged to the changes in inventories of finished goods line in the income statement.*

[(a)] Leases in which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments under operating leases, net of incentives, are charged to the income statement on a straight-line basis over the period of the lease.

1. Results of operations continued

1.4 Finance costs and finance income

Finance costs/income are recognised in profit and loss using the effective interest rate method as the instruments to which this relates are measured at amortised cost.

	2016 R'000	2015 R'000
Finance costs		
– Bank	**61**	54
– Loans and facilities	**33 851**	60 557
– Unwinding of contingent purchase price	**9 712**	6 999
– Other	**4 583**	354
– Discounting of payables	**165 903**	165 201
	214 110	233 165
Finance income		
– Bank	**(34 002)**	(13 458)
– Loans	**(4 336)**	(2 522)
– Related-party loans (refer to note 8)	**(25 351)**	(14 486)
– Other	**(577)**	(255)
– Discounting of receivables	**(129 633)**	(142 326)
	(193 899)	(173 047)
Net finance costs	**20 211**	60 118

1.5 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

(b) Headline

Headline earnings are calculated by applying the principles contained in Circular 2/2015 as issued by the South African Institute of Chartered Accountants, as required by JSE Limited.

The weighted average number of ordinary shares used is the same as that used for the basic earnings per share.

(c) Diluted – basic and headline

Diluted earnings per share are calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are the forfeitable shares granted. For this calculation, an adjustment is made for the number of shares that would be issued on vesting under the forfeitable share plan.

(d) Core headline

Core headline earnings per share are calculated by adding back to headline earnings, the amortisation of intangible assets net of deferred taxation and non-controlling interests as a consequence of the purchase price allocations completed in terms of IFRS 3(R) – *Business Combinations*.

For the year ended 31 May 2016

1. Results of operations continued

1.5 Earnings per share continued

(a) Basic

	2016	2015
Profit attributable to equity holders of the parent (R'000)	**691 590**	577 617
Weighted average number of ordinary shares in issue (thousands)	**665 950**	665 030
Basic earnings per share (cents per share)	**103.85**	86.86

(b) Headline

	Profit before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
2016				
Profit attributable to equity holders of the parent	**1 050 395**	**(318 783)**	**(40 022)**	**691 590**
Profit on disposal of property, plant and equipment	**(500)**	**140**	**—**	**(360)**
Loss on disposal of intangible assets	**4**	**(1)**	**—**	**3**
Impairment of intangible assets	**2 568**	**(719)**	**(300)**	**1 549**
Loss on disposal of subsidiary	**3 885**	**1 569**	**—**	**5 454**
Profit on dilution/disposal of associate and joint venture	**(29 975)**	**—**	**—**	**(29 975)**
Headline earnings				**668 261**
Weighted average number of ordinary shares in issue (thousands)				**665 950**
Headline earnings per share (cents per share)				**100.35**
2015				
Profit attributable to equity holders of the parent	846 690	(265 497)	(3 576)	577 617
Profit on disposal of property, plant and equipment	(1 707)	478	4	(1 225)
Impairment of property, plant and equipment in joint venture	3 264	—	—	3 264
Profit on disposal of subsidiary	(3 962)	—	—	(3 962)
Profit on disposal of associate	(37 238)	8 595	—	(28 643)
Headline earnings				547 051
Weighted average number of ordinary shares in issue (thousands)				665 030
Headline earnings per share (cents per share)				82.26

1. Results of operations continued

1.5 Earnings per share continued

		2016 R'000	2015 R'000
(c)	**Diluted – basic and headline**		
	Basic earnings (R'000)	**691 590**	577 617
	Dilutive instrument (R'000)	**—**	(5 603)
	Diluted earnings (R'000)	**691 590**	572 014
	Weighted average number of ordinary shares in issue (thousands)	**665 950**	665 030
	Adjusted for forfeitable shares (thousands)	**6 570**	7 672
	Weighted average number of ordinary shares for diluted earnings (thousands)	**672 520**	672 702
	Diluted basic earnings per share (cents per share)	**102.84**	85.03
	Headline earnings (R'000)	**668 261**	547 051
	Dilutive instrument (R'000)	**—**	(5 603)
	Diluted headline earnings (R'000)	**668 261**	541 448
	Weighted average number of ordinary shares for diluted headline earnings (thousands)	**672 520**	672 702
	Diluted headline earnings per share (cents)	**99.37**	80.49
(d)	**Core headline**		
	Reconciliation between net profit for the period and core headline earnings for the period:		
	Net profit for the period (R'000)	**691 590**	577 617
	Amortisation on intangibles raised through business combinations net of tax and non-controlling interest (R'000)	**16 650**	18 961
	Core net profit for the period (R'000)	**708 240**	596 578
	Headline earnings adjustments (R'000)	**(23 329)**	(30 566)
	Core headline earnings (R'000)	**684 911**	566 012
	Weighted average number of ordinary shares in issue (thousands)	**665 950**	665 030
	Core headline earnings per share (cents per share)	**102.85**	85.11

1.6 Cash generated by operations

	2016 R'000	2015 R'000
Reconciliation of operating profit to cash generated by operating activities:		
Operating profit	**1 142 376**	986 146
Adjustments for:		
Depreciation of property, plant and equipment	**42 738**	40 813
Amortisation of intangible assets	**130 353**	121 819
Impairment of intangible assets	**2 568**	—
Discounting of receivables recognised in revenue	**129 633**	142 326
Discounting of payables recognised in changes in inventories of finished goods	**(165 903)**	(165 201)
Impairment of loans	**—**	4 907
Profit on disposal of property, plant and equipment	**(500)**	(1 707)
Loss on disposal of intangible assets	**4**	—
Loss/(profit) on disposal of subsidiary	**3 885**	(3 962)
Profit on disposal of associates	**—**	(37 238)
Equity compensation benefit expense	**23 845**	24 290
Net forex profit	**(68 857)**	(25 718)
Changes in working capital (excluding the effects of acquisitions and disposals):		
Increase in inventories	**(225 756)**	(123 152)
Decrease/(increase) in trade and other receivables	**52 252**	(538 269)
(Decrease)/increase in trade and other payables	**(319 884)**	2 500
(Increase)/decrease in loans receivable	**(1 281)**	5 322
Increase in starter pack assets	**(1 288)**	(3 070)
	744 185	429 806

2. Group composition

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The Company accounts for investment in subsidiaries at cost, less accumulated impairment losses.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Group composition continued

Basis of consolidation continued

(d) Associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates and joint ventures includes goodwill identified on acquisition. Loans made to associates and joint ventures that are equity in nature are treated as part of the cost of the investment made.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

The Group's share of post-acquisition profit or loss is recognised in the income statement, 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. The carrying amount of the investment is also adjusted for the Group's share of post-acquisition movements in other net assets.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount adjacent to share of profit/(loss) from associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates and joint ventures are recognised in the income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

When the Group's share of losses in an associate or joint venture equals or exceeds its interests in the associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

The Company financial statements account for investments in associates and joint ventures at cost less any accumulated impairment.

2. Group composition continued

Critical accounting estimates and assumptions

(a) Valuation of intangible assets acquired as part of a business combination

The fair values of all identifiable intangible assets acquired as part of a business combination are determined using recognised valuation techniques. Such techniques often rely on forecasts of future cash flows and the use of appropriate discount rates that reflect the risk factors associated with the cash flows.

These valuations are based on information at the time of the acquisition and the expectations and assumptions that have been deemed reasonable by the Group's management. The risk exists that the underlying assumptions or events associated with such assets will not occur as projected. For these reasons, among others, the actual cash flows may vary from forecasts of future cash flows.

(b) Assessment of investment in associates and joint ventures for impairment

The Group tests annually whether investment in associates and joint ventures has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of the investment in associates and joint ventures have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 2.1 for details on these estimates.

(c) Classification of significant joint arrangements

The Group exercises judgement in determining the classification of its joint arrangements.

Blue Label Mexico S.A. de C.V.

The Group holds an effective interest of 47.56% in the issued ordinary share capital of Blue Label Mexico S.A. de C.V. The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions.

2DFine Holdings Mauritius

The Group holds an effective interest of 50% in the issued ordinary share capital of 2DFine Holdings Mauritius. The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions.

SupaPesa Africa Limited

Viamedia Proprietary Limited (75% owned by the Group) holds 50% of SupaPesa Africa Limited. Therefore the Group equity accounts for 50% of net assets. The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions.

(d) Classification of significant associates

Oxigen Services India Private Limited (Oxigen Services India)

Blue Label Telecoms Limited (BLT) acting through its wholly owned subsidiary, Gold Label Investments Proprietary Limited (GLI), acquired a 50% interest in 2DFine Holdings Mauritius. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions. 2DFine Holdings Mauritius and GLI hold 34.42% and 40.96% respectively of Oxigen Services India. In terms of IFRS, an entity does not aggregate its interests held through associates and joint ventures when assessing for control as BLT through this relationship cannot direct the financial and operating policies of Oxigen Services India. Therefore, even though BLT has an effective interest of 58.18% in Oxigen Services India, the Group neither controls nor jointly controls Oxigen Services India.

The Group has the right to appoint two directors out of a total of five. Therefore we have concluded that the Group has significant influence over the financial and operating policies of Oxigen Services India.

2. Group composition continued

2.1 Investments in and loans to associates and joint ventures

	Associate		Joint venture		Joint venture	
Company	**Oxigen Services India Private Limited**		**Blue Label Mexico S.A. de C.V.**		**2DFine Group[1]**	
Principal activity	**Airtime and payment solution provider**		**Distributor of terminals to vend e-tokens of value**		**Investment holding company**	
Country of incorporation	**India**		**Mexico**		**Mauritius**	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000
Cost and share of reserves at the beginning of the year	**61 543**	58 317	**267 568**	318 508	**(23 806)**	(13 483)
Acquisition of associates and joint ventures	**167 762**	—	**42 654**	50 033	**—**	—
Share of (losses)/profits from associates and joint ventures	**2 307**	2 621	**(63 293)**	(88 508)	**(10 245)**	(7 574)
Share of results after tax	**(27 106)**	4 095	**(61 219)**	(86 389)	**(10 245)**	(7 574)
Amortisation of intangible assets	**(786)**	(2 047)	**(2 881)**	(2 943)	**—**	—
Deferred tax on intangible assets amortisation	**220**	573	**807**	824	**—**	—
Dilution of associate[2]	**29 979**	—	**—**	—	**—**	—
Foreign currency translation reserve	**71 150**	1 445	**7 926**	(12 465)	**(8 235)**	(2 749)
Equity compensation benefit	**750**	548	**—**	—	**—**	—
Dividends received	**—**	(1 388)	**—**	—	**—**	—
Disposal of associate/joint venture included in other income	**—**	—	**—**	—	**—**	—
Cost and share of reserves at the end of the year	**303 512**	61 543	**254 855**	267 568	**(42 286)**	(23 806)
Loans at the beginning of the year	**29 552**	25 069	**—**	1 054	**163 634**	127 372
Loans granted to associates and joint ventures	**—**	—	**—**	48 979	**20 454**	15 027
Loans repaid by associates and joint ventures	**—**	—	**—**	—	**—**	—
Loan granted to joint venture capitalised	**—**	—	**—**	(50 033)	**—**	—
Unrealised foreign exchange profit on loans to associates and joint ventures	**8 807**	4 483	**—**	—	**50 804**	21 235
Loans at the end of the year	**38 359**	29 552	**—**	—	**234 892**	163 634
Closing net book value	**341 871**	91 095	**254 855**	267 568	**192 606**	139 828

[1] 2DFine Group consists of 2DFine Holdings Mauritius and 2DFine Investments Mauritius.

[2] This dilution relates to the 2DFine Group's shareholding in Oxigen Services India Private Limited decreasing from 37.22% to 34.42%. (The Group's effective share decreased from 18.1% to 17.21%). Refer to page 33.

[3] This represents an equity loan granted to Lornanox Proprietary Limited. These loans are repayable from surplus reserves at the discretion of the board.

Joint venture SupaPesa Africa Limited Content provider Mauritius		Other associates		Other joint ventures		Total	
2016 R'000	2015 R'000	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000
33 908	—	**7 709**	80 079	**564**	1 193	**347 486**	444 614
—	29 951	**59 949**[3]	7 086	**—**	100	**270 365**	87 170
348	2 658	**(3 606)**	12 194	**2 719**	(729)	**(71 770)**	(79 338)
348	2 658	**(3 606)**	12 194	**2 719**	(729)	**(99 109)**	(75 745)
—	—	**—**	—	**—**	—	**(3 667)**	(4 990)
—	—	**—**	—	**—**	—	**1 027**	1 397
—	—	**—**	—	**—**	—	**29 979**	—
10 208	1 299	**495**	1 973	**—**	—	**81 544**	(10 497)
—	—	**—**	—	**—**	—	**750**	548
—	—	**—**	—	**—**	—	**—**	(1 388)
—	—	**—**	(93 623)	**(4)**	—	**(4)**	(93 623)
44 464	33 908	**64 547**	7 709	**3 279**	564	**628 371**	347 486
—	—	**—**	—	**7 900**	—	**201 086**	153 495
—	—	**—**	—	**1 638**	7 900	**22 092**	71 906
—	—	**—**	—	**(593)**	—	**(593)**	—
—	—	**—**	—	**—**	—	**—**	(50 033)
—	—	**—**	—	**—**	—	**59 611**	25 718
—	—	**—**	—	**8 945**	7 900	**282 196**	201 086
44 464	33 908	**64 547**	7 709	**12 224**	8 464	**910 567**	548 572

For the year ended 31 May 2016

2. Group composition continued

2.1 Investments in and loans to associates and joint ventures continued

	Associate	
Company	**Oxigen Services India Private Limited**	
Principal activity	**Airtime and payment solution provider**	
Country of incorporation	**India**	
	2016 R'000	2015 R'000
Statement of financial position		
Non-current assets	**339 096**	129 691
Current assets	**451 256**	226 721
Cash and cash equivalents	**168 248**	119 757
Other current assets	**283 008**	106 964
	790 352	356 412
Total equity	**224 477**	75 737
Non-current liabilities	**10 864**	36 687
Current liabilities	**555 011**	243 988
Trade and other payables	**368 146**	180 044
Other current liabilities	**186 865**	63 944
	790 352	356 412
Effective percentage held	**58.18**	55.83
Net assets	**224 477**	75 737
Company net assets	**207 571**	59 252
Carrying value of purchase price allocations net of deferred taxation	**16 906**	16 485
Interest in associate and joint ventures	**123 664**[2]	36 148[2]
Goodwill	**179 848**	25 395
Balance at the end of the year	**303 512**	61 543
Statement of comprehensive income		
Revenue	**6 391 207**	4 858 126
Operating profit before depreciation, amortisation and impairment charges	**5 061**	25 219
Depreciation and amortisation	**(34 037)**	(16 030)
Finance costs	**(22 284)**	(10 132)
Finance income	**5 491**	4 679
Net profit/(loss) before taxation	**(45 769)**	3 736
Taxation	**(2 292)**	957
Net profit/(loss) after taxation	**(48 061)**	4 693
Other comprehensive income/(loss)	**25 932**	(2 484)
Total comprehensive income/(loss)	**(22 129)**	2 209
Effective percentage held	**58.18**	55.83
Share of total comprehensive income	**(16 940)**[3]	1 233

We have aligned prior year disclosure in line with current year.

[1] 2DFine Group consists of 2DFine Holdings Mauritius and 2DFine Investments Mauritius.

[2] The purchase price allocation arose when the 2DFine Group purchased its holding into OSI in June 2011. The Group therefore only accounts for its effective share of the carrying value of the purchase price allocations. The effective share is 17.21% (2015: 18.61%).

[3] During the year BLT increased its effective holding by 2.35% to 58.18% in OSI.

[4] During the year BLT increased its holding by 0.92% to 47.56% in BLM. In the prior year BLT increased its shareholding by 1.07% to 46.64% in BLM.

[5] Viamedia Proprietary Limited (75% owned by the Group) holds 50% of SupaPesa Africa Proprietary Limited. Therefore the Group equity accounts for 50% of net assets.

Joint venture Blue Label Mexico S.A. de C.V.		Joint venture 2DFine Group[1]		Joint venture SupaPesa Africa Proprietary Limited	
Distributor of terminals to vend e-tokens of value		Investment holding company		Content provider	
Mexico		Mauritius		Mauritius	
2016 R'000	2015 R'000	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000
171 701	214 368	**154 706**	118 463	**10 654**	8 207
193 490	150 609	**59**	45	**8 645**	6 906
88 498	46 320	**2**	1	**4 702**	—
104 992	104 289	**57**	44	**3 943**	6 906
365 191	364 977	**154 765**	118 508	**19 299**	15 113
228 233	261 721	**(84 570)**	(47 611)	**7 889**	5 380
7 464	8 483	**—**	—	**9 855**	8 207
129 494	94 773	**239 335**	166 119	**1 555**	1 526
129 090	93 564	**897**	191	**1 311**	1 154
404	1 209	**238 438**	165 928	**244**	372
365 191	364 977	**154 765**	118 508	**19 299**	15 113
47.56	46.64	**50**	50	**37.5**	37.5
228 233	261 721	**(84 570)**	(47 611)	**7 889**	5 380
209 039	239 959	**(84 570)**	(47 611)	**7 889**	5 380
19 194	21 762	**—**	—	**—**	—
108 548	122 067	**(42 286)**	(23 806)	**3 944**[5]	2 690[5]
146 307	145 502	**—**	—	**40 520**	31 215
254 855	267 569	**(42 286)**	(23 806)	**44 464**	33 905
4 016 614	3 526 451	**—**	—	**13 052**	8 110
(70 042)	(124 452)	**(645)**	(907)	**1 583**	5 900
(67 425)	(68 275)	**—**	—	**—**	—
—	—	**(19 844)**	(14 240)	**(865)**	(420)
1 927	1 719	**—**	—	**—**	—
(135 540)	(191 008)	**(20 489)**	(15 147)	**718**	5 480
1 109	(2 671)	**—**	—	**(22)**	(164)
(134 431)	(193 679)	**(20 489)**	(15 147)	**696**	5 316
16 370	(14 765)	**(16 470)**	(5 499)	**1 811**	64
(118 061)	(208 444)	**(36 959)**	(20 646)	**2 507**	5 380
47.56	46.64	**50**	50	**37.5**[5]	37.5[5]
(55 696)[4]	(92 749)[4]	**(18 479)**	(10 323)	**1 254**	2 690

2. Group composition continued

2.1 Investments in and loans to associates and joint ventures continued

The Group's interests in its other associates, which are unlisted, are as follows:

	Country of incorporation	Non-current assets R'000	Current assets R'000
2016			
Lornanox Proprietary Limited	South Africa	**40 464**	**111 732**
Mpower Softcomm Private Limited	India	**20 958**	**15 819**
2015			
Lornanox Proprietary Limited	South Africa	—	6 000
Mpower Softcomm Private Limited	India	17 700	7 288
Forensic Intelligence Data Solutions Proprietary Limited	South Africa	1 328	3 063

The Group's interests in its other joint ventures, which are unlisted, are as follows:

	Country of incorporation	Non-current assets R'000	Current assets R'000
2016			
Supa Pesa South Africa Proprietary Limited	South Africa	**148**	**4 618**
Banosign Proprietary Limited	South Africa	**118**	**5 356**
Datacision Proprietary Limited	South Africa	**—**	**15 654**
2015			
Supa Pesa South Africa Proprietary Limited	South Africa	142	1 186
Datacision Proprietary Limited	South Africa	*	14 513

** Less than R1 000.*

Loans to associates and joint ventures

	Interest rate	2016 R'000	2015 R'000
Oxigen Services India Private Limited	LIBOR + 1.50%	**38 359**	29 552
2DFine Holdings Mauritius*	10%	**234 892**	163 634
Supa Pesa South Africa Proprietary Limited	11%	**7 307**	7 900
Banosign Proprietary Limited	0%	**1 638**	—
		282 196	201 086

** Refer to note 8 for details on the surety relating to this loan.*

The loans are neither past due nor impaired with a low risk of default.

The loans to associates and joint ventures are repayable on demand.

Non-current liabilities R'000	Current liabilities R'000	Revenues R'000	Net profit/ (loss) R'000	Total compre-hensive profit/ (loss) R'000	Effective percentage interest held %	Carrying value of investment R'000
—	**97 626**	**149 044**	**(11 389)**	**(11 389)**	**40**	**61 394**
3 170	**11 632**	**49 160**	**6 711**	**6 711**	**21.6**	**3 153**
—	—	—	—	—	40	6 000
282	12 801	23 262	1 323	2 227	21.6	1 709
—	2 011	2 641	11 908	11 908	20.25	—

Non-current liabilities R'000	Current liabilities R'000	Revenues R'000	Net profit/ (loss) R'000	Total compre-hensive profit/ (loss) R'000	Effective percentage interest held %	Carrying value of investment R'000
7 308	**404**	**973**	**4 530**	**4 530**	**37.5**	**9 750**
1 638	**4 600**	**2 414**	**(764)**	**(764)**	**50.1**	**1 254**
37	**3 784**	**10 858**	**1 520**	**1 520**	**40.5**	**1 220**
8 429	378	2 180	*	*	37.5	8 000
2	4 199	22 454	3 174	3 174	40.5	464

2. Group composition continued

2.1 Investments in and loans to associates and joint ventures continued

Loans to associates and joint ventures continued

The Group considers its maximum exposure in respect of these loans, without taking into account any collateral and financial guarantees, to be as follows:

	2016 R'000	2015 R'000
Group 1	—	7 900
Group 2	282 196	193 186
Group 3	—	—
	282 196	201 086

The Group has subordinated a portion of its loan to 2DFine Holdings Mauritius Limited in favour of other creditors, to the value of R41 million.

The rating groups for counterparties are categorised as follows:
Group 1 – New customers/related parties (less than six months).
Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.
Group 3 – Existing customers/related parties (more than six months) with some defaults in the past.

Impairment of associates and joint ventures

There was no impairment of investment in associates and joint ventures. This was tested by comparing the recoverable amount against the carrying value of the investment in associates and joint ventures.

The recoverable amount is the higher of fair value less cost of disposal and the value-in-use. These value-in-use calculations use cash flow projections based on financial budgets approved by the Board of Directors for the forthcoming year and forecasts for up to five years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate.

The key assumptions used for the value-in-use calculations are as follows:

	2016		2015	
	Growth rate %	Discount rate %	Growth rate %	Discount rate %
Oxigen Services India Private Limited	5.0	35.00	5.0	21.00
SupaPesa Africa Limited	4.0	17.74	4.0	17.38
Blue Label Mexico S.A.de C.V.	3.5	16.44	3.5	18.46

The discount rates used are post-tax and reflect specific risks relating to the relevant associates and joint ventures. The growth rate is used to extrapolate cash flows beyond the budget period. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the companies operate.

