BLUE LABEL TELECOMS

All roads lead to BLU

NOTICE OF AGM 2018

Contents

Highlights

Revenue increased 1% to **R26.8** billion

Including PINless, revenue grew **9%**

Gross profit increased 7% to **R2.28** billion

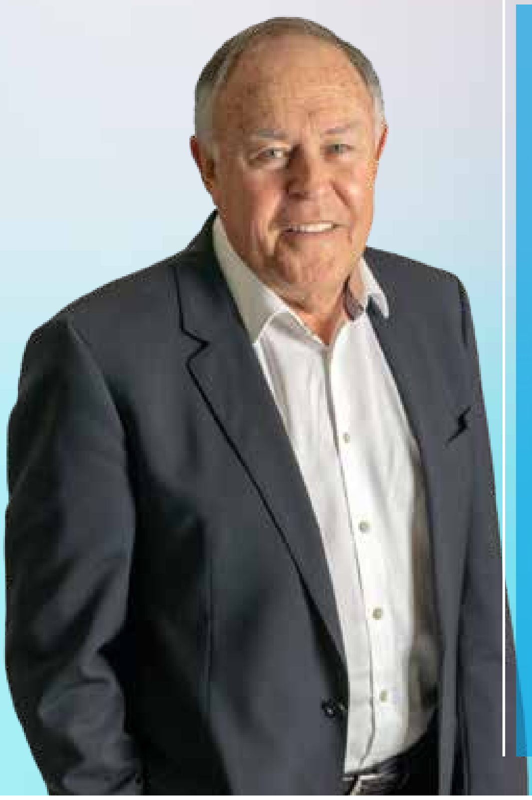
HEPS increased 1% to **115.42c**

EBITDA increased 4% to **R1.34** billion

Core HEPS increased 4% to **120.61c**

Acquisition of 45% of **Cell C,** 60% of **Airvantage** and 100% of **3G Mobile** concluded

Message from the Chairman



"The 2018 financial year has been defined by Blue Label's acquisitions of 45% of Cell C, 100% of 3G and 60% of Airvantage. Blue Label spent R7.55 billion on these acquisitions, of which R3.9 billion was funded through the issuing of 272 million new shares.

Larry Nestadt
Chairman

Dear stakeholders

This booklet provides shareholders with a summarised version of Blue Label Telecoms' annual results and performance for the year ended 31 May 2018.

This summary is in compliance with the South African Companies Act and JSE requirements.

The traditional integrated annual report is available for viewing and downloading on our website **www.bluelabeltelecoms.co.za.**

Blue Label's notice of Annual General Meeting and proxy form relating thereto is also provided herein.

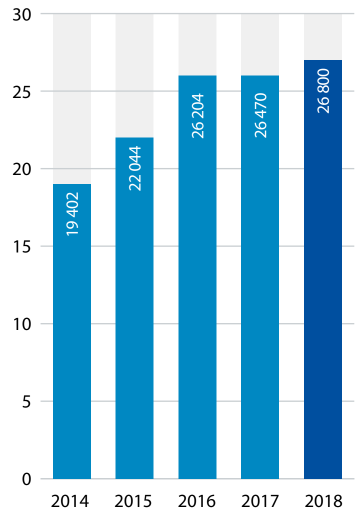
We trust you will find this booklet and our 2018 integrated annual report on our website both informative and of value.

Larry Nestadt
Chairman

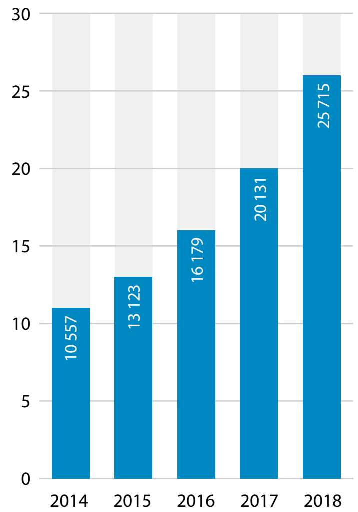
28 September 2018

Financial performance

Revenue
(R million)

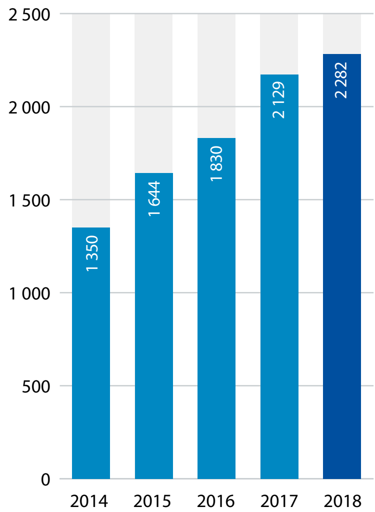


Gross PINless transactional values*
(R million)

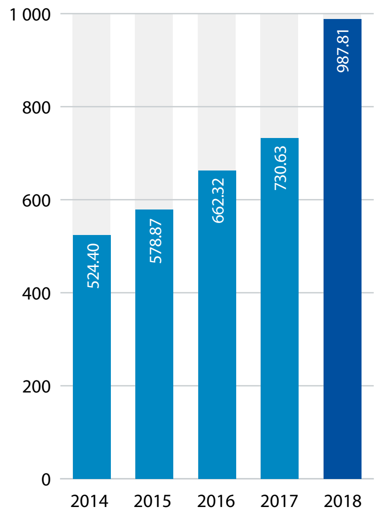


* *Includes gross electricity and PINless top ups*

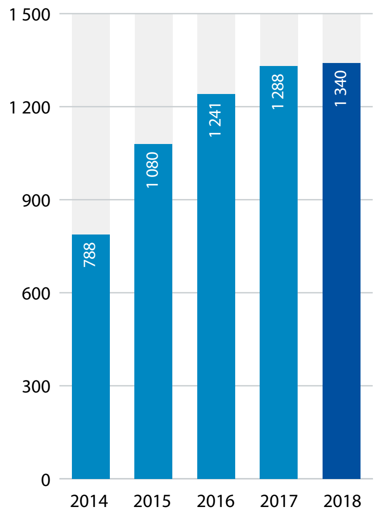
Gross profit
(R million)



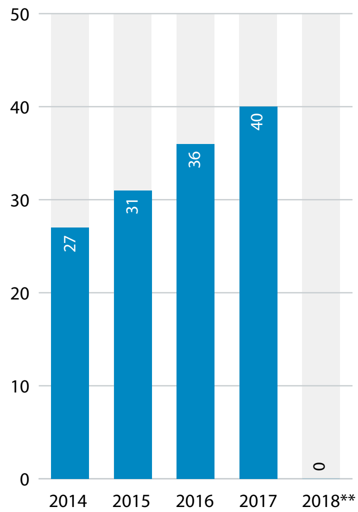
NAV per share
(cents)



EBITDA
(R million)



Dividends declared per share
(cents)



** *Share buyback programme announced.*

Commentary

Overview

Core headline earnings for the year ended 31 May 2018 amounted to R1.03 billion, resulting in an increase of R236 million (30%). Core headline earnings per share increased from 116.24 cents per share to 120.61 cents per share (4%), post a dilution resulting from the issue of an additional 272 million shares to fund an element of acquisitions made during the financial year. Core headline earnings are calculated after adding back the amortisation of intangible assets as a consequence of the purchase price allocations to headline earnings.

On 2 August 2017, Blue Label, through its wholly owned subsidiary, The Prepaid Company ("TPC"), acquired 45% of Cell C Limited ("Cell C") for R5.5 billion and 47.37% of 3G Mobile Proprietary Limited ("3G Mobile") for R0.9 billion. On 6 December 2017, TPC acquired the remaining 52.63% of 3G Mobile for R1 billion. On 2 January 2018, Blue Label acquired 60% of Airvantage Proprietary Limited ("Airvantage") for R151 million. The total of R7.55 billion was partly funded through the issue of 272 million shares amounting to R3.9 billion.

The core headline earnings comprised the Group's share of profits of R569 million in Cell C which included the recognition of an increase in a deferred tax asset of R1.92 billion, of which the Group's 45% share amounted to R865 million, its profit contributions from 3G Mobile of R157 million and from Airvantage of R2.6 million. These contributions were from the effective dates of each acquisition and not for a full year. The balance of earnings pertained to the remaining companies within the Group, inclusive of a derivative fair value gain of R3.7 million and once-off costs of imputed IFRS interest adjustments of R65 million attributable to the acquisitions of 3G Mobile and Airvantage. A further R28 million pertained to interest and costs relating to the 3G Mobile acquisition.

Core headline earnings in the current year were negatively impacted by R217 million as a result of the cessation of early settlement discounts and interest forfeiture. This was in lieu of the utilisation of working capital resources to fund the cash element of the acquisitions.

The investments in Oxigen Services India, Oxigen Online Services India (collectively, "Oxigen Services India") and 2DFine Holdings Mauritius ("2DFine") were accounted for as investments in associates and joint venture, applying the equity method up until 30 November 2016. Thereafter, these entities are accounted for as venture capital investments at fair value. The net effect thereof, resulted in a positive contribution to Group earnings of R35 million in the comparative year. In the current year, a downward fair value movement of R173 million less deferred taxation of R3 million thereon, which together with a net loan impairment of R87 million resulted in a negative impact of R257 million on Group earnings.

The underlying table demonstrates the impact on core headline earnings growth, on exclusion of the acquisitions of Cell C, 3G Mobile and Airvantage, the derivative fair value gain, non-recurring costs, cessation of early settlement discounts, interest forfeiture, the winding up process of Africa Prepaid Services as well as the impact on the accounting treatment pertaining to Oxigen Services India and 2DFine. Adjusted core headline earnings per share would have equated to a growth of 16% to 132.56 cents per share, had there been no further shares to fund the above acquisitions.

	May 2018 R'000	May 2017 R'000	Growth R'000	Growth %
EPS (cents)	**116.12**	114.13	1.99	2
Core headline earnings	**1 032 016**	795 684	263 332	30
Core HEPS (cents)	**120.61**	116.24	4.36	4
Core headline earnings adjusted for:				
Share of losses, fair value loss and loan impairments from Oxigen	**256 941**	(35 484)		
Share of profits from Cell C	**(569 475)**	–		
Profit contribution from 3G Mobile	**(156 722)**	–		
Profit contribution from Airvantage	**(2 627)**	–		
Fair value gain on financial instruments	**(3 688)**			
Present value interest expense relating to 3G Mobile/Airvantage	**64 525**	–		
Transaction interest and costs relating to 3G Mobile acquisition	**28 128**	–		
Cessation of settlement discounts and interest forfeiture	**216 604**	–		
Once-off winding up cost of Africa Prepaid Services Group	**20 737**	–		
Adjusted core headline earnings	**886 439**	760 200	126 239	17
Adjusted core HEPS (cents)	**132.56**	113.91	18.65	16

Group revenue increased by 1% to R26.8 billion. On imputing gross revenue generated on the continued growth in sales of "PINless top-ups", of which only the gross profit earned thereon is accounted for, the effective growth in revenue equated to 9%.

EBITDA increased by 4% from R1.29 billion to R1.34 billion, underpinned by an increase in gross profit margins from 8.04% to 8.52%.

The Group's share of losses in Blue Label Mexico declined from R37 million to R21.9 million (41%).

Cash generated from operating activities amounted to R3.2 billion, partly facilitating the payment of the cash element of the acquisitive transactions.

The net asset value per share increased by 35% to R9.88 and earnings per share increased by 2% to 116.12 cents per share.

Segmental report

Africa Distribution

	May 2018 R'000	May 2017 R'000	Growth R'000	Growth %
Revenue	**26 245 206**	25 944 102	301 104	1
Gross profit	**2 014 169**	1 873 443	140 726	8
EBITDA	**1 344 824**	1 344 714	110	–
Share of profits/(losses) from associates and joint ventures	**583 122**	(5 404)	588 526	101
– Cell C	**562 567**	–	562 567	–
– 3G Mobile	**31 155**	–	31 155	–
– Other	**(10 600)**	(5 404)	(5 196)	(96)
Core net profit	**1 385 494**	887 396	498 098	56
Core headline earnings	**1 384 739**	887 417	497 322	56
Gross profit margin	**7.67%**	7.22%		
EBITDA margin	**5.12%**	5.18%		

The contributions to Group core headline earnings by the Africa Distribution segment totalled R1.38 billion, equating to a growth of R497 million (56%). The financial results for the year ended May 2018 includes the contributions of 3G Mobile, Cell C, Airvantage and the remaining entities within this segment that were in existence in the comparative year.

The table below illustrates the composition of the Africa Distribution division:

	May 2018 R'000	3G Group R'000	Airvantage R'000	Cell C R'000	Remaining entities R'000
Revenue	**26 245 206**	1 387 029	36 929	–	24 821 248
Gross profit	**2 014 169**	226 184	29 241	–	1 758 744
EBITDA	**1 344 824**	181 322	20 650	–	1 142 852
Share of (losses)/profits from associates and joint ventures	**583 122**	31 155	–	562 567	(10 600)
– Cell C	**562 567**	–	–	562 567	–
– 3G Mobile	**31 155**	31 155	–	–	–
– Other	**(10 600)**		–		(10 600)
Core net profit	**1 385 494**	157 479	8 267	571 214	648 534
Core headline earnings	**1 384 739**	156 722	8 267	569 475	650 275
Gross profit margin	**7.67%**	16.31%	79.18%	–	7.09%
EBITDA margin	**5.12%**	13.07%	55.92%	–	4.60%

3G Mobile
From the date of acquisition of 47.37% until 30 November 2017, its financial results for the four-month period were equity accounted for as an associate. Its core net profit during that period amounted to R75 million, of which the Group's share equated to R35 million. After the amortisation of intangible assets it's contribution as an associate amounted to R31 million.

On 6 December 2017 the remaining 52.67% of the company was acquired and it became a wholly owned subsidiary from that date. Revenue generated for the six months to 31 May 2018 amounted to R1.4 billion, gross profit to R226 million at a margin of 16.31% and EBITDA to R181 million. Its core net profit for the six months as a wholly owned subsidiary amounted to R122 million.

