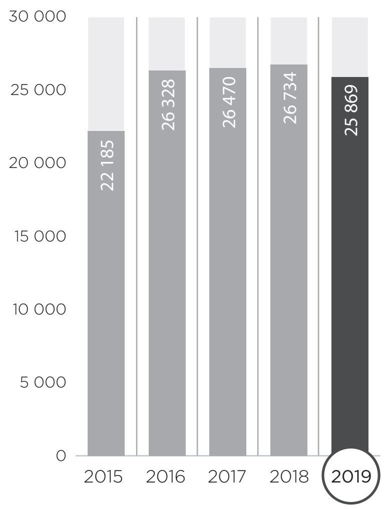
BLUE LABEL TELECOMS

CONNECTING OUR WORLD TO YOURS

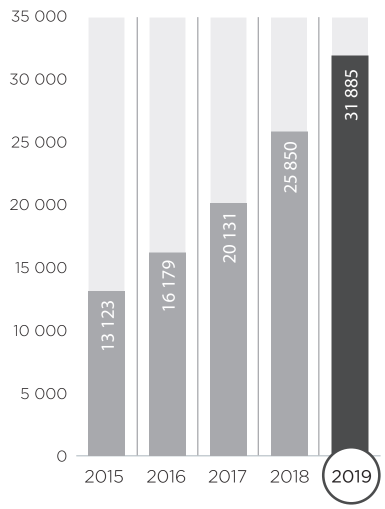
2019 NOTICE OF ANNUAL GENERAL MEETING

Contents

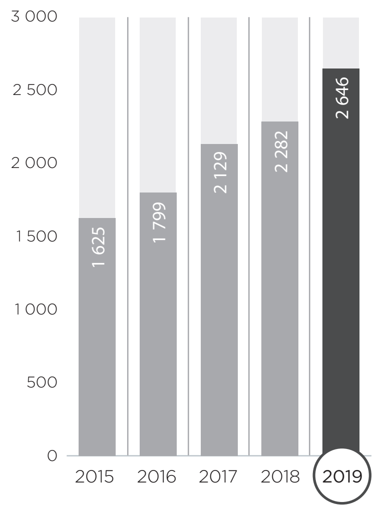
Revenue
(R'million)



Gross PINless transactional values*
(R'million)



Gross profit
(R'million)



Includes gross electricity, ticketing and PINless top-ups.

Message from the 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 2019.

This summary is in compliance with the South African Companies Act and JSE Listings 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 form of proxy relating thereto is also provided herein.

We trust you will find this booklet and our 2019 integrated annual report on our website both informative and of value.

Larry Nestadt
Chairman

29 October 2019

Highlights

Revenue of **R25.9** billion*

Increase in gross profit of 16% to **R2.65** billion

Increase in gross profit margin from 8.54% to **10.23%**

* *On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity and ticketing, the effective increase equated to 10% from R52.7 billion to R57.8 billion.*

Commentary

Core headline earnings for the year ended 31 May 2019 equated to a negative 304.77 cents per share. Although the core businesses of the Blue Label Group continued to generate profit, the predominant negative contributions to Group earnings were attributable to:

- Cell C's trading losses, impairment of certain of its property, plant and equipment, the impact of the de-recognition of its deferred tax asset and the impairment of Blue Label's total investment in Cell C;
- Fair value downward adjustments of the exposure relating to SPV1 and SPV2 pertaining to the initial recapitalisation of Cell C (the structure of SPV1 and SPV2 as detailed in the trading statement published on SENS on 22 February 2019) and the Glocell loan;
- An impairment of Blue Label's total investment in the Oxigen India group, including 2Dfine Holdings Mauritius (collectively, "OSI") as well as providing for loan impairments and guarantees payable therein;
- Partial impairments of goodwill and an investment in a joint venture.