The inputs used when calculating the value-in-use would need to be increased/(decreased) by the following amounts before any impairment would need to be recognised:

	2016	
	Growth rate %	Discount rate %
SupaPesa Africa Limited	(3)	2

For Oxigen Services India Private Limited and Blue Label Mexico S.A. de C.V., if one or more of the inputs were changed to a reasonable possible alternative, there would be no impairments that would have to be recognised.

In considering the impairment of the Group's investment in Oxigen Services India Private Limited (OSI), the Group has evaluated the company's historical performance and future strategy. OSI currently has 127 000 touch points operational in its offline division, with the Group's share of profits from this division increasing by R21.4 million in the current year. In India there has been a shift in demand for online wallets. Accordingly a strategic decision was made to enter this market. Through the extensive marketing OSI has undertaken, the number of wallet subscribers acquired as well as the volume of transactions performed will continue to increase. This growth is evidenced by the fact that the wallet subscriber base has increased from 5.4 million to 22.6 million in the current financial year. Daily money transfer deposits have grown from USD3.3 million per day as at 31 May 2015 to USD4.0 million per day as at 31 July 2016, increasing exponentially through its connectivity with the National Payment Corporation of India. Accordingly, the Group's share of losses generated by the online division increased by R31.5 million in the current year.

In assessing the Group's investment into the 2DFine Group, the factors relating to OSI above were taken into account as this is 2DFine Group's main investment.

Based on these factors, as well as the impairment testing performed the Group has concluded that no impairment is indicated.

The Group has concluded that no impairment of its investment in Blue Label Mexico S.A. de C.V. (BLM) is required. The losses in BLM are primarily due to BLM becoming a multi-carrier distributor as opposed to historically being confined to one network. This has created a more competitive environment amongst the networks to the benefit of BLM. The introduction of the distribution of starter packs that generate monthly compounded annuity income is expected to gain momentum which will result in further declines in losses going forward.

2. Group composition continued

2.1 Investments in and loans to associates and joint ventures continued

Shares in associates and joint ventures acquired during the current year

		Date acquired	Effective percentage
Banosign Proprietary Limited	Joint venture	01-Apr-16	50.1
Oxigen Services India Private Limited	Associate	01-Mar-16	2.35
Blue Label Mexico S.A. de C.V.	Joint venture	01-Sep-15	0.92

The Group's effective shareholding in OSI prior to March 2016 was 55.83%. Of this shareholding, 37.22% was held by Gold Label Investments (GLI), a wholly owned subsidiary of the Group and 18.61% indirectly through the Group's 50% shareholding in 2DFine Holdings Mauritius. In March 2016, a rights issue was offered by OSI for USD10.5 million. The Group exercised its rights for the entire amount through GLI congruent with 2DFine Holdings Mauritius waiving its rights. The effect of this is that GLI's shareholding has increased from 37.22% to 40.97% and its indirect shareholding of 18.61% has been diluted to 17.21%. The latter has in turn resulted in a gain of R30 million on dilution, being the Group's share of the increased net asset value emanating from the rights issue. The Group's effective shareholding in OSI therefore increased by 2.35% to 58.18%. The amount paid for this was R159.4 million, the difference of R8.3 million relates to foreign exchange differences.

In September 2015 BLT increased its holding by 0.92% to 47.56% in BLM for an amount of R42.5 million.

Shares in associates disposed of during the current year

		Date disposed	Effective percentage
Forensic Intelligence Data Solutions Proprietary Limited	Associate	01-Dec-15	20.25

The Group disposed of Forensic Intelligence Data Solutions Proprietary Limited for a nominal value.

Blue Label Telecoms Limited has guaranteed 45% of the amount owed by BLM to Radiomovil Dipsa S.A. de C.V. (trading as Telcel). At year-end there is no balance due to them by BLM.

There are no other contingent liabilities relating to the Group's interest in joint ventures.

For details on related-party transactions, refer to note 8.

2.2 Disposal of subsidiary

Date disposed	**30 October 2015**
% disposed	**100**
	Velociti Proprietary Limited R'000
Carrying/fair value of subsidiary disposed of	**17 216**
Goodwill	**3 169**
Carrying/fair value of net assets disposed of	**20 385**
Loss on disposal of subsidiary	**(3 885)**
Total proceeds on disposal received in cash	**16 500**
Less: Cash and cash equivalents in subsidiary	**(3 281)**
Cash inflow on disposal	**13 219**

On 30 October 2015, Blue Label Telecoms Limited sold its 100% shareholding in Velociti Proprietary Limited to a third party for an amount of R16.5 million. The loss on disposal of R3.9 million has been recognised in the income statement.

2. Group composition continued

2.3 Non-controlling interests

Set out below is the summarised financial information relating to each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations with other companies in the Group.

Subsidiary	**TJ Group[1]**		**Cigicell Proprietary Limited**	
Principal place of business	**RSA**		**RSA**	
Segment	**SA Distribution**		**SA Distribution**	
	2016	2015	**2016**	2015
NCI %	**40**	40	**26**	26
	R'000	R'000	**R'000**	R'000
Non-current assets	**20 903**	15 956	**1 721**	1 588
Current assets	**33 008**	22 744	**644 525**	468 758
Total assets	**53 911**	38 700	**646 246**	470 346
Capital and reserves	**46 980**	32 653	**44 979**	3 649
Non-current liabilities	**964**	791	**3 366**	1 643
Current liabilities	**5 967**	5 256	**597 901**	465 054
Total equity and liabilities	**53 911**	38 700	**646 246**	470 346
Accumulated NCI[3]	**18 792**	13 061	**11 695**	949
Summarised statement of comprehensive income for the period ended 31 May				
Revenue	**68 856**	54 040	**207 924**	217 564
Total comprehensive income/(loss) for the year	**24 327**	16 055	**41 330**	2 689
Comprehensive income/(loss) allocated to NCI	**9 731**	6 422	**10 746**	(4 853)[4]
Summarised cash flows for the period ended 31 May				
Cash flows from operating activities	**27 737**	17 299	**(15 097)**	28 017
Cash flows from investing activities	**(11 278)**	(883)	**(410)**	(502)
Cash flows from financing activities	**(9 268)**	(21 817)	**3 506**	(28 714)
Net (decrease)/increase in cash and cash equivalents	**7 191**	(5 401)	**(12 001)**	(1 199)
Dividends paid to NCI	**4 000**	—	**—**	1 330

[1] *The TJ Group consists of Transaction Junction Proprietary Limited and Transaction Junction (Namibia) Proprietary Limited.*
[2] *Viamedia Proprietary Limited was acquired 1 September 2014. The prior year results reflect the nine-month period ended May 2015.*
[3] *Accumulated NCI excludes the share-based payment reserve adjustments.*
[4] *The allocation of comprehensive income to the non-controlling shareholders of Cigicell Proprietary Limited commenced 1 April 2015.*
* *The APS Group consists of African Prepaid Services Proprietary Limited and African Prepaid Services Nigeria Limited. The NCI percentage is 10% and 30.09% respectively.*

	APS Group*		Viamedia Proprietary Limited[2]		Blue Label Data Solutions Proprietary Limited	
	RSA and Nigeria		RSA		RSA	
	International Distribution		Mobile		Solutions	
	2016	2015	**2016**	2015	**2016**	2015
	*****	*	**25**	25	**19**	19
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
	—	—	**115 492**	105 307	**7 692**	6 973
	61	38	**92 447**	57 220	**72 942**	36 825
	61	38	**207 939**	162 527	**80 634**	43 798
	(130 471)	(129 088)	**159 288**	92 050	**55 226**	27 518
	60 245	51 700	**16 222**	16 560	**1 471**	680
	70 287	77 426	**32 429**	53 917	**23 937**	15 600
	61	38	**207 939**	162 527	**80 634**	43 798
	(29 250)	(29 187)	**39 822**	23 013	**10 493**	5 228
	—	—	**186 575**	153 754	**155 881**	100 170
	(1 383)	(19 980)	**67 238**	33 167	**27 708**	22 198
	(63)	(7 688)	**16 810**	8 292	**5 265**	4 217
	(2 417)	(19 539)	**35 667**	33 929	**24 628**	26 398
	—	—	**(2 242)**	(1 506)	**(194)**	(75)
	2 440	19 530	**(2 725)**	(5 755)	**(24 848)**	(19 446)
	23	(9)	**30 700**	26 668	**(414)**	6 877
	—	—	**—**	—	**—**	3 544

2. Group composition continued

2.4 Interest in subsidiaries, associates and joint ventures

	Country	Number of issued ordinary shares	Percentage held
2016			
Subsidiaries			
Directly held:			
Subsidiaries of Blue Label Telecoms Limited			
Activi Deployment Services Proprietary Limited	RSA	100	100
Africa Prepaid Services Proprietary Limited	RSA	420	90
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	24.01
Blue Label Distribution Proprietary Limited	RSA	100	100
Blue Label One Proprietary Limited	RSA	300	100
Blu Money Proprietary Limited	RSA	100	100
BLT USA Inc.	USA	100	100
Budding Trade 1170 Proprietary Limited	RSA	100	100
Cellfind Proprietary Limited	RSA	1 000	100
Datacel Direct Proprietary Limited	RSA	100	100
Gold Label Investments Proprietary Limited	RSA	1 000	100
Kwikpay SA Proprietary Limited	RSA	100	100
Panacea Mobile Proprietary Limited	RSA	100	100
Simigenix Proprietary Limited	RSA	120	100
The Prepaid Company Proprietary Limited	RSA	10 000	100
The Post Paid Company Proprietary Limited	RSA	200	100
TicketPros Proprietary Limited	RSA	250	100
Transaction Junction Proprietary Limited	RSA	120	60
Uninex Proprietary Limited	RSA	100	100
Ventury Group Proprietary Limited	RSA	2 000	100
Viamedia Proprietary Limited	RSA	3 230 000	75
Virtual Voucher Proprietary Limited	RSA	200	100
Indirectly held:			
Subsidiary of The Prepaid Company Proprietary Limited			
Blue Label Connect Proprietary Limited***	RSA	42 431	100

**** Formerly known as Retail Mobile Credit Specialists Proprietary Limited.*

For the year ended 31 May 2016

2. Group composition continued

2.4 Interest in subsidiaries, associates and joint ventures continued

	Country	Number of issued ordinary shares	Percentage held
2016 continued			
Subsidiary of Ventury Group Proprietary Limited			
Cigicell Proprietary Limited	RSA	100	74
Subsidiary of Africa Prepaid Services Proprietary Limited			
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	51
Subsidiaries of Datacel Direct Proprietary Limited			
Blue Label Call Centre Proprietary Limited	RSA	300	100
CNS Call Centre Proprietary Limited	RSA	1 000	100
Blue Label Data Solutions Proprietary Limited	RSA	100	81
Subsidiary of Transaction Junction Proprietary Limited			
Transaction Junction (Namibia) Proprietary Limited	Namibia	100	100
Subsidiary of 2DFine Holdings Mauritius			
2DFine Investments Mauritius	Mauritius	1	100
Subsidiaries of Blue Label Mexico S.A. de C.V.			
SGC Servicios Y Gestion Corporation S.A. de C.V.	Mexico	500	99.8
Connecta Systems LLC	USA	1 000	100
Pagacel S.A. de C.V.	Mexico	500	99.8
Transipago S.A. de C.V.	Mexico	500	99.8
Associates			
Directly held:			
Associate of Blue Label Telecoms Limited			
Lornanox Proprietary Limited	RSA	120	40
Indirectly held:			
Associates of Gold Label Investments Proprietary Limited			
Oxigen Services India Private Limited	India	14 244 294	40.96
Mpower Softcomm Private Limited	India	16 286	14.4*
Associate of 2DFine Investments Mauritius			
Mpower Softcomm Private Limited	India	16 286	14.4*
Joint ventures			
Directly held:			
Joint ventures of Blue Label Telecoms Limited			
Blue Label Mexico S.A. de C.V.	Mexico	9 200	47.56**
Banosign Proprietary Limited	RSA	501	50.1**
Indirectly held:			
Joint venture of Blue Label Data Solutions Proprietary Limited			
Datacision Proprietary Limited	RSA	100	50
Joint venture of Gold Label Investments Proprietary Limited			
2DFine Holdings Mauritius	Mauritius	2	50
Joint venture of 2DFine Investments Mauritius			
Oxigen Services India Private Limited	India	14 244 294	34.42**
Joint ventures of Viamedia Proprietary Limited			
SupaPesa Africa Limited	Mauritius	100	50
Supa Pesa South Africa Proprietary Limited	RSA	200	50

* *Significant influence is demonstrated by the Company as a result of representation on the Board of Directors.*
** *Joint control is demonstrated by the composition of and decision-making powers afforded to the Board of Directors.*
*** *Formerly known as Retail Mobile Credit Specialists Proprietary Limited.*

2. Group composition continued

2.4 Interest in subsidiaries, associates and joint ventures continued

	Country	Number of issued ordinary shares	Percentage held
2015			
Subsidiaries			
Directly held:			
Subsidiaries of Blue Label Telecoms Limited			
Activi Deployment Services Proprietary Limited	RSA	100	100
Africa Prepaid Services Proprietary Limited	RSA	420	90
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	24.01
Airtime Xpress Proprietary Limited	RSA	200	100
Blue Label Distribution Proprietary Limited	RSA	100	100
Blue Label One Proprietary Limited	RSA	300	100
Blue Label Investments Proprietary Limited	RSA	1 200 000	100
Blu Money Proprietary Limited	RSA	100	100
BLT USA Inc.	USA	100	100
Budding Trade 1170 Proprietary Limited	RSA	100	100
Cellfind Proprietary Limited	RSA	1 000	100
Datacel Direct Proprietary Limited	RSA	100	100
Kwikpay SA Proprietary Limited	RSA	100	100
Panacea Mobile Proprietary Limited	RSA	100	100
Simigenix Proprietary Limited	RSA	120	100
The Prepaid Company Proprietary Limited	RSA	10 000	100
The Post Paid Company Proprietary Limited	RSA	200	100
TicketPros Proprietary Limited	RSA	250	100
Transaction Junction Proprietary Limited	RSA	120	60
Uninex Proprietary Limited	RSA	100	100
Ventury Group Proprietary Limited	RSA	2 000	100
Viamedia Proprietary Limited	RSA	3 230 000	75
Virtual Voucher Proprietary Limited	RSA	200	100
Indirectly held:			
Subsidiary of Blue Label Investments Proprietary Limited			
Gold Label Investments Proprietary Limited	RSA	1 000	100
Subsidiary of The Prepaid Company Proprietary Limited			
Retail Mobile Credit Specialists Proprietary Limited	RSA	42 431	100
Subsidiary of Ventury Group Proprietary Limited			
Cigicell Proprietary Limited	RSA	100	74

2. Group composition continued

2.4 Interest in subsidiaries, associates and joint ventures continued

	Country	Number of issued ordinary shares	Percentage held
2015 continued			
Subsidiary of Africa Prepaid Services Proprietary Limited			
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	51
Subsidiaries of Datacel Direct Proprietary Limited			
Blue Label Call Centre Proprietary Limited	RSA	300	100
CNS Call Centre Proprietary Limited	RSA	1 000	100
Velociti Proprietary Limited	RSA	1 000	100
Blue Label Data Solutions Proprietary Limited	RSA	100	81
Subsidiary of 2DFine Holdings Mauritius			
2DFine Investments Mauritius	Mauritius	1	100
Subsidiaries of Blue Label Mexico S.A. de C.V.			
SGC Servicios Y Gestion Corporation S.A. de C.V.	Mexico	500	99.8
Connecta Systems LLC	USA	1 000	100
Pagacel S.A. de C.V.	Mexico	500	99.8
Transipago S.A. de C.V.	Mexico	500	99.8
Associates			
Directly held:			
Associate of Blue Label Telecoms Limited			
Lornanox Proprietary Limited	RSA	120	40
Indirectly held:			
Associates of Gold Label Investments Proprietary Limited			
Oxigen Services India Private Limited	India	14 244 294	37.22
Mpower Softcomm Private Limited	India	16 286	14.4*
Associate of Blue Label Data Solutions Proprietary Limited			
Forensic Intelligence Data Solutions Proprietary Limited	RSA	100	25
Associate of 2DFine Investments Mauritius			
Mpower Softcomm Private Limited	India	16 286	14.4*
Joint ventures			
Directly held:			
Joint venture of Blue Label Telecoms Limited			
Blue Label Mexico S.A. de C.V.	Mexico	9 200	46.64**
Indirectly held:			
Joint venture of Blue Label Data Solutions Proprietary Limited			
Datacision Proprietary Limited	RSA	100	50
Joint venture of Gold Label Investments Proprietary Limited			
2DFine Holdings Mauritius	Mauritius	2	50
Joint venture of 2DFine Investments Mauritius			
Oxigen Services India Private Limited	India	14 244 294	37.22**
Joint ventures of Viamedia Proprietary Limited			
SupaPesa Africa Limited	Mauritius	100	50
Supa Pesa South Africa Proprietary Limited	RSA	200	50

* *Significant influence is demonstrated by the Company as a result of representation on the Board of Directors.*
** *Joint control is demonstrated by the composition of and decision-making powers afforded to the Board of Directors.*

3. Financial instruments and financial risks

Financial instruments carried on the statement of financial position include:

Loans and receivables
- Loans receivable
- Trade and other receivables
- Cash and cash equivalents

Financial liabilities
- Borrowings
- Trade and other payables

The Group recognises a financial asset or a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent recognition is dependent on how financial instruments are classified on initial recognition. IAS 39 has several categories but the group only has financial instruments classified as loans and receivables, fair value through profit and loss and financial liabilities at amortised cost. Financial assets are only derecognised when the criteria for derecognition in IAS 39 are achieved.

Category	Measurement
Loans and receivables • Loans receivable • Trade and other receivables • Starter pack assets • Cash and cash equivalents	Amortised cost using the effective interest method with interest recognised in interest income, less any impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through profit and loss • Contingent purchase consideration • Contingent consideration receivable	Fair value, with gains and losses recognised in profit and loss.
Financial liabilities • Borrowings • Trade and other payables	Amortised cost using the effective interest method with interest recognised in interest expense. Directly attributable transaction costs and fees received are capitalised and amortised through interest expense as part of the effective interest rate.

Impairment of financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the financial asset that can be estimated reliably. The Group assesses at each reporting date whether there is objective evidence that a financial asset which is carried at amortised cost is impaired.

When a receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the income statement.

3. Financial instruments and financial risks continued

Financial risks

In the course of its business, the Group is exposed to a number of financial risks: credit risk, liquidity risk and market risk (including foreign currency, interest rate and other price risks). This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Risk management is monitored and managed by key personnel of each entity in the Group on a daily basis based on their specific operational requirements.

Classes of financial instruments

	2016 R'000	2015 R'000
2016		
Financial assets		
Cash and cash equivalents	**589 027**	788 411
Trade and other receivables*	**2 520 624**	2 724 253
Contingent consideration receivable	**15 860**	17 757
Loans receivable	**104 127**	74 302
Loans to associates and joint ventures	**282 196**	201 086
	3 511 834	3 805 809
Financial liabilities		
Non-interest-bearing borrowings	**16 087**	16 087
Trade and other payables*	**2 547 378**	2 890 319
Contingent consideration	**83 563**	123 902
	2 647 028	3 030 308
Net financial position	**864 806**	775 501

**Trade and other receivables and trade and other payables exclude non-financial instruments.*

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations to the Group.

The Group is exposed to credit risk on financial assets mainly in respect of trade receivables, loan receivables and cash and cash equivalents.

Trade receivables

Trade receivables consist primarily of invoiced amounts from normal trading activities. The Group has a diversified customer base and policies are in place to ensure sales are made to customers with an appropriate credit history and payment history. Individual credit limits are set for each customer and the utilisation of these credit limits is monitored regularly. Customers cannot exceed their set credit limit, without specific Senior Management approval. Such approval is assessed and granted on a case-by-case basis. Management regularly reviews the debtors age analysis and follows up on long-outstanding debtors. Where necessary, a provision for impairment is made. A portion of the Group's customer base is made up of major retailers and wholesalers with the balance of the customer base being widely dispersed.

3. Financial instruments and financial risks continued

Starter packs

The risk of starter pack receivables is assessed as low due to the fact that annuity income can be utilised in the settlement of the receivable balances and are recoverable within a period which may exceed 12 months.

Loans receivable

Loans are only granted to holders with an appropriate credit history, taking into account the holder's financial position and past experience.

Cash and cash equivalents

The Group places cash and cash equivalents with major banking groups and quality institutions that have high credit ratings.

The Group has significant concentrations of credit risk with Investec Bank Limited in line with its treasury function. Investec Bank Limited has a credit rating of BBB- based on the latest S&P Global Ratings local currency long-term issuer default ratings.

The Group's maximum credit risk exposure is the carrying amount of all financial assets on the statement of financial position and sureties provided with the maximum amount the Group could have to pay if the sureties are called on, amounting to R78.8 million (2015: R62 million). The Group holds collateral in the form of sureties in respect of 50% of the loan receivable from 2DFine Holdings Mauritius. Refer to note 8.

Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with liabilities and other payment obligations. The Group's objective is to maintain prudent liquidity risk management by 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, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow forecasting is performed in the operating entities of the Group to ensure sufficient cash to meet operational needs while maintaining sufficient headroom to ensure that borrowing limits (where applicable) are not breached.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing accounts, identifying instruments with sufficient liquidity to provide adequate headroom as determined by the above mentioned forecasts.

The Group has a short-term loan facility with Investec Bank Limited of R1.5 billion (2015: R1.5 billion). The facility was unutilised at year-end. Drawdowns were made and fully repaid during the year.

The facility bears certain debt covenants. The Group has not been in breach in respect of these covenants. The Group has pledged certain securities in respect of this facility. Refer to notes 3.1.2, 3.1.3 and 4.4.

The Company and a subsidiary company issued a cross surety in respect of an overdraft facility in the amount of R19.85 million (2015: R19.85 million) in favour of FNB, a division of First National Bank Limited (FNB). This facility was unutilised as at 31 May 2016. In addition, the Company and four of its subsidiaries issued a cross surety in the amount of R1.3 million in respect of credit card facilities granted by FNB.

Guarantees to the value of R116 million (2015: R131 million) are issued by the Group's bankers in favour of suppliers on behalf of the Group. The Group does not have access to this cash while amounts owing to suppliers are outstanding.

3. Financial instruments and financial risks continued

Maturity of financial liabilities

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Payable in:				
	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	More than one year but not exceeding two years R'000	More than two years but not exceeding five years R'000	More than five years R'000
2016					
Non-interest-bearing borrowings	**16 087**	—	—	—	—
Trade and other payables*	**1 801 482**	**729 843**	**28 327**	—	—
Contingent consideration	—	**56 033**	**33 895**	—	—
Total	**1 817 569**	**785 876**	**62 222**	—	—
2015					
Non-interest-bearing borrowings	16 087	—	—	—	—
Trade and other payables*	1 947 194	890 651	22 781	10 133	—
Contingent consideration	—	13 593	66 869	63 000	—
Total	1 963 281	904 244	89 650	73 133	—

** Trade and other payables exclude non-financial instruments, being VAT and certain amounts included within accruals and sundry creditors.*

3.1 Financial assets

3.1.1 Loans receivable

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets.