Core net profit for the 10 months ended 31 May 2018 totalled R196 million, of which the Group's share equated to R157 million.

Airvantage
On 2 January 2018, Blue Label acquired 60% of Airvantage. Revenue generated by it for the five months to 31 May 2018 amounted to R37 million, gross profit to R29 million at a margin of 79.18% and EBITDA to R21 million.

Its core net profit contribution for the above period totalled R8.3 million.

Cell C
On 2 August 2017, The Prepaid Company acquired a 45% shareholding in Cell C.

For the 10 months ended May 2018, Cell C's net profit amounted to R1.14 billion. This comprised trading losses of R782 million offset by the recognition of a deferred tax asset amounting to R1.92 billion. The Group's share of this net profit is R512 million. BLT's accounting policies exclude equity settled share-based payment charges from its associates and we have not early adopted IFRS 15 and IFRS16. Thus an adjustment of R65 million and negative R6 million respectively is required.

The net result was a positive contribution of R571 million to BLT's core earnings.

Remaining entities
The decline in revenue by R1.1 billion was attributable to the continuous shift in consumer buying patterns from traditional purchasing of airtime to that of "PINless top-ups". Revenue generated on "PINless top-ups" increased by R2.7 billion from R6.1 billion to R8.8 billion (44%), equating to an effective increase of 5%, in that only the gross profit earned thereon is recognised.

Net commissions earned on the distribution of pre-paid electricity continued to increase, escalating by R24 million to R239 million (11%) on an increase in revenue generated on behalf of the utilities from R14 billion to R16.9 billion (21%).

Gross profit margins declined from 7.22% to 7.09%, partly attributable to the forfeiture of R50 million in early settlement discounts. As a consequence of applying cash resources towards the acquisitive costs of the investments made during the financial year, bulk purchasing opportunities and early settlement discounts were impeded to the extent of those cash resources. The impact thereon equated to a minimum of R251 million, being the interest forfeiture that arose as a result of this alternative application of funds.

The above forfeiture of R301 million, together with an increase in overheads, which included costs attributable to the escalation of the quantum of distribution channels, had a direct impact on negative growth in EBITDA.

Core net profit was inclusive of a derivative fair value gain of R3.7 million offset by once-off costs of the imputed IFRS interest adjustments of R65 million attributable to the acquisition of 3G Mobile and Airvantage as well as R28 million pertaining to interest and costs relating to the 3G Mobile acquisition.

International

	May 2018 R'000	May 2017 R'000	Growth R'000	Growth %
EBITDA	**(2 903)**	(31 792)	28 889	(91)
Gain on associate measured at fair value	**(173 645)**	160 200	(333 845)	
Share of (losses)/profits from associates and joint ventures	**(21 647)**	(162 218)	140 571	87
– Oxigen Services India	**–**	(119 831)	119 831	100
– Blue Label Mexico	**(21 900)**	(36 978)	15 078	41
– 2DFine Holdings Mauritius	**–**	(5 409)	5 409	(100)
– Mpower	**253**	–	253	
Non-controlling interest	**(26 058)**	7	(26 065)	
Core net loss	**(225 451)**	(17 213)	(208 238)	(1 210)
Core headline loss	**(230 615)**	(16 874)	(213 741)	(1 267)

The decline in negative EBITDA of R29 million was attributable to a positive turnaround in foreign exchange movements of R24 million and loan releases of R16 million relating to the winding up process of the Africa Prepaid Services group. These positive contributions were offset by start-up expenses of R11 million incurred by Airvantage pertaining to its newly established operation in Brazil.

Non-controlling interest relates to minority shareholders in the Africa Prepaid Services group and Airvantage. The former was allocated R32 million for its share of the loan releases as a consequence of the winding up process therein, offset by the minority share of expenses of R4.8 million in Airvantage Brazil.

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

Oxigen Services India and 2DFine

In the comparative year, the investments in Oxigen Services India and 2DFine were accounted for as investments in associates and joint venture, applying the equity method up until 30 November 2016. From that date these entities have been accounted for as venture capital investments at fair value. The fair value gain of R160 million and the Group's share of losses of R125 million, resulted in a positive contribution to Group earnings of R35 million in the comparative year.

The fair value of venture capital investments is required to be assessed at each reporting period. The change in fair value between 31 May 2017 and 31 May 2018 decreased by R173 million less deferred taxation of R3 million thereon, which together with a net loan impairment of R16 million resulted in a negative impact of R186 million on Group earnings. A further loan impairment of R71 million was accounted for in the corporate segment.

Although negotiations remain in progress with potential investors, until such time as a transaction is completed, the lack of cash resources will inhibit its propensity for growth through the roll out of a significant number of micro-ATM terminals. The latter is the essence of its ability to generate growth in the market value of the investment therein and is the cause of the necessity to reduce the fair value of the Oxigen group.

Blue Label Mexico

Blue Label Mexico's losses declined from R74.4 million to R42.8 million, of which the Group's share amounted to R21.9 million after the amortisation of intangible assets. In the comparative year the Group's share of losses amounted to R36.6 million.

The decline in loss was attributable to an increase in revenue from R3.1 billion to R4 billion (30%). This was achieved in the pursuance of its strategy by increasing the number of transactional terminals at higher ARPUs, in line with customer penetration through incremental products and services provided as well as extending its reach to merchants through the distribution channels of Grupo Bimbo.

The distribution of starter packs generates monthly compounded annuity income. This has gained momentum, placing Blue Label Mexico as the leader in SIM distribution throughout Mexico. Bill payments, credit and debit card acquiring and food vouchers have increased perpetually.

Gross profit increased by R43 million (39%), underpinned by an increase in gross profit margins. The growth in margins was congruent with the increase in the distribution of starter packs, higher margins afforded by the smaller networks and the expansion of the bouquet of its product offerings.

Operational expenditure increased by 7%, of which payroll costs accounted for the majority of the increase in line with the necessity to employ additional staff in support of the growth in business operations.

The resultant EBITDA equated to a turnaround of R27 million (98%) from a negative R27 million to break even.

Mobile

	May 2018 R'000	May 2017 R'000	Growth R'000	Growth %
Revenue	**359 970**	347 858	12 112	3
Gross profit	**204 349**	200 079	4 270	2
EBITDA	**101 883**	99 101	2 782	3
Core net profit	**59 553**	56 327	3 226	6
Core headline earnings	**59 679**	56 289	3 390	6

This segment comprises Viamedia, Supa Pesa, Blue Label One, Cellfind, Panacea and Simigenix.

The revenue increase of 3%, resulted in a marginal increase in gross profit at static margins. Overhead increase was confined to 2%, resulting in a growth in EBITDA by 3% to R102 million.

Contribution to core headline earnings increased by 6% to R60 million, supported by an increase in net finance income through positive cash generation from operations.

Solutions

	May 2018 R'000	May 2017 R'000	Growth R'000	Growth %
Revenue	**195 089**	177 621	17 468	10
Gross profit	**63 574**	55 480	8 094	15
EBITDA	**42 838**	34 020	8 818	26
Share of (losses)/profits from associates and joint ventures	**4 579**	455	4 124	906
Core net profit	**29 836**	18 956	10 880	57
Core headline earnings	**29 814**	18 956	10 858	57

Escalating demand for aggregated data and lead generations resulted in an increase in revenue by 10% to R195 million at a gross profit margin increase from 31.2% to 32.6%. Overhead increases were limited to 1%, resulting in a 26% growth in EBITDA to R43 million.

A joint venture with United Call Centre Solutions, an outbound call centre operation, contributed R4.3 million towards profitability.

Of the core headline earnings of R30 million, Blue Label Data Solutions accounted for R24.5 million in comparison to R17.5 million in the prior year, equating to growth of 40%.

Corporate

	May 2018 R'000	May 2017 R'000	Growth R'000	Growth %
EBITDA	**(146 489)**	(158 302)	11 813	7
Core net loss	**(211 463)**	(150 142)	(61 321)	(41)
Core headline loss	**(211 601)**	(150 103)	(61 498)	(41)

Of the decline in negative EBITDA of R12 million, R15 million pertained to a positive turnaround in foreign exchange movements offset by an increase of R3 million in expenditure.

The negative contribution to Group core headline earnings increased by R61 million to R211 million, which losses included the loan impairment of R71 million pertaining to 2DFine resulting from the downward adjustment to the fair value of the Oxigen group.

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges increased by R130 million to R243 million. Of this increase, R2 million pertained to depreciation on additional capital expenditure incurred during the year, R91 million to impairments and R37 million relating to the amortisation of intangible assets of which R29 million emanated from purchase price allocations on historical acquisitions, which increased from R18 million to R47 million.

NET FINANCE COSTS

The Group has reconsidered its accounting policy with respect to financing components included in its sale and purchase transactions in the ordinary course of business. It has concluded that there is no financing component in the above transactions. In accordance with IAS 8, it has therefore restated the comparative financial information for this change in accounting policy.

Finance costs

Finance costs totalled R307 million, of which R167 million related to interest paid on borrowed funds and R140 million to imputed IFRS interest adjustments. Of the latter amount, R75 million was attributable to credit received from suppliers and R65 million to the acquisitions of 3G Mobile and Airvantage. On a comparative basis, interest paid on borrowed funds amounted to R106 million and the imputed IFRS interest adjustment equated to R4 million.

The increase of R61 million was attributable to the part payment for the cash elements of the acquisition of shareholdings in Cell C and 3G Mobile. These payments were facilitated through a change in the working capital structure of the Group. In addition, a further R1 billion was advanced to Cell C on a piecemeal basis for the purpose of it applying such funds towards capital expenditure.

Finance income

Finance income totalled R195 million, of which R192 million was attributable to interest received on cash resources and R3 million to imputed IFRS interest adjustments on credit afforded to customers. In the prior year, interest received on cash resources amounted to R79 million and the imputed IFRS interest adjustment to R5 million.

The increase of R113 million in interest received from cash resources included interest of R84 million from Cell C for the advance of the R1 billion to them for capital expenditure.

The limited growth in finance income was predominately attributable to the utilisation of an element of cash resources for the funding of the Cell C transaction.

STATEMENT OF FINANCIAL POSITION

Total assets increased by R9.2 billion to R18 billion of which non-current assets accounted for R7.2 billion and current assets for R2 billion.

Non-current assets included increases in investments in and loans to associates and joint ventures of R6.1 billion, in intangible assets and goodwill of R998 million, in capital expenditure net of depreciation of R25.5 million, in loans receivable of R16.4 million, in trade and other receivables of R331 million and deferred tax assets of R19 million. These increases were offset by a net decrease of R266 million in venture capital associates and joint ventures.

The net increase of R6.1 billion in investment in associate and joint venture companies comprised the acquisition of Cell C, 3G Mobile and iCrypto for R5.5 billion, R0.9 billion and R11.7 million respectively, the Group's net share of profits totalling R592 million inclusive of the amortisation of applicable intangible assets and loans granted of R18.5 million. These increases were offset by the step-up of 3G from an associate to a subsidiary which amounted to R927 million, dividends received of R4.3 million and a negative impact on foreign currency translation reserves of R15.9 million.

Of the net increase in intangible assets and goodwill of R998 million, R432 million related to goodwill and R566 million to intangible assets. Of the goodwill increase, R381 million pertained to 3G Mobile and R53 million to Airvantage. The increase in intangible assets related to purchase price allocations raised in terms of IFRS 3 of R464 million for 3G Mobile and R193 million for Airvantage as well as an additional R48 million expended on the purchase of software and internally generated software development costs. These intangible increases were offset by amortisation of R139 million and a negative impact of foreign currency translation of R2 million.

The net decrease in venture capital associates and joint ventures of R266 million was due to a decline of R173 million in the fair value of the investment in Oxigen Services India and 2DFine which necessitated a loan impairment of R142 million. In addition there were unrealised foreign exchange losses on loans of R9.8 million. These negative movements were offset by a capital contribution for a rights issue amounting to R25.1 million, interest capitalised of R23 million on loans as well as loans granted of R11.1 million.

Of the increase in current assets, material movements included increases in the loan granted to Cell C of R1 billion, in a financial asset at fair value through profit and loss of R168 million, in trade and other receivables of R2.8 billion offset by decreases in inventories of R1.6 billion and in cash resources of R403 million.

The increase of R168 million in a financial asset at fair value through profit and loss, emanating from the Cell C transaction, related to a USD9 million (R117 million) part payment for the acquisition of bond notes issued by Cedar Cellular Investments 1 Proprietary Limited. A net fair value gain of R5.6 million was recognised in the current year relating to this financial asset as well as the USD80 million liquidity support provided to Magnolia Cellular Investment 2 (RF) Proprietary Limited.

The stock turn equated to nine days compared to 33 days for the financial year ended 31 May 2017.

The debtor's collection period increased to 75 days compared to 39 days for the financial year ended 31 May 2017. This increase in credit afforded was indicative of the impact of financing the handset element of 24-month post-paid contracts provided to the Cell C customer base by Comm Equipment Company Proprietary Limited ("CEC"), a wholly owned subsidiary of 3G Mobile. The debtor's collection period afforded through traditional trading averaged 43 days.

Net profit attributable to equity holders of R994 million, less a dividend of R350 million, resulted in retained earnings accumulating to R4.3 billion.

Share capital and share premium increased by R3.9 billion congruent with the issue of 272 million shares for capital raised to facilitate part payment of the acquisitions made during the financial year.

Borrowings increased by R3 billion, of which R1.5 billion accounted for facilities utilised by CEC for the financing of mobile handsets and the balance utilised for working capital requirements.

Trade and other payables increased by R1.5 billion, with average credit terms increasing to 66 days compared to 53 days for the financial year ended 31 May 2017.

STATEMENT OF CASH FLOWS

Cash flows generated from operating activities amounted to R3.2 billion, partly attributable to a change in the working capital structure.