BLUE LABEL TELECOMS

	Group May 2019 R'000	Cell C May 2019 R'000	Fair value adjustments May 2019 R'000	OSI May 2019 R'000	Impair-ments May 2019 R'000	Remaining entities May 2019 R'000
Revenue	**25 869 433**	–	–	–	–	25 869 433
Gross profit	**2 646 121**	–	–	–	–	2 646 121
EBITDA	**462 680**	–	(873 877)	(193 364)	(124 401)	1 654 322
Impairments on associates and joint venture	**(2 669 076)**	(2 521 152)	–	(118 412)	(29 512)	–
Share of (losses)/profits from associates and joint ventures	**(3 701 410)**	(3 609 495)	–	(86 637)	–	(5 278)
– Cell C	**(3 609 495)**	(3 609 495)	–	–	–	–
– Oxigen Services India	**(86 637)**	–	–	(86 637)	–	–
– Blue Label Mexico	**(24 096)**	–	–	–	–	(24 096)
– Other	**18 818**	–	–	–	–	18 818
Net (loss)/profit	**(6 646 384)**	(6 130 647)	(837 831)	(398 412)	(146 535)	867 041
Core net (loss)/profit	**(6 575 899)**	(6 120 271)	(837 831)	(398 412)	(146 535)	927 150
Core headline earnings	**(2 783 156)**	(2 616 427)	(837 831)	(232 826)	–	903 928
Gross profit margin	**10.23%**					10.23%
EBITDA margin	**1.79%**					6.39%
Weighted average shares ('000)	**913 208**					913 208
EPS (cents)	**(727.81)**					94.94
HEPS (cents)	**(312.49)**					92.40
Core HEPS (cents)	**(304.77)**					98.98

Headline loss of

312.49

cents per share

Core headline loss of

304.77

cents per share**

** *On exclusion of negative contributions by Cell C, Oxigen Services India group, fair value downward adjustments and impairments, core headline earnings per share from the balance of the entities within the Blue Label Group equated to 98.98 cents per share.*

On exclusion of the above negative contributions, core headline earnings amounted to R904 million compared to R716 million in the prior year, equating to growth of 26%.

After taking into account the increase in the weighted average number of shares in issue, core headline earnings per share from the balance of the entities within the Blue Label Group increased by 18% from 83.65 cents to 98.98 cents for the year ended 31 May 2019, as detailed in the table below.

It is evident that the investment in Cell C had a significant negative impact on Group earnings. However, the contemplated national roaming agreement will result in substantial cost savings for Cell C by reducing network and capital expenditure when implemented. These savings are expected to be further enhanced on completion of an intended Cell C capital restructure.

Group May 2018 R'000	Cell C May 2018 R'000	Fair value adjustments May 2018 R'000	OSI May 2018 R'000	Remaining entities May 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
26 734 249	–	–	–	26 734 249	(864 816)	(3%)
2 282 093	–	–	–	2 282 093	364 028	16%
1 340 153	–	5 121	–	1 335 032	319 290	24%
–	–	–	–	–	–	
520 628	562 568	–	(45 184)	3 244	(8 522)	(263%)
562 568	562 568	–	–	–		
(45 184)	–	–	(45 184)	–		
(21 900)	–	–	–	(21 900)	(2 196)	(10%)
25 144	–	–	–	25 144	(6 326)	(25%)
1 122 085	562 567	3 687	(128 480)	684 311	182 730	27%
1 166 430	571 214	3 687	(128 480)	720 009	207 141	29%
1 160 477	569 474	3 687	(128 480)	715 796	188 132	26%
8.54%				8.54%		
5.01%				4.99%		
855 687				855 687		
131.13				79.97	14.97	19%
130.44				79.48	12.92	16%
135.62				83.65	15.33	18%

Commentary continued

Group revenue declined by 3% to R25.9 billion. As only the gross profit earned on "PINless top-ups", prepaid electricity and ticketing are accounted for, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 10% from R52.6 billion to R57.8 billion.

Gross profit increased by 16% from R2.28 billion to R2.65 billion, underpinned by an increase in margins from 8.52% to 10.23%.

The decline in EBITDA was attributable to fair value downward adjustments of R874 million relating to SPV1, SPV2 and the Glocell loan, guarantees payable recognised on behalf of OSI for R62 million and loan impairments therein of R161 million, offset by sureties receivable of R30 million on the latter amount. Additional declines related to partial impairments of goodwill in both Via Media and Blue Label Connect of R74 million and R50 million respectively. On exclusion of these negative contributions, EBITDA generated by the Group increased by 24% from R1.34 billion to R1.65 billion.