	2016 R'000	2015 R'000
Interest-free loans	**53 189**	41 041
Interest-bearing loans receivable	**50 938**	33 261
	104 127	74 302
Less: Amounts included in current portion of loans receivable	**(98 217)**	(44 569)
	5 910	29 733

All loans receivable are unsecured and repayable within five years. Interest-bearing loans bear interest at a range of between prime and prime plus 4%.

The loans receivable are neither past due nor impaired with a low risk of default. Of this amount, R47 million (2015: R19 million) relates to loans receivable from related parties, of which R21 million (2015: R19 million) is interest free. Refer to note 8.

3. Financial instruments and financial risks continued

3.1 Financial assets continued

3.1.1 Loans receivable continued

The Group considers its maximum exposure in respect of loans receivable, without taking into account any collateral and financial guarantees, to be as follows:

	2016 R'000	2015 R'000
Group 1	**5 427**	—
Group 2	**98 340**	74 083
Group 3	**360**	219
	104 127	74 302

The rating groups for counterparties are categorised as follows:

Group 1 – New customers/related parties (less than six months).

Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.

Group 3 – Existing customers/related parties (more than six months) with some defaults in the past.

All defaults were fully recovered or are in the process of being recovered.

3.1.2 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in the normal operating cycle of the business, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

Critical accounting estimates and assumptions

Management has assessed the probabilities on the contingent sale arrangement.

	2016 R'000	2015 R'000
Trade receivables	**2 474 675**	2 642 059
Less: Provision for impairment	**(13 850)**	(10 927)
	2 460 825	2 631 132
Sundry debtors	**40 570**	34 265
Contingent consideration receivable*	**15 860**	17 757
Prepayments	**72 382**	68 958
VAT	**92 833**	15 960
Receivables from related parties (refer to note 8)	**25 719**	9 178
	2 708 189	2 777 250
Less: Amounts included in current portion of trade and other receivables**	**(2 679 023)**	(2 712 165)
	29 166	65 085

* *Ukash was disposed of in April 2015. The proceeds included a contingent receivable of R17.5 million. The contingent consideration arrangement requires the acquirer to pay in cash to the Group an additional amount of R18.1 million if certain warranties are achieved. The amounts are receivable in four six-month intervals commencing 30 September 2015. In the current year, the Group received R5.8 million relating to this.*

** *Included in the amount above are starter pack debtors that have a cycle period which may be in excess of 12 months.*

Fair value estimation

Fair value measurement hierarchy:

- Level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- Level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

For the year ended 31 May 2016

3. Financial instruments and financial risks continued

3.1 Financial assets continued

3.1.2 Trade and other receivables continued

Contingent consideration receivable

Changes in level 3 instruments are as follows:

	2016 R'000	2015 R'000
Opening balance	**17 757**	—
Disposal of Ukash	**—**	17 497
Receipts	**(5 813)**	—
Gains or losses recognised in profit or loss	**3 916**	260
Closing balance	**15 860**	17 757
Total gains or losses for the period included in profit or loss for receivables held at the end of the reporting period, under:		
Other income	**3 650**	217
Interest received	**266**	43
Change in unrealised gains or losses for the period included in profit or loss for receivables held at the end of the reporting period	**3 919**	216

The potential undiscounted amount of all future receipts that the Group could receive is between Rnil and R15.9 million (£nil and £0.7 million).

The fair value of the contingent consideration arrangement of R15.9 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 1.5% based on the United Kingdom prime lending rate. For all remaining warranties management has assumed a probability of 98% based on the historical knowledge of the business and the warranties appearing achievable.

The Group's exposure to credit and currency risk relating to trade and other receivables is disclosed in this note and note 3.

Performance of trade debtors and receivables from related parties is assessed to be as follows:

	Gross R'000	Impairment R'000	Net R'000
31 May 2016			
Fully performing	**2 313 935**	**—**	**2 313 935**
Past due by one to 30 days	**100 853**	**342**	**100 511**
Past due by 31 to 60 days	**32 298**	**118**	**32 180**
Past due by 61 to 90 days	**16 346**	**150**	**16 196**
Past due by more than 90 days	**46 476**	**11 660**	**34 816**
	2 509 908	**12 270**	**2 497 638**
Portfolio impairment		**1 580**	**(1 580)**
	2 509 908	**13 850**	**2 496 058**
31 May 2015			
Fully performing	2 515 633	—	2 515 633
Past due by one to 30 days	50 545	111	50 434
Past due by 31 to 60 days	28 742	98	28 644
Past due by 61 to 90 days	26 154	310	25 844
Past due by more than 90 days	38 390	9 408	28 982
	2 659 464	9 927	2 649 537
Portfolio impairment		1 000	(1 000)
	2 659 464	10 927	2 648 537

Receivables in respect of starter pack debtors are included in fully performing debtors above.

3. Financial instruments and financial risks continued

3.1 Financial assets continued

3.1.2 Trade and other receivables continued

Trade receivables are discounted at a discount rate of 10.5% per annum (2015: 9.25% per annum) over average debtors' days outstanding. The effect of discounting of the trade receivables balance which amounts to R9.514 million (2015: R8.227 million) is not taken into account in the previous table.

The Group holds guarantees to the value of R50 million (2015: R50 million) as security over specific customers included in trade receivables. The Group has further insurance cover to the value of R375 million (2015: R225 million) over trade receivable balances with certain material customers. All insured values exclude VAT.

The trade receivables that are neither past due nor impaired relate to independent customers for whom there is no recent history of default.

Sundry debtors are considered to be fully performing.

	2016 R'000	2015 R'000
Provision for impairment of receivables		
Balance at the beginning of the year	10 927	15 665
Allowances made during the year	8 891	6 994
Disposal of subsidiary	(5 814)	—
Amounts utilised and reversal of unutilised amounts	(154)	(11 732)
At 31 May	13 850	10 927
There is a cession of trade receivables of R2.289 billion (2015: R2.485 billion) in favour of Investec Bank Limited as security for facilities referred to in note 3.		
The Group considers its maximum exposure in respect of trade receivables which have not been impaired, without taking into account any collateral and financial guarantees, to be as follows:		
Group 1	30 525	10 699
Group 2	2 453 930	2 619 334
Group 3	11 603	18 504
Total unimpaired trade receivables	2 496 058	2 648 537

The effect of discounting of the trade receivables is not taken into account in the table above.

The rating groups for counterparties are categorised as follows:
Group 1 – New customers/related parties (less than six months).
Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.
Group 3 – Existing customers/related parties (more than six months) with some defaults in the past.

All defaults were fully recovered or are in the process of being recovered.

3. Financial instruments and financial risks continued

3.1 Financial assets continued

3.1.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks.

	2016 R'000	2015 R'000
Cash at bank	**588 950**	788 283
Cash on hand	**77**	128
	589 027	788 411

Included in this balance is restricted cash of R26.2 million (2015: R2.3 million), received on behalf of and immediately due to third parties, that may not be utilised in the Group's ordinary course of business.

	2016 R'000	2015 R'000
Cash at bank and short-term bank deposits		
Credit rating based on latest S&P Global Ratings local currency long-term issuer default ratings		
AA	**—**	102 822
AA-	**207 822**	—
A	**—**	1 045
A-	**310**	—
BBB-	**380 806**	683 822
Other	**12**	594
	588 950	788 283

3. Financial instruments and financial risks continued

3.2 Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Refer to accounting policies on borrowings and trade and other payables for financial liabilities (which exclude employee-related liabilities and VAT), and share capital for equity instruments issued by the Group.

Critical accounting estimates and assumptions
Management has assessed the probabilities on the contingent purchase arrangements.

3.2.1 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within the normal operating cycle of the business. If not, they are presented as non-current liabilities.

	2016 R'000	2015 R'000
Trade payables	**2 322 408**	2 671 779
Accruals	**116 240**	70 103
Employee benefits	**70 142**	61 740
Sundry creditors	**16 031**	20 974
Deferred revenue	**2 044**	1 221
Contingent consideration	**83 563**	123 902
VAT	**9 048**	16 675
Payables to related parties (refer to note 8)	**23 144**	7 828
	2 642 620	2 974 222
Less: Amounts included in current portion of trade and other payables	**(2 601 807)**	(2 831 000)
	40 813	143 222

Trade payables are discounted at a discount rate of 10.5% per annum (2015: 9.25% per annum) based on average creditors' days outstanding. The effect of discounting of the trade payables balance amounts to R13.648 million (2015: R18.513 million).

Fair value estimation

Fair value measurement hierarchy:

- Level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- Level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3. Financial instruments and financial risks continued

3.2 Financial liabilities continued

3.2.1 Trade and other payables continued

Contingent consideration

Changes in level 3 instruments are as follows:

	2016 R'000	2015 R'000
Opening balance	**123 902**	22 607
Acquisition of Viamedia Proprietary Limited	**—**	84 783
Acquisition of SupaPesa Africa Limited	**—**	29 851
Acquisition of Supa Pesa South Africa Proprietary Limited	**—**	100
Settlements	**(1 931)**	(19 515)
Gains or losses recognised in profit or loss	**(38 408)**	6 076
Closing balance	**83 563**	123 902
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period, under:		
Other income	**(48 120)**	(923)
Interest paid	**9 712**	6 999
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**9 127**	2 052

The closing balance includes R15.8 million relating to SupaPesa Africa Limited, R65.8 million relating to Viamedia Proprietary Limited and R2 million to other contingent consideration.

Acquisition of SupaPesa Africa Limited

In the prior year, the fair value of the contingent consideration arrangement of R29.9 million was originally estimated by applying the income approach. The fair value estimates are based on a discount rate of 9.25%. For all profit targets management has assumed a probability of 100% initially. In determining these probabilities management has assessed the cash flow projections based on financial budgets for the forthcoming three years which are based on assumptions of the business, industry and economic growth.

In the current year management reassessed the cash flows taking into account the profit targets and the probability of meeting these as well as the forecasted financial budget. The probabilities have been adjusted downwards from 100% to between 32% and 55%. This has resulted in a release of R17.2 million into the income statement, included in other income.

Acquisition of Viamedia Proprietary Limited (Viamedia)

The contingent consideration arrangement requires Blue Label Telecoms Limited to pay in cash the former owner of Viamedia, an additional amount of R215.6 million if certain profit warranties are achieved. The first three amounts of R24.1 million are based on the profits of Viamedia for the year ended 31 May 2015 and 31 May 2016, and ending 31 May 2017. The fourth and fifth amounts of R30.9 million and R112.5 million are based on the profits of Viamedia for the three years ending 31 May 2017.

In the prior year, the fair value of the contingent consideration arrangement of R84.8 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 9%. For the first, second, third and fourth profit targets management has assumed a probability of 100%. For the fifth profit target management has assumed a probability of 0%. In determining these probabilities management has assessed the cash flow projections based on financial budgets for the forthcoming three years which are based on assumptions of the business, industry and economic growth.

In the current year management reassessed the cash flows taking into account the profit targets and the probability of meeting these as well as the forecasted financial budget. For the first, second and third profit targets, the probabilities have been adjusted downwards from 100% to between 84% and 100%. For the fourth profit target management has assumed a probability of 0%. This has resulted in a release of R30.8 million into the income statement, included in other income.

3. Financial instruments and financial risks continued

3.2 Financial liabilities continued

3.2.2 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, when the relevant contracts are entered into. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year-end.

	2016 R'000	2015 R'000
Non-interest-bearing borrowings	**16 087**	16 087
Less: Amounts included in current portion of borrowings	**(16 087)**	(16 087)
	—	—

The Group did not default on any loans or breach any terms of the underlying agreements during the period. Borrowings are unsecured and are repayable on demand. Included in borrowings is R4.7 million (2015: R4.7 million) owing to related parties, which is interest-free (refer to note 8).

Market risk

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to risks from movements in foreign exchange rates and interest rates that affect its assets, liabilities and anticipated future transactions. The Group is not exposed to significant levels of price risk.

Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from loans receivable, cash and cash equivalents, and borrowings carrying interest at variable rates. The Group is not exposed to fair value interest rate risk as the Group does not have any fixed interest-bearing instruments carried at fair value.

As part of the process of managing the Group's exposure to interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Foreign currency risk

The Group is exposed to foreign currency risk from transactions and translation. Transaction exposure arises because affiliated companies undertake transactions in currencies other than their functional currency. Translation exposure arises where affiliated companies have a functional currency other than the rand.

The Group manages its exposure to foreign currency risk by ensuring that the net foreign currency exposure remains within acceptable levels. Hedging instruments may be used in certain instances to reduce risks arising from foreign currency fluctuations.

IFRS 7 – Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to the income statement of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening of the rand against all other currencies, from the rates applicable at 31 May 2016, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

Interest rate sensitivity

The interest rate sensitivity analysis is based on the following assumptions:
- Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value; and
- Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2016 would increase or decrease profit before tax by R5.9 million (2015: R8.5 million).

3. Financial instruments and financial risks continued

3.2 Financial liabilities continued

3.2.2 Borrowings continued

Foreign currency sensitivity

Financial instruments by currency

	ZAR R'000	USD R'000	NgN R'000	GBP R'000	GHS R'000	EUR R'000	LSL R'000	Total R'000
2016								
Financial assets								
Cash and cash equivalents	**588 717**	**310**	**—**	**—**	**—**	**—**	**—**	**589 027**
Trade and other receivables*	**2 525 960**	**318**	**—**	**15 959**	**—**	**3 223**	**—**	**2 545 460**
Loans receivable	**104 126**	**—**	**—**	**—**	**—**	**—**	**—**	**104 126**
Loans to associates and joint ventures	**8 945**	**273 251**	**—**	**—**	**—**	**—**	**—**	**282 196**
	3 227 748	**273 879**	**—**	**15 959**	**—**	**3 223**	**—**	**3 520 809**
Financial liabilities								
Non-interest-bearing borrowings	**16 087**	**—**	**—**	**—**	**—**	**—**	**—**	**16 087**
Trade and other payables*	**2 646 837**	**214**	**—**	**—**	**119**	**2 368**	**42**	**2 649 580**
	2 662 924	**214**	**—**	**—**	**119**	**2 368**	**42**	**2 665 667**
Net financial position	**564 824**	**273 665**	**—**	**15 959**	**(119)**	**855**	**(42)**	**855 142**
2015								
Financial assets								
Cash and cash equivalents	787 365	1 045	1	—	—	—	—	788 411
Trade and other receivables*	2 723 842	97	—	18 071	—	—	—	2 742 010
Loans receivable	74 302	—	—	—	—	—	—	74 302
Loans to associates and joint ventures	7 900	193 186	—	—	—	—	—	201 086
	3 593 409	194 328	1	18 071	—	—	—	3 805 809
Financial liabilities								
Non-interest-bearing borrowings	16 087	—	—	—	—	—	—	16 087
Trade and other payables*	3 013 412	171	638	—	—	—	—	3 014 221
	3 029 499	171	638	—	—	—	—	3 030 308
Net financial position	563 910	194 157	(637)	18 071	—	—	—	775 501

**Trade and other receivables and trade and other payables exclude non-financial instruments.*

With a 10% strengthening or weakening in the rand against the US dollar, profit before tax would have decreased or increased by R27.4 million. In the prior year, with a 10% strengthening or weakening in the rand against the US dollar, profit before tax would have decreased or increased by R19.4 million. The effects of movements in other currencies are insignificant.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. The Group defines capital as capital and reserves and non-current borrowings. The Group is not subject to externally imposed capital requirements.

There were no changes to the Group's approach to capital management during the year.

4. Non-financial instruments

Non-financial instruments comprise:
- Goodwill
- Intangible assets
- Property, plant and equipment
- Inventories
- Provisions

Impairment of non-financial assets

The Group evaluates the carrying value of assets with finite useful lives when events and circumstances indicate that the carrying value may not be recoverable and when there are indicators of impairment. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

An impairment loss is recognised in the income statement when the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the fair value less cost of disposal (the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable willing parties), or its value-in-use. Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The estimated future cash flows 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss recognised for an asset, other than goodwill, in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the recoverable amount exceeds the new carrying amount. The reversal of the impairment is limited to the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. The reversal of such an impairment loss is recognised in the income statement in the same line item as the original impairment charge.

4.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is attributable to synergies that the Group expects to derive from the transaction. If the cost of acquisition is less than the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Goodwill on the acquisition of subsidiaries is included in "goodwill" in the statement of financial position. Goodwill on acquisitions of associates and joint ventures is included in "investments in and loans to associates and joint ventures".

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment is recognised.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4. Non-financial instruments continued

4.1 Goodwill continued

Critical accounting estimates and assumptions

Assessment of goodwill for impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

	2016 R'000	2015 R'000
Year ended 31 May		
Opening carrying amount	**606 609**	423 384
Acquisition of subsidiary	**—**	185 967
Disposal of subsidiary	**(3 169)**	(2 742)
Closing carrying amount	**603 440**	606 609
At 31 May		
Cost	**615 568**	618 737
Accumulated impairments	**(12 128)**	(12 128)
Carrying amount	**603 440**	606 609

The carrying amount of goodwill and intangible assets was reduced to their recoverable amounts through recognition of an impairment loss when required 2016: nil (2015: nil).

The cash-generating units to which goodwill is allocated are presented below:

	2016 R'000	2015 R'000
Blue Label Distribution Proprietary Limited	**36 364**	36 364
Cellfind Proprietary Limited	**21 406**	21 406
Viamedia Proprietary Limited	**185 967**	185 967
Blue Label Connect Proprietary Limited*	**205 749**	205 749
The Prepaid Company Proprietary Limited	**62 113**	62 113
Panacea Mobile Proprietary Limited	**6 883**	6 883
TicketPros Proprietary Limited	**5 104**	5 104
Datacel Group**	**79 854**	83 023
	603 440	606 609

* *Formerly known as Retail Mobile Credit Specialists Proprietary Limited.*

** *Velociti Proprietary Limited, a wholly owned subsidiary of Datacel, was disposed of during the year. Refer to note 2.2.*

4. Non-financial instruments continued

4.1 Goodwill continued

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The recoverable amount has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board of Directors for the forthcoming year and forecasts for up to five years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate.

The key assumptions used for the value-in-use calculations are as follows:

	2016		2015	
	Terminal growth rate %	**Discount rate %**	Terminal growth rate %	Discount rate %
Blue Label Distribution Proprietary Limited	**4.2**	**17.54**	4.2	17.33
Cellfind Proprietary Limited	**4.0**	**19.24**	4.0	18.88
Viamedia Proprietary Limited	**4.0**	**17.74**	4.0	17.38
Blue Label Connect Proprietary Limited*	**4.2**	**17.54**	4.2	17.33
The Prepaid Company Proprietary Limited	**4.5**	**16.54**	4.5	16.33
Panacea Mobile Proprietary Limited	**4.0**	**19.24**	4.0	18.88
TicketPros Proprietary Limited	**4.2**	**17.54**	4.2	17.33
Datacel Group	**2.5**	**22.23**	2.5	21.87

** Formerly known as Retail Mobile Credit Specialists Proprietary Limited.*

The discount rates used are post-tax and reflect specific risks relating to the relevant companies. The growth rate is used to extrapolate cash flows beyond the budget period. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the cash-generating units operate.

For The Prepaid Company Proprietary Limited, Blue Label Connect Proprietary Limited, Blue Label Distribution Proprietary Limited, TicketPros Proprietary Limited, Cellfind Proprietary Limited and Panacea Mobile Proprietary Limited if one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no impairments that would have to be recognised.

For the remaining balances of goodwill, the discount rate used when calculating the value-in-use calculations would need to be increased by the following amounts before any impairments would need to be recognised:

	Increase in discount rate %
Viamedia Proprietary Limited	**3.4**
Datacel Group	**2.9**

The goodwill balances did not result in impairment charges for the year when compared to recoverable amounts (2015: nil).

4. Non-financial instruments continued

4.2 Intangible assets

(a) Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software has a finite useful life and is subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the computer software over its estimated useful life (three to 10 years).

Costs associated with the maintenance of existing computer software programs are expensed as incurred.

(b) Trademarks and franchise fees
Trademarks and franchise fees are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and franchise fees over their estimated useful lives (10 years and 20 years respectively).

Trademarks and franchise fees are initially shown at fair value as determined in accordance with IFRS 3 – *Business Combinations*, and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses.

(c) Databases, customer listings, distribution agreements and customer relationships
Databases, customer listings, distribution agreements and customer relationships acquired through business combinations are initially shown at fair value as determined in accordance with IFRS 3 – *Business Combinations*, and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the value of these assets over their estimated useful lives (three to 10 years).

Distribution agreements purchased are initially shown at cost, and are subsequently carried at the initial cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the value of these assets over their estimated useful lives (10 years).

(d) Internally generated software development
Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:
- It is technically feasible to complete the intangible asset and that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Research expenditure is recognised as an expense as incurred. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised internally generated software development costs are recorded as intangible assets and amortised from the point at which the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management) on a straight-line basis over its useful life (five to 10 years). Direct costs include the product development employee costs and an appropriate portion of relevant overheads. Costs associated with the maintenance of existing products are expensed as incurred.

(e) Purchased starter pack bases and postpaid bases
Purchased starter pack bases represent the right to earn future revenue from starter packs already distributed and are initially recognised at the cost to the Group. Starter pack bases have a finite life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives (seven years).

Purchased postpaid bases represent the right to earn revenue from the cellular network in respect of contracts forming part of the acquired base. Postpaid bases have a finite life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives (10 years).

Critical accounting estimates and assumptions
Purchased starter pack bases and postpaid starter pack bases
The relative size of the Group's purchased starter pack bases and postpaid starter pack bases makes the judgements surrounding the estimated useful lives and residual values critical to the Group's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of these assets are assumed to be zero. The current useful life of these bases is estimated to be seven to 10 years, based on management's estimates and taking into account historical experience as well as future events which may impact the useful lives.