Cash flows applied to investing activities amounted to R7.8 billion. Of this amount, funds applied to acquisitions amounted to R5.5 billion for Cell C, R857 million for 3G Mobile, R151 million for Airvantage and R11.7 million for iCrypto Inc. A further R1 billion was loaned to Cell C for its capital expenditure requirements, R25 million relating to the rights issue in Oxigen Services India, R117 million for the purchase of the bond notes, R55 million for professional fees, R31 million for the purchase of intangible assets and R72 million for capital expenditure.

Cash flows from financing activities amounted to R4.2 billion, of which R3.65 billion related to proceeds received on shares issued and R935 million to an increase in borrowings. After applying R28.8 million to the acquisition of treasury shares and a dividend payment of R378 million to shareholders and non-controlling interests, cash on hand at year end amounted to R948 million.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 1 809 711 (2017: 1 376 257) were issued to qualifying employees. During the year 456 379 (2017: 121 226) shares were forfeited and 2 432 743 (2017: 2 141 673) shares vested.

DIVIDENDS

The Board of Directors has elected not to declare a dividend.

SHARE BUYBACK

The Board has approved a share buyback programme.

SUBSEQUENT EVENTS

On 30 June 2018, TPC subscribed for 48% of Glocell Distribution Proprietary Limited ("Glocell Distribution"), a newly formed company that acquired the business operations of Glocell Proprietary Limited ("Glocell"). The business operations include the vending of airtime and other value-added services to a long established client base. The cost of subscription for the shares amounted to R173.4 million by way of capitalising debt owing by Glocell to TPC.

On 2 August 2018, Cell C procured R1.4 billion of funding from a consortium of financial institutions for a tenure of 12 months, secured by airtime to the value of R1.75 billion. In the event of default, TPC has undertaken to purchase such inventory from the consortium on a piecemeal basis over a specified period that has been agreed upon. Any shortfall of this purchase would be in lieu of purchases made from Cell C within that period. The payment terms as between TPC and Cell C on the normal Cell C trading account would be extended by 120 days, ensuring that TPC will not be at any risk of having to purchase airtime in excess of its monthly requirements.

On 1 August 2018, BLT acquired 60% of the issued share capital of AV Technology Limited for a purchase consideration of USD6.4 million (R84.2 million).

Post-year-end the Board approved a share buyback programme.

PROSPECTS

The Group is accelerating its programme of providing point of sale devices to traders within the informal market and hereby enable them to distribute Blue Label's product offerings.

Blue Label is one of the primary distribution channels for Cell C products and services. The investment in Cell C provides opportunities to realise synergies and enhance product distribution initiatives.

3G Mobile continues to expand its handset financing model to include other products.

Airvantage has concluded an agreement with a large network operator in Brazil, where it will replicate its business model.

Blue Label Mexico is seeing consistent growth in revenue, improved gross profit margins and compounding annuity revenue generated from starter pack sales. This is expected to result in a positive contribution to Group earnings within the year ahead.

INDEPENDENT AUDIT

These summary consolidated financial statements for the year ended 31 May 2018 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

APPRECIATION

The Board of Blue Label would once again like to express its appreciation to its suppliers, customers, business partners and staff for their ongoing support and loyalty.

For and on behalf of the Board

LM Nestadt
Chairman

BM Levy and MS Levy
Joint Chief Executive Officers

DA Suntup* CA(SA)
Financial Director

21 August 2018

* *Supervised the preparation and review of the Group's audited year-end results.*

Summarised Group statement of financial position

As at 31 May 2018

	2018 Audited R'000	Restated* 2017 Audited R'000	Restated* 2016 Audited R'000
ASSETS			
Non-current assets	**9 404 315**	2 198 757	2 275 161
Property, plant and equipment	**137 120**	111 599	100 434
Intangible assets	**1 076 871**	511 164	598 333
Goodwill	**1 036 243**	604 590	603 440
Investments in and loans to associates and joint ventures	**6 398 305**	315 833	910 567
Investments in and loans to venture capital associates and joint ventures	**277 835**	544 165	–
Loans receivable	**53 270**	36 851	5 910
Starter pack assets	**5 541**	5 346	6 099
Trade and other receivables	**373 907**	42 512	29 166
Deferred taxation assets	**45 223**	26 697	21 212
Current assets	**8 526 636**	6 498 626	5 037 786
Starter pack assets	**1 414**	1 365	1 576
Loans to associate	**1 029 626**	–	–
Inventories	**597 946**	2 180 121	1 658 860
Loans receivable	**207 799**	188 229	98 217
Trade and other receivables	**5 529 877**	2 766 110	2 686 019
Financial asset at fair value through profit and loss	**168 144**	–	–
Current tax assets	**43 942**	12 135	4 087
Cash and cash equivalents	**947 888**	1 350 666	589 027
Total assets	**17 930 951**	8 697 383	7 312 947
EQUITY AND LIABILITIES	**9 506 642**	4 995 284	4 516 120
Capital and reserves			
Share capital, share premium and treasury shares	**7 844 847**	3 953 871	3 942 512
Restructuring reserve	**(1 843 912)**	(1 843 912)	(1 843 912)
Other reserves	**84 662**	107 036	187 605
Transactions with non-controlling interest reserve	**(1 069 268)**	(975 302)	(965 861)
Share-based payment reserve	**49 542**	46 420	42 039
Retained earnings	**4 283 854**	3 640 034	3 101 603
	9 349 725	4 928 147	4 463 986
Non-controlling interest	**156 917**	67 137	52 134
Non-current liabilities	**1 745 790**	55 665	113 397
Deferred taxation liabilities	**229 100**	49 391	60 800
Borrowings	**1 514 140**	–	–
Trade and other payables	**2 550**	6 274	52 597
Current liabilities	**6 678 519**	3 646 434	2 683 430
Trade and other payables	**5 086 196**	3 537 505	2 601 807
Provisions	**39 628**	35 071	24 928
Financial liabilities at fair value through profit and loss	**45 360**	–	–
Current tax liabilities	**50 367**	55 832	40 608
Borrowings	**1 456 968**	18 026	16 087
Total equity and liabilities	**17 930 951**	8 697 383	7 312 947

* *As a result of the revised guidance in Circular 2/2017 the Group has restated its comparative financial information for a change in accounting policy.*

Summarised Group statement of comprehensive income

For the year ended 31 May

	2018 R'000	Restated* 2017 R'000
Revenue	**26 800 265**	26 469 581
Other income	**81 704**	16 814
Changes in inventories of finished goods	**(24 518 173)**	(24 340 581)
Employee compensation and benefit expense	**(524 187)**	(452 985)
Depreciation, amortisation and impairment charges	**(242 604)**	(112 851)
Other expenses	**(499 456)**	(405 088)
Operating profit	**1 097 549**	1 174 890
Finance costs	**(306 636)**	(109 788)
Finance income	**195 298**	84 605
(Loss)/gain on associates and joint ventures measured at fair value	**(173 645)**	160 200
Share of gains/(losses) from associates and joint ventures	**565 812**	(164 941)
Net profit before taxation	**1 378 378**	1 144 966
Taxation	**(331 069)**	(329 816)
Net profit for the year	**1 047 309**	815 150
Other comprehensive income:		
Items reclassified to profit or loss		
Foreign currency translation reserve reclassified to profit or loss**	**(3 097)**	–
Items that may be subsequently reclassified to profit or loss		
Foreign exchange loss on translation of associates and joint ventures**	**(15 873)**	(82 424)
Foreign exchange loss on translation of foreign operations**	**(3 869)**	(52)
Other comprehensive loss for the year, net of tax	**(22 839)**	(82 476)
Total comprehensive income for the year	**1 024 470**	732 674
Net profit for the year attributable to:		
Equity holders of the parent	**993 624**	781 254
Non-controlling interest	**53 685**	33 896
Total comprehensive income for the year attributable to:		
Equity holders of the parent	**971 250**	700 685
Non-controlling interest	**53 220**	31 989

* *As a result of the revised guidance in Circular 2/2017 the Group has restated its comparative financial information for a change in accounting policy.*

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

Share performance

For the year ended 31 May

	2018 R'000	Restated* 2017 R'000
Earnings per share for profit attributable to equity holders		
Basic earnings per share (cents)	**116.12**	114.13
Diluted earnings per share (cents)**	**108.10**	113.17
Weighted average number of shares	**855 686 588**	684 508 496
Diluted weighted average number of shares	**860 487 563**	690 322 107
Number of shares in issue	**946 509 041**	674 509 042
Share performance		
Headline earnings per share (cents)	**115.42**	114.19
Diluted headline earnings per share (cents)**	**107.41**	113.22
Dividend per share (cents)	**40**	36
Reconciliation between net profit and core headline earnings for the year:		
Net profit for the year attributable to equity holders of the parent	**993 624**	781 254
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**44 345**	14 069
Core net profit for the year	**1 037 969**	795 323
Headline earnings adjustments	**(5 953)**	362
Core headline earnings	**1 032 016**	795 685
Core headline earnings per share (cents)***	**120.61**	116.24

* *As a result of the revised guidance in Circular 2/2017 the Group has restated its comparative financial information for a change in accounting policy.*

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

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

Summarised Group statement of changes in equity

For the year ended 31 May 2018

	Share capital, share premium and treasury shares Audited R'000	Retained earnings Audited R'000
Balance as at 31 May 2016	3 942 512	3 105 050
Restatement due to adoption of accounting policy*	–	(3 447)
Restated balance as at 31 May 2016*	3 942 512	3 101 603
Restated net profit for the year*	–	781 254
Other comprehensive income/(loss)	–	–
Restated total comprehensive income/(loss)*	–	781 254
Treasury shares purchased	(7 381)	–
Equity compensation benefit scheme shares vested	18 740	–
Equity compensation benefit movement	–	–
Transaction with non-controlling interest reserve movement	–	–
Non-controlling interest acquired	–	–
Dividends paid	–	(242 823)
Restated balance as at 31 May 2017*	**3 953 871**	**3 640 034**
Net profit for the year	**–**	**993 624**
Other comprehensive income/(loss)	**–**	**–**
Total comprehensive income/(loss)	**–**	**993 624**
Treasury shares purchased	**(28 846)**	**–**
Shares issued	**3 932 834**	**–**
Transaction costs on shares issued	**(34 663)**	**–**
Equity compensation benefit scheme shares vested	**21 651**	**–**
Equity compensation benefit movement	**–**	**–**
Transaction with non-controlling interest reserve movement	**–**	**–**
B-BBEE transaction	**–**	**–**
Non-controlling interest acquired	**–**	**–**
Non-controlling interest disposed of	**–**	**–**
Dividends paid	**–**	**(349 804)**
Balance as at 31 May 2018	**7 844 847**	**4 283 854**

[1] *Other reserves include foreign currency translation reserve and the non-distributable reserve.*
[2] *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.*
[3] *Includes employee equity compensation benefit reserve.*
[4] *The B-BBEE transaction was concluded by Panacea Mobile Proprietary Limited and Simigenix Proprietary Limited ("the companies"), subsidiaries of Blue Label Telecoms. In October 2017 the companies declared dividends to the full value of the companies to Blue Label Telecoms. Such dividends were immediately converted to preference shares. Subsequent to this, the companies issued shares to Bitsana Investments Proprietary Limited for nominal value. The Group has not recognised this dilution and accounts for the companies as wholly owned subsidiaries until the preference shares have been settled in full. The preference shares will be settled through the declaration of dividends by the companies. There are no specified dates for this.*
[5] *This relates to a put option that the Group has on the remaining 40% shareholding in Airvantage.*
* *As a result of the revised guidance in Circular 2/2017 the Group has restated their comparative financial information for a change in accounting policy.*

Restructuring reserve Audited R'000	Other reserves[1] Audited R'000	Transactions with non-controlling interest reserve[2] Audited R'000	Share based payment reserve[3] Audited R'000	Non-controlling interest Audited R'000	Total equity Audited R'000
(1 843 912)	187 605	(965 861)	42 039	52 134	4 519 567
–	–	–	–	–	(3 447)
(1 843 912)	187 605	(965 861)	42 039	52 134	4 516 120
–	–		–	33 896	815 150
–	(80 569)	–	–	(1 907)	(82 476)
–	(80 569)		–	31 989	732 674
–	–	–	–	–	(7 381)
–	–	–	(18 486)	(254)	–
–	–	–	22 867	550	23 417
–	–	(9 441)	–	9 441	–
–	–	–	–	65	65
–	–	–	–	(26 788)	(269 611)
(1 843 912)	**107 036**	**(975 302)**	**46 420**	**67 137**	**4 995 284**
–	**–**	**–**	**–**	**53 685**	**1 047 309**
–	**(22 374)**	**–**	**–**	**(465)**	**(22 839)**
–	**(22 374)**	**–**	**–**	**53 220**	**1 024 470**
–	**–**	**–**	**–**	**–**	**(28 846)**
–	**–**	**–**	**–**	**–**	**3 932 834**
–	**–**	**–**	**–**	**–**	**(34 663)**
–	**–**	**–**	**(21 362)**	**(289)**	**–**
–	**–**	**–**	**23 084**	**778**	**23 862**
–	**–**	**(93 966)[5]**	**–**	**–**	**(93 966)**
–	**–**	**–**	**1 400[4]**	**–**	**1 400**
–	**–**	**–**	**–**	**66 645**	**66 645**
–	**–**	**–**	**–**	**(2 824)**	**(2 824)**
–	**–**	**–**	**–**	**(27 750)**	**(377 554)**
(1 843 912)	**84 662**	**(1 069 268)**	**49 542**	**156 917**	**9 506 642**

Summarised Group statement of cash flows

For the year ended 31 May 2018

	2018 Audited R'000	2017 Audited R'000
Cash generated by operations	**3 588 780**	1 753 991
Interest received	**154 952**	52 300
Interest paid	**(187 489)**	(105 518)
Taxation paid	**(368 099)**	(338 814)
Net cash generated from operating activities	**3 188 144**	1 361 959
Cash flows from investing activities		
Acquisition of intangible assets	**(31 183)**	(55 987)
Acquisition of property, plant and equipment	**(71 640)**	(57 293)
Acquisition of subsidiary net of cash acquired	**(291 240)**	771
Acquisition of associate	**(6 124 127)**	(7 530)
Transaction costs on associates	**(55 131)**	–
Capital contribution to Oxigen Services India	**(25 076)**	(25 534)
Purchase of bond notes	**(117 037)**	–
Loan granted to Cell C	**(1 017 522)**	–
Loans advanced to associates and joint ventures	**(31 641)**	(22 224)
Loans granted	**(54 981)**	(141 917)
Loans receivable repaid	**78 329**	24 649
Settlement of contingent consideration	**(27 867)**	(50 666)
Contingent proceeds received	**–**	12 839
Other investing activities	**10 737**	2 416
Net cash utilised in investing activities	**(7 758 379)**	(320 476)
Cash flows from financing activities		
Interest-bearing borrowings raised	**935 442**	–
Proceeds from shares issued	**3 650 000**	–
Transaction costs on share issue	**(12 424)**	–
Acquisition of treasury shares	**(28 846)**	(7 381)
Dividends paid to non-controlling interest	**(27 750)**	(26 788)
Dividends paid to equity holders of the parent	**(349 804)**	(242 823)
Other financing activities	**(58)**	(2 803)
Net cash generated/(utilised) in financing activities	**4 166 560**	(279 795)
Net (decrease)/increase in cash and cash equivalents	**(403 675)**	761 688
Cash and cash equivalents at the beginning of the year	**1 350 666**	589 027
Exchange gains on cash and cash equivalents	**897**	(49)
Cash and cash equivalents at the end of the year	**947 888**	1 350 666

Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except for the change in accounting policy as disclosed below. The comparative financial information has been restated as a result.