This was attributable to continued positive contributions by the remaining entities in the Group, of which the predominant companies include:

- The Prepaid Company, the leading distributor of prepaid airtime and data for all networks in South Africa;
- Blue Label Distribution which provides electronic products and services through its extensive distribution channels that encompass banks, retailers, spaza and informal shops and petroleum forecourts;
- Comm Equipment Company, a financier of the mobile handset element of postpaid contracts;
- 3G Mobile, a distributor of mobile handsets to the retail market;
- Ticketpro which offers customers access to transport services, sporting events and entertainment, all of which generate additional footprint at the vast points of presence within the Group;
- Cigicell which processes prepaid electricity and facilitates collections for multiple municipalities in South Africa;
- Blue Label Connect which distributes hybrid top-up airtime and data contracts on behalf of all the major networks;
- Transaction Junction, a payment service provider servicing major retailers, financial institutions and petroleum companies among others;
- Blue Label Data Solutions, a market leader in consumer data, big data, validation and lead generation; and
- United Call Centre Solutions, an outbound call centre selling products and services directly to consumers.

Earnings per share and headline earnings per share decreased from 131.13 and 130.44 cents per share to negative 727.81 and negative 312.49 cents per share respectively.

SEGMENTAL REPORT

Africa Distribution

	May 2019 R'000	Cell C May 2019 R'000	Fair value adjustments May 2019 R'000	Impairments May 2019 R'000	Remaining entities May 2019 R'000
Revenue	**25 364 068**	–	–	–	25 364 068
Gross profit	**2 353 087**	–	–	–	2 353 087
EBITDA	**654 886**	–	(873 877)	(50 398)	1 579 161
Impairments on associates and joint venture	**(2 521 152)**	(2 521 152)	–	–	–
Share of (losses)/profits from associates and joint ventures	**(3 612 076)**	(3 609 495)	–	–	(2 581)
– Cell C	**(3 609 495)**	(3 609 495)	–	–	–
– 3G Mobile	**(95)**	–	–	–	(95)
– Other	**(2 486)**	–	–	–	(2 486)
Net (loss)/profit	**(6 127 508)**	(6 130 647)	(837 831)	(50 398)	891 368
Core net (loss)/profit	**(6 066 357)**	(6 120 271)	(837 831)	(50 398)	942 143
Core headline earnings	**(2 535 505)**	(2 616 427)	(837 831)	–	918 753
Gross profit margin	**9.28%**				9.28%
EBITDA margin	**2.58%**				6.23%

The above table reflects the negative contribution by Cell C, the fair value downward adjustments relating to the exposure in SPV1 and SPV2 and the Glocell loan, the partial impairment of Blue Label Connect's goodwill as well as the positive contribution by the remaining entities within this segment. These entities include the 3G Mobile group, Airvantage and the core distribution companies, generating a combined contribution of R919 million to core headline earnings.

For further information on our RITE strategy, refer to the integrated annual report on **www.bluelabeltelecoms.co.za**.

Restated* May 2018 R'000	Cell C May 2018 R'000	Fair value adjustments May 2018 R'000	Remaining entities May 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
26 245 206	–	–	26 245 206	(881 138)	(3%)
2 014 169	–	–	2 014 169	338 918	17%
1 344 824	–	5 121	1 339 703	239 458	18%
-	–	–	–	–	
583 122	562 567	–	20 555	(23 136)	(113%)
562 567	562 567	–	–	–	
31 155	–	–	31 155	(31 250)	
(10 600)	–	–	(10 600)	8 114	(77%)
1 344 641	562 567	3 687	778 387	112 981	15%
1 385 494	571 214	3 687	810 593	131 550	16%
1 384 739	569 474	3 687	811 578	107 175	13%
7.67%			7.67%		
5.12%			5.10%		

** As a result of the prior year errors the Group has restated their comparative financial information.*

Cell C

For the 12 months ended May 2019, Cell C incurred trading losses of R1.56 billion, impairments of its property, plant and equipment of R2.2 billion and de-recognised its deferred tax asset of R4.09 billion. The Group's 45% share amounted to R3.609 billion on inclusion of the amortisation of intangible assets of R10 million and an expense of R65 million relating to equity settled share-based payment charges that were previously added back in the prior year in line with the Group's accounting policy. In the current year the share-based payment is regarded as cash settled. As at 31 May 2019, no value was attributed to the underlying value of Cell C and as a consequence thereto the balance of the carrying value of Blue Label's investment therein, amounting to R2.52 billion, was impaired.