4. Non-financial instruments continued

4.2 Intangible assets continued

	Trademarks R'000	Customer listing R'000
Year ended 31 May 2016		
Opening carrying amount	**621**	**766**
Additions	**—**	**2 233**
Disposals	**—**	**—**
Disposal of subsidiary	**—**	**—**
Amortisation charge	**(621)**	**(879)**
Impairment charges	**—**	**(1 526)**
Closing carrying amount	**—**	**594**
At 31 May 2016		
Cost	**6 835**	**35 539**
Accumulated amortisation	**(6 835)**	**(33 419)**
Accumulated impairments	**—**	**(1 526)**
Carrying amount	**—**	**594**
Year ended 31 May 2015		
Opening carrying amount	1 298	1 031
Additions	—	—
Acquisition of subsidiary	—	—
Disposals	—	—
Disposal of subsidiary	—	—
Amortisation charge	(677)	(265)
Closing carrying amount	621	766
At 31 May 2015		
Cost	6 835	33 306
Accumulated amortisation	(6 214)	(32 540)
Accumulated impairments	—	—
Carrying amount	621	766

* *Included in the amortisation charge is an amount of R77.5 million (2015: R73.5 million) in respect of the purchased starter pack bases and postpaid bases, which is charged to the changes in inventories of finished goods line in the income statement.*

** *This represents independently distributed starter pack bases and postpaid bases purchased. The remaining amortisation periods range between 7 months and 79 months.*

Distribution agreement R'000	Computer software R'000	Internally generated software development R'000	Franchise fees R'000	Customer relationships R'000	Purchased starter pack bases and postpaid bases** R'000	Total R'000
253 508	**43 573**	**19 246**	**1 090**	**4 500**	**324 980**	**648 284**
17 757	**30 273**	**23 839**	**—**	**—**	**11 073**	**85 175**
—	**(4)**	**—**	**—**	**—**	**—**	**(4)**
—	**(2 201)**	**—**	**—**	**—**	**—**	**(2 201)**
(28 290)	**(13 409)**	**(5 023)**	**(155)**	**(4 500)**	**(77 476)***	**(130 353)**
—	**(1 020)**	**(22)**	**—**	**—**	**—**	**(2 568)**
242 975	**57 212**	**38 040**	**935**	**—**	**258 577**	**598 333**
317 451	**123 727**	**81 776**	**3 118**	**131 023**	**574 981**	**1 274 450**
(72 598)	**(65 085)**	**(29 147)**	**(2 183)**	**(130 408)**	**(316 404)**	**(656 079)**
(1 878)	**(1 430)**	**(14 589)**	**—**	**(615)**	**—**	**(20 038)**
242 975	**57 212**	**38 040**	**935**	**—**	**258 577**	**598 333**
180 257	32 351	16 500	1 351	4 500	345 262	582 550
35 907	22 146	14 073	—	—	53 240	125 366
61 448	1 314	—	—	—	—	62 762
—	(308)	—	—	—	—	(308)
—	(267)	—	—	—	—	(267)
(24 104)	(11 663)	(11 327)	(261)	—	(73 522)*	(121 819)
253 508	43 573	19 246	1 090	4 500	324 980	648 284
299 694	103 431	58 954	3 118	131 023	563 908	1 200 269
(44 308)	(59 448)	(25 141)	(2 028)	(125 908)	(238 928)	(534 515)
(1 878)	(410)	(14 567)	—	(615)	—	(17 470)
253 508	43 573	19 246	1 090	4 500	324 980	648 284

4. Non-financial instruments continued

4.3 Property, plant and equipment

Property, plant and equipment is initially recorded at historical cost, being the purchase cost plus any cost to prepare the assets for their intended use. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial year in which they are incurred.

Property, plant and equipment is subsequently carried at historical cost less accumulated depreciation and any accumulated impairment losses.

Major leasehold improvements are amortised over the shorter of their respective lease periods and estimated useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at year-end. Where the assets' residual value is higher than the carrying value, no depreciation is provided.

Gains and losses on disposal of property, plant and equipment are determined as the difference between the carrying amount and the fair value of the sale proceeds, and are included in operating profit.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000
Year ended 31 May 2016			
Opening carrying amount	**23 047**	**2 560**	**7 843**
Additions	**15 812**	**683**	**6 445**
Disposals	**(81)**	**(6)**	**(1 198)**
Disposal of subsidiary	**(1 735)**	**(466)**	**—**
Depreciation charge	**(14 188)**	**(845)**	**(3 046)**
Closing carrying amount	**22 855**	**1 926**	**10 044**
At 31 May 2016			
Cost	**77 940**	**7 922**	**16 747**
Accumulated depreciation	**(54 915)**	**(5 292)**	**(6 703)**
Accumulated impairments	**(170)**	**(704)**	**—**
Carrying amount	**22 855**	**1 926**	**10 044**
Year ended 31 May 2015			
Opening carrying amount	16 561	2 245	7 342
Additions	17 834	1 202	3 992
Acquisition of subsidiary	1 428	89	—
Disposals	(116)	—	(875)
Disposal of subsidiary	(64)	—	—
Depreciation charge	(12 596)	(976)	(2 616)
Closing carrying amount	23 047	2 560	7 843
At 31 May 2015			
Cost	72 529	10 835	14 974
Accumulated depreciation	(49 312)	(7 571)	(7 131)
Accumulated impairments	(170)	(704)	—
Carrying amount	23 047	2 560	7 843

There are no property, plant and equipment assets that are encumbered.

The residual values of buildings are estimated to be higher than the carrying value and therefore there is no depreciation charge.

4. Non-financial instruments continued

4.3 Property, plant and equipment continued

Depreciation is calculated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Computer equipment	25% – 33.3%
Furniture and fittings	16.67% – 25%
Motor vehicles	20% – 25%
Office equipment	25%
Terminals and vending machines	16.67%
Media equipment	33.33%
Plant and machinery	20%
Buildings	8.33%

Office equipment R'000	Leasehold improvements R'000	Terminals and vending machines R'000	Media equipment R'000	Plant and machinery R'000	Buildings R'000	Total R'000
984	**11 960**	**52 202**	**3 225**	**764**	**4 099**	**106 684**
558	**175**	**15 112**	**3 167**	**4**	**—**	**41 956**
(270)	**(17)**	**(1 513)**	**—**	**—**	**—**	**(3 085)**
(102)	**(80)**	**—**	**—**	**—**	**—**	**(2 383)**
(356)	**(6 622)**	**(16 814)**	**(669)**	**(198)**	**—**	**(42 738)**
814	**5 416**	**48 987**	**5 723**	**570**	**4 099**	**100 434**
7 081	**47 333**	**124 892**	**6 409**	**1 030**	**4 099**	**293 453**
(5 847)	**(41 479)**	**(72 318)**	**(686)**	**(460)**	**—**	**(187 700)**
(420)	**(438)**	**(3 587)**	**—**	**—**	**—**	**(5 319)**
814	**5 416**	**48 987**	**5 723**	**570**	**4 099**	**100 434**
1 033	17 447	46 713	106	798	4 955	97 200
338	1 145	25 516	3 128	163	—	53 318
50	12	—	—	—	—	1 579
(23)	—	(2 666)	—	—	(856)	(4 536)
—	—	—	—	—	—	(64)
(414)	(6 644)	(17 361)	(9)	(197)	—	(40 813)
984	11 960	52 202	3 225	764	4 099	106 684
7 254	48 275	124 391	3 242	1 026	4 099	286 625
(5 850)	(35 877)	(68 602)	(17)	(262)	—	(174 622)
(420)	(438)	(3 587)	—	—	—	(5 319)
984	11 960	52 202	3 225	764	4 099	106 684

4. Non-financial instruments continued

4.4 Inventories

Inventories comprise prepaid airtime (including physical prepaid airtime), handsets and other related products.

Inventories are stated at the lower of cost or estimated net realisable value. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. The cost of inventory is determined by means of the weighted average cost basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Provisions are made for obsolete, unusable and unsaleable inventory and for latent damage first revealed when inventory items are taken into use or offered for sale.

	2016 R'000	2015 R'000
Finished goods		
Prepaid airtime	**1 473 828**	1 400 084
Handsets	**158 815**	8 683
Other*	**26 217**	24 337
	1 658 860	1 433 104

**Other inventory mainly consists of starter packs and consumables.*

Inventories with a cost of R24.4 billion (2015: R20.4 billion) were sold during the year and have been charged to the income statement.

A general notarial bond is held by Investec Bank Limited over airtime up to R1.5 billion (2015: R1.5 billion).

4.5 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating expenses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense.

	Unredeemed electricity provision R'000	**Onerous contracts R'000**	**Retail platform clawback provision R'000**	**Total R'000**
Opening balance	**18 874**	**2 617**	**—**	**21 491**
Additions	**769 354**	**—**	**9 411**	**778 765**
Used during the year	**(767 199)**	**—**	**(4 997)**	**(772 196)**
Reversed	**—**	**(2 617)**	**(515)**	**(3 132)**
Closing carrying amount	**21 029**	**—**	**3 899**	**24 928**

Unredeemed electricity provision

The unredeemed electricity provision raised represents the value of electricity vouchers sold and unredeemed as at year-end, payable by the Group to the municipalities on redemption by the end customer.

Redemption is dependent on activation by customers. This is expected to occur within the first quarter of the following financial year.

4. Non-financial instruments continued

4.5 Provisions continued

Onerous contracts

The onerous contracts related to line subscriptions for which the Group was contracted to incur unavoidable charges that were expected to exceed the related economic benefits to be received. A provision was raised due to the uncertainty associated with the amount of net outflow for each subscription.

As at 31 May 2016, the Group holds no line subscriptions that give rise to onerous contracts.

Retail platform clawback provision

The retail platform clawback provision represents the estimated value payable as a clawback on deficient debtors for amounts already received on goods sold through a third-party platform provider.

The provision will be utilised within nine months of the following financial year per the contractual terms of the clawback arrangement.

5. Employees

5.1 Equity compensation benefit

During the year 2 591 066 (2015: 2 937 836) forfeitable shares were granted to Executive Directors and qualifying employees (participant). The participant will forfeit the forfeitable shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the Board. In the event that the participant is not in the employ of the Group, or the performance conditions are not met, the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the participating employer, or may be retained by the Group for future awards.

Dividends declared in respect of these forfeitable shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. A dividend of 31 cents (2015: 27 cents) per ordinary share was declared on 18 August 2015 (2015: 19 August 2014).

The performance condition of the forfeitable shares for the fifth, sixth, seventh and eighth award vesting on 31 August 2015, 31 August 2016, 31 August 2017 and 31 August 2018 respectively are as follows:

- 40% of the awards are allocated towards retention. In order to receive this portion of the allocation the employee is required to be employed within the Group at the vesting date.
- 60% of the awards are allocated on the basis of 50% for growth in core headline earnings per share and 10% for shareholder returns.

The 50% for growth in core headline earnings will be based on the following achievements:

- If growth is 5% above CPI over three years, 20% of the 50% will vest.
- If growth is 10% above CPI over three years, an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, a further 30% (i.e. a total of 100%) of the 50% will vest.

The 50% for growth in core headline earnings in respect of the seventh and eight awards has been amended to include growth in core headline earnings at subsidiary level with regards to qualifying employees.

The 10% for shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period.

In November 2015 a decision was made to accelerate the vesting of all qualifying employees in Velociti Proprietary Limited in anticipation of the disposal of this Group company. The expense that would have been recognised over the vesting period has been recognised in the income statement in the current year.

Critical accounting estimates and assumptions

In determining the number of forfeitable shares that will vest due to performance conditions being met, management assesses the attrition rates of staff based on the grades of staff that have been granted awards as well as the historic staff turnover.

5. Employees continued

5.1 Equity compensation benefit continued

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 31 May 2014			9 714 449	62 419
Fourth award			3 819 409	17 187
Fifth award			3 112 499	20 885
Sixth award			2 782 541	24 347
Granted during the year			2 937 836	26 147
Seventh award	3 September 2014	31 August 2017	2 937 836	26 147
Shares forfeited during the year			(419 998)	(3 346)
Fifth award			(161 233)	(1 082)
Sixth award			(258 765)	(2 264)
Shares vested during the year			(3 819 409)	(17 187)
Fourth award		31 August 2014	(3 819 409)	(17 187)
At 31 May 2015			**8 412 878**	**68 033**
Fifth award			**2 951 266**	**19 803**
Sixth award			**2 523 776**	**22 083**
Seventh award			**2 937 836**	**26 147**
Granted during the year			**2 591 066**	**26 351**
Eighth award	1 September 2015	31 August 2018	**2 591 066**	**26 351**
Shares forfeited during the year			**(612 453)**	**(5 407)**
Sixth award			**(287 142)**	**(2 512)**
Seventh award			**(325 311)**	**(2 895)**
Shares vested during the year			**(3 163 359)**	**(21 676)**
Fifth award		31 August 2015	**(2 951 266)**	**(19 803)**
Sixth award		30 November 2015	**(94 961)**	**(831)**
Seventh award		30 November 2015	**(117 132)**	**(1 042)**
At 31 May 2016			**7 228 132**	**67 301**
Sixth award			**2 141 673**	**18 740**
Seventh award			**2 495 393**	**22 210**
Eighth award			**2 591 066**	**26 351**

Refer to note 5.2 for the expense recognised in the income statement relating to the equity compensation benefits.

The fair value of the shares is based on the open market closing price at grant date.

The total number of forfeitable shares issued to Executive Directors during the period is 664 875 (2015: 955 617).

The share-based payment expense in relation to these Executive Directors is R5.7 million (2015: R8.9 million).

Refer to note 5.3 for details per Director.

5. Employees continued

5.2 Employee compensation and benefit expense

(a) Equity compensation benefit

The Group operates an equity-settled forfeitable share incentive plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of forfeitable shares is recognised as an expense. The total amount to be expensed is determined by the fair value of the forfeitable shares granted. The total amount expensed is recognised over the vesting period, which is the period over which all of the vesting conditions are to be satisfied. At each reporting date, the entity recognises the impact of any shares that have been forfeited prior to the end of the vesting period, if any, in the income statement with a corresponding adjustment to equity.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses. A liability is recognised where the Group is contractually obliged or where there is a past practice that has created a constructive obligation.

The bonus expense is determined based on overall Group performance and other non-financial measures.

In terms of the Group Remuneration Policy, the Joint CEOs may earn an annual incentive bonus of up to 120% of fixed remuneration, and other executive directors of up to 70%. Senior Management may earn up to 50% of their annualised fixed salary package.

	2016 R'000	2015 R'000
Salaries and wages	**331 546**	329 447
Bonuses	**71 342**	53 038
Equity compensation benefit	**23 845**	24 290
Other	**383**	673
	427 116	407 448

Average number of employees for the year was 1 076 (2015: 1 271).

5. Employees continued

5.3 Directors' emoluments

	Blue Label Services as Directors of Blue Label Telecoms Limited R'000	Salary and allowances R'000	Bonuses and performance-related payments R'000	Other benefits R'000	Subtotal R'000
For the year ended 31 May 2016					
Executive directors					
BM Levy	**—**	**7 492**	**9 165**	**146**	**16 803**
MS Levy	**—**	**7 503**	**9 165**	**135**	**16 803**
M Pamensky*	**—**	**4 212**	**—**	**80**	**4 292**
DA Suntup	**—**	**3 910**	**2 831**	**135**	**6 876**
	—	**23 117**	**21 161**	**496**	**44 774**
Non-executive directors					
LM Nestadt	**995**	**—**	**—**	**—**	**995**
K Ellerine	**369**	**—**	**—**	**—**	**369**
G Harlow	**658**	**—**	**—**	**—**	**658**
J Mthimunye	**491**	**—**	**—**	**—**	**491**
JS Vilakazi	**311**	**—**	**—**	**—**	**311**
Y Mahomed#	**152**	**—**	**—**	**—**	**152**
	2 976	**—**	**—**	**—**	**2 976**
	2 976	**23 117**	**21 161**	**496**	**47 750**
For the year ended 31 May 2015					
Executive directors					
BM Levy	—	7 073	6 917	132	14 122
MS Levy	—	7 083	6 917	122	14 122
M Pamensky	—	5 962	3 402	112	9 476
DA Suntup	—	3 694	2 137	122	5 953
	—	23 812	19 373	488	43 673
Non-executive directors					
LM Nestadt	984	—	—	—	984
K Ellerine	286	—	—	—	286
G Harlow	593	—	—	—	593
NN Lazarus**	373	—	—	—	373
J Mthimunye	498	—	—	—	498
JS Vilakazi	341	—	—	—	341
	3 075	—	—	—	3 075
	3 075	23 812	19 373	488	46 748

* *M Pamensky resigned with effect from 30 November 2015.*
** *NN Lazarus resigned with effect from 27 January 2015.*
# *Y Mahomed appointed with effect from 18 August 2015.*

The fair value of forfeitable shares per Director has been included.

No Director has a notice period of more than one year.

No Director's service contract includes predetermined compensation as a result of termination that would exceed one year's salary and benefits.

Services as Directors of subsidiaries of Blue Label Telecoms Limited R'000	Salary and allowances from subsidiaries R'000	Bonuses and performance-related payments from subsidiaries R'000	Retirement and related benefits from subsidiaries R'000	Corporate finance and legal fees for services rendered to Blue Label Telecoms Group R'000	Total R'000	Fair value of forfeitable shares R'000
—	**—**	**—**	**—**	**—**	**16 803**	**12 843**
—	**—**	**—**	**—**	**—**	**16 803**	**12 843**
—	**—**	**—**	**—**	**—**	**4 292**	**—**
—	**—**	**—**	**—**	**—**	**6 876**	**6 403**
—	**—**	**—**	**—**	**—**	**44 774**	**32 090**
—	**—**	**—**	**—**	**—**	**995**	
—	**—**	**—**	**—**	**—**	**369**	
399	**—**	**—**	**—**	**—**	**1 057**	
45	**—**	**—**	**—**	**—**	**536**	
—	**—**	**—**	**—**	**—**	**311**	
22	**—**	**—**	**—**	**—**	**174**	
466	**—**	**—**	**—**	**—**	**3 442**	
466	**—**	**—**	**—**	**—**	**48 216**	**32 090**
—	—	—	—	—	14 122	7 189
—	—	—	—	—	14 122	7 189
—	—	—	—	—	9 476	6 061
—	—	—	—	—	5 953	3 349
—	—	—	—	—	43 673	23 788
—	—	—	—	—	984	
—	—	—	—	—	286	
473	—	—	—	—	1 066	
—	—	—	—	7 524	7 897	
21	—	—	—	—	519	
—	—	—	—	—	341	
494	—	—	—	7 524	11 093	
494	—	—	—	7 524	54 766	23 788

5. Employees continued

5.3 Directors' emoluments continued

	Issue date	Issue price R	Vesting date
Forfeitable share scheme per Director			
For the year ended 31 May 2016			
BM Levy	**3 September 2012**	**6.71**	**31 August 2015**
BM Levy	**2 September 2013**	**8.75**	**31 August 2016**
BM Levy	**3 September 2014**	**8.90**	**31 August 2017**
BM Levy	**1 September 2015**	**10.17**	**31 August 2018**
MS Levy	**3 September 2012**	**6.71**	**31 August 2015**
MS Levy	**2 September 2013**	**8.75**	**31 August 2016**
MS Levy	**3 September 2014**	**8.90**	**31 August 2017**
MS Levy	**1 September 2015**	**10.17**	**31 August 2018**
MV Pamensky	**3 September 2012**	**6.71**	**31 August 2015**
MV Pamensky	**2 September 2013**	**8.75**	**31 August 2016**
MV Pamensky	**3 September 2014**	**8.90**	**31 August 2017**
MV Pamensky	**1 September 2015**	**10.17**	**31 August 2018**
DA Suntup	**3 September 2012**	**6.71**	**31 August 2015**
DA Suntup	**2 September 2013**	**8.75**	**31 August 2016**
DA Suntup	**3 September 2014**	**8.90**	**31 August 2017**
DA Suntup	**1 September 2015**	**10.17**	**31 August 2018**
Forfeitable share scheme per Director			
For the year ended 31 May 2015			
BM Levy	1 October 2011	4.50	31 August 2014
BM Levy	3 September 2012	6.71	31 August 2015
BM Levy	2 September 2013	8.75	31 August 2016
BM Levy	3 September 2014	8.90	31 August 2017
MS Levy	1 October 2011	4.50	31 August 2014
MS Levy	3 September 2012	6.71	31 August 2015
MS Levy	2 September 2013	8.75	31 August 2016
MS Levy	3 September 2014	8.90	31 August 2017
MV Pamensky	1 October 2011	4.50	31 August 2014
MV Pamensky	3 September 2012	6.71	31 August 2015
MV Pamensky	2 September 2013	8.75	31 August 2016
MV Pamensky	3 September 2014	8.90	31 August 2017
DA Suntup	1 October 2011	4.50	31 August 2014
DA Suntup	3 September 2012	6.71	31 August 2015
DA Suntup	2 September 2013	8.75	31 August 2016
DA Suntup	3 September 2014	8.90	31 August 2017

Awards outstanding as at the beginning of the year	Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year
334 474	**—**	**—**	**(334 474)**	**—**
271 883	**—**	**—**	**—**	**271 883**
283 339	**—**	**—**	**—**	**283 339**
—	**262 834**	**—**	**—**	**262 834**
889 696	**262 834**	**—**	**(334 474)**	**818 056**
334 474	**—**	**—**	**(334 474)**	**—**
271 883	**—**	**—**	**—**	**271 883**
283 339	**—**	**—**	**—**	**283 339**
—	**262 834**	**—**	**—**	**262 834**
889 696	**262 834**	**—**	**(334 474)**	**818 056**
281 982	**—**	**—**	**(281 982)**	**—**
229 214	**—**	**(229 214)**	**—**	**—**
238 872	**—**	**(238 872)**	**—**	**—**
—	**221 585**	**(221 585)**	**—**	**—**
750 068	**221 585**	**(689 671)**	**(281 982)**	**—**
145 829	**—**	**—**	**(145 829)**	**—**
118 540	**—**	**—**	**—**	**118 540**
150 067	**—**	**—**	**—**	**150 067**
—	**139 207**	**—**	**—**	**139 207**
414 436	**139 207**	**—**	**(145 829)**	**407 814**
470 507	—	—	(470 507)	—
334 474	—	—	—	334 474
271 883	—	—	—	271 883
—	283 339	—	—	283 339
1 076 864	283 339	—	(470 507)	889 696
470 507	—	—	(470 507)	—
334 474	—	—	—	334 474
271 883	—	—	—	271 883
—	283 339	—	—	283 339
1 076 864	283 339	—	(470 507)	889 696
396 667	—	—	(396 667)	—
281 982	—	—	—	281 982
229 214	—	—	—	229 214
—	238 872	—	—	238 872
907 863	238 872	—	(396 667)	750 068
205 139	—	—	(205 139)	—
145 829	—	—	—	145 829
118 540	—	—	—	118 540
—	150 067	—	—	150 067
469 508	150 067	—	(205 139)	414 436

6. Share capital

Ordinary shares are classified as equity and the shares are fully paid up.

Shares acquired by Blue Label Telecoms for its own employees' equity compensation benefit scheme, as well as the shares procured by the subsidiaries in terms of this scheme, are accounted for as treasury shares in the Group statement of financial position.