Headline earnings

For the year ended 31 May

	2018 Audited R'000	Restated* 2017 Audited R'000
Profit attributable to equity holders of the parent	**993 624**	781 254
(Profit)/loss on disposal of property, plant and equipment	**(1 272)**	23
Impairment of property, plant and equipment	**2 736**	–
Impairment of intangible assets	**243**	–
Foreign currency translation reserve recycled to profit or loss	**(3 097)**	–
Profit on disposal of subsidiary	**(2 824)**	–
Profit on disposal of property, plant and equipment in associate	**(12 075)**	–
Impairment of property, plant and equipment in associate	**–**	–
Impairment of intangible assets in associate	**10 336**	339
Headline earnings	**987 671**	781 616
Headline earnings per share (cents)	**115.42**	114.19

* *As a result of the revised guidance in Circular 2/2017 the Group has restated its comparative financial information for a change in accounting policy.*

Summarised segmental summary

Year ended 31 May 2018	Total Audited R'000	Africa Distribution Audited R'000
Total segment revenue	**33 633 266**	**32 897 392**
Internal revenue	**(6 833 001)**	**(6 652 186)**
Revenue	**26 800 265**	**26 245 206**
Operating profit/(loss) before depreciation, amortisation and impairment charges	**1 340 153**	**1 344 824**
Net profit/(loss) for the year attributable to equity holders of the parent	**993 624**	**1 344 642**
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	**44 345**	**40 852**
Headline earnings adjustments net of non-controlling interest	**(5 953)**	**(755)**
Core headline earnings for the year attributable to equity holders of the parent	**1 032 016**	**1 384 739**
At 31 May 2018		
Total assets	**17 930 951**	**16 671 589**
Net operating assets/(liabilities)	**1 848 117**	**1 758 210**

Year ended 31 May 2017	Audited R'000	Audited R'000
Total segment revenue	32 881 775	32 216 378
Internal revenue	(6 412 194)	(6 272 276)
Revenue	26 469 581	25 944 102
Operating profit/(loss) before depreciation, amortisation and impairment charges	1 287 741	1 344 714
Net profit/(loss) for the year attributable to equity holders of the parent	781 254	877 831
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	14 069	9 564
Headline earnings adjustments net of non-controlling interest	362	22
Core headline earnings for the year attributable to equity holders of the parent	795 685	887 417
At 31 May 2017		
Total assets	8 697 313	7 208 640
Net operating assets/(liabilities)	2 852 192	2 750 032

	International Audited R'000	Mobile Audited R'000	Solutions Audited R'000	Corporate Audited R'000
	–	**370 358**	**196 762**	**168 754**
	–	**(10 388)**	**(1 673)**	**(168 754)**
	–	**359 970**	**195 089**	**–**
	(2 903)	**101 883**	**42 838**	**(146 489)**
	(227 000)	**57 609**	**29 836**	**(211 463)**
	1 549	**1 944**	**–**	**–**
	(5 164)	**126**	**(22)**	**(138)**
	(230 615)	**59 679**	**29 814**	**(211 601)**
	518 045	**561 330**	**146 672**	**33 315**
	94 701	**62 036**	**36 780**	**(103 610)**

	Audited R'000	Audited R'000	Audited R'000	Audited R'000
	–	361 754	178 286	125 357
	–	(13 896)	(665)	(125 357)
	–	347 858	177 621	–
	(31 792)	99 101	34 020	(158 302)
	(19 072)	53 681	18 956	(150 142)
	1 859	2 646	–	–
	339	(38)	–	39
	(16 874)	56 289	18 956	(150 103)
	743 530	593 595	141 100	10 518
	10 424	103 458	45 517	(57 239)

Financial instruments

For the year ended 31 May

Financial asset at fair value through profit and loss

	Bond notes Audited R'000	Liquidity Support Audited R'000	Other Audited R'000	**Total Audited R'000**
Opening balance	–	–	–	**–**
Acquisition of subsidiary	–	–	106	**106**
Additions	117 037	–	–	**117 037**
Fair value gain/(loss) recognised in profit or loss	50 482	(45 360)	519	**5 641**
Closing balance	167 519	(45 360)	625	**122 784**
Financial assets at fair value through profit and loss	167 519	–	625	**168 144**
Financial liabilities at fair value through profit and loss	–	(45 360)	–	**(45 360)**
Closing balance	167 519	(45 360)	625	**122 784**

Bond notes

With effect from 2 August 2017, TPC purchased bond notes, issued by Cedar Cellular Investments 1 Proprietary Limited ("SPV1"), from Saudi Oger Limited with a capital redemption value of USD42 million and with a coupon rate of 8.625% per annum for a purchase consideration of USD18 million. TPC was entitled to assign its rights and obligations, in whole or in part, to a nominee. Accordingly, it has assigned such rights and obligations in respect of 50% of the bond notes, resulting in an effective purchase consideration of USD9 million with a capital redemption value of USD21 million.

Liquidity support

As part of the restructure of the debt into Cell C by third-party lenders, TPC will be required to provide liquidity support to Magnolia Cellular Investment 2 (RF) Proprietary Limited ("SPV2"), which is 100% held by 3C Telecommunications Proprietary Limited, of up to USD80 million, which liquidity support will be provided over 24 months and will be in the form of subordinated funding to SPV2. Oger Telecoms contributed USD36 million of the aforesaid USD80 million thus reducing TPC's obligation in this regard to a maximum of USD44 million. As at 31 May 2018, the Group has not paid any amounts to SPV2.

Fair value estimate

SPV1 and SPV2 own 11.8% and 16%of the shares issued by Cell C respectively . No other assets are held by these entities, and as such the Group's bond note and liquidity support arrangements will be settled only when the value of the Cell C shares are realised by SPV1 and SPV2. The substance of these arrangements are therefore derivatives exposing the Group to the share price of Cell C. Blue Label has a further revisionary pledge amounting to 5% of the shares issued by Cell C relating to the Group's exposure in SPV2.

The derivatives are initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss.

The fair value of the derivatives are not traded in an active market and are therefore determined by the use of a valuation technique. The Group has performed the valuations using a Monte Carlo simulation taking into account the expected exit event date of Cell C in the next 11 to 24 months. These calculations use a valuation of Cell C provided by a qualified independent third-party valuation specialist. By way of simulation, the model generates a large number of random paths for the value of the Cell C share price from 31 May 2018 to the expected listing date. The average payoffs across the simulated paths are then discounted at the risk-free rate to obtain the present value of the shares owned by SPV1 and SPV2. As both arrangements are USD denominated, the model accounts for the forward rate of the USD at the expected listing date.

The derivatives are level 3 valuations in the fair value hierarchy.

The breakeven valuation of Cell C is R18.60 billion, which represents the minimum valuation of Cell C required before a collective fair value loss would be recognised on the derivatives. The following table represents the sensitivity of the valuation of Cell C used in the Monte Carlo simulations to value the derivatives:

Unobservable input	Change to inputs	Movement in fair value of SPV1 R'000	Movement in fair value of SPV2 R'000	Total movement in fair value R'000
Valuation of Cell C	5%	7 968	61 267	69 235
	(5%)	(8 211)	(59 975)	(68 186)

Financial liabilities

Contingent consideration

Contingent considerations, included in trade and other payables, are level 3 financial liabilities.

Changes in level 3 instruments are as follows:

	2018 Audited R'000	2017 Audited R'000
Opening balance	32 974	83 563
Acquisition of Reware Proprietary Limited	–	1 150
Acquisition of Utilities World Proprietary Limited	–	4 516
Settlements	(27 867)	(50 666)
Gains or losses recognised in profit or loss	(548)	(5 589)
Closing balance	4 559	32 974
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	(1 390)	(10 210)
Interest paid	590	4 621
Unrealised gains or losses recognised in profit or loss for liabilities held at the end of the reporting period	800	5 304

The fair value of the contingent consideration is estimated by applying the income approach. The fair value is based on the discount rates applicable to the Group and management's probability assumptions on certain warranties being achieved. There have been changes in management's probability assumptions in respect of certain of the companies. The resulting changes in the fair values are accounted for in other income in the statement of comprehensive income. The discount rate has been increased in line with the increase in the prime lending rate. The resulting changes in the fair values are accounted for in finance costs in the statement of comprehensive income.

Financial instruments continued

For the year ended 31 May

Put option liability

Put option liabilities represent contracts that impose an obligation on the Group to purchase the shares of a subsidiary for cash or another financial asset. Put option liabilities are initially raised from the transaction with non-controlling interest reserve in equity at the present value of the expected redemption amount payable. Subsequent revisions to the expected redemption amount payable as well as the unwinding of the discount related to the measurement of the present value of the put option liability, are recognised in the income statement. Where a put option liability expires unexercised or is cancelled, the carrying value of the financial liability is released to the transaction with non-controlling interest reserve in equity. The Group recognises the non-controlling interest over which a put option exists at acquisition date. Put option liabilities are presented within trade and other payables in the Group statement of financial position.

Changes in level 3 instruments are as follows:

	2018 R'000	2017 R'000
Opening balance	–	–
Acquisition of Airvantage	93 966	–
Remeasurements recognised in the income statement	3 981	–
Closing balance	97 947	–

Acquisition of Airvantage

This relates to a put option that the Group has on the remaining 40% shareholding in Airvantage. This is exercisable within the next 12 months. The Group will settle this from available cash resources. The option is valued based on the forecast net profit after tax for the 12 months ending 28 February 2019 at a six multiple, present valued to the date of the acquisition 2 January 2018, as per the contract.

Sensitivity analysis

	2018 R'000
Increase/(decrease) in put option liabilities and loss/(gain) in the income statement	
1% increase in discount rate, 10% decrease in net profit after tax	(10 664)
1% decrease in discount rate, 10% increase in net profit after tax	10 869

The investment in Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius are viewed as venture capital investments and accounted for at fair value, and are level 3 instruments. Refer to "investment and loans to venture capital associates and joint venture."

The Group has not disclosed the fair values of all financial instruments measured at amortised cost, as its carrying amounts closely approximate its fair values.

Investments in and loans to venture capital associates and joint venture

	2018 Audited R'000	2017 Audited R'000
Venture capital associates and joint venture	**142 981**	291 550
Loan to venture capital associates and joint venture	**134 854**	252 615
	277 835	544 165

IAS 28 exemption with respect to Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius
The exemption available in IAS 28 – *Investments in Associates and Joint Ventures* has been applied to the investment in Oxigen Services India, Oxigen Online and 2DFine from 30 November 2016 and the investment is accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* at fair value with changes in fair value recognised in profit or loss. The difference between the carrying amount of the investment (previously equity accounted for) and the fair value at this date is reflected as a gain on associate measured at fair value in the Group income statement. Any additional changes in the fair value have been recognised in the Group statement of comprehensive income.

Oxigen Services India was demerged into two separate entities with effect from 1 June 2016. This was done in line with the Group's exit strategy to improve the marketability of these entities to potential investors.

Prior to 30 November 2016, the investment in Oxigen Services India was of a strategic nature as it was expected to emulate the business model of the South African Distribution operations. The original decision to invest in this business was because it was strategically aligned with other Blue Label distribution businesses in South Africa. However, its profile has changed from that of the traditional Group business to one of generating growth in the market value of the investment with a view to unlocking the Group's share thereof. With the advent of its change in focus to financial services through wallet subscription, it is no longer strategically aligned with the other business units of the Group and is unlikely to generate profitability in the short to medium term. However, the market value of the company is expected to increase exponentially in conjunction with its growth in wallet subscribers. This in turn creates the potential to unlock the investment in value in the future and the Group is pursuing this new strategy with respect to its investment in Oxigen Services India. In line with the Group's exit strategy, Oxigen Services India was demerged into two separate entities with effect from 1 June 2016. This was done to improve the marketability of these entities to potential investors.

2DFine is an investment holding company that holds an effective interest in Oxigen Services India and Oxigen Online.

Consequently, management reviews the results and operations of Oxigen Services India, Oxigen Online and 2DFine on a fair value basis as opposed to the profits/losses that it generates. In addition, management has established an exit strategy that looks to realise this fair value in the foreseeable future.