Cell C Limited performs an annual impairment test on the carrying value of its property, plant, equipment and intangible assets (Cash generating unit (CGU)). The impairment was calculated by applying the value in use (VIU) method, on a discounted cash flow basis. The impairment assessment was based on the carrying value of the CGU and is reflective of the conditions that existed at the reporting date. Assumptions were made on the cash flows, which were limited to the generation of cash by the CGU, not taking into account new technology, expansionary growth or the pending recapitalisation transaction. The exclusion thereof are requirements of IAS 36 *Impairment of Assets*.

The recoverability of the deferred tax asset is required to be performed on an annual basis. A deferred tax asset is recognised in respect of deductible temporary differences and tax losses to the extent that it is probable that future taxable profits will be available. At the reporting date, based on estimated future profitability with no regard to new technology, expansionary growth or the pending recapitalisation transaction, the deferred tax asset was impaired.

For the 10 months ended 31 May 2018, Cell C's net profit amounted to R1.125 billion. This comprised trading losses of R765 million, impairment of certain of its property, plant and equipment of R32 million offset by the recognition of a deferred tax asset amounting to R1.92 billion. The Group's share of this net profit was R498 million after the amortisation of intangible assets of R9 million. In line with BLT's accounting policies, an exclusion relating to equity-settled share-based payment charges from its associates resulted in a positive adjustment of R65 million. The net result was a positive contribution of R563 million to BLT's earnings in the prior year.

Fair value adjustments and impairment

The fair value adjustments of R838 million for the year ended 31 May 2019 were attributable to downward adjustments of R750 million relating to the non-recoverability of the exposure to SPV1 and SPV2 and R88 million, net of taxation, to the Glocell loan. The impairment of R50 million pertained to Blue Label Connect.

Remaining entities

These entities incorporate the core distribution companies, 3G Mobile group and Airvantage.

Revenue declined by 3% from R26.2 billion to R25.4 billion, in that only the gross profit earned on "PINless top-ups", prepaid electricity and ticketing are accounted for. On imputing the gross revenue generated thereon, the effective growth in revenue equated to 10% from R52.1 billion to R57.2 billion.

Net commissions earned on the distribution of prepaid electricity continued to increase, escalating by R39 million to R278 million (17%) on an increase in revenue generated on behalf of the utilities from R16.9 billion to R20 billion (19%).

Gross profit increased by 17% from R2.01 billion to R2.35 billion, underpinned by an increase in margins from 7.67% to 9.28%. EBITDA increased by 18% from R1.34 billion to R1.58 billion, equating to an EBITDA margin of 6.23%.

Contribution to core headline earnings increased by 13% from R812 million to R919 million.

Below illustrates the contribution to the above by the 3G Mobile group and Airvantage.

3G Mobile group

The 3G Mobile group comprises a mobile handset trading division (3G) and, through its wholly owned subsidiary, Comm Equipment Company (CEC) it provides the financing for the handset element of postpaid contracts on behalf of Cell C as well as the financing of other hardware.

The underlying table reflects its financial results for the year ended 31 May 2019 in comparison to 10 months ended 31 May 2018:

3G Mobile

	May 2019 R'000	Aug – Nov 2017 Equity accounted R'000	Dec – May 2018 Consolidated R'000	**10 months to May 2018 R'000**	Growth R'000	Growth %
Revenue	**2 245 687**	569 315	764 917	**1 334 232***	911 455	68%
Gross profit	**505 319**	139 478	226 184	**365 662**	139 657	38%
EBITDA	**407 049**	105 933	180 659	**286 592**	120 457	42%
Core net profit	**278 341**	75 020	121 184	**196 204**	82 137	42%

** Prior year revenue has been restated for the adoption of IFRS 15 for comparative purposes and has not been audited on this basis.*

Revenue generated for the year ended 31 May 2019 amounted to R2.2 billion, gross profit to R505 million at a margin of 22.50% and EBITDA to R407 million. Core net profit amounted to R278 million.

From the date of acquisition of 47.37% in August 2017 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.

On 6 December 2017 the remaining 52.67% of the company was acquired, at which date it became a wholly owned subsidiary. Revenue generated for the six months to 31 May 2018 amounted to R765 million, gross profit to R226 million at a margin of 29.57% and EBITDA to R181 million. Its core net profit for the six months as a wholly owned subsidiary amounted to R122 million.

Airvantage

Airvantage advances emergency top-up airtime and data to prepaid subscribers, utilising sophisticated algorithms to assess their creditworthiness. On 2 January 2018, Blue Label acquired 60% of the company.