	2016 Number of shares	2015 Number of shares	**2016 R'000**	2015 R'000
Authorised				
Total authorised share capital of ordinary shares (par value of R0.000001 each)	**1 000 000 000**	1 000 000 000	**1**	1
Issued				
Balance at the beginning of the year	**665 463 346**	663 896 358	*****	*
Shares acquired during the year	**(2 383 471)**	(2 252 420)	*****	*
Shares vested during the year	**3 163 359**	3 819 408	*****	*
Balance at the end of the year	**666 243 234**	665 463 346	*****	*

** Less than R1 000.*

All issued shares are fully paid up.

The total number of shares in issue including shares held as treasury shares as at 31 May 2016 is 674 509 042 (2015: 674 509 042).

The Company acquired 2 383 471 (2015: 2 252 420) shares at an average price of R9.67 (2015: R8.49) on the JSE in order to grant forfeitable shares to employees and directors as part of the Group's forfeitable share plan.

The amount paid to acquire these shares was R23 052 001 (2015: R19 131 983) and has been deducted from shareholders' equity. These shares are held as treasury shares.

Refer to note 5.1 for details on the forfeitable shares.

7. Taxation

7.1 Income tax expense

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at year-end in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Uncertain tax positions are considered by the Group at the level of the individual uncertainty or group of related uncertainties.

Critical accounting estimates and assumptions

As with any enterprise, the Group faces uncertainties in the markets in which it operates and over which it has little or no control. The Group is subject to income tax in numerous jurisdictions and judgement is required in determining the provision for tax.

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable income is estimated based on business plans which include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

	2016 R'000	2015 R'000
Current tax	**305 420**	275 768
Current year	**305 652**	276 297
Adjustment in respect of prior years	**(232)**	(529)
Deferred tax	**13 363**	(10 271)
Current year	**14 749**	(9 845)
Adjustment in respect of prior years	**(1 386)**	(426)
	318 783	265 497
Profit before tax	**1 050 395**	846 690
Tax at 28%	**294 111**	237 073
Income of a capital nature	**—**	(6 219)
Fair value adjustments	**(10 829)**	1 675
Expenditure of a capital nature	**9 082**	4 138
Other income not subject to tax	**(5 238)**	(9 639)
Other expenses not deductible for tax purposes	**8 090**	610
Capital gains tax	**2 431**	8 698
Tax effect of assessed losses not recognised	**2 467**	7 901
Share of losses from associates and joint ventures	**20 096**	22 215
Adjustment in respect of prior years	**(1 618)**	(955)
Effect of different tax dispensations	**191**	—
Tax charge	**318 783**	265 497
Effective tax rate (%)	**30**	31

7. Taxation continued

7.2 Deferred taxation

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by year-end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Critical accounting estimates and assumptions

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	Capital allowances R'000	Fair value gains R'000	Pro-visions R'000	Tax losses R'000	Pre-payments R'000	Un-realised foreign exchange differences R'000	Other R'000	Total R'000
At 31 May 2014	426	37 730	(10 999)	(20 057)	2 330	7 535	(107)	16 858
Charged/(credited) to the income statement	(104)	(6 950)	(8 084)	(1 275)	395	6 875	(1 128)	(10 271)
Disposal of subsidiary	—	—	51	159	(371)	—	161	—
Acquisition of subsidiary	—	17 205	(139)	—	—	—	—	17 066
At 31 May 2015	**322**	**47 985**	**(19 171)**	**(21 173)**	**2 354**	**14 410**	**(1 074)**	**23 653**
Charged/(credited) to the income statement	**(841)**	**(6 270)**	**(359)**	**1 471**	**1 973**	**19 458**	**(2 069)**	**13 363**
Disposal of subsidiary	**61**	**—**	**869**	**3 083**	**(59)**	**—**	**(41)**	**3 913**
At 31 May 2016	**(458)**	**41 715**	**(18 661)**	**(16 619)**	**4 268**	**33 868**	**(3 184)**	**40 929**

7. Taxation continued

7.2 Deferred taxation continued

	2016 R'000	2015 R'000
Capital allowances	**(817)**	(121)
Provisions	**(18 768)**	(19 681)
Tax losses	**(16 619)**	(21 173)
Other	**(3 184)**	(1 967)
Total deferred tax asset	**(39 388)**	(42 942)
Deferred tax liability comprises:		
Capital allowances	**359**	443
Fair value gains	**41 715**	47 985
Provisions	**107**	510
Prepayments	**4 268**	2 354
Unrealised foreign exchange differences	**33 868**	14 410
Other	**—**	893
Total deferred tax liability	**80 317**	66 595
Net deferred tax	**40 929**	23 653
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**1 713**	(561)
Deferred tax assets to be recovered within 12 months	**(22 925)**	(30 237)
Net deferred tax asset	**(21 212)**	(30 798)
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**68 217**	42 306
Deferred tax liabilities to be recovered within 12 months	**(6 076)**	12 145
Net deferred tax liability	**62 141**	54 451
Net deferred tax	**40 929**	23 653

Where deferred tax assets have been recognised in respect of entities which have incurred losses in the current or prior years, a formal process of assessment of the future profitability of the entity has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilised within one to five years.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of R44.3 million (2015: R42.6 million) in respect of losses amounting to R158.2 million (2015: R152.3 million) that can be carried forward against future taxable income.

There is no withholding tax that would be payable on any dividends received from the Group's associates and joint ventures and therefore no deferred tax has been raised in this regard.

7.3 Taxation paid

	2016 R'000	2015 R'000
Balance outstanding at the beginning of the year	**36 169**	25 323
Taxation charge	**305 420**	275 768
Acquisition of subsidiaries	**—**	(19 403)
Translation differences	**50**	(24)
Balance outstanding at the end of the year	**(36 521)**	(36 169)
	305 118	245 495

8. Related parties

Transactions and balances with related parties:

	2016 R'000	2015 R'000
Sales to related parties		
Banosign Proprietary Limited*	988	—
Blue Label Mexico S.A. de C.V.	10 645	9 922
Datacision Proprietary Limited*	134	206
iBurst Proprietary Limited	—	752
Lornanox Proprietary Limited*	6 196	—
Mpower Softcomm Private Limited*	—	4
Stax Technologies Proprietary Limited	—	272
Stylco Proprietary Limited	12 488	636
Wildekrans Trust	27	—
ZOK Cellular Proprietary Limited	2 207	2 428
Purchases from related parties		
Banosign Proprietary Limited*	157	—
Black Ginger 59 Proprietary Limited	13 109	14 074
Datacision Proprietary Limited*	404	293
Forensic Intelligence Data Solutions Proprietary Limited*	—	2
Lornanox Proprietary Limited*	422	—
Mpower Softcomm Private Limited*	—	1
PLL Investments Proprietary Limited	—	27
Stax Technologies Proprietary Limited	991	252
Stylco Proprietary Limited	445	7 939
Wildekrans Wine Estate Proprietary Limited	—	4
Wireless Business Solutions Proprietary Limited	519	6 292
ZOK Cellular Proprietary Limited	26 001	69 946
Interest received from related parties		
2DFine Holdings Mauritius* (refer to note 2.1)	19 879	14 269
Lornanox Proprietary Limited* (refer to note 2.1)	1 066	—
Stylco Proprietary Limited	3 548	—
Supa Pesa South Africa Proprietary Limited* (refer to note 2.1)	858	217
Management fees received from related parties		
Datacision Proprietary Limited*	519	545
Forensic Intelligence Data Solutions Proprietary Limited*	88	192
Rent received from related parties		
Forensic Intelligence Data Solutions Proprietary Limited*	32	—
Rent paid to related parties		
Ellerine Bros. Proprietary Limited	7 597	6 875
Dataforce Trading 240 Proprietary Limited	—	253
Moneyline 311 Proprietary Limited	7 597	6 875
PLL Investments Proprietary Limited	1 285	1 526
Wildekrans Trust	3 626	3 087

8. Related parties continued

	2016 R'000	2015 R'000
Purchases of intangible assets from related parties		
Liquid NFC Proprietary Limited	—	13 000
Mpower Softcomm Private Limited*	374	3 580
Loans from related parties		
Datacision Proprietary Limited* (refer to note 3.2.2)	4 738	4 738
Loans to related parties		
2DFine Holdings Mauritius*† (refer to note 2.1)	234 892	163 634
Banosign Proprietary Limited* (refer to note 2.1)	1 638	—
Lornanox Proprietary Limited* (refer to note 2.1)	65 949	6 000
Oxigen Services India Private Limited* (refer to note 2.1)	38 359	29 552
Stylco Proprietary Limited (refer to note 3.1.1)	26 000	—
Supa Pesa South Africa Proprietary Limited* (refer to note 2.1)	7 307	7 900
ZOK Cellular Proprietary Limited (refer to note 3.1.1)	20 881	18 768
Amounts due from related parties included in trade receivables		
Banosign Proprietary Limited*	4 057	—
Black Ginger 59 Proprietary Limited	4 351	3 987
Blue Label Mexico S.A. de C.V.*	1 039	1 943
Datacision Proprietary Limited	3 330	3 165
iBurst Proprietary Limited	—	57
Lornanox Proprietary Limited*	5 846	—
Oxigen Services India Private Limited*	6 328	—
Stax Technologies Proprietary Limited	21	24
Stylco Proprietary Limited	747	—
ZOK Cellular Proprietary Limited	—	2
	25 719	9 178
Amounts due to related parties included in trade payables		
Black Ginger 59 Proprietary Limited	3 166	4 517
Datacision Proprietary Limited*	44	98
Moneyline 311 Proprietary Limited	—	2 110
Mpower Softcomm Private Limited*	—	901
PLL Investments Proprietary Limited	—	141
Stylco Proprietary Limited	7	3
Wildekrans Trust	15	—
Wireless Business Solutions Proprietary Limited	—	58
ZOK Cellular Proprietary Limited	19 912	—
	23 144	7 828

* *2DFine Holdings Mauritius, Banosign Proprietary Limited, Blue Label Mexico S.A. de C.V., Datacision Proprietary Limited, Forensic Intelligence Data Solutions Proprietary Limited, Lornanox Proprietary Limited, Mpower Softcomm Private Limited, and Supa Pesa South Africa Proprietary Limited are related parties in that they are associates and joint ventures of the Group (refer to note 2.4). The remaining companies are related parties due to Directors' shareholdings and the companies having certain common directorships.*

† *B Levy and M Levy have signed personal sureties for the loan owed by 2DFine Holdings Mauritius to Gold Label Investments Proprietary Limited. Their liability is limited to the difference between the loan owing to Gold Label Investments Proprietary Limited and the value of 17.21% (2015: 18.61%) of the shares in Oxigen Services India Private Limited on the 30th day after which the loan becomes due and payable or the extended date as may be agreed in writing by Gold Label Investments Proprietary Limited.*

For details of emoluments to Directors refer to note 5.3. The Executive Directors of the Company are regarded as key management of the Group.

For details of the shareholdings in the Company, refer to the Directors' report.

9. Unrecognised items

9.1 Commitments

Future operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements.

The lease terms are between one and five years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

The Group is required to give six months' notice for the termination of the majority of these agreements.

The lease expenditure charged to the income statement during the year is disclosed in note 1.3.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 R'000	2015 R'000
Premises		
Payable within one year	**24 140**	27 512
Payable in two to five years	**18 666**	29 663
Payable in greater than five years	**—**	—
	42 806	57 175

9.2 Subsequent events

A final dividend of R242 823 255 (36 cents per ordinary share) was declared for the year ended 31 May 2016, payable on Monday, 19 September 2016, to shareholders recorded in the register at the close of business on Friday, 16 September 2016.

10. Accounting framework

10.1 Basis of preparation

The principal accounting policies applied in the preparation of the Group and Company annual financial statements are in the related notes and are consistent with those adopted in the prior year, unless otherwise specified.

The Group and Company annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act, No 71 of 2008.

The term IFRS includes International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

The Group and Company annual financial statements are prepared under the historical cost convention. Amounts are rounded to the nearest thousand with the exception of earnings per share, ordinary share capital and equity compensation benefit. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to which they relate.

10.2 Going concern

The Group and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and Company should be able to operate within its current funding levels into the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going-concern basis in preparing the financial statements.

10. Accounting framework continued

10.3 Standards, amendments and interpretations not yet effective

The Group has evaluated the effect of all new standards, amendments and interpretations that have been issued but which are not yet effective. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the Group's results and disclosures. The expected implications of applicable standards, amendments and interpretations are dealt with below.

IFRS 9 – *Financial Instruments*

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit and loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. 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 use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is currently considering the impact on the consolidated financial statements. The impact on the financial statements has not yet been fully determined but it is expected to result in a change in the measurement of revenue to adjust for the effects of the time value of money.

IFRS 16 – *Leases*

IFRS 16, 'Leases' states that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the statement of financial position. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is currently considering the impact on the consolidated financial statements. The impact will be significant as the Group currently leases its premises. 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 income statement.

10. Accounting framework continued

10.3 Standards, amendments and interpretations not yet effective continued

Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associates and joint ventures on sale or contribution of assets

The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

No effective date has been set. The Group is currently considering the impact on the consolidated financial statements.

Amendment to IFRS 11 – *Joint arrangements – on acquisition of an interest in a joint operation*

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

This statement is effective for periods beginning on or after 1 January 2016. The Group is currently considering the impact on the consolidated financial statements.

Amendments to IAS 1 – *Presentation of financial statements – disclosure initiative*

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

This statement is effective for periods beginning on or after 1 January 2016. The Group has redesigned the Group annual financial statements in the current year and is considering further impacts on the consolidated financial statements.

Amendment to IAS 7 – *Cash Flow Statements*

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt.

This statement is effective for periods beginning on or after 1 January 2017. The Group does not believe the statement will have a significant impact as this amendment results only in additional disclosures; there is no financial impact as a result of this amendment.

Amendment to IAS 12 – *Income Taxes*

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

This statement is effective for periods beginning on or after 1 January 2017. The Group does not believe the statement will have a significant impact, given that this is a clarification to the existing standard; there is no change in the underlying principles for the recognition of deferred tax assets.

Amendment to IAS 16 – *Property, plant and equipment* – and IAS 38 – *Intangible assets – on depreciation and amortisation*

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

This statement is effective for periods beginning on or after 1 January 2016. The Group is currently considering the impact on the consolidated financial statements.

10. Accounting framework continued

10.3 Standards, amendments and interpretations not yet effective continued

Amendments to IAS 27 – *Separate financial statements – on equity accounting*

In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

This statement is effective for periods beginning on or after 1 January 2016 and is not applicable to the Group. The Company does not believe the statement will have a significant impact, given that the Company does intend applying this option.

IFRS 15 – *Revenue From Contracts With Customers*

This statement establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

This statement is effective for periods beginning on or after 1 January 2017. The Group is currently considering the impact on the consolidated financial statements.

Annual improvements project

The September 2014, the IASB issued Annual improvements to IFRS 2012 – 2014 Cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for annual periods beginning on or after 1 January 2016.

IFRS 5 – *Non-current Assets Held-for-sale and Discontinued Operations*

This is an amendment to the changes in methods of disposal:

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification.

IFRS 7 – *Financial Instruments: Disclosures*

Applicability of the offsetting disclosures to condensed interim financial statements.

The amendment removes the phrase "and interim periods within those annual periods" from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.

IFRS 7 – *Financial Instruments: Disclosures*

Servicing contracts – The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

IAS 34 – *Interim Financial Reporting*

Disclosure of information "elsewhere in the interim financial report"

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g, in the management commentary or risk report).

The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

Management is currently considering the effect of the changes.

10. Accounting framework continued

10.4 Other accounting policies

Starter pack assets

A starter pack is a tool which enables the connection of a mobile device to a mobile network operator, also known as a subscriber identity module (SIM) card.

The starter pack asset represents starter packs which have been distributed but not yet activated. On activation of the starter pack, the Group has a right to receive cash. Starter packs are stated at cost less provision for impairment and are determined by means of the weighted average cost basis.

Provision for impairments are made for starter packs distributed but not expected to be activated.

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group financial statements are presented in South African rand (ZAR), which is the functional and presentation currency of the parent company.

(b) Transactions and balances

- Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate as at statement of financial position date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

Dividend tax

Dividend tax is provided for at 15% of the amount of any dividend paid, subject to certain exemptions. The dividend tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group and Company's financial statements in the period in which they are approved by the shareholders.

Distributions of non-cash assets received from subsidiary companies are recognised as a dividend at the fair value of the non-cash assets received.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 May 2016

	Notes	2016 R'000	2015 R'000
Assets			
Non-current assets		**4 019 362**	3 640 112
Property and equipment	3	**5 318**	10 911
Intangible assets	4	**19**	69
Deferred tax asset	5	**—**	4 058
Investment in and loans to subsidiaries	6.1	**3 551 518**	3 240 227
Investment in and loans to joint ventures and associates	6.2	**346 829**	304 175
Loan receivable	7	**115 678**	80 672
Current assets		**8 539**	7 739
Loans to subsidiaries	6.1	**976**	976
Trade and other receivables	8	**6 260**	4 209
Current tax assets		**—**	271
Cash and cash equivalents	9	**1 303**	2 283
Total assets		**4 027 901**	3 647 851
Equity and liabilities			
Capital and reserves		**2 729 985**	2 758 134
Share capital	10	*****	*
Share premium		**4 012 359**	4 012 359
Treasury shares		**(28 985)**	(30 295)
		3 983 374	3 982 064
Equity compensation benefit reserve		**14 959**	15 366
Share-based payment reserve		**295**	295
Accumulated loss		**(1 268 643)**	(1 239 591)
Non-current liabilities		**23 518**	90 121
Deferred tax liability	5	**1 844**	—
Trade and other payables	12	**21 674**	90 121
Current liabilities		**1 274 398**	799 596
Trade and other payables	12	**90 999**	44 705
Loans from subsidiaries	13	**1 183 399**	754 891
Total equity and liabilities		**4 027 901**	3 647 851

** Less than R1 000.*

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2016

	Notes	2016 R'000	2015 R'000
Other income		**335 342**	142 245
Employee compensation and benefit expense	14	**(86 568)**	(85 186)
Depreciation, amortisation and impairment charges		**(6 244)**	(6 518)
Other expenses		**(59 037)**	(8 110)
Operating profit	15	**183 493**	42 431
Finance costs	16	**(7 812)**	(6 284)
Finance income	16	**10 267**	11 797
Net profit before taxation		**185 948**	47 944
Taxation	17	**(5 902)**	(2 679)
Net profit for the year		**180 046**	45 265
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive profit for the year		**180 046**	45 265

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2016

	Share capital R'000	Share premium R'000
Balance as at 31 May 2014	*	4 012 359
Net profit for the year	—	—
Other comprehensive income	—	—
Total comprehensive profit	—	—
Shares purchased during the year	—	—
Shares awarded to Group companies as part of equity compensation scheme	—	—
Shares forfeited by Group companies as part of equity compensation scheme	—	—
Equity compensation scheme shares vested	—	—
Equity compensation movements	—	—
Dividends	—	—
Balance as at 31 May 2015	*****	**4 012 359**
Net profit for the year	—	—
Other comprehensive income	—	—
Total comprehensive profit	—	—
Shares purchased during the year	—	—
Shares awarded to Group companies as part of equity compensation scheme	—	—
Shares forfeited by Group companies as part of equity compensation scheme	—	—
Equity compensation scheme shares vested	—	—
Equity compensation movements	—	—
Dividends	—	—
Balance as at 31 May 2016	*****	**4 012 359**

** Less than R1 000.*

[1] This relates to the Company's movement in equity compensation benefit (refer to note 11).

COMPANY STATEMENT OF CHANGES IN EQUITY continued

For the year ended 31 May 2016

Treasury shares R'000	Equity compensation benefit reserve[1] R'000	Share-based payment reserve R'000	Accumulated loss R'000	Total equity R'000
(30 887)	12 246	295	(1 102 739)	2 891 274
—	—	—	45 265	45 265
—	—	—	—	—
—	—	—	45 265	45 265
(19 131)	—	—	—	(19 131)
14 915	—	—	—	14 915
(3 346)	—	—	—	(3 346)
8 154	(8 154)	—	—	—
—	11 274	—	—	11 274
—	—	—	(182 117)	(182 117)
(30 295)	**15 366**	**295**	**(1 239 591)**	**2 758 134**
—	**—**	**—**	**180 046**	**180 046**
—	**—**	**—**	**—**	**—**
—	**—**	**—**	**180 046**	**180 046**
(23 052)	**—**	**—**	**—**	**(23 052)**
16 989	**—**	**—**	**—**	**16 989**
(1 275)	**—**	**—**	**—**	**(1 275)**
8 648	**(8 648)**	**—**	**—**	**—**
—	**8 241**	**—**	**—**	**8 241**
—	**—**	**—**	**(209 098)**	**(209 098)**
(28 985)	**14 959**	**295**	**(1 268 643)**	**2 729 985**

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 May 2016

	Notes	2016 R'000	2015 R'000
Cash flows from operating activities	18	**(9 273)**	47 833
Interest received		**327**	250
Interest paid		**(7 812)**	(6 284)
Taxation paid	19	**271**	(648)
Net cash (utilised)/generated by operations		**(16 487)**	41 151
Cash flows from investing activities			
Acquisition of property and equipment	3	**(853)**	(310)
Proceeds on sale of property and equipment		**252**	1
Acquisition of intangible assets	4	**(8)**	(19)
Loans repaid by subsidiaries		**16 989**	99 431
Loans advanced to subsidiaries		**(164 332)**	(22 416)
Acquisition of subsidiaries		**—**	(144 975)
Proceeds from disposal of subsidiary		**8 086**	2 400
Loans advanced to Blue Label Mexico	6	**—**	(48 979)
Capital contribution to Blue Label Mexico	6	**(42 654)**	—
Settlement of contingent consideration		**(1 931)**	(4 113)
Net cash utilised in investing activities		**(184 451)**	(118 980)
Cash flows from financing activities			
Borrowings raised from subsidiaries	13	**432 108**	279 942
Dividends paid		**(209 098)**	(182 117)
Treasury shares acquired	10	**(23 052)**	(19 131)
Net cash generated from financing activities		**199 958**	78 694
Net (decrease)/increase in cash and cash equivalents		**(980)**	865
Cash and cash equivalents at the beginning of the period		**2 283**	1 418
Cash and cash equivalents at the end of the period	9	**1 303**	2 283

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

For the year ended 31 May 2016

1. Accounting policies and critical accounting estimates and assumptions

The accounting policies and critical accounting estimates and assumptions applied to the Company annual financial statements are consistent with the Group accounting policies.

2. Financial risks

In the course of its business, the Company is exposed to a number of financial risks: credit risk, liquidity risk and market risk (including foreign currency and other price risk). This note presents the Company's objectives, policies and processes for managing its financial risk and capital.

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations to the Company. The Company is exposed to credit risks on financial instruments such as receivables, loans receivable and cash.

Trade and other receivables

Trade and other receivables consist primarily of invoiced amounts owing from related parties. The recoverability of these amounts are regularly monitored with reference to the counterparties' financial performance. Where necessary, a provision for impairment is made.