Accordingly, in accordance with IAS 28 – *Investments in Associates and Joint Ventures* Oxigen Services India, Oxigen Online and 2DFine are viewed as venture capital investments which have been accounted for at fair value through profit and loss from 30 November 2016 at which date equity accounting ceased, in line with IFRS 13 – *Fair Value Measurement*.

The loans to 2DFine have been impaired as the only asset that 2DFine holds that can be utilised to recover this loan is the investment in Oxigen Services and Oxigen Online. The fair values have decreased significantly in the current year. B Levy and M Levy have signed personal sureties relating to a portion of the irrecoverable portion of the loan.

The fair value of Oxigen Services India, Oxigen Online and the 2DFine group as at 31 May 2018 has declined due to lack of funding. This has resulted in Oxigen Online and 2DFine being carried at Rnil. Although negotiations remain in progress with potential investors, until such time as a transaction is completed, the lack of cash resources will inhibit its propensity for growth through the roll out of a significant number of micro-ATM terminals. The latter is the essence of its ability to generate growth in the market value of the investment therein and is the cause of the necessity to reduce the fair value of the Oxigen group.

Investments in and loans to venture capital associates and joint venture continued

Fair value estimate

The finance department of the Group includes a team that outsources the valuations to qualified independent third-party valuation specialists required for financial reporting purposes, including level 3 fair values. This team reports directly to the Financial Director ("FD") and the Audit, Risk and Compliance Committee ("ARCC"). Discussions of valuation processes and results are held between the FD, ARCC and the valuation team at least once every six months, in line with the Group's reporting periods.

Management use this fair value information to monitor the performance of this investment as it relates to the revised investment and exit strategies. Decisions relating to e-wallet acquisition, retention and exit strategy, are discussed at monthly management meetings, focusing predominantly on the inputs (e.g. capital spend and customer acquisition/retention spend) that drive the fair value.

The investments in venture capital associates and joint venture are level 3 valuations in the fair value hierarchy.

In terms of IFRS 13 – *Fair Value Measurement*, the market approach has been utilised in determining the fair value of the Indian entities. This approach utilises relevant information generated by similar market transactions that have been concluded by comparable businesses. The valuation is based on a multiple applied to gross revenue, based on the same principles adopted by similar business to that of the Oxigen Services group, that was recently disposed of. This differs from the discounted cash flow approach applied previously, as the market approach provided the Group with more reliable evidence to support the valuation. The revenue multiple of 4.3 was applied in determining the fair value.

In the prior year the discount rate and terminal growth rate used in calculating the fair values were 27% and 5% respectively.

In the prior year the main inputs into the cash flow models were the expected cash flows relation to capital expenditure as well as cash flows relating to customer acquisition and engagement spend. Capital expenditure in Oxigen Services India and Oxigen Online was expected to range between R166 million and R311 million on an annual basis. Customer acquisition and engagement spend for Oxigen Services India and Oxigen Online was forecast to increase aggressively from R103 million to R2 575 million in the prior year valuation models.

The fair value of the 2DFine group is based on its share of the fair value of Oxigen Services India and Oxigen Online less the liabilities of the 2DFine group.

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurement for this investment.

Unobservable input	**Change to inputs**	Movement in fair value R'000
Revenue multiple	**0.2**	11 513
	0.1	5 803
	(0.1)	(5 803)
	(0.2)	(11 513)
	(0.3)	(17 222)

Significant related party transactions and balances

For the year ended 31 May

	2018 Audited R'000	2017 Audited R'000
Sales to related parties		
Cell C Limited	**1 100 788**	–
Purchases from related parties		
Cell C Limited	**4 873 215**	–
Interest received from related parties		
2DFine Holdings Mauritius	**21 736**	21 159
Cell C Limited	**96 380**	–
Loans to related parties		
2DFine Holdings Mauritius	**100 837**	218 305
Cell C Limited	**1 029 626**	–
Lornanox Proprietary Limited trading as Edgars Connect	**79 249**	75 209
Oxigen Services India Private Limited	**34 017**	34 310
ZOK Cellular Proprietary Limited	**19 768**	26 364
Amounts due from related parties included in trade receivables		
3G Mobile (Botswana) Proprietary Limited	**31 688**	–
Cell C Limited	**2 623 194**	–
Lornanox Proprietary Limited	**35 528**	13 676
Amounts due to related parties included in trade payables		
3G Mobile (Botswana) Proprietary Limited	**30 799**	–
Cell C Limited	**1 573 472**	–

Subsequent events continued

On 30 June 2018, TPC subscribed for 48% of Glocell Distribution Proprietary Limited ("Glocell Distribution"), a newly formed company that acquired the business operations of Glocell Proprietary Limited ("Glocell"). The business operations include the vending of airtime and other value-added services to a long-established client base. The cost of subscription for the shares amounted to R173.4 million by way of capitalising debt owing by Glocell to TPC.

On 2 August 2018, Cell C procured R1.4 billion of funding from a consortium of financial institutions for a tenure of 12 months, secured by airtime to the value of R1.75 billion. In the event of default, TPC has undertaken to purchase such inventory from the consortium on a piecemeal basis over a specified period that has been agreed upon. Any shortfall of this purchase would be in lieu of purchases made from Cell C within that period. The payment terms as between TPC and Cell C on the normal Cell C trading account would be extended by 120 days, ensuring that TPC will not be at any risk of having to purchase airtime in excess of its monthly requirements.

On 1 August 2018, BLT acquired 60% of the issued share capital of AV Technology Limited for a purchase consideration of USD6.4 million (R84.2 million). The purchase agreement contains an option arrangement which may result in BLT acquiring the remaining 40% of the entity.

Shares in the following subsidiaries were acquired subsequent to year-end:

	Effective date of acquisition	% acquired
Subsidiaries		
Glocell Distribution Proprietary Limited	30 June 2018	48
Distributor of airtime, starter packs and mobile phones through its retail outlets and to wholesale customers in South Africa, including post-paid and pre-paid contracts		
AV Technology Limited	1 August 2018	60
Owner of system that offers Mobile Network Operators the ability to advance airtime, data and mobile money to subscribers in Africa		
Lornanox Proprietary Limited	31 July 2018	100
Owner of retail stores trading in cellular handsets, tablets and related accessories, as well as SIM cards, post-paid and pre-paid contracts		

Details of the provisional net assets acquired through acquisition are as follows:

	Glocell Distribution Proprietary Limited R'000	AV Technology Limited R'000	Lornanox Proprietary Limited R'000
Total purchase consideration	173 400	84 187	5 000
Provisional fair value of net assets acquired	25 487	8 122	(66 993)
Goodwill	147 913	76 065	71 993

The provisional assets and liabilities acquired through acquisition are as follows:

	Glocell Distribution Proprietary Limited		AV Technology Limited		Lornanox Proprietary Limited	
	Provisional fair value at acquisition date R'000	Acquirer's provisional carrying amount on acquisition date R'000	Provisional fair value at acquisition date R'000	Acquirer's provisional carrying amount on acquisition date R'000	Provisional fair value at acquisition date R'000	Acquirer's provisional carrying amount on acquisition date R'000
Cash and cash equivalents	5 978	5 978	65 442	65 442	10 605	10 605
Property, plant and equipment	6 023	6 023	440	440	39 251	39 251
Intangible assets	80 685	28 665	15 596	–	2 000	–
Goodwill	147 913	–	76 065	–	71 993	–
Inventories	7 267	7 267	–	–	34 255	34 255
Receivables	14 677	14 677	10 085	10 085	23 611	23 611
Deferred tax	(14 566)	–	(4 367)	–	(11 648)	–
Borrowings	(39 787)	(39 787)	–	–	(104 880)	(144 480)
Payables	(7 179)	(7 179)	(73 658)	(73 658)	(60 187)	(60 186)
Provisional value of subsidiaries acquired	201 011	15 644	89 603	2 309	5 000	(96 944)
Non-controlling interest		(27 611)		(5 415)		–
Provisional value of net assets acquired		(11 967)		(3 106		(96 944)
Total purchase consideration		173 400		84 187		5 000

Glocell Distribution was purchased with the objective of affording the Group access to new channels for the supply and distribution of airtime, mobile devices and contracts.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Glocell, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the opportunity that the distribution network affords the Group.

AV Technology Limited ("AV Technology") was purchased with the objective of affording the Group the ability to advance airtime, data and mobile money services to mobile network subscribers in Africa.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of AV Technology, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the opportunity that the pre-paid airtime advance system affords the Group.

Lornanox Proprietary Limited ("Lornanox") was purchased with the objective of affording the Group access to new channels for the supply and distribution of airtime, mobile devices and contracts.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Lornanox, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the opportunity that the distribution network affords the Group.

Change in accounting policy

During the current period, the South African Institute of Chartered Accountants issued Circular 2/2017 which replaced Circular 9/2006. Circular 9/2006 – Transactions giving rise to adjustments to revenue/purchases previously included guidance on the recognition of financing elements. Although the Group did not believe that its revenue and purchase transactions constituted financing activities, the Group has previously accounted for its sale and purchase transactions as including a financing element based on the guidance in Circular 9/2006.

Subsequent to the issuing of Circular 9/2006, the International Financial Reporting Standards Interpretations Committee ("Interpretations Committee") has debated financing elements contained within transactions for both revenue and purchases under the current accounting standards (IAS 2 – *Inventories* and IAS 18 – *Revenue*). Circular 2/2017 considers these developments and updates the previous guidance contained in Circular 9/2006 relating to financing elements of revenue and purchases. Circular 2/2017 repeals the guidance in Circular 9/2006 that deals with extended payment terms (paragraphs 23 to 30).

As a result of the revised guidance in Circular 2/2017, the Group has reconsidered its accounting policy with respect to financing components included in its sale and purchase transactions in the ordinary course of business. In line with the guidance contained in Circular 2/2017, in particular the indicators provided in paragraph 7 of the Circular, the Group has concluded that there is no financing component included in its sale and purchase transactions that occur in the ordinary course of business. In accordance with IAS 8, the Group has therefore restated its comparative financial information for this change in accounting policy and provided an opening balance sheet as at 1 June 2016. The impact of this change in accounting policy was immaterial to the opening retained earnings at 1 June 2016.

Group statement of financial position

As at 31 May

	Restated 2017 R'000	Adjustments R'000	2017 R'000	Restated 2016 R'000	Adjustments R'000	2016 R'000
ASSETS						
Non-current assets	**2 198 757**	**–**	**2 198 757**	**2 275 161**	**–**	**2 275 161**
Current assets	**6 498 626**	**7 113**	**6 491 513**	**5 037 786**	**6 996**	**5 030 790**
Trade and other receivables	2 766 110	7 113	2 758 997	2 686 019	6 996	2 679 023
Total assets	**8 697 383**	**7 113**	**8 690 270**	**7 312 947**	**6 996**	**7 305 951**
EQUITY AND LIABILITIES						
Capital and reserves	**4 995 284**	**(9 158)**	**5 004 442**	**4 516 120**	**(3 447)**	**4 519 567**
Retained earnings	3 640 034	(9 158)	3 649 192	3 101 603	(3 447)	3 105 050
Non-current liabilities	**55 665**	**(3 561)**	**59 226**	**101 613**	**(1 341)**	**102 954**
Deferred taxation liabilities	49 391	(3 561)	52 952	60 800	(1 341)	62 141
Current liabilities	**3 646 434**	**19 832**	**3 626 602**	**2 695 214**	**11 784**	**2 683 430**
Trade and other payables	3 537 505	19 832	3 517 673	2 613 591	11 784	2 601 807
Total equity and liabilities	**8 697 383**	**7 113**	**8 690 270**	**7 312 947**	**6 996**	**7 305 951**

Group income statement

For the year ended 31 May

	Restated 2017 R'000	Adjustments R'000	2017 R'000
Revenue	26 469 581	157 706	26 311 875
Changes in inventories of finished goods	(24 340 581)	(201 288)	(24 139 293)
Operating profit	**1 174 890**	**(43 582)**	**1 218 472**
Finance costs	(109 788)	193 239	(303 027)
Finance income	84 605	(157 589)	242 194
Net profit before taxation	**1 144 966**	**(7 932)**	**1 152 898**
Taxation	(329 816)	2 221	(332 037)
Net profit for the year	**815 150**	**(5 711)**	**820 861**
Net profit for the year attributable to:			
Equity holders of the parent	781 254	(5 711)	786 965
Earnings per share for profit attributable to:			
Equity holders (cents)			
– Basic	114.13	(0.84)	114.97
– Diluted	113.17	(0.83)	114.00

The change in accounting policy had no impact on the Group statement of cash flows.

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. This announcement contains certain non-IFRS financial information which has not been reviewed or reported on by the Group's auditors.

Board of Directors

LAURENCE (LARRY) NESTADT
Independent Non-Executive Chairman

BRETT LEVY
Joint Chief Executive Officer

MARK LEVY
Joint Chief Executive Officer
BCompt (Unisa)

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

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

KEVIN ELLERINE
Non-Executive Director
National Diploma in Company Administration

JERRY VILAKAZI
Independent Non-Executive Director
BA (Unisa), MA (Thames Valley), MA (London), MBA (California Coast University)

PHUTI MAHANYELE
Independent Non-Executive Director
BA Economics (Rutgers, USA),
MBA (De Montfort, UK),
Executive Education Programme (Harvard, USA)

JOE MTHIMUNYE
Independent Non-Executive Director
BCompt (Hons)/CTA (Unisa), CA(SA)

LAURENCE (LARRY) NESTADT

Independent Non-Executive Chairman
Born: 1950
Larry Nestadt has a long and successful global corporate career. He is a co-founder and former executive director of Investec Bank Limited. Larry has been instrumental in the creation and strategic development of a number of listed companies including Capital Alliance Holdings Limited (Capital Alliance Life – acquired by Liberty Life; Capital Alliance Bank – now Brait), Super Group Limited, HCI Limited, SIB Holdings Limited, CorpGro Limited and Global Capital Limited. He also served as past chairman on the boards of these companies. Previously, Larry sat on the boards of Softline Limited, JCI Limited and Abacus Technologies Holdings Limited. Further he has been a former chairman on a number of non-listed company boards both in South Africa and abroad including Stenham Limited (UK) and Prefsure Life Limited (AUS). Larry is the current executive chairman of Global Capital Proprietary Limited and the current chairman of Blue Label Telecoms Limited, Dis-Chem Pharmacies Limited, National Airways Corporation Proprietary Limited, the Morecorp Group, Melrose Motor Investments Proprietary Limited and SellDirect Marketing Proprietary Limited. He also serves as deputy chairman of Cell C Limited. Larry is a life member of the World Presidents Organisation, Lloyds of London (since 1983).