The underlying table reflects its financial results for the full year ended 31 May 2019 in comparison to five months ended 31 May 2018:

Airvantage SA

	May 2019 R'000	Five months to May 2018 R'000	Growth R'000	Growth %
Revenue	**88 629**	36 929	51 700	140%
Gross profit	**74 811**	29 241	45 570	156%
EBITDA	**58 819**	20 650	38 169	185%
Net profit	**40 953**	14 221	26 732	188%

Revenue generated for the year ended 31 May 2019 amounted to R89 million, gross profit to R75 million at a margin of 84.41%, EBITDA to R59 million and core net profit to R41 million. The Group's share thereof equated to R24 million.

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%, EBITDA to R21 million and core net profit to R14 million, of which the Group's share equated to R8.3 million.

Commentary continued

International

	May 2019 R'000	OSI May 2019 R'000	Remaining entities May 2019 R'000	May 2018 R'000	OSI May 2018 R'000	Remaining entities May 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
Revenue	**35 013**	–	35 013	**–**	–	–	35 013	
Gross profit	**33 383**	–	33 383	**–**	–	–	33 383	
EBITDA	**(20 358)**	(71 675)	51 317	**(2 903)**	–	(2 903)	54 220	
Impairments on associates and joint venture	**(118 412)**	(118 412)	–	**–**	–	–	–	
Share of (losses)/ profits from associates and joint ventures	**(110 440)**	(86 637)	(23 803)	**(66 683)**	(45 185)	(21 498)	(2 305)	11%
– Oxigen Services India	**(86 637)**	(86 637)	–	**(45 185)**	(45 185)	–	–	
– Blue Label Mexico	**(24 095)**		(24 095)	**(21 900)**	–	(21 900)	(2 195)	10%
– Mpower	**292**		292	**402**	–	402	(110)	(27%)
Non-controlling interest	**(6 587)**	–	(6 587)	**(26 058)**	–	(26 058)	19 471	(75%)
Net (loss)/profit	**(263 260)**	(276 723)	13 463	**(98 538)**	(57 555)	(40 983)	54 446	(133%)
Core net profit/ (loss)	**(255 585)**	(276 723)	21 138	**(96 990)**	(57 555)	(39 435)	60 573	(154%)
Core headline profit/(loss)	**(90 142)**	(111 137)	20 995	**(102 154)**	(57 555)	(44 599)	65 594	(147%)

Oxigen Services India and 2DFine

As from 30 November 2016 the Group applied the exemption available in IAS 28 *Investments in Associates and Joint Ventures* to account for the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius as venture capital investments. Therefore, the investment was 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. Any changes in the fair value would have been recognised in the Group income statement.

This accounting treatment was highly judgemental therefore the Group included detailed disclosure on the critical judgement it had applied.

In June 2018 the Group received notification from the JSE proactive monitoring panel stating that they did not agree with the exemption we had applied in IAS 28. This resulted in a protracted engagement with the JSE to determine the appropriate accounting treatment. After lengthy discussions with the JSE, including the JSE consulting with the Financial Reporting Investigation Panel, the JSE concluded that the Group should not have applied venture capital accounting.

The Group has therefore agreed to not apply the exemption available under IAS 28 *Investments in Associates and Joint Ventures* to the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings and now account for these associates and joint venture using equity accounting principles.

The proposed corporate transaction, referred to in the subsequent events of the 30 November 2018 interim results, did not materialise, and the resultant lack of funding necessitated BLT to impair its full investment of R118 million in the Oxigen Group. The full value of loans to Oxigen Services India of R30 million and 2DFine Holdings Mauritius of R41 million, net of a surety asset raised, were impaired. In addition, the Group has accounted for a R41 million liability relating to financial guarantee contracts and R46 million for its share of losses in OSI. The resultant negative contribution to core net loss totalled R276 million.

Remaining entities

The remaining entities within the international segment comprise shareholdings of 48% in Airvantage Brazil with effect from 2 January 2018, 60% in AV Technology with effect from 1 August 2018, 47.56% in Blue Label Mexico and 100% of Gold Label Investments.

The increases in revenue of R35 million and gross profit of R34 million were entirely attributable to AV Technology.

The increase in EBITDA of R54 million was attributable to positive foreign exchange movements of R26 million, the non-recurrence of start-up costs of R12 million incurred by Airvantage pertaining to its operation in Brazil, non-comparatives applicable to AV Technology amounting to R32 million, offset by loan releases of R16 million relating to the winding up process of the Africa Prepaid Services group in the comparative year.