Cash and cash equivalents

The Company places cash and cash equivalents with major banking groups and quality institutions that have high credit ratings.

Loans receivable

Loans are only granted to holders with an appropriate credit history, taking into account the holder's financial position and past experience.

The Company's maximum credit risk exposure is the carrying amount of all financial assets on the statement of financial position and sureties provided with the maximum amount the Company could have to pay if the sureties are called on amounting to R1.5 billion (2015: R1.5 billion).

	2016 R'000	2015 R'000
2. Financial risks continued		
Loans to subsidiaries and joint venture		
Group 1	—	—
Group 2	**161 536**	976
Group 3	—	—
	161 536	976
Loans receivable		
Group 1	—	—
Group 2	**115 678**	80 672
Group 3	—	—
	115 678	80 672
Trade receivables		
Counterparties without external credit rating		
Group 1	—	—
Group 2	**5 329**	3 592
Group 3	—	—
Total unimpaired trade receivables	**5 329**	3 592

The rating groups for counterparties without external credit ratings are categorised as follows:
Group 1 – New customers/related parties (less than six months).
Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.
Group 3 – Existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short-term bank deposits

Credit rating based on latest S&P Global local currency long-term issuer default ratings.

	2016 R'000	2015 R'000
BBB-	**1 303**	2 283
	1 303	2 283

2. Financial risks continued

Liquidity risk

Liquidity risk arises when a company encounters difficulties to meet commitments associated with liabilities and other payment obligations. The Company's objective is to maintain prudent liquidity risk management by 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. Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Management is satisfied as to the liquidity of the Company since the majority of the current liabilities relate to the loans from subsidiaries. These subsidiaries are 100% held by the Company and therefore the Company has control of their assets including cash resources.

The Company and a subsidiary company have issued a cross surety in respect of a guarantee for an overdraft facility in the amount of R19.85 million in favour of FNB, a division of FirstRand Bank Limited. This facility was unutilised as at 31 May 2016. In addition, the Company and four of its subsidiaries have issued a cross surety in the amount of R1.3 million.

The Company has issued a surety in respect of guarantees in the amount of R98.8 million in favour of third parties, for normal trade obligations of Group companies.

Maturity of financial liabilities

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one month or on demand R'000	Payable in: More than one month but not exceeding one year R'000	More than one year but not exceeding two years R'000	More than two years but not exceeding five years R'000	More than five years R'000
2016					
Loans from subsidiaries	**—**	**1 183 399**	**—**	**—**	**—**
Trade and other payables*	**3 537**	**54 282**	**24 790**	**—**	**—**
Total	**3 537**	**1 237 681**	**24 790**	**—**	**—**
2015					
Loans from subsidiaries	754 891	—	—	—	—
Trade and other payables*	2 785	10 946	48 425	55 300	—
Total	757 676	10 946	48 425	55 300	—

** Trade and other payables exclude non-financial instruments being VAT and certain amounts within accruals and sundry creditors.*

2. Financial risks continued

Market risk

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is exposed to risks from movements in foreign exchange rates and interest rates that affect its assets, liabilities and anticipated future transactions.

Fair value measurement hierarchy:

- Level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- Level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Contingent consideration, included in trade and other payables, are level 3 financial liabilities.

Changes in level 3 instruments are as follows:

	2016 R'000	2015 R'000
Contingent consideration		
Opening balance	**93 280**	7 256
Acquisition of Viamedia Proprietary Limited	**—**	84 783
Settlements	**(1 931)**	(4 113)
Gains and losses recognised in profit or loss	**(23 117)**	5 354
Closing balance	**68 232**	93 280
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period, under:		
Other income	**(30 924)**	(923)
Interest paid	**(7 807)**	6 277
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**7 222**	1 382

Refer to note 3.2.1 of the Group financial statements.

2. Financial risks continued

Cash flow and fair value interest rate risk

The Company's cash flow interest rate risk arises from loans receivable and cash and cash equivalents. The Company is not exposed to fair value interest rate risk as the Company does not have any fixed interest-bearing instruments carried at fair value nor any interest-bearing borrowings.

As part of the process of managing the Company's exposure to interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Foreign currency risk

The Company is exposed to foreign currency risk from transactions. Transaction exposure arises due to the Company granting loans to affiliated companies in foreign currencies.

The Company manages its exposure to foreign currency risk by ensuring that the net foreign currency exposure remains within acceptable levels. Hedging instruments are used in certain instances to reduce risks arising from foreign currency fluctuations. The Company did not enter into any forward exchange contracts during the period under review.

IFRS 7 – *Sensitivity Analysis*

The Company has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening of the rand against all other currencies, from the rates applicable at 31 May 2016, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

Interest rate sensitivity

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments; and
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value.

Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2016 would increase or decrease profit before tax by R1.2 million (2015: R22 830).

2. Financial risks continued

Foreign currency sensitivity

Financial instruments by currency

	2016			2015		
	ZAR R'000	USD R'000	Total R'000	ZAR R'000	USD R'000	Total R'000
Financial assets						
Cash	1 303	—	1 303	2 283	—	2 283
Trade and other receivables*	6 203	—	6 203	3 592	—	3 592
Loans to subsidiaries	161 536**	—	161 536	976	—	976
Loans receivable	—	115 678	115 678	—	80 672	80 672
	169 042	115 678	284 720	6 851	80 672	87 523
Financial liabilities						
Loans from subsidiaries	1 183 399	—	1 183 399	754 891	—	754 891
Trade and other payables*	82 609	—	82 609	117 456	—	117 456
	1 266 008	—	1 266 008	872 347	—	872 347
Net financial position	(1 096 966)	115 678	(981 288)	(865 496)	80 672	(784 824)

** Trade and other receivables and trade and other payables exclude non-financial instruments.*
*** A portion of this loan in substance forms part of the Company's investment into Gold Label Investments Proprietary Limited.*

With a 10% strengthening or weakening in the rand against the US dollar, profit before tax would decrease or increase by R11.6 million respectively.

Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Although the Company is in a deficit position, the value of its significant subsidiary exceeds the carrying value.

In order to maintain or adjust this capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Company defines capital as capital and reserves and non-current borrowings.

The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

Fair value measurement

For all short-term financial assets and liabilities, the carrying amount is regarded as an approximation of the fair value.

3. Property and equipment

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Office equipment R'000	Leasehold improve-ments R'000	Total R'000
Year ended 31 May 2016						
Opening carrying amount	**161**	**214**	**453**	**94**	**9 989**	**10 911**
Additions	**107**	**40**	**704**	**2**	**—**	**853**
Disposals	**(15)**	**—**	**(241)**	**—**	**—**	**(256)**
Depreciation charge	**(93)**	**(166)**	**(187)**	**(32)**	**(5 712)**	**(6 190)**
Closing carrying amount	**160**	**88**	**729**	**64**	**4 277**	**5 318**
At 31 May 2016						
Cost	**1 107**	**2 123**	**1 277**	**2 431**	**39 008**	**45 946**
Accumulated depreciation	**(947)**	**(2 035)**	**(548)**	**(2 367)**	**(34 731)**	**(40 628)**
Carrying amount	**160**	**88**	**729**	**64**	**4 277**	**5 318**
Year ended 31 May 2015						
Opening carrying amount	92	388	620	111	15 705	16 916
Additions	131	20	66	93	—	310
Disposals	—	—	—	—	—	—
Depreciation charge	(62)	(194)	(233)	(110)	(5 716)	(6 315)
Closing carrying amount	161	214	453	94	9 989	10 911
At 31 May 2015						
Cost	1 017	2 083	1 261	2 430	39 008	45 799
Accumulated depreciation	(856)	(1 869)	(808)	(2 336)	(29 019)	(34 888)
Carrying amount	161	214	453	94	9 989	10 911

There are no property and equipment assets that are encumbered.

		Computer software R'000	Other R'000	Total R'000
4.	**Intangible assets**			
	Year ended 31 May 2016			
	Opening carrying amount	**34**	**35**	**69**
	Additions	**8**	**—**	**8**
	Disposals	**(4)**	**—**	**(4)**
	Amortisation charge	**(19)**	**(35)**	**(54)**
	Closing carrying amount	**19**	**—**	**19**
	At 31 May 2016			
	Cost	**2 606**	**700**	**3 306**
	Accumulated amortisation	**(2 587)**	**(700)**	**(3 287)**
	Carrying amount	**19**	**—**	**19**
	Year ended 31 May 2015			
	Opening carrying amount	78	175	253
	Additions	19	—	19
	Amortisation charge	(63)	(140)	(203)
	Closing carrying amount	34	35	69
	At 31 May 2015			
	Cost	2 606	700	3 306
	Accumulated amortisation	(2 572)	(665)	(3 237)
	Carrying amount	34	35	69

	2016 R'000	2015 R'000
5. Deferred taxation		
At the beginning of the year	**(4 058)**	(6 737)
Credited/(charged) to the statement of comprehensive income:		
Provisions	**(1 736)**	(5 876)
Tax losses	**655**	5 355
Capital allowances	**(49)**	(49)
Equity compensation benefit	**(1 639)**	3 237
Unrealised foreign exchange	**7 018**	2 930
Other	**1 653**	(2 918)
At the end of the year	**1 844**	(4 058)
Deferred taxation comprises:		
Provisions	**(8 553)**	(6 817)
Tax losses	**(2 111)**	(2 766)
Capital allowances	**38**	87
Equity compensation benefit	**4 847**	6 486
Unrealised foreign exchange	**9 766**	2 748
Other	**(2 143)**	(3 796)
	1 844	(4 058)
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**—**	3 398
Deferred tax assets to be recovered within 12 months	**—**	(7 456)
	—	(4 058)
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**10 205**	—
Deferred tax liabilities to be recovered within 12 months	**(8 361)**	—
	1 844	—
Net deferred tax liability/(asset)	**1 844**	(4 058)

Where deferred tax assets have been recognised, a formal process of assessment of the future profitability of the Company has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilised within one to five years. There are no unrecognised tax losses in the current year (2015: Rnil).

		2016 R'000	2015 R'000
6.	**Investments in Group companies and related loans**		
6.1	**Investments in and loans to subsidiaries**		
	Shares at cost less amounts written off	**3 390 958**	3 240 227
	Non-current loans owing by subsidiaries less amounts written off	**160 560**	—
	Current loans owing by subsidiaries less amounts written off	**976**	976
		3 552 494	3 241 203

In the current year Velociti Proprietary Limited was disposed of. Refer to note 2.2 of the Group annual financial statements.

Details are reflected below:

	Shares at cost	Loans owing by subsidiaries R'000	Provision for impairment R'000
2016			
Activi Deployment Services Proprietary Limited	**5 060**	—	—
Africa Prepaid Services Proprietary Limited	**61 520**	**90 394**	**(151 914)**
Africa Prepaid Services Nigeria Limited	**14 000**	**28 740**	**(42 740)**
Blue Label Distribution Proprietary Limited**	**194 000**	—	—
Blue Label One Proprietary Limited	**40 000**	—	—
BLT USA Inc.	**307**	—	—
Budding Trade Proprietary Limited**	**6 000**	—	—
Cellfind SA Proprietary Limited	**290 000**	—	—
Cigicell Proprietary Limited	**295**	—	—
Datacel Direct Proprietary Limited	**150 000**	—	—
Gold Label Investments Proprietary Limited	**137 816**	**256 245*** **	**(121 148)**
Kwikpay SA Proprietary Limited**	**22 500**	—	—
Panacea Mobile Proprietary Limited	**27 480**	—	—
Simigenix Proprietary Limited	*****	—	—
The Post Paid Company Proprietary Limited**	**1 500**	—	—
The Prepaid Company Proprietary Limited**	**2 150 215**	—	—
TicketPros Proprietary Limited**	**14 700**	—	—
Transaction Junction Proprietary Limited	**4 200**	—	—
Uninex Proprietary Limited	*****	**976**	—
Ventury Group Proprietary Limited**	**98 406**	—	—
Viamedia Proprietary Limited	**229 158**	—	—
Virtual Voucher Proprietary Limited**	**44 784**	—	—
	3 491 941	**376 355**	**(315 802)**

* *Less than R1 000.*
** *These investments have been pledged as security to Investec Bank Limited in terms of the facility. For details on percentage held, country of incorporation and issued shares, refer to note 2.4 in the Group notes. Refer to notes 15 and 21 for details on impairments.*
*** *This loan in substance forms part of the Company's investment into Gold Label Investments Proprietary Limited.*
Refer to note 21 for the terms of these loans.

6. Investments in Group companies and related loans continued

6.1 Investments in and loans to subsidiaries continued

	Shares at cost	Loans owing by subsidiaries R'000	Provision for impairment R'000
2015			
Activi Deployment Services Proprietary Limited	5 060	—	—
Africa Prepaid Services Proprietary Limited	61 520	87 898	(149 418)
Africa Prepaid Services Nigeria Limited	14 000	28 740	(42 740)
Blue Label Distribution Proprietary Limited**	194 000	—	—
Blue Label Investments Proprietary Limited	108 416	—	—
Blue Label One Proprietary Limited	40 000	—	—
BLT USA Inc.	307	—	—
Budding Trade Proprietary Limited**	6 000	—	—
Cellfind SA Proprietary Limited	290 000	—	(141 841)
Cigicell Proprietary Limited	295	—	—
Datacel Direct Proprietary Limited	150 000	—	(16 073)
Gold Label Investments Proprietary Limited	29 400	95 683	(121 148)
Kwikpay SA Proprietary Limited**	22 500	—	—
Matragon Proprietary Limited**	*	—	—
Panacea Mobile Proprietary Limited	27 480	—	—
Simigenix Proprietary Limited	*	—	—
The Post Paid Company Proprietary Limited**	1 500	—	—
The Prepaid Company Proprietary Limited**	2 150 215	—	—
TicketPros Proprietary Limited**	14 700	—	—
Transaction Junction Proprietary Limited	4 200	—	—
Uninex Proprietary Limited	*	976	—
Velociti Proprietary Limited	7 185	—	—
Ventury Group Proprietary Limited**	98 406	—	—
Viamedia Proprietary Limited	229 158	—	—
Virtual Voucher Proprietary Limited**	44 784	—	—
	3 499 126	213 297	(471 220)

* *Less than R1 000.*

** *These investments have been pledged as security to Investec Bank Limited in terms of the facility. For details on percentage held, country of incorporation and issued shares, refer to note 2.4 in the Group notes. Refer to notes 15 and 21 for details on impairments.*

All loans are interest-free and repayable on demand.

6. Investments in Group companies and related loans continued

6.2 Investments in and loans to joint ventures and associates

	2016 R'000	2015 R'000
Investments in and loans to joint ventures and associates		
Shares as at the beginning of the year	**304 175**	254 142
Acquisition of joint venture and associate	**42 654**	50 033
Shares as at the end of the year	**346 829**	304 175
Loans at the beginning of the year	**—**	1 054
Loan granted to joint venture capitalised	**—**	(50 033)
Loans granted to joint venture	**—**	48 979
Loans at the end of the year	**—**	—
Closing net book value	**346 829**	304 175

There was no impairment of investment in joint ventures. The terminal growth rate applied was 3.5% (2015: 3.5%). The weighted average cost of capital used to discount these cash flows was 16.44% (2015: 18.46%). The discount rates used are post-tax and reflect specific risks relating to the relevant companies.

The discount rate used when calculating the value-in-use calculations would need to be increased by 13% before any impairments would need to be recognised. Refer to note 2.1. of the Group annual financial statements.

Shares in associate and joint venture acquired during the current year:

		Date acquired	Country of incorporation	Percentage interest acquired
Blue Label Mexico S.A. de C.V.	Joint venture	1 September 2015	Mexico	0.92
Banosign Proprietary Limited	Joint venture	1 April 2016	South Africa	50.1

Refer to note 2.1 of the Group financial statements for details of other associates held directly by the Company.

6. Investments in Group companies and related loans continued

6.2 Investments in and loans to joint ventures and associates continued

	Assets R'000	Liabilities R'000	Revenues R'000	Loss R'000
2016				
Blue Label Mexico S.A. de C.V.	**338 163**	**129 495**	**4 016 614**	**(130 024)**
Lornanox Proprietary Limited	**152 196**	**97 626**	**149 044**	**(11 389)**
Banosign Proprietary Limited	**5 474**	**6 238**	**2 414**	**(764)**
2015				
Blue Label Mexico S.A. de C.V.	334 270	94 773	3 526 421	(186 156)
Lornanox Proprietary Limited	—	—	—	—

	2016 R'000	2015 R'000
7. Loan receivable		
Interest-bearing loan receivable	**115 678**	80 672
	115 678	80 672

Interest-bearing loans earn interest at 10% per annum.

The loans receivable are neither past due nor impaired with a low risk of default. Loan receivable balance is from a related party (refer to note 21).

	2016 R'000	2015 R'000
8. Trade and other receivables		
Sundry debtors	**889**	26
Prepayments	**42**	591
Amounts due from related parties (refer to note 21)	**5 329**	3 592
	6 260	4 209

The ageing of trade receivables, including amounts due from related parties, at the reporting date is as follows:

	Gross R'000	Impairment R'000	Net R'000
31 May 2016			
Fully performing	**5 329**	—	**5 329**
Past due by one to 30 days	—	—	—
Past due by 31 to 60 days	—	—	—
Past due by 61 to 90 days	—	—	—
Past due by more than 90 days	—	—	—
	5 329	—	**5 329**
31 May 2015			
Fully performing	3 592	—	3 592
Past due by one to 30 days	—	—	—
Past due by 31 to 60 days	—	—	—
Past due by 61 to 90 days	—	—	—
Past due by more than 90 days	—	—	—
	3 592	—	3 592

Based on the financial performance of the relevant debtors, management does not consider there to be any indications of potential default in respect of the fully performing book.

		2016 R'000	2015 R'000
9.	**Cash and cash equivalents**		
	Cash at bank	**1 303**	2 283
		1 303	2 283

		2016 Number of shares	2015 Number of shares	**2016 R'000**	2015 R'000
10.	**Share capital**				
	Authorised				
	Total authorised share capital of ordinary shares (par value of R0.000001 each)	**1 000 000 000**	1 000 000 000	**1**	1
	Issued				
	Balance at the beginning of the year	**665 463 346**	663 896 358	*****	*
	Shares acquired during the year	**(2 383 471)**	(2 252 420)	*****	*
	Shares vested during the year – Blue Label Telecoms Limited	**1 288 836**	1 811 995	*****	*
	Shares vested during the year – Blue Label Telecoms Limited subsidiaries	**1 874 523**	2 007 413	*****	*
	Balance at the end of the year	**666 243 234**	665 463 346	*****	*

** Less than R1 000.*

All issued shares are fully paid up.

The total number of shares in issue, including shares held as treasury shares as at 31 May 2016, is 674 509 042 (2015: 674 509 042).

The Company acquired 2 383 471 (2015: 2 252 420) shares at an average price of R9.67 (2015: R8.49) on the JSE in order to grant forfeitable shares to employees and directors as part of the Group's forfeitable share plan.

The amount paid to acquire these shares was R23 052 001 (2015: R19 131 983) and has been deducted from shareholders' equity.

These shares are held as treasury shares. Refer to note 11 for details on the forfeitable shares.

11. Equity compensation benefit

Forfeitable shares

During the year 920 592 (2015: 1 261 973) forfeitable shares were granted to executive directors and qualifying employees (participant). The participant will forfeit the forfeitable shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the Board. In the event that the participant is not in the employ of the Group, or the performance conditions are not met, the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the participating employer, or may be retained by the Group for future awards.

Dividends declared in respect of these forfeitable shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. A dividend of 31 cents (2015: 27 cents) per ordinary share was declared on 18 August 2015 (2015: 19 August 2014).

The performance condition of the forfeitable shares for the fifth, sixth, seventh and eighth award vesting on 31 August 2015, 31 August 2016, 31 August 2017 and 31 August 2018 respectively are as follows:

- 40% of the awards are allocated towards retention. In order to receive this portion of the allocation the employee is required to be employed within the Group at the vesting date.
- 60% of the awards are allocated on the basis of 50% for growth in core headline earnings per share and 10% for shareholder returns.

The 50% for growth in core headline earnings will be based on the following achievements:

- If growth is 5% above CPI over three years, 20% of the 50% will vest.
- If growth is 10% above CPI over three years, an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, a further 30% (i.e. a total of 100%) of the 50% will vest.

The 10% for shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period.

11. Equity compensation benefit continued

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant
At 31 May 2014			4 241 011	26 779
Fourth award			1 811 995	8 154
Fifth award			1 288 836	8 648
Sixth award			1 140 180	9 977
Granted during the year			1 261 973	11 232
Seventh award	3 September 2014	31 August 2017	1 261 973	11 232
Shares vested during the year			(1 811 995)	(8 154)
Fourth award		31 August 2014	(1 811 995)	(8 154)
At 31 May 2015			**3 690 989**	**29 857**
Fifth award			**1 288 836**	**8 648**
Sixth award			**1 140 180**	**9 977**
Seventh award			**1 261 973**	**11 232**
Shares forfeited during the year			**(468 086)**	**(4 132)**
Sixth award			**(229 214)**	**(2 006)**
Seventh award			**(238 872)**	**(2 126)**
Granted during the year			**920 592**	**9 362**
Eighth award	1 September 2015	31 August 2018	**920 592**	**9 362**
Shares vested during the year			**(1 288 836)**	**(8 648)**
Fifth award		31 August 2015	**(1 288 836)**	**(8 648)**
At 31 May 2016			**2 854 659**	**26 439**
Sixth award			**910 966**	**7 971**
Seventh award			**1 023 101**	**9 106**
Eighth award			**920 592**	**9 362**

Refer to note 14 for the expense recognised in the statement of comprehensive income relating to the equity compensation benefits.

The fair value of the shares is based on the open market closing price at grant date.

The total number of forfeitable shares issued to Executive Directors during the period is 664 875 (2015: 955 617).

The share-based payment expense in relation to these Executive Directors is R5.7 million (2015: R8.9 million).

Included in this is R1.4 million (2015: R659 000) paid by subsidiaries.

Refer to note 5.3 of the Group annual financial statements for details per Director.

		2016 R'000	2015 R'000
12.	**Trade and other payables**		
	Trade payables	**681**	726
	Accruals	**8 552**	4 520
	Employee benefits	**30 436**	26 620
	Sundry creditors	**4 008**	4 843
	Contingent consideration (refer to note 2)	**68 232**	93 280
	VAT	**708**	983
	Payables to related parties (refer to note 21)	**56**	3 854
		112 673	134 826
	Less: Amounts included in current portion of trade and other payables	**90 999**	44 705
		21 674	90 121
13.	**Loans from subsidiaries**		
	Blue Label Investments Proprietary Limited	**—**	3 638
	The Prepaid Company Proprietary Limited	**1 135 399**	703 253
	Ventury Group Proprietary Limited	**48 000**	48 000
		1 183 399	754 891
	Refer to note 21 for terms of these loans.		
14.	**Employee compensation and benefit expense**		
	Salaries and wages	**48 701**	48 416
	Bonuses	**29 399**	24 753
	Equity compensation benefit	**8 241**	11 274
	Other	**227**	743
		86 568	85 186
	The average number of employees for the year is 32 (2015: 34).		