Larry joined the Board on 5 October 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.

He also chairs the Nomination Committee.

BRETT LEVY

Joint Chief Executive Officer
Born: 1975
Brett has an impressive entrepreneurial record of founding and operating many small businesses across a wide range of industries. These include the distribution of fast-moving consumer goods and insurance replacements for electronic goods. Brett plays a key role in refining the Group's strategy. His 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 1 February 2007 and is a director of various local and global Group companies.

He is also a member of the Social, Ethics and Transformation Committee.

MARK LEVY

Joint Chief Executive Officer
BCompt (Unisa)
Born: 1971
Mark graduated with a BCompt from Unisa in 1993. After some years as a commodities trader, he decided to pursue a goal of becoming an entrepreneur. At Blue Label, Mark is integral in spearheading Blue Label's organic and acquisitive growth as well as expansion in international markets. His leadership stature is 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 1 February 2007 and is a director of various local and global Group companies.

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, participating in the audits of various large corporations and multinational companies. In 2003 he joined BSC Technologies, a business established by the Levy brothers, and where he later became financial director. In 2005 he transferred to The Prepaid Company in the role of Financial Director. In heading up finance at Blue Label, Dean contributes significantly to the governance and reporting systems across the Group. Dean is a member of SAICA.

Dean joined the Board on his appointment as Financial Director on 14 November 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 joined the Board on 5 October 2007 and is also chairman and/or director of various Group subsidiaries.

He chairs the Investment Committee and Remuneration Committee. Gary is also a member of the Nomination Committee as well as the Audit, Risk and Compliance Committee and the Social, Ethics and Transformation Committee.

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. 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 adviser to Citi Bank. He is Non-Executive Director of Sibanye-Stillwater Limited where he also chairs the Social and Ethics Committee.

Jerry joined the Board on 19 October 2011. He also chairs the Social, Ethics and Transformation Committee.

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 the executive chairman. He serves on the board of directors of various non-listed companies in which aloeCap is invested. Joe is an independent Non-Executive Director of Dis-Chem Pharmacies Limited and Cell C Limited. He is also chairman of Dis-Chem and Cell C's audit committees.

Joe joined the Board on 5 October 2007. He chairs the Audit, Risk and Compliance Committee and is a member of the Remuneration and Nomination Committee as well as the Investment 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 joined the Board on 8 December 2009 and is a director of various other companies, including some Group subsidiaries.

He is a member of the Investment Committee as well as the Social, Ethics and Transformation Committee.

PHUTI MAHANYELE

Independent Non-Executive Director
BA Economics (Rutgers, USA),
MBA (De Montfort, UK),
Executive Education Programme (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 board of Comair Limited, Discovery Insure and Stellenbosch University advisory board.

Phuti also participates in the Young Global Leaders initiative of the World Economic Forum. Phuti joined the Board on 1 September 2016. She is a member of the Audit, Risk and Compliance Committee and Investment Committee.

Remuneration report

Philosophy

Blue Label's remuneration philosophy is to reward employees and executives in a fair and equitable way in order to attract the best talent and ensure a culture of high performance in the execution and support of Blue Label's business strategy and vision. Rewards are set at levels that are competitive and drive performance in the short and long term, ensuring alignment with stakeholder interests and promoting business sustainability as well as an ethical culture and responsible corporate citizenship. Incentive-based rewards are earned through the attainment of demanding key performance indices and targets, consistent with Company and shareholder growth expectations. The key performance indices and targets are determined in order to promote the achievement of the Group's strategic objectives within a tolerable risk appetite, to ensure that excessive risk taking is not rewarded and ensure that appropriate controls are in place to manage risk.

We consult our key shareholders on any proposed changes to our Remuneration and Reward Policy with due cognisance given to the non-binding advisory votes at the AGM.

In the previous year the following matters were raised by various shareholders:

- Increase in Chairman remuneration.
- The rationale for the outperformance bonus.
- Detailed explanation and justification of the financial performance criteria.
- Assurance on exceptions on policy implementations.

Resulting therefrom we received a 96.28% vote in favour of the Group Remuneration Policy at the AGM, and in this forthcoming year, taking cognisance of shareholder suggestions.

Incentive packages, both short and long term, are aligned with best practice and benchmarked where we aim to be in the median group for total fixed remuneration (TFR) and between median and top quartile of the peer review group for STIs and LTIs. Reviews are performed utilising the services of a third-party consultant, Korn Ferry Hay Group (The HAY Group) who are independent. Following this consultation, we adjusted the fixed remuneration policy from top quartile to median, emphasising the importance of keeping the STIs and LTIs in the upper quartile to promote out performance and retention. Our goal is to profile Blue Label as an "employer of choice", enabling us to attract and retain the best skills required in a constantly evolving technology landscape, enhancing our ethos of entrepreneurship and innovation.

The Remuneration and Nomination Committee (RNC) strives to meet all requirements of the JSE and King IV and will take cognisance at the AGM of any vote against the Remuneration and Reward Policy and implementation report of 25% or more of the votes exercised and will, as a matter of policy, engage where necessary to ascertain the reasons thereof and where legitimate reasonable objections are raised.

We are pleased to report that at the 2017 AGM, votes in respect of the non-binding advisory vote on endorsement of the Group Remuneration and Reward Policy was 96.32% in favour, 3.68% against and 0.04% abstained. The 2018 AGM notice will split the non-binding advisory vote between the Remuneration and Reward Policy and the implementation report.

Governance

The Board has delegated to the 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 the 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 CEO's as advised by the Group Head of Human Resources present 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.

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 Company and 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;
- managing stakeholder relations and expectations, as deemed appropriate on remuneration matters;
- ensuring the Group upholds an equal remuneration policy with regards to gender and race (an additional policy in the reporting year);
- ensuring that the Group continues to progress with race and gender diversity on the Boards and committees;
- ensuring that the Group has implemented succession planning at both top level management and subsidiary management level.

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.

Each year, 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. During the year the Chairman of RNC engaged the views of three of the largest institutional shareholders on the Remuneration and Reward Policy and implementation as outlined.

Additional governance principles applicable to the composition and principal activities of the RNC are fully set out on page 58 (Governance Framework – Board Committees) of the integrated annual report.

The RNC concluded that the remuneration policy has achieved its desired objectives and addresses fair and reasonable remuneration for executive management in the context of employee remuneration.

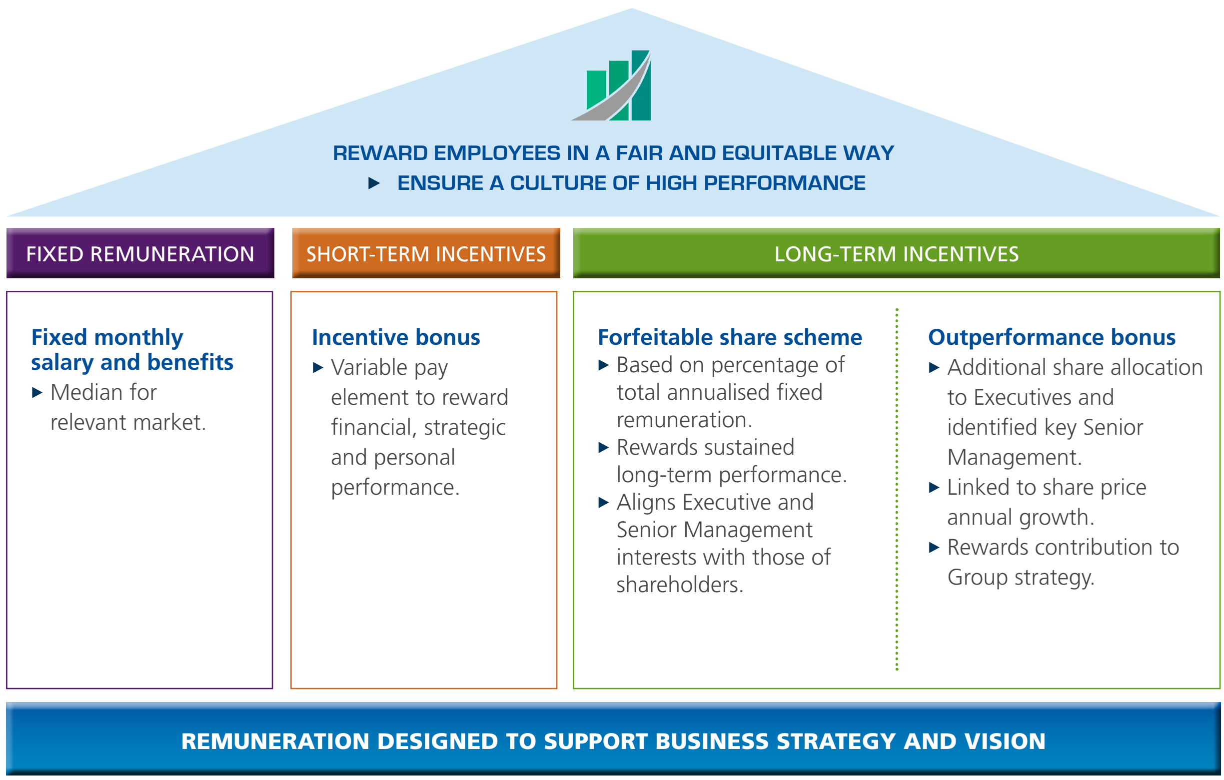
The Remuneration Committee has the right to exercise its discretion from time to time in the awarding of all incentive bonuses as well as the awarding and vesting of shares pertaining to the forfeitable share scheme. The exercising of this right only occurs in exceptional circumstances in which the Committee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

Future focus areas of the RNC with regard to the Remuneration and Reward Policy include:

- continued review of equality of pay levels across gender and race groups throughout the Group;
- implementation of the HAY grading scheme to ensure consistency and alignment of remuneration across the Group;
- employment equity targets regarding new appointments;
- review of financial performance targets in light of recent acquisitions in ensuring a consistent implementation in future years regarding the definition of Group earnings.

Policy

The remuneration of employees is determined on a total cost-to-company basis, comprising four components:



The table below summarises the remuneration policy and composition for all employees and non-executives

	Fixed remuneration			
	Base salaries	**Non-Executive Directors' fees**	**Retirement benefits**	**Other benefits**
Purpose	Provides a fixed level of earnings appropriate to the requirements of the role.	Remunerates Non-Executive Directors for their Board and Board Committees' responsibilities and time commitments.	Provides for retirement savings.	Provides benefits appropriate to the market and the role.
Application dependent on employee type and level	All employees.	Non-Executive Directors.	All new employees since October 2016 are required to join the Group provident fund. This is employee funded. All existing staff are eligible to contribute towards the provident fund.	Employees earning in excess of R6 500 per month are required to belong to the approved medical aid, alternatively they may be a dependant on their spouse's medical aid. Sales commissions are paid to sales staff.
Operational and performance measures	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. 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 2018 financial year ranged from between 0% to 6% (2017: 0% to 6.5%). Any variations to these parameters would relate to promotions and alignment with new HAY grades. Management of each operating company were granted discretion to apply an appropriate increase, within the stipulated range, to each staff member under their control.	Non-Executive Directors receive annual fees for their services rendered on the Board and Board Committees, that may be adjusted on a pro rata basis dependent on the number of meetings attended by them. Non-Executive Directors do not receive short-term incentives, nor do they participate in the forfeitable share plan or outperformance bonus of the Company. Non-Executive Directors' fees have been aligned with comparative fees payable to Non-Executive Directors of listed companies of a similar size as well as the sector in which they are quoted, adjustments have been proposed to ensure that the fees are benchmarked in the upper quartile of the peer review group, in order to ensure retention of our Non-Executive Directors and enable attraction of future directors with the necessary experience and expertise to guide the Group in achievement of its strategic goals. Annual increases are aligned with inflation. 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 foregoing services from time to time. There were no services contracted with Non-Executive Directors during the year. The proposed annual capped Non-Executive Directors' remuneration for the 2018 financial year is illustrated on page 89 of the integrated annual report but may be adjusted on a pro rata basis dependent on the number of meetings attended by them.	The Group Provident Fund is compulsory for all new staff and elective for all existing staff (employed prior to October 2016). The fund is employee funded. The minimum contribution is 5% of pensionable income increasing in increments of 2.5% to a maximum of 27.5%.	The Group offers an employer funded Group life benefit which includes a death benefit, disability benefit, severe illness benefit and a funeral benefit. The Group also acknowledges long service for 5, 10, 15 and more recently 20 years' performance. Sales commissions are based on levels of sales at agreed percentage rates.