Losses in Blue Label Mexico increased from R43 million to R47 million, of which the Group's share amounted to R24 million after the amortisation of intangible assets. In the comparative year the Group's share of losses amounted to R22 million.

The increase in loss was attributable to a decline in revenue from R4.0 billion to R3.6 billion (9%), with gross profit margins remaining static at 3.8%. In spite of limiting overheads to a growth of 4% and a reduction in depreciation, the above resulted in the Group's share of losses increasing by R2 million.

In order to mitigate such losses incurred, various initiatives that were implemented in the last quarter of the financial year resulted in positive improvements to its financial performance. These initiatives included a reduction in staff complement, increases in cash collection and daily rental fees, the closure of unprofitable retail stores, the outsourcing of certain sales functions on a variable cost basis, the enhancement of its technology platform and the increase in the distribution of starter packs generating monthly compounded annuity income. Bill payments, credit and debit card acquiring and food vouchers are increasing on a monthly basis. These initiatives will perpetuate in the year ahead, resulting in an expected turnaround to sustainable profitability.

Non-controlling interest declined by R19 million, of which R13 million related to minority shareholders in both Airvantage Brazil and AV Technology. In the comparative year, R32 million related to the Africa Prepaid Services group for its share of the loan releases as a consequence of the winding up process therein.

Net contribution to core headline earnings amounted to R21 million.

Mobile

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

	May 2019 R'000	Impairments May 2019 R'000	Remaining May 2019 R'000	**Restated* May 2018 R'000**	Growth R'000	Growth %
Revenue	**267 114**	–	267 114	**293 954**	(26 840)	(9%)
Gross profit	**197 766**	–	197 766	**204 349**	(6 583)	(3%)
EBITDA	**24 977**	(74 003)	98 980	**101 883**	(2 903)	(3%)
Net (loss)/profit	**(39 985)**	(96 137)	56 152	**57 609**	(1 457)	(3%)
Core net (loss)/profit	**(38 326)**	(96 137)	57 811	**59 553**	(1 742)	(3%)
Core headline earnings	**58 122**	–	58 122	**59 679**	(1 557)	(3%)

** As a result of the prior year errors the Group has restated their comparative financial information.*

Of the impairments of R96 million, R74 million pertained to a partial impairment of goodwill in Via Media and R22 million to a partial impairment of an investment in Supa Pesa, a joint venture company.

Although revenue declined by 9%, gross profit margins increased from 69.52% to 74.04%, limiting the decline in gross profit to 3% and EBITDA to 3%.

Contribution to Group core headline earnings declined by 3% to R58 million.

Commentary continued

Solutions

This segment comprises Datacel, Blue Label Data solutions (BLDS), a data aggregation and lead generation entity in which the Group owns 81%, and a 50% joint venture shareholding by BLDS in United Call Centre Solutions, an outbound call centre operation.

	May 2019 R'000	May 2018 R'000	Growth R'000	Growth %
Revenue	**203 238**	195 089	8 149	4%
Gross profit	**61 885**	63 574	(1 689)	(3%)
EBITDA	**37 786**	42 838	(5 052)	(12%)
Share of (losses)/profits from associates and joint ventures	**22 769**	4 579	18 190	397%
Net profit	**43 563**	29 836	13 727	46%
Core net profit	**43 563**	29 836	13 727	46%
Core headline earnings	**43 563**	29 814	13 749	46%

The growth in revenue of 4% to R203 million was attributable to increased demand for aggregated data and lead generations. A marginal decline in gross profit margins from 32.59% to 30.45% resulted in a nominal movement in gross profit. After overhead increases of 10%, EBITDA equated to R38 million.

Of the core headline earnings of R44 million, BLDS accounted for R26 million. United Call Centre Solutions generated earnings of R45.1 million, of which BLDS's share amounted to R22.5 million. After accounting for a minority shareholding of 19%, the Group's share thereof amounted to R18 million.