	2016 R'000	2015 R'000
15. Operating profit		
The following items have been charged/(credited), in arriving at operating profit/(loss):		
Acquisition-related costs	**21 639**	1 971
Audit fees – other	**134**	128
Audit fees – services as auditors	**7 355**	3 962
Consulting fees	**6 882**	9 909
Dividend received**	**(9 821)**	—
Foreign exchange profit**	**(26 049)**	(10 559)
Contingent purchase price release (refer to note 2)	**(30 924)**	(923)
Impairment of loans and investments*	**2 496**	23 484
Reversal of impairment of loans and investments	**(157 914)#**	(53 927)***
Insurance	**899**	890
Legal fees	**198**	914
Management fees received**	**(109 499)**	(108 272)
Operating lease rentals – premises	**(897)**	(1 298)
Rental paid	**13 507**	12 358
Rental recovery	**(14 404)**	(13 656)
Overseas travel	**2 166**	2 266
Loss/(profit) on disposal of property, plant and equipment**	**4**	(1)
(Profit)/loss on disposal of subsidiary	**(900)**	334

* *An impairment loss of R2.5 million (2015: R23.5 million) was recognised in the current year relating to the impairment of a related party loan in line with our stated accounting policies (refer to note 21). The related-party loan has been fully impaired due to the continuing trading losses in these entities which are not considered to be immediately recoverable.*

** *Included in other income. Refer to note 21.*

*** *The reversal of impairment relates to the loan to Gold Label Investments Proprietary Limited (Gold Label). The reversal arose due to Gold Label repaying a portion of the loan previously impaired.*

The reversal of impairment relates to the investment in Cellfind SA Proprietary Limited of R141.8 million and the investment in Datacel Direct Proprietary Limited of R16.1 million. The reversal arose due to the impairment indicators of these assets no longer being applicable. Value-in-use calculations were performed on these assets and their provisions for impairment reversed. Refer to note 4.1 of the Group financial statements.

		2016 R'000	2015 R'000
16.	**Finance costs and finance income**		
	Finance costs		
	– Bank	**6**	1
	– Unwinding of contingent purchase price	**7 806**	6 277
	– Other	**—**	6
		7 812	6 284
	Finance income		
	– Bank	**(327)**	(210)
	– Loans	**(9 940)**	(11 586)
		(10 267)	(11 797)
	Net finance income	**(2 455)**	(5 513)
17.	**Taxation**		
	Current tax	**—**	—
	Current year	**—**	—
	Adjustment in respect of prior year	**—**	—
	Deferred tax	**5 902**	2 679
	Current year	**6 241**	2 608
	Adjustment in respect of prior year	**(339)**	71
		5 902	2 679
	Tax rate reconciliation		
	Net profit before tax	**185 948**	47 944
	Tax at 28%	**52 065**	13 424
	Income not subject to tax	**(2 749)**	(51)
	Income of a capital nature	**—**	(6 219)
	Fair value adjustments	**(6 473)**	1 500
	Impairment reversal	**(44 216)**	(8 524)
	Expenditure not deductible for tax purposes	**1 212**	684
	Expenditure of a capital nature	**6 654**	1 794
	Adjustment in respect of prior year	**(339)**	71
	Capital gains tax	**(252)**	—
		5 902	2 679
	Effective tax rate	**3%**	6%

		2016 R'000	2015 R'000
18.	**Cash (utilised)/generated by operations**		
	Reconciliation of operating loss to cash flows from operating activities		
	Operating profit	**183 493**	42 431
	Adjustments for:		
	Dividends received	**(3 598)**	—
	Depreciation of property and equipment	**6 190**	6 315
	Amortisation on intangible assets	**54**	203
	Impairment of loans and investments	**2 496**	23 484
	Reversal of impairment of loans and investments	**(157 914)**	(53 927)
	Loss/(profit) on disposal of property, plant and equipment	**4**	(1)
	(Profit)/loss on disposal of subsidiaries	**(900)**	334
	Equity compensation benefit expense	**8 241**	11 274
	Net unrealised foreign exchange profit	**(25 066)**	(10 503)
	Changes in working capital:		
	Increase in trade and other receivables	**(2 051)**	(1 742)
	(Decrease)/increase in trade and other payables	**(20 222)**	29 965
		(9 273)	47 833
19.	**Taxation paid**		
	Balance outstanding at the beginning of the year	**271**	377
	Taxation charge	**—**	—
	Balance outstanding at the end of the year	**—**	(271)
		271	648
20.	**Commitments**		
	Future operating lease commitments for:		
	Premises		
	Payable within one year	**12 270**	15 195
	Payable in two to five years	**—**	12 270
	Payable in greater than five years	**—**	—
		12 270	27 465

21. Related-party transactions

Related-party relationships

For details of subsidiaries and joint ventures, refer to note 2.1 in the Group notes.

For details of the Company's Directors, refer to the Directors' report.

ZOK Cellular Proprietary Limited, BSC Technologies Proprietary Limited, Black Ginger 59 Proprietary Limited, Moneyline 311 Proprietary Limited, aloeCap Proprietary Limited, Stylco Proprietary Limited, Wildekrans Wine Estate Proprietary Limited, Stax Technologies Proprietary Limited, and Ellerine Bros. Proprietary Limited are related parties due to Directors' shareholdings and the companies having certain common directorships.

For details of the shareholdings in the Company, refer to the Directors' report.

For details of emoluments to Directors, refer to note 5.3 of the Group annual financial statements and remuneration report. The Executive Directors of the Company are regarded as key management.

The following transactions were carried out with related parties:

	2016 R'000	2015 R'000
Purchases from related parties		
Black Ginger 59 Proprietary Limited	**3 906**	6 659
Blue Label Distribution Proprietary Limited	**881**	—
Cellfind SA Proprietary Limited	—	15
Stax Technologies Proprietary Limited	—	144
Stylco Proprietary Limited	**50**	50
Ticketpros Proprietary Limited	**24**	—
ZOK Cellular Proprietary Limited	—	11
Interest received from related parties		
Africa Prepaid Services Proprietary Limited	—	3 128
Africa Prepaid Services Nigeria Limited	—	1 286
2DFine Holdings Mauritius	**9 940**	7 135
Blue Label Mexico S.A. de C.V.	—	(18)
Management fees received from related parties		
Activi Deployment Services Proprietary Limited	**117**	106
Blue Label Distribution Proprietary Limited	**4 046**	3 678
Blue Label One Proprietary Limited	**594**	540
Cellfind SA Proprietary Limited	**4 209**	3 827
Cigicell Proprietary Limited	**3 625**	3 295
Datacel Direct Proprietary Limited	**792**	720
The Prepaid Company Proprietary Limited	**96 000**	96 000
Transaction Junction Proprietary Limited	**117**	106
Management fees paid to related parties		
Blue Label Distribution Proprietary Limited	**718**	—
Rent received from related parties		
Black Ginger 59 Proprietary Limited	**14 404**	13 866
Rent paid to related parties		
Ellerine Bros. Proprietary Limited	**7 597**	6 875
Moneyline 311 Proprietary Limited	**7 597**	6 875

21. Related-party transactions continued

Related-party relationships continued

	2016 R'000	2015 R'000
Impairment of related party loans		
Africa Prepaid Services Proprietary Limited	**2 496**	12 254
Africa Prepaid Services Nigeria Limited	**—**	11 231
Cellfind SA Proprietary Limited	**(141 841)**	—
Datacel Direct Proprietary Limited	**(16 073)**	—
Gold Label Investments Proprietary Limited	**—**	(53 927)
Loans to related parties		
Gold Label Investments Proprietary Limited*	**160 560**	—
Loan is interest free.		
2DFine Holdings Mauritius	**115 678**	80 672
Loan is repayable on demand and bears interest at 10% per annum.		
Uninex Proprietary Limited	**976**	976
Loan is repayable on demand and is interest-free.		
Loans from related parties		
Blue Label Investments Proprietary Limited	**—**	3 638
Loan is repayable on demand and is interest-free.		
The Prepaid Company Proprietary Limited	**1 135 399**	703 253
Loan is repayable on demand and is interest-free.		
Ventury Group Proprietary Limited	**48 000**	48 000
Loan is repayable on demand and is interest-free.		
Amounts due from related parties included in trade receivables		
Blue Label Distribution Proprietary Limited	**978**	—
Black Ginger 59 Proprietary Limited	**4 351**	3 592
	5 329	3 592
Amounts due to related parties included in trade payables		
Black Ginger 59 Proprietary Limited	**—**	1 745
Cellfind SA Proprietary Limited	**56**	—
Moneyline 311 Proprietary Limited	**—**	2 110
	56	3 855

** Carrying value after provision for impairment.*

Annexure to the company annual financial statements
Shareholder analysis

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	**767**	**32.83**	**340 220**	**0.05**
1 001 – 10 000 shares	**962**	**41.18**	**3 502 312**	**0.52**
10 001 – 100 000 shares	**342**	**14.64**	**12 061 420**	**1.79**
100 001 – 1 000 000 shares	**181**	**7.75**	**63 723 702**	**9.45**
1 000 001 shares and over	**84**	**3.60**	**594 881 388**	**88.19**
Totals	**2 336**	**100.00**	**674 509 042**	**100.00**
Distribution of shareholders				
Banks	**49**	**2.10**	**83 926 458**	**12.44**
Close corporations	**27**	**1.16**	**273 234**	**0.04**
Empowerment	**1**	**0.04**	**6 863**	**0.00**
Endowment funds	**18**	**0.77**	**1 875 582**	**0.28**
Individuals	**1 769**	**75.73**	**144 703 959**	**21.45**
Insurance companies	**24**	**1.03**	**13 226 946**	**1.96**
Investment companies	**8**	**0.34**	**13 388 324**	**1.98**
Medical schemes	**7**	**0.30**	**999 035**	**0.15**
Mutual funds	**87**	**3.72**	**170 124 195**	**25.22**
Other corporations	**10**	**0.43**	**47 199**	**0.01**
Private companies	**58**	**2.48**	**134 813 653**	**19.99**
Public companies	**4**	**0.17**	**2 413 723**	**0.36**
Retirement funds	**117**	**5.01**	**64 122 348**	**9.51**
Treasury stock	**2**	**0.09**	**8 265 808**	**1.23**
Trusts	**155**	**6.64**	**36 321 715**	**5.38**
Totals	**2 336**	**100.00**	**674 509 042**	**100.00**
Public/non-public shareholders				
Non-public shareholders	**19**	**0.82**	**284 521 722**	**42.18**
Directors and associates	**16**	**0.69**	**176 255 914**	**26.13**
Strategic holdings (more than 10%)	**1**	**0.04**	**100 000 000**	**14.83**
Treasury stock	**2**	**0.09**	**8 265 808**	**1.23**
Public shareholders	**2 317**	**99.18**	**389 987 320**	**57.82**
Totals	**2 336**	**100.00**	**674 509 042**	**100.00**

Annexure to the company annual financial statements
Shareholder analysis continued

Major holders holding 2% or more (directly or indirectly)	Number of shares	%
Allan Gray and clients	**158 536 833**	**23.50**
Shotput Investments Proprietary Limited*	**100 000 000**	**14.83**
Levy, BM	**84 155 942**	**12.48**
Levy, MS	**76 748 533**	**11.38**
36ONE Asset Management	**19 531 886**	**2.90**
Old Mutual Investment Group	**17 924 061**	**2.66**
Public Investment Corporation	**15 627 941**	**2.32**
Dimensional Fund Advisors	**15 421 660**	**2.29**
Totals	**487 946 856**	**72.34**

* *A discretionary trust, of which Kevin Ellerine is one of a number of potential beneficiaries, holds an interest in Shotput Investments Proprietary Limited. The indirect beneficial shareholding of Kevin Ellerine as disclosed per the Directors' Report refers to his effective shareholding in Lucystat Investments Proprietary Limited.*

Notice of Annual General Meeting

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 4 November 2016, that the ninth Annual General Meeting of shareholders of Blue Label Telecoms Limited will be held in the boardroom, Blue Label corporate offices, 75 Grayston Drive, Sandton, on Thursday, 8 December 2016 at 09:00 (South African time) (AGM), to conduct such business as may lawfully be dealt with at the AGM and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, as read with the Listings Requirements.

In terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Acceptable forms of identification include original and valid identity documents, driving licences and passports.

RECORD DATES, PROXIES AND VOTING

In terms of sections 59(1)(a) and (b) of the Act, the Board of the Company has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the AGM (being the date on which a shareholder must be registered in the Company's shareholders' register in order to receive notice of the AGM) as Friday, 4 November 2016; and
- participate in and vote at the AGM (being the date on which a shareholder must be registered in the Company's shareholders' register in order to participate in and vote at the AGM) as Friday, 2 December 2016.

Certificated shareholders or own-name dematerialised shareholders may attend and vote at the AGM, or alternatively appoint a proxy to attend, speak and, in respect of the applicable resolution(s), vote in their stead by completing the attached form of proxy and returning it to the transfer secretaries at the address given in the form of proxy by no later than 09:00 on Tuesday, 6 December 2016.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own-name registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker: to furnish their voting instructions; or in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder, present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company.

Certificated shareholders or own-name dematerialised shareholders who are entitled to attend and vote at the AGM are entitled to appoint a proxy to attend, participate in and vote at the AGM in their stead. A proxy need not also be a shareholder of the Company. The completion of a form of proxy will not preclude a shareholder from attending the AGM.

ELECTRONIC PARTICIPATION

The Company will provide for electronic participation in the AGM, as set out in section 63 of the Act. Please refer to the notes on page 188 at the end of this notice.

When reading the resolutions below, please refer to the explanatory notes on pages 186 and 187.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The audited Group and Company annual financial statements, including the external auditors', Audit, Risk and Compliance Committee's and Directors' reports for the year ended 31 May 2016, have been distributed as required and will be presented to shareholders at the AGM.

The complete set of audited Group and Company annual financial statements, together with the above mentioned reports, are set out on pages 81 to 179 of the integrated annual report. The Audit, Risk and Compliance Committee's report is set out on pages 58 to 60 of the integrated annual report.

ORDINARY RESOLUTIONS

In terms of sections 62(3)(c) and 65(7) of the Act, unless otherwise specified, in order for each of the following ordinary resolutions to be passed, each resolution must be supported by more than 50% of the voting rights exercised.

1. **Ordinary resolution number 1: Election of Ms P Mahanyele as a Director of the Company**

   Resolved that Ms P Mahanyele, who was first appointed to the Board on 1 September 2016, be and is hereby elected as a Director of the Company with immediate effect.

   A brief biography of Ms P Mahanyele is on page 21.

2. **Ordinary resolution number 2: Re-election of Mr BM Levy as a Director of the Company**

   Resolved that Mr BM Levy, who was first appointed to the Board on 1 February 2007 and who retires in terms of the Memorandum of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr BM Levy is on page 18.

3. **Ordinary resolution number 3: Re-election of Mr JS Mthimunye as a Director of the Company**

   Resolved that Mr JS Mthimunye, who was first appointed to the Board on 5 October 2007 and who retires in terms of the Memorandum of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr JS Mthimunye is on page 20.

4. **Ordinary resolution number 4: Re-election of Mr LM Nestadt as a Director of the Company**

   Resolved that Mr LM Nestadt, who was first appointed to the Board on 5 October 2007 and who retires in terms of the Memorandum of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr LM Nestadt is on page 18.

5. **Ordinary resolution number 5: Reappointment of external auditors**

   Resolved that on the recommendation of the current Audit, Risk and Compliance Committee of the Company, PricewaterhouseCoopers Incorporated, is reappointed as independent registered auditor of the Company for the ensuing year until the conclusion of the next AGM of the Company.

6. **Ordinary resolution number 6: Election of Mr JS Mthimunye as a member and chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2017**

   Resolved that, in terms of section 94(2) of the Act, but subject to his re-election as a Director of the Company in terms of resolution number 3, Mr JS Mthimunye, an independent non-executive director of the Company, is elected as a member and the chairman of the Audit, Risk and Compliance Committee.

   A brief biography of Mr JS Mthimunye is on page 20.

7. **Ordinary resolution number 7: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2017**

   Resolved that, in terms of section 94(2) of the Act, Mr GD Harlow, an independent non-executive director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr GD Harlow is on page 19.

8. **Ordinary resolution number 8: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2017**

   Resolved that, in terms of section 94(2) of the Act, Mr SJ Vilakazi, an independent non-executive director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr SJ Vilakazi is on page 20.

9. **Ordinary resolution number 9: Election of Ms P Mahanyele as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2017**

   Resolved that, in terms of section 94(2) of the Act, but subject to her election as a Director of the Company in terms of resolution number 1, Ms P Mahanyele, an independent non-executive director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Ms P Mahanyele is on page 21.

10. **Ordinary resolution number 10: Directors' authority to implement ordinary and special resolutions**

    Resolved that each and every Director of the Company is authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the ordinary and special resolutions passed at the AGM.

ADVISORY VOTE

There is no minimum percentage of voting rights required for an advisory vote to be adopted.

As a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of non-executive directors and members of Committees of the Board for their services as Directors and members of such committees) as set out on pages 53 to 57 is endorsed by shareholders.

SPECIAL RESOLUTIONS

In terms of sections 62(3)(c) and 65(9) of the Act, the minimum percentage of voting rights required for each of the following special resolutions to be passed is 75% of the voting rights exercised.

1. Special resolution number 1: Non-executive directors' remuneration

Resolved that in terms of section 66(9) of the Act, the following remuneration shall be payable to the non-executive directors for their services as Directors for the period 1 June 2016 to 31 May 2017:

Services as Directors	Current fee	Proposed fee
– Chairman of the Board (per annum)	R946 858	R1 008 404
– Board members (per meeting)	R43 353	R46 171
Audit, Risk and Compliance Committee (per meeting)		
– Chairman	R60 212	R64 126
– Member	R36 128	R38 476
Remuneration and Nomination Committee (per meeting)		
– Chairman	R48 170	R51 301
– Member	R28 903	R30 782
Investment Committee (per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086
Social, Ethics and Transformation Committee (per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086
Ad hoc Committee (per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086

2. Special resolution number 2: General authority to repurchase shares

Resolved that pursuant to the MoI, the Company or any of its subsidiaries are hereby authorised by way of a general approval, from time to time, to acquire ordinary shares in the share capital of the Company in accordance with the Act and the Listings Requirements, provided that:

(a) the number of its own ordinary shares acquired by the Company in any one financial year shall not exceed 20% of the ordinary shares in issue at the date on which this resolution is passed;

(b) this authority shall lapse on the earlier of the date of the next AGM of the Company or the date 15 months after the date on which this resolution is passed;

(c) the Board has resolved to authorise the acquisition and that the Group will satisfy the solvency and liquidity test immediately after the acquisition and that since the test there have been no material changes to the financial position of the Group;

(d) the acquisition must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;

(e) the Company only appoints one agent to effect any acquisition(s) on its behalf;

(f) the price paid per ordinary share may not be greater than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which an acquisition is made;

(g) the number of shares acquired by subsidiaries of the Company shall not exceed 10% in the aggregate of the number of issued shares in the Company at the relevant times;

(h) the acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the Listings Requirements; and

(i) an announcement containing full details of such acquisitions of shares will be published as soon as the Company and/or its subsidiaries have acquired shares constituting, on a cumulative basis 3% (three percent) of the number of shares in issue at the date of the meeting at which this special resolution is considered and if approved, passed, and for each 3% in aggregate of the initial number acquired thereafter.

The Listings Requirements require, in terms of paragraph 11.26, the following disclosures, which appear in the integrated annual report:

- Major shareholders – refer to pages 180 and 181.
- Material change – there were no material changes.
- Share capital of the Company – refer to page 140.
- Responsibility statement – refer to page 75.

3. Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Act

Resolved that the Board may, subject to the Act and the MoI, authorise the Company to provide direct or indirect financial assistance:

- by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, as contemplated in section 44 of the Act, at any time during a period commencing on the date of passing of this special resolution and ending at the expiry of two years from the date of the adoption of this special resolution number 3; and/or
- to a Director of the Company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, as contemplated in section 45 of the Act, at any time during a period commencing on the date of passing of this special resolution and ending at the expiry of two years from the date of the adoption of this special resolution number 3.

4. Special resolution number 4: Amendment to Memorandum of Incorporation – Fraction of shares

Resolved that in terms of section 16(1)(c) of the Companies Act, the MoI of the Company be hereby amended by substituting clause 9 with the following new wording, effective from the date of filing of the relevant notice of amendment with the Companies and Intellectual Property Commission:

"9. Subject to the provisions of the Listings Requirements, all allocations of Securities will be rounded down, based on standard rounding convention (i.e. allocations will be rounded down to the nearest whole number if they are less than 0,5 (zero comma five), resulting in allocations of whole Securities and no fractional entitlements. Securities Holders shall be compensated for the lost fraction by way of a cash payment based on the 30 day weighted average traded price of Securities for the 30 days preceding the issue in question."

By order of the Board

J van Eden
Group Company Secretary

Sandton
9 November 2016

EXPLANATORY NOTES

Presentation of the annual financial statements

In terms of section 61(8)(a) of the Act, the Directors' report, audited Group and Company annual financial statements for the immediately preceding financial year and the Audit, Risk and Compliance Committee report is to be presented to shareholders at the AGM.

Ordinary resolution number 1: Election of Director

The Company's MoI states that, any person appointed to fill a casual vacancy or as an addition to the Board shall retain office until the following AGM of the Company and shall then retire and be eligible for election. Ms P Mahanyele retires from the Board in accordance with article 25.5 of the Company's MoI. Ms P Mahanyele was appointed to the Board and Audit, Risk and Compliance Committee on 1 September 2016.

The Board recommends to shareholders that they should vote in favour of the election of the Director referred to in ordinary resolution number 1.

Ordinary resolution numbers 2 to 4 (inclusive): Re-election of Directors

In accordance with the MoI, one-third of the Directors are required to retire at each AGM and may offer themselves for re-election. Messrs BM Levy, JS Mthimunye and LM Nestadt retire by rotation at the AGM in accordance with article 25.17 of the MoI, and have offered themselves for re-election.

Brief biographies of the Directors are on pages 18 to 21.

The Board is satisfied with the performance of each of the Directors standing for re-election and that they will continue to make an effective and valuable contribution to the Company and to the Board.

The Board recommends to shareholders that they should vote in favour of each of the re-election of the Directors referred to in ordinary resolution numbers 2 to 4 (inclusive).

Ordinary resolution number 5: Reappointment of external auditors

In terms of section 90(1) of the Act, each year at its AGM, the Company must appoint an auditor meeting the requirements of section 90(2) of the Act.