Remuneration report continued

	Short-term incentives	Long-term incentives	
	Incentive bonus	**Forfeitable share scheme**	**Outperformance bonus**
Purpose	Reward and motivate the achievement of Group and subsidiary financial targets, as well as strategic and personal performance.	Reward sustained long-term performance and to align the interests of the Executive Directors and senior managers with those of shareholders.	Linked to the annual growth in the share price, with the intention of recognising and rewarding their contribution to the overall performance of the Group.
Application dependent on employee type and level	All Executive Directors and senior managers – Performance based. All other employee levels receive a 13th cheque.	All Executive Directors and senior managers.	Executive Directors and identified key Senior Management.
Operational and performance measures	Executive Directors and senior managers: An annual incentive bonus structure which is based on the achievement of short-term performance targets and is measured against the achievement of financial (80% weighting) and non-financial (20% weighting) metrics. The Joint CEOs may earn a maximum 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. For senior managers the financial (80%) metrics are further split between the performance of the subsidiary (60% of the 80%) and on Group performance (20% of the 80%). The following criteria will be taken into account in determining qualification for the non-financial metrics (20%): ▶ the achievement of agreed transformation targets; ▶ progress in delivering the Group's growth strategy; ▶ the roll-out of the Group's transactional footprint; and ▶ 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.	Targets comprise retention and financial measures with the financial measures split between core headline earnings growth and shareholder returns. Allocations have been made for the 2015, 2016 and 2017 share schemes in those relative years. The 2018 share scheme was allocated in September 2018. The quantum of shares to be awarded is calculated on an annual basis, based on a percentage of the recipient's annual cost to company, on the following basis: ▶ Executive Directors 35% ▶ Senior managers 18% or 25% The financial performance criteria for the forfeitable shares allocated in 2017 onward to senior managers will be measured on vesting at subsidiary level. The vesting criteria comprise: ▶ retention; ▶ growth in core headline earnings per share; and ▶ growth in shareholder returns over the three-year vesting period measured with reference to the compounded growth in 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. If a participant's employment terminates by reason of his resignation or dismissal on grounds misconduct, poor performance or proven dishonest or fraudulent conduct before the release date, the forfeitable awards are forfeited, except to the extent that the Board shall determine otherwise in its discretion.	This bonus, awarded in shares, is earmarked for Executive Directors and identified Senior Management and will be based on the growth in the share price. 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. In total 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.

Vesting criteria

Incentive bonus

The 80% financial component is based on the achievement of core headline earnings growth in comparison to CPI. This financial element will be earned in the following percentages if growth in core headline earnings per share is:

	Executive Directors	Senior managers
Less than CPI	0%	0%
Equal to CPI plus 10% (or pro rated as the case may be)	70% of the 80% at Group level	70% of the 60% at subsidiary level; and 70% of the 20% at Group level
Greater than CPI plus 10%	100% of the 80% at Group level	100% of the 60% at subsidiary level; and 100% of the 20% at Group level

The 20% non-financial component is based on the achievement of criteria, as mentioned above.

Forfeitable share scheme

The vesting criteria for the 2018 share scheme allocation, the measurement period being 1 June 2018 to 31 May 2021 are as follows:

	Executive Directors	Senior managers
Retention (three years from date of award)	33.33%	40%
Growth in core headline earnings per share:		
▶ is 5% above CPI compounded annually over three years, then 20% of the 33.33%/30% will vest	6.7%	6.0%
▶ between 5% and 10% above CPI compounded annually over three years, then 70% of the 33.33%/30% will vest; and	6.7% to 23.3%	6% to 21%
▶ between 10% and 25% above CPI compounded annually over three years, then 100% of the 33.33%/30% will vest.	23.3% to 33.33%	21% to 30%
Growth in shareholder return	33.33%	30%

Refer to note 5.1 in the Group annual financial statements for the vesting criteria on the 2015, 2016 and 2017 schemes.

Outperformance bonus

The percentage of annual cost to company that can be earned based on the growth in the share price is within the following ranges of share price growth:

Below 15% growth	0%
Between 15% and 20% growth	Pro rata to 50%
20% or more growth	50%

Executive Directors' service contracts

The three-year service contracts of the following Executive Directors were renegotiated and renewed on 14 November 2017:

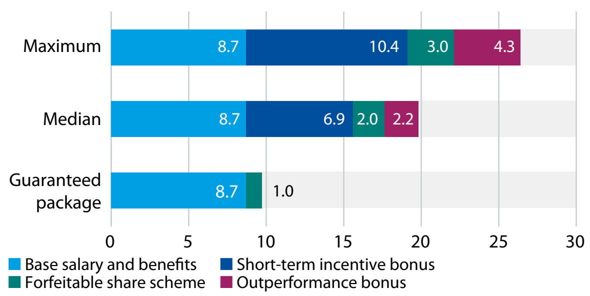
- BM Levy
- MS Levy
- DA Suntup

BM Levy and MS Levy have agreed to the tenure of their restraint of trade undertakings to endure for a period of 36 months as opposed to 12 months that was conditional in the previous contract. In return for this extension of restraint they will receive a restraint payment of R10 million each, payable in 36 equal monthly instalments commencing on 1 November 2017. These terms were incorporated in their renewed employment contracts. There are no contractual termination benefits in place for the Executive Directors.

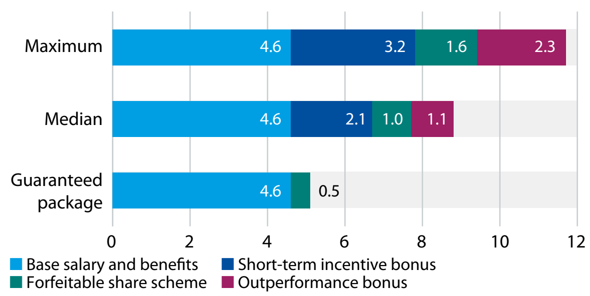
Executive Directors' composition of total remuneration

The graphs below provide an indication of remuneration outcomes for the Executive Directors showing potential total remuneration awards of maximum, median and minimum performance levels.

Joint Chief Executive Officers
(R million)



Financial Director
(R million)



The scenario charts assume:
Base salary and benefits – fixed pay and benefits for the year ended 31 May 2018
Short-term incentives – short-term performance-related bonus payments up to a maximum of 120% (joint CEOs) and 70% (Financial Director) of annualised fixed remuneration
Forfeitable share scheme – current year awards based on 35% of annualised fixed remuneration subject to meeting retention and performance conditions over the next three years (assumed 33.3 % retention condition will be met)
Outperformance bonus – additional share allocations linked to the current growth in the share price meeting specified ranges up to 50% of annual cost to company

Maximum – base salary and benefits plus 100% of STI and LTI criteria being achieved.
Median – base salary and benefits plus 100% retention portion of the forfeitable share scheme plus the median of STI and LTI (excluding the retention portion) criteria being achieved.
Guaranteed package – base salary and benefits plus 100% retention portion of the forfeitable share scheme only.

Implementation report

Tables of single total figure of remuneration

The single total figure of remuneration disclosure is based on the IoDSA and SARA application guidance issued in November 2017 on remuneration disclosure in accordance with King IV and presents the remuneration for Executive Management consisting of the Executive Directors of Blue Label Telecoms. The comparative information has been presented in a manner consistent with the current year presentation.

Executive Directors' remuneration for the year ended 31 May 2018	Explanatory notes	**BM Levy R'000**	**MS Levy R'000**	**DA Suntup R'000**	**Total R'000**
Fixed remuneration (including salary, allowances and retirement benefits)		**8 486**	**8 499**	**4 425**	**21 410**
Other benefits		**176**	**163**	**163**	**502**
Short term incentive bonus	1	**–**	**–**	**–**	**–**
2017 forfeitable share scheme – retention component on award date (1 September 2017) at fair value	2	**1 011**	**1 011**	**535**	**2 557**
2014 forfeitable share scheme – Growth performance component on vesting date (31 August 2017) at fair value	3	**3 143**	**3 143**	**1 665**	**7 951**
Outperformance bonus on award date at fair value	1	**–**	**–**	**–**	**–**
Three year restraint of trade award settled in equal monthly instalments over 36 months with effect from 1 November 2017	4	**10 013**	**10 013**	**–**	**20 026**
Single total figure of remuneration		**22 829**	**22 829**	**6 788**	**52 446**
2017 forfeitable share scheme retention component	5	**(1 011)**	**(1 011)**	**(535)**	**(2 557)**
2014 forfeitable share scheme – vesting of retention component in the current year at fair value	6	**2 096**	**2 096**	**1 110**	**5 302**
Dividends on vested shares	7	**317**	**317**	**168**	**802**
Short-term incentive bonus of prior year paid in August 2017	8	**7 808**	**7 808**	**2 412**	**18 028**
Restraint of trade award still to be settled in 29 equal monthly instalments	9	**(8 066)**	**(8 066)**	**–**	**(16 132)**
Total cash equivalent value remuneration received for the year ended 31 May 2018	10	**23 973**	**23 973**	**9 943**	**57 889**
Reconciliation to note 5.3 of the Group annual financial statements					
Remuneration as disclosed in terms of IFRS		**10 609**	**10 609**	**4 588**	**25 806**
Total cash equivalent value remuneration received for the year ended 31 May 2018		**23 973**	**23 973**	**9 943**	**57 889**
Difference to remuneration as disclosed in note 5.3		**13 364**	**13 364**	**5 355**	**32 083**
Reconciling items:					
Short term incentive bonus accrued in May 2017 and settled in August 2017		**7 808**	**7 808**	**2 412**	**18 028**
Dividends on shares vested in the current year		**317**	**317**	**168**	**802**
2014 forfeitable share scheme that vested in the current year at fair value		**5 239**	**5 239**	**2 775**	**13 253**
2014 forfeitable share scheme – growth performance component on vesting date (31 August 2017) at fair value		**3 143**	**3 143**	**1 665**	**7 951**
2014 forfeitable share scheme – vesting of retention component in the current year at fair value		**2 096**	**2 096**	**1 110**	**5 302**
		13 364	**13 364**	**5 355**	**32 083**

1. No STI or outperformance bonuses, for the year ended 31 May 2018, were payable.
2. The 33.33% LTI retention portion of the 2017 forfeitable share scheme, awarded on 1 September 2017, which will vest in 3 years from that date provided that the Executive Directors remain employed by Blue Label Telecoms. As there are no further performance conditions, this portion of the award is recognised at fair value in "the single total figure of remuneration" in the year of award.
3. The 66.67% LTI growth in core HEPS and shareholder return of the 2014 forfeitable share scheme that vested 1 September 2017.
4. The restraint of trade payments of the joint CEOs, although payable in 36 equal instalments, have been included in total in "the single total figure of remuneration" in that there are no conditions pertaining thereto other than retention of employment. This took effect from the 1 November 2017.
5. The 33.33% LTI retention portion of the 2017 forfeitable share scheme is deducted from "the single total figure of remuneration", as vesting will only take place on 31 August 2020.
6. The 33.33% LTI retention portion of the 2014 forfeitable share scheme is added to "the single total figure of remuneration", as vesting took place on 31 August 2017.
7. Dividends are the total of cash receipts during the financial year applicable to the 2014 forfeitable share scheme, as vesting took place on 31 August 2017.
8. These amounts relate to the STI bonuses paid in August 2017, which were derived from performance for the year ended 31 May 2017.
9. These amounts represent 29 equal monthly instalments, being the balance payable, post 31 May 2018, on the restraint of trade agreements.
10. Cash equivalent value remuneration represents the total proceeds paid to the Executive Directors for the period 1 June 2017 to the 31 May 2018, inclusive of the cash element of basic remuneration, STIs, LTIs and dividends.

Executive Directors' remuneration for the year ended 31 May 2017	BM Levy R'000	MS Levy R'000	DA Suntup R'000	Total R'000
Fixed remuneration (including salary, allowances and retirement benefits)	7 973	7 985	4 159	20 117
Other benefits	160	149	149	458
Short term incentive bonus	7 808	7 808	2 412	18 028
2016 forfeitable share scheme – retention component on award date (18 October 2016) at fair value	949	949	503	2 401
2013 forfeitable share scheme – growth performance component on vesting date (31 August 2016) at fair value	3 385	3 385	1 476	8 246
Restraint of trade award	–	–	–	–
Single total figure of remuneration	20 275	20 276	8 699	49 250
2016 forfeitable share scheme retention component	(949)	(949)	(503)	(2 401)
2013 forfeitable share scheme – vesting of retention component in the current year at fair value	2 257	2 257	984	5 498
Dividends on vested shares	275	275	120	670
Short-term incentive bonus of prior year paid in August 2016	9 165	9 165	2 831	21 161
Short-term incentive bonus accrued in May 2017 to be settled in August 2017	(7 808)	(7 808)	(2 412)	(18 028)
Total cash equivalent value remuneration received for the year ended 31 May 2017	23 215	23 216	9 719	56 150
Reconciliation to note 5.3 of the Group annual financial statements				
Remuneration as disclosed in terms of IFRS	15 941	15 942	6 720	38 603
Total cash equivalent value remuneration received for the year ended 31 May 2017	23 215	23 216	9 719	56 150
Difference to remuneration as disclosed in note 5.3	7 274	7 274	2 999	17 547
Reconciling items				
Short-term incentive bonus accrued in May 2016 and settled in August 2016	9 165	9 165	2 831	21 161
Short-term incentive bonus accrued in May 2017 to be settled in August 2017	(7 808)	(7 808)	(2 412)	(18 028)
Dividends on shares vested in the current year	275	275	120	670
2013 forfeitable share scheme that vested in the current year at fair value	5 642	5 642	2 460	13 744
2013 forfeitable share scheme – growth performance component on vesting date (31 Aug 2016) at fair value	3 385	3 385	1 476	8 246
2013 forfeitable share scheme – vesting of retention component in the current year at fair value	2 257	2 257	984	5 498
	7 274	7 274	2 999	17 547

Remuneration report continued

Forfeitable share scheme – granted and unvested

	Issue date	Issue price R	Vesting date	Awards outstanding as at the beginning of the year
Forfeitable share scheme per Director For the year ended 31 May 2018				
BM Levy	3 September 2014	8.90	31 August 2017	283 339
BM Levy	1 September 2015	10.17	31 August 2018	262 834
BM Levy	18 October 2016	20.75	31 August 2019	137 194
BM Levy	1 September 2017	18.49	31 August 2020	–
				683 367
MS Levy	3 September 2014	8.90	31 August 2017	283 339
MS Levy	1 September 2015	10.17	31 August 2018	262 834
MS Levy	18 October 2016	20.75	31 August 2019	137 194
MS Levy	1 September 2017	18.49	31 August 2020	–
				683 367
DA Suntup	3 September 2014	8.90	31 August 2017	150 067
DA Suntup	1 September 2015	10.17	31 August 2018	139 207
DA Suntup	18 October 2016	20.75	31 August 2019	72 663
DA Suntup	1 September 2017	18.49	31 August 2020	–
				361 937

Awards include both the retention and performance instruments not yet vested.