PwC has expressed its willingness to continue in office and this resolution proposes the reappointment of PwC as the Company's auditors until the next AGM. In addition, Mr D Storm is appointed as the individual registered auditor for the ensuing year as contemplated in section 90(3) of the Act.

The Audit, Risk and Compliance Committee has satisfied itself that the proposed auditors, PwC and Mr D Storm, are independent of the Company in accordance with sections 90 and 94 of the Act and the applicable rules of the International Federation of Accountants.

The Audit, Risk and Compliance Committee has recommended the reappointment of PwC as independent registered auditor of Blue Label for the 2017 financial year.

Ordinary resolution numbers 6 to 9 (inclusive): Election of Audit, Risk and Compliance Committee members

In terms of section 94(2) of the Act, each Audit Committee member must be elected by shareholders at its AGM. King III likewise requires shareholders of a public company to elect each member of an audit committee at an AGM.

In terms of Regulation 42 of the Companies Regulations, 2011, relating to the Act, at least one-third of the members of the Company's Audit, Risk and Compliance Committee at any particular time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. Each of the proposed members is duly qualified, as is evident from the biographies of each member, as contained on pages 19 to 21.

Ordinary resolution number 10: Directors' authority to implement Ordinary and Special resolutions

The reason for ordinary resolution number 10 is to authorise any Director of the Company to do all things necessary to implement the ordinary and special resolutions passed at the AGM and to sign all such documentation required to give effect and to record the ordinary and special resolutions.

Advisory vote: Endorsement of the remuneration and reward policy

King III requires a company to put its remuneration policy for a non-binding advisory vote by shareholders at its AGM. This vote enables shareholders to endorse the remuneration policy adopted for Executive Directors. The Blue Label remuneration policy is contained on pages 53 to 57.

The advisory vote is of a non-binding nature only and therefore failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take cognisance of the outcome of the vote when considering the Company's remuneration policy and the remuneration of Executive Directors.

Special resolution number 1: Non-executive directors' remuneration

Special resolution number 1 is proposed to enable the Company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that remuneration to Directors for their services as Directors may be paid only in accordance with a special resolution approved by shareholders.

Special resolution number 1 thus requires shareholders to approve the fees payable to the Company's non-executive directors for the period 1 June 2016 to 31 May 2017.

Full particulars of all remuneration paid to non-executive directors for their services as Directors, are contained on pages 136 and 137 of the integrated annual report.

Special resolution number 2: General authority to repurchase shares

Special resolution number 2 seeks to allow the Group, by way of a general authority, to acquire its own issued shares (reducing the total number of ordinary shares of the Company in issue in the case of an acquisition by the Company of its own shares). Any decision by the Directors to use the general authority to acquire shares of the Company will be taken with regard to the prevailing market conditions, share price, cash needs of the Group, together with various other factors, and in compliance with the Act, Listings Requirements and the MoI.

The Directors are of the opinion that the renewal of this general authority is in the best interests of the Company as it allows the Group to repurchase the securities issued by the Company through the order book of the JSE should market conditions and price justify such action.

Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Act

The existing authority granted by shareholders at the annual general meeting held on 28 November 2014 was valid for a two-year period and will expire at the AGM unless renewed.

In the ordinary course of the Company business, it needs to provide financial assistance to certain of its subsidiaries, associates and joint ventures in accordance with section 45 of the Act, and furthermore it may be necessary for the Company to provide financial assistance in the circumstances contemplated in section 44 of the Act.

Notwithstanding the title of section 45 of the Act, being "Loans or other financial assistance to directors", on a proper interpretation thereof, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, and to a person related to any such company, corporation or member.

Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

Both sections 44 and 45 of the Act provide, inter alia, that the particular financial assistance may only be provided:

- pursuant to a special resolution of shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category; and
- the Board is satisfied that
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as contemplated in the Act); and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Special resolution number 4: Amendment to Memorandum of Incorporation – Fraction of shares

The reason for and effect of special resolution number 4 is to amend the MoI, dealing with the manner in which fractional entitlement to shares is to be treated by the Company, by aligning it with the new provisions of the Listings Requirement that became effective on 22 February 2016.

Electronic participation at the AGM

(a) Shareholders wishing to participate electronically in the AGM are required to:
  (i) deliver written notice to the Company at 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, 2196 (marked for the attention of the Group Company Secretary) that they wish to participate via electronic communication at the AGM; or
  (ii) 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 09:00 on Tuesday, 6 December 2016 (electronic notice).

(b) In order for the electronic notice to be valid it must contain:
  (i) where the Blue Label shareholder is an individual, a certified copy of his/her identity document and/or driving licence and/or passport;
  (ii) where 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 from whom the relevant entity is authorised to represent the entity at the AGM via electronic communication;
  (iii) a valid e-mail address and/or facsimile number (contact address/number); and
  (iv) by no later than 24 (twenty-four) hours before the AGM the Company shall use its reasonable endeavours to notify a shareholder at its contact address/number of the relevant details through which the shareholder can participate via electronic communication.

(c) Should a shareholder wish to participate in the AGM by way of electronic communication as aforesaid, the shareholder, or his/her/its proxy/ies, will be required to dial-in on the date and commencement time of the AGM. The dial-in facility will be linked to the venue at which the AGM will take place. The dial-in facility will enable all persons to participate electronically in the AGM in this manner (and as contemplated in section 63(2) of the Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the AGM. The costs borne by the shareholder or his/her/its proxy/ies in relation to the dial-in facility will be for his/her/its own account.

Form of proxy

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)

For use by certificated shareholders or own-name dematerialised shareholders at the Annual General Meeting of the Company to be held at 09:00 on Thursday, 8 December 2016 at the registered office of Blue Label, 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, Johannesburg (AGM).

If dematerialised shareholders, other than own-name dematerialised shareholders have not been contacted by their CSDP or broker with regard to how they wish to cast their vote, they should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their vote at the AGM in order for their CSDP or broker to vote in accordance with such instructions. If dematerialised shareholders, other than own-name dematerialised shareholders, have not been contacted by their CSDP or broker it would be advisable for them to contact their CSDP or broker, as the case may be, and furnish them with their instructions. Dematerialised shareholders who are not own-name dematerialised shareholders and who wish to attend the AGM must obtain their necessary letter of representation from their CSDP or broker, as the case may be and submit same to the transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:00, on Tuesday, 6 December 2016. Any hand deliveries made after 28 November 2016, should be made to Computershare's new address, Rosebank Towers, Biermann Avenue, Rosebank, 2196. This must be done in terms of the agreement entered into between the dematerialised shareholder and their CSDP or broker. If the CSDP or broker, as the case may be, does not obtain instructions from such dematerialised shareholders, it will be obliged to act in terms of the mandate furnished to it, or if the mandate is silent in this regard, to abstain from voting. Such dematerialised shareholders, other than own-name dematerialised shareholders, must not complete this form of proxy and should read note 10 of the overleaf.

Full name: I/We (BLOCK LETTERS) of (address)

Telephone: (Work) (area code) Telephone: (Home) (area code)

Fax: (area code) Cell number:

being the holder(s) of Blue Label shares hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the AGM, as my/our proxy to vote for me/us on my/our behalf at the AGM of Blue Label shareholders to be held at 09:00 on Thursday, 8 December 2016 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Election of Ms P Mahanyele as a Director of the Company			
Ordinary resolution number 2: Re-election of Mr BM Levy as a Director of the Company			
Ordinary resolution number 3: Re-election of Mr JS Mthimunye as a Director of the Company			
Ordinary resolution number 4: Re-election of Mr LM Nestadt as a Director of the Company			
Ordinary resolution number 5: Reappointment of external auditors			
Ordinary resolution number 6: Election of Mr JS Mthimunye as a member and chairman of the Audit, Risk and Compliance Committee			
Ordinary resolution number 7: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 9: Election of Ms P Mahanyele as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 10: Directors' authority to implement ordinary and special resolutions			
Non-binding advisory vote: Endorsement of the remuneration and reward policy			
Special resolution number 1: Non-executive directors' remuneration			
Special resolution number 2: General authority to repurchase shares			
Special resolution number 3: Approval to grant financial assistance in terms of section 44 and 45 of the Act			
Special resolution number 4: Amendment to Memorandum of Incorporation – Fraction of shares			

Signed at this day of 2016

Signature

Assisted by (if applicable)

Please read the notes on the reverse side hereof.

A shareholder entitled to attend and vote at the AGM may appoint one or more persons as his/her/its proxy to attend, speak or vote in his/her/its stead at the AGM. A proxy need not be a shareholder of the Company.

On a show of hands, every shareholder shall have one vote (irrespective of the number of shares held). On a poll, every shareholder shall have, for each share held by him/her/it that proportion of the total votes in the Company which the aggregate amount of the nominal value of that share held by him/her/it bears to the aggregate amount of the nominal value of all the shares issued by the Company.

Notes to the form of proxy continued

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the spaces provided with or without deleting "the Chairman of the AGM", 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 AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert with an "X" or 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 Chairman, if the Chairman 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/it deems fit, in respect of all the shareholders' votes exercisable thereat. A shareholder or his/her/its proxy is not obliged to use all the votes exercisable by the shareholder or his/her/its 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 shareholder or his/her/its proxy.
3. Forms of proxy must be lodged with the transfer secretaries, at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:00 on Tuesday, 6 December 2016. Any hand deliveries made after 28 November 2016, should be made to Computershare's new address, Rosebank Towers, Biermann Avenue, Rosebank, 2196.
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 Chairman of the AGM.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The Chairman of the AGM 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 Chairman is satisfied as to the manner in which the shareholder wishes to vote.
8. Where there are joint holders of shares:
   - 8.1 any such persons may vote at the AGM in respect of such joint shares as if he/she/it were solely entitled thereto;
   - 8.2 any one holder may sign this form of proxy; and
   - 8.3 if more than one such joint holders are present or represented at the AGM, the vote/s of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder/s.

9. Own-name dematerialised shareholders will be entitled to attend the AGM 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.
10. Shareholders who hold shares through a nominee should advise their nominee or, if applicable, their CSDP or broker timeously of their intention to attend and vote at the AGM or to be represented by proxy thereat in order for their nominee or, if applicable, their CSDP or broker to provide them with the necessary letter of representation to do so or should provide their nominee or, if applicable, their CSDP or broker timeously with their voting instruction should they not wish to attend the AGM in person, in order for their nominee to vote in accordance with their instruction at the AGM.
11. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death of the person granting it, the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death or transfer is received by the transfer secretaries, before the commencement of the AGM.
12. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless previously recorded by the transfer secretaries or unless this requirement is waived by the Chairman of the AGM.
13. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Blue Label or the transfer secretaries.
14. Unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid only until the end of the AGM or any postponement or adjournment of the AGM. This form of proxy shall be valid at any resumption of a postponed or adjourned meeting to which it relates although this form of proxy shall not be used at the resumption of the postponed or adjourned AGM if it could not be used at the AGM for any reason other than it was not lodged timeously for the AGM. This form of proxy shall, in addition to the authority conferred by the Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.

Glossary

Word	Definition
1D	One dimensional space
2D	Two dimensional space
3D	Three dimensional space
Act/the Act/ Companies Act	Companies Act, No 71 of 2008, as amended from time to time
ADRs	American Depository Receipts
AEON	Blue Label's proprietary switch through which all transactional capability is accessed. Banking grade transactions are switched through the Postilion platform
AEON EVD	The Aeon Electronic Voucher Distribution platform is a central repository in which electronic (or virtual) stock is housed. It is referenced by other internal platforms like EVMS, AMS and AEON
AMS	Airtime management system
APS	Africa Prepaid Services
APSN	Africa Prepaid Services Nigeria
ARCC	Audit, Risk and Compliance Committee
ARPU	Average revenue per user
B2B	Business-to-business, a commercial transaction between businesses
B2C	Business-to-consumer, a commercial transaction between a business and a consumer
badly banked	See underbanked
B-BBEE	Broad-based black economic empowerment
BGCSA	Boys & Girls Club of South Africa
BLD	Blue Label Distribution Proprietary Limited
BLDS	Blue Label Data Solutions Proprietary Limited
BLM	Blue Label Mexico S.A. de C.V.
BLT	Blue Label Telecoms Limited
Blue Label/Blue Label Telecoms	Blue Label Telecoms Limited
bulk printing	Ability to print bulk vouchers
CEO	Chief Executive Officer
CFD	Contract for difference
CIO	Chief Information Officer
CIPC	Companies and Intellectual Property Commission
Company	Blue Label Telecoms Limited
content aggregator	An organisation which gathers web content and applications from different online sources for reuse and resale
CPA	Consumer Protection Act
CRC	Customer relation consultant
CRM	Customer relationship management

Word	Definition
CSDP	Central Securities Depository Participant
CSI	Corporate social investment
CSR	Corporate social responsibility
developing economies	A term generally used to describe a nation with a low level of material wellbeing (not to be confused with third-world countries). Since no single definition of the term "developed country" is recognised internationally, the levels of development may vary widely within so called developing countries, with some developing countries having high average standards of living
DIFR	Disabling injury frequency rate
disintermediation	Reduction in the use of intermediaries between network operators and consumers
distribution channels	For Blue Label, our distribution channels include retail and wholesale outlets, petroleum forecourts, informal retail outlets, individual merchants/entrepreneurs, corporates and independents (Mom & Pop stores)
DTH (TV)	Direct-to-home television, a method of receiving satellite television services
dti	Department of Trade and Industry
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EEC	Employment Equity Committee, which reports to the Social, Ethics and Transformation Committee
EFT	Electronic funds transfer
EMV compliant	The global standard for inter-operability of chip cards, POS terminals and automatic teller machines, in accepting Eurocard, Mastercard and Visa Card
emerging economies	Nations with social or business activity in the process of rapid growth and industrialisation
e-tokens	Electronic tokens – a form of electronic cash used for secure transactions
EVMS	Electronic voucher management system
Exco	Executive Committee
FAQ	Frequently asked question
FD	Financial Director
fintech	Financial technology, using software to facilitate or make more efficient emerging financial services
FMCG	Fast-moving consumer goods

Glossary continued

Word	Definition
GPS	Global positioning system
GRI	Global Reporting Initiative. Established in 1997, with the mission of designing globally applicable guidelines for the preparation of enterprise-level, sustainable development reports
Group	Blue Label Telecoms Limited and its subsidiaries, associates and joint ventures
IBC	Inside back cover
IC	Investment Committee
Infotainment	Broadcast material that is intended both to entertain and to inform
interconnect fees	Charges associated with calls terminated between two different operators (networks)
IRCC	Internal Risk and Compliance Committee
IT	Information technology
JSE	JSE Limited
JV	Joint venture
King III	The King Report on Governance for South Africa 2009 including the King Code of Governance Principles for South Africa 2009
kiosk	An area, usually within a retail outlet, which is dedicated to transactions for Blue Label products and services
KPA	Key performance area
KPI	Key performance indicator
KPMG	KPMG Services Proprietary Limited
LBS	Location-based services
Listings Requirements	Listings Requirements of the JSE Limited, as amended from time to time
LSM	Living standards measure
M&A	Mergers and acquisitions
MMS	Multimedia messaging service
MNO	Mobile network operator, such as Vodacom, MTN and Cell C in South Africa
MoI	Memorandum of Incorporation
money remittances	The ability to transfer money to another individual without a bank account
NAV	Net asset value
NC	Nomination Committee, part of the Remuneration and Nomination Committee
NERA	National Empowerment Rating Agency
NFC	Near field communications is a short-range wireless technology that makes use of interacting electromagnetic radio fields instead of the typical direct radio transmissions. It is appropriate for applications where a physical touch, or close to it, is required in order to maintain security
NPCI	National Payments Corporation of India, the national transactions switch
NQF	National Qualifications Framework, the system that records levels of learning activities
OHSA	The Occupational Health and Safety Act, No 85 of 1993
Oxigen/Oxigen India	Oxigen Services (India) Private Limited
physical prepaid airtime	Prepaid vouchers that are available as physical items
PIN	Personal identity number
PINless top-up	E-token recharge directly to mobile phone via a POS device
POP	Points of presence
POPI	Protection of Personal Information Act
POS	Point of sale, usually a place or a device
PowerPin voucher	Offline prepaid electricity top-up, consolidates the purchase of prepaid electricity across national municipalities
PwC	PricewaterhouseCoopers Inc.
Q&A	Questions and answers
R&D	Research and development
RC	Remuneration Committee, part of the Remuneration and Nomination Committee
RNC	Remuneration and Nomination Committee
SAICA	South African Institute of Chartered Accountants
SBI	State Bank of India, the second largest commercial bank in India
SED	Socio-economic development
shop-in-shop	An area within a retail outlet which is allocated to transactions for Blue Label products and services
SIM card	Subscriber identification module card
SMS	Short message service
spaza shop	An informal convenience outlet
SRI Index	Socially Responsible Investment Index
SSETA	Services Sector Education and Training Authorities
telco	Telecommunications

Word	Definition
ticketing	For events and transport, includes sport, travel, entertainment, lifestyle and expos
TJ	Transaction Junction Proprietary Limited
touch points	Devices through which consumers are able to purchase Blue Label products and services
TPC	The Prepaid Company Proprietary Limited
TPPC	The Post Paid Company Proprietary Limited
transactional services	Includes money transfers, payments of bills and the like
unbanked	People without bank accounts
underbanked/ badly banked	People with poor access to mainstream financial services, such as banks and therefore rely on alternative financial services or alternatively people with bank accounts who do not make effective use of the broader services offered by the bank – they merely deposit and withdraw cash from their accounts
UniPIN	Universal PIN for prepaid electricity
USSD	Unstructured supplementary service data
value added	Measure of wealth the Group has created in its operation by "adding value" to the cost of products and services
VAS	Value-added services
Viamedia	Viamedia Proprietary Limited
virtual distributor	Distribution of e-tokens of value in electronic format
virtual prepaid airtime	Airtime top-up in an electronic format
WAP	Wireless application protocol
WASP	Wireless application service provider
WASPA	Wireless Application Service Providers Association
ZOK	ZOK Cellular Proprietary Limited

Administration

DIRECTORS

LM Nestadt (Chairman)*, BM Levy, MS Levy, KM Ellerine**, GD Harlow*, Y Mahomed*, JS Mthimunye*, DA Suntup, SJ Vilakazi* , P Mahanyele*

* *Independent non-executive*

** *Non-executive*

COMPANY SECRETARY

J van Eden

SPONSOR

Investec Bank Limited

COMMERCIAL BANKER

First National Bank

EXTERNAL AUDITOR

PricewaterhouseCoopers Inc.

INTERNAL AUDITOR

KPMG Services Proprietary Limited

AMERICAN DEPOSITORY RECEIPT (ADR) PROGRAMME

Cusip number: 095648101
Ticker name: BULBY
ADR to ordinary share: 1:10
Depository:
BNY Mellon
101 Barclay Street
New York NY 10286
USA

BLUE LABEL TELECOMS LIMITED

(Incorporated in the Republic of South Africa)
Registration number 2006/022679/06

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Instagram:	bluelabeltelecoms
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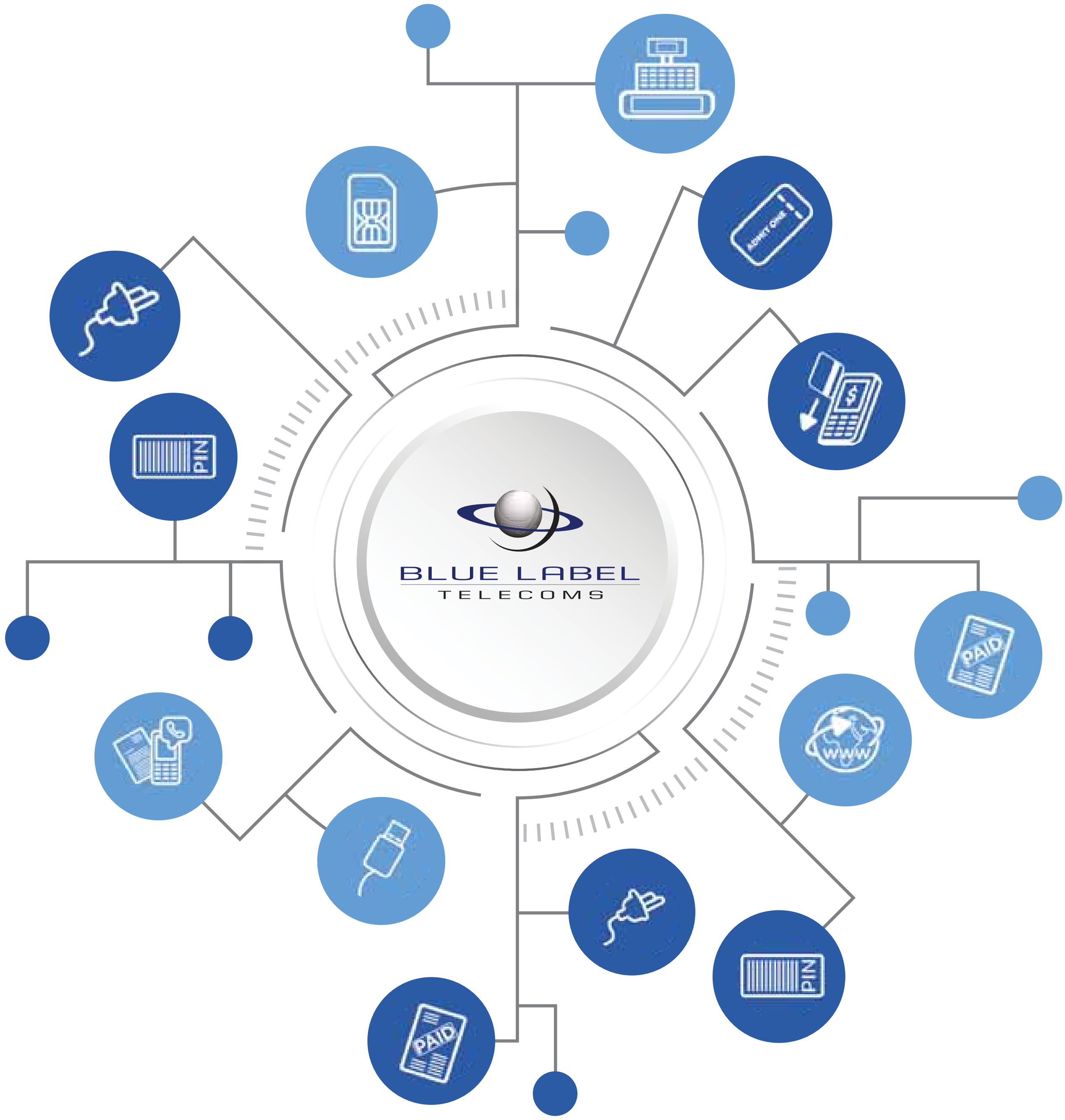
(Blue Label or BLT or the Company or the Group)



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