* *The fair value is based on the closing price of R11.80 at 31 May 2018 and excludes performance criteria.*

Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Awards[#] outstanding as at the end of the year	Fair value at grant date R'000	Fair value at* 31 May 2018 R'000
–	–	(283 339)	–	2 522	–
–	–	–	262 834	2 673	3 101
–	–	–	137 194	2 847	1 619
163 970	–	–	163 970	3 032	1 935
163 970	–	(283 339)	563 998	11 073	6 655
–	–	(283 339)	–	2 522	–
–	–	–	262 834	2 673	3 101
–	–	–	137 194	2 847	1 619
163 970	–	–	163 970	3 032	1 935
163 970	–	(283 339)	563 998	11 073	6 655
–	–	(150 067)	–	1 336	–
–	–	–	139 207	1 416	1 643
–	–	–	72 663	1 508	857
86 845	–	–	86 845	1 606	1 025
86 845	–	(150 067)	298 715	5 865	3 525

Remuneration report continued

Implementation report continued

Short-term incentive bonus

For the 2018 financial year, the Group did not achieve the levels required in terms of its predetermined targets for growth in core headline earnings per share. As a result thereof, as well as the Executive Directors electing to forfeit bonuses for the non-financial targets no short-term incentive bonuses were paid to them.

Long-term incentive plan

The long-term incentive plan related to the allocation of shares in 2014, which vested on 31 August 2017. The financial measurement was for the period 1 June 2014 to 31 May 2017.

The retention criteria of 40% was met.

Growth in core headline earnings per share over the three-year period equated to 60%. Growth in CPI over the three-year period accumulated to 16.22%, which after inclusion of the maximum growth target of 25%, equated to 41.22%. As the actual growth amounted to 60%, the resultant allocation of 50% was met.

In respect of growth in shareholder returns, the weighted average price per share at commencement of the allocation in September 2014 was R8.17. The required compounded growth of 10% per annum over the vesting period as at 31 August 2017 equated to a targeted share price of R11.81 inclusive of dividends paid totalling R0.94. The qualifying target equated to R10.87 net of dividends. The market price at vesting date was R18.49, thereby exceeding the minimum target requirement.

In line with the criteria being met in all respects, vesting of the 2014 share scheme allocations fell due on 31 August 2017.

Outperformance bonus

For the year ended 31 May 2018, the members of the Executive Committee did not qualify for an outperformance bonus due to the decline in the share price. The share price as at 31 May 2017 was R15.70 and at 31 May 2018 R11.80.

Compliance with policy

The Remuneration and Nomination Committee is satisfied that the Remuneration and Reward Policy has been complied with for the year under review in so far as Executive Management are concerned. Regarding the RNC discretionary rights, the terms of the policy were modified, relating to the awarding of STIs to Senior Management.

Performance metric	Target	Actual performance	Weighting	Executive Directors R'000
Short-term incentive bonus				
Financial target				
Group core headline earnings per share growth	**Greater/equal to CPI + 10% = 14.38%**	4%	80%	–
Non-financial targets	**Varies across the Group**	Varies across the Group	20%	–
Total				–
Long-term incentive plan (2014 forfeitable share scheme vested in August 2017)				
Retention	**3 years**		40%	5 302
Growth in core HEPS	**25% + (cumulative CPI over 3 years) = 41.22%**	60%	50%	6 626
Shareholder returns	**R11.81 market price per share**	R18.49 market price per share	10%	1 325
Total vesting related to performance conditions (excluding retention portion) included in 2018 total single figure of remuneration				7 951
Outperformance bonus				
Annual growth in the share price	**R18.84 market price per share**	R11.80 market price per share	0%	–

Non-Executive Directors' remuneration

	Total R'000
Non-Executive Directors	
LM Nestadt	1 840
K Ellerine	570
G Harlow	1 615
J Mthimunye	980
JS Vilakazi	705
P Mahanyele	780
	6 490

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

	Current fee 2018 R	Proposed fee 2019 R
Services as Directors		
– Chairman of the Board (per annum)	**1 700 000**	1 802 000
– Board members (per annum)	**375 000**	397 500
Audit, Risk and Compliance Committee		
– Chairman (per annum)	**340 000**	360 400
– Member (per annum)	**210 000**	222 600
Remuneration and Nomination Committee		
– Chairman Remuneration Committee (per annum)	**200 000**	212 000
– Chairman Nomination Committee (per annum)	**140 000**	148 400
– Member (per annum)	**120 000**	127 200
Investment Committee		
– Chairman (per annum)	**200 000**	212 000
– Member (per annum)	**120 000**	127 200
Transformation, Social and Ethics Committee		
– Chairman (per annum)	**120 000**	127 200
– Member (per annum)	**75 000**	79 500
Ad hoc Committee		
– Chairman (per meeting)	**45 000**	47 700
– Member (per meeting)	**27 000**	28 620

GD Harlow
Chairman

28 September 2018

Notice of Annual General Meeting

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 21 September 2018, that the eleventh Annual General Meeting (AGM) of shareholders of Blue Label Telecoms Limited will be held in the boardroom, Blue Label corporate offices, 75 Grayston Drive, Sandton, on Thursday, 29 November 2018 at 10:00 (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 71 of 2008 (Act or 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, 21 September 2018; 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, 23 November 2018.

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, 27 November 2018.

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 50 at the end of this notice.

When reading the resolutions below, please refer to the explanatory notes on pages 48 and 49.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The audited Group annual financial statements, including the external auditor, Audit, Risk and Compliance Committee and Directors' reports for the year ended 31 May 2018, have been distributed as required and will be presented to shareholders at the AGM.

The complete set of audited Group annual financial statements, together with the above mentioned reports, are set out on pages 106 to 192 of the integrated annual report. The Audit, Risk and Compliance Committee's report is set out on pages 73 to 77 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: Re-election of Mr GD Harlow as a Director of the Company**
   Resolved that Mr GD Harlow, who was first appointed to the Board on 5 October 2007, and who retires in terms of the Memorandum of Incorporation (MOI), 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 GD Harlow is on page 32.

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 MOI, 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 32.

3. **Ordinary resolution number 3: Re-election of Mr SJ Vilakazi as a Director of the Company**
   Resolved that Mr SJ Vilakazi, who was first appointed to the Board on 19 October 2011 and who retires in terms of the MOI, 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 SJ Vilakazi is on page 32.

4. **Ordinary resolution number 4: Reappointment of external auditor**
   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.

5. **Ordinary resolution number 5: Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2019**
   Resolved that, in terms of section 94(2) of the Act, Mr JS Mthimunye, 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 JS Mthimunye is on page 32.

6. **Ordinary resolution number 6: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2019**
   Resolved that, in terms of section 94(2) of the Act, but subject to his re-election as a Director in terms of resolution number 1, 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 32.

7. **Ordinary resolution number 7: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2019**
   Resolved that, in terms of section 94(2) of the Act, but subject to his re-election as a Director in terms of resolution number 3, 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 32.

8. **Ordinary resolution number 8: Election of Ms P Mahanyele as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2019**
   Resolved that, in terms of section 94(2) of the Act, 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 32.

9. Ordinary resolution number 9: Non-binding advisory endorsement of Blue Label Telecoms Limited Group remuneration and reward policy

Resolved, by way of a non-binding advisory vote, that the Blue Label Telecoms Limited Group remuneration and reward policy (excluding the remuneration of Non-Executive Directors and the members of the statutory and Board committees for their services as Directors and members of committees) as set out in the remuneration report in the integrated annual report 2018 is endorsed.

10. Ordinary resolution number 10: Non-binding advisory endorsement of the Blue Label Telecoms Limited Group remuneration implementation report

Resolved, by way of a non-binding advisory vote, that the Blue Label Telecoms Limited Group remuneration implementation report set out in the remuneration report in the integrated annual report 2018 is endorsed.

11. Ordinary resolution number 11: 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.

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% (seventy-five percent) 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 2018 to 31 May 2019:

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

	Current fee 2018 R	Proposed fee 2019 R
Services as Directors		
– Chairman of the Board (per annum)	1 700 000	1 802 000
– Board members (per annum)	375 000	397 500
Audit, Risk and Compliance Committee		
– Chairman (per annum)	340 000	360 400
– Member (per annum)	210 000	222 600
Remuneration and Nomination Committee		
– Chairman remuneration (per annum)	200 000	212 000
– Chairman nomination (per annum)	140 000	148 400
– Member (per annum)	120 000	127 200
Investment Committee		
– Chairman (per annum)	200 000	212 000
– Member (per annum)	120 000	127 200
Transformation, Social and Ethics Committee		
– Chairman (per annum)	120 000	127 200
– Member (per annum)	75 000	79 500
Ad hoc Committee		
– Chairman (per meeting)	45 000	47 700
– Member (per meeting)	27 000	28 620

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% (twenty percent) 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 (fifteen) 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 5 (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% (ten percent) 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;
(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% (three percent) in aggregate of the initial number (the number of that class of shares in issue at the time that the general authority from shareholders is granted) acquired thereafter; and
(j) an issuer or its subsidiary company may repurchase securities during a prohibited period as defined in paragraph 3.67 if they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The issuer must instruct an independent third party, which makes its investments decisions in relation to the issuer's, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.

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.

The Listings Requirements require, in terms of paragraph 11.26, the following disclosures, which appear in the integrated annual report:
Major shareholders – refer to page 193.

Material change – there were no material changes.

Share capital of the Company – refer to page 178.

Responsibility statement – refer to page 91.

By order of the Board

J van Eden
Group Company Secretary

Sandton

28 September 2018

EXPLANATORY NOTES

Presentation of the annual financial statements

In terms of section 61(8)(a) of the Act, the Directors' report, audited Group 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 numbers 1 to 3 (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 GD Harlow, BM Levy and SJ Vilakazi 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 page 32.

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 1 to 3 (inclusive).

Ordinary resolution number 4: Reappointment of external auditor

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.

PricewaterhouseCoopers Incorporated (PwC) expressed its willingness to continue in office and this resolution proposes the reappointment of PwC as the Company's auditor 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 auditor, 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 2019 financial year.

Ordinary resolution numbers 5 to 8 (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 IV 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 page 32.

Ordinary resolution number 9: Non-binding advisory vote: Endorsement of the remuneration and reward policy

King IV requires a company to table its remuneration and reward 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 79 to 89 of the integrated annual report 2018.

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 and reward policy and the remuneration of Executive Directors. In the event that this non-binding advisory endorsement approving the Company's remuneration and reward policy is voted against by shareholders exercising 25% (twenty-five percent) or more of the voting rights exercised, the Company undertakes to engage with its shareholders in order to ascertain the reasons for objection, and to address appropriately legitimate and reasonable objections and concerns.

Ordinary resolution number 10: Non-binding advisory vote: Endorsement of the remuneration implementation report

King IV requires a company to table its remuneration implementation report for a non-binding advisory vote by shareholders at its AGM. This vote enables shareholders to endorse the remuneration implementation report for Executive Directors. The Blue Label remuneration implementation report is contained on pages 84 to 89 of the integrated annual report.

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 and reward policy and the remuneration of Executive Directors. In the event that this non-binding advisory endorsement approving the Company's remuneration implementation report is voted against by shareholders exercising 25% (twenty-five percent) or more of the voting rights exercised, the Company undertakes to engage with its shareholders in order to ascertain the reasons for objection, and to address appropriately legitimate and reasonable objections and concerns.

Ordinary resolution number 11: Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 11 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.

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 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). This resolution is required in order to allow the Company to take advantage of any opportunity that presents itself to enhance shareholder value by repurchasing shares where the Company's share price is at a level which results in a share repurchase being to the benefit of shareholders. 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.

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 8 December 2016 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 Group companies 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.

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, 27 November 2018 (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, save for voting, which should be done through normal voting procedures stipulated by your CSDP 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 10:00 on Thursday, 29 November 2018 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. 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 10:00 on Thursday, 29 November 2018 or any adjournment thereof as follows:

Resolution		For	Against	Abstain
Ordinary resolution number 1:	Re-election of Mr GD Harlow 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 SJ Vilakazi as a Director of the Company			
Ordinary resolution number 4:	Reappointment of external auditor			
Ordinary resolution number 5:	Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee			
Ordinary resolution number 6:	Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 7:	Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8:	Election of Ms P Mahanyele as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 9:	Non-binding advisory endorsement of the remuneration and reward policy			
Ordinary resolution number 10:	Non-binding advisory endorsement of the implementation report			
Ordinary resolution number 11:	Directors' authority to implement ordinary and special resolutions			
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 sections 44 and 45 of the Act			

Signed at this day of 2018

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

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. For administrative purposes, forms of proxy must be lodged with the transfer secretaries, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196. (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:00 on Tuesday, 27 November 2018. Should the form of proxy not be delivered to the Transfer Secretaries by this time, you will be required to furnish a copy of such form of proxy to the chairperson of the meeting before the appointed proxy exercises any of their rights at the meeting.
4. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the 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.

Administration

Directors

LM Nestadt (Chairman)*, BM Levy, MS Levy, KM Ellerine**, GD Harlow*, P Mahanyele*, JS Mthimunye*, DA Suntup, SJ Vilakazi*

* *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

Registered address:	75 Grayston Drive, Corner Benmore Road, Morningside Ext 5, Sandton, 2196
Postal address:	PO Box 652261, Benmore, 2010
Contacts:	+27 11 523 3000/info@blts.co.za/www.bluelabeltelecoms.co.za
LinkedIn:	Blue Label Telecoms
Facebook:	www.facebook.com/BlueLabelTelecoms
Twitter:	@BlueLabelTeleco
Instagram:	bluelabeltelecoms
Youtube:	Blue Label Telecoms

JSE share code

BLU

ISIN

ZAE000109088
(Blue Label or BLT or the Company or the Group)

Bastion


blu
approved
Available here
SIMS
Get More,
Do More!
vodacom