Corporate

	May 2019 R'000	OSI May 2019 R'000	Remaining entities May 2019 R'000	**May 2018 R'000**	OSI May 2018 R'000	Remaining entities May 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
EBITDA	**(234 611)**	(121 689)	(112 922)	**(146 489)**	–	(146 489)	33 567	23%
Net loss	**(259 194)**	(121 689)	(137 505)	**(211 463)**	(70 925)	(140 538)	3 033	2%
Core net loss	**(259 194)**	(121 689)	(137 505)	**(211 463)**	(70 925)	(140 538)	3 033	2%
Core headline loss	**(259 194)**	(121 689)	(137 505)	**(211 601)**	(70 925)	(140 676)	3 171	2%

On exclusion of the loan impairment of R60 million pertaining to 2DFine and R62 million to the liability relating to financial guarantee contracts, the negative contribution to Group core headline earnings declined by R3 million to R138 million.

DEPRECIATION AND AMORTISATION

Depreciation, amortisation and impairment charges increased by R97 million to R253 million. Of this increase, R26.9 million pertained to depreciation on additional capital expenditure incurred during the year, impairments of R3.2 million and R67.4 million relating to the amortisation of intangible assets, of which R52.6 million emanated from purchase price allocations on historical acquisitions which increased from R46.5 million to R99.1 million.

NET FINANCE COSTS

Finance costs totalled R246 million, of which R231 million related to interest paid on borrowed funds and R15 million to imputed IFRS interest adjustments. On a comparative basis, interest paid on borrowed funds amounted to R167 million and the imputed IFRS interest adjustment equated to R140 million. Of the latter amount, R75 million was attributable to credit received from suppliers and R65 million to the acquisition of 3G Mobile and Airvantage.

The increase of R64 million was attributable to additional borrowings utilised from existing facilities.

Finance income totalled R100 million, of which R97 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 R192 million and the imputed IFRS interest adjustment to R3 million.

STATEMENT OF FINANCIAL POSITION

Total assets decreased by R5.9 billion to R12.1 billion of which non-current assets accounted for R5.9 billion net of an increase in current assets of R78 million.

The negative movement in non-current assets included a decline in investments in and loans to associates and joint ventures of R6.5 billion, in loans receivable of R12 million and in the long-term portion of trade and other receivables of R23 million. These decreases were offset by increases in intangible assets and goodwill of R205 million, in capital expenditure net of depreciation of R101 million, in advances to customers of R228 million and deferred tax assets of R31 million.

A net decrease of R7.5 billion in investments in and loans to associates and joint ventures was predominately attributable to net loan repayments of R1 billion, impairments of loans in OSI of R161 million and impairments of investments totalling R2.7 billion, of which Cell C accounted for R2.5 billion, OSI for R118 million and Supa Pesa for R29.5 million. This was compounded by the Group's net share of losses in associates totalling R3.7 billion, of which Cell C accounted for R3.6 billion inclusive of the amortisation of applicable intangible assets.

Of the net increase of R205 million in intangible assets and goodwill, R199 million related to goodwill and R6 million to intangible assets. Of the goodwill increase, R219 million pertained to Glocell Distribution, R49 million to AV Technology and R46 million to WiConnect. These increases were offset by partial impairments to goodwill in both Via Media and Blue Label Connect for R74 million and R50 million respectively.

Of the increase in intangible assets of R6 million, R130 million related to the purchase price allocations raised in terms of IFRS 3 and intangibles assets within the companies prior to the acquisition thereof, of which R78 million pertained to AV Technology and R52 million to Glocell Distribution. In addition R76 million was incurred on the purchase of software and internally generated software development costs with a further R8 million allocation in line with foreign currency translation movements. These intangible increases were offset by amortisations of R203 million and impairments of intangible assets of R5 million.

Of the increase in current assets, material movements included increases in inventory of R917 million and cash resources of R438 million, offset by decreases in advances to customers of R206 million.

The stock turn equated to 24 days compared to 9 days for the financial year ended 31 May 2018.

The average debtor's collection period remained unchanged year on year at 75 days.

Net loss attributable to equity holders of R6.7 billion, resulted in retained earnings declining to R2.4 billion.

Share capital and share premium decreased by R246 million congruent with the repurchase of 32.9 million shares at a weighted average price of R6.78, the purchase of treasury shares amounting to R42 million less R21 million of shares that vested.

Borrowings increased by R265 million, of which R155 million was for facilities utilised by CEC for the financing of mobile handsets.

Commentary continued

Trade and other payables increased by R381 million, with average credit terms increasing from 66 days to 87 days.

STATEMENT OF CASH FLOWS

Cash available from operations amounted to a negative R81 million, attributable to increased inventory of R864 million, trade receivables of R434 million, advances to customers of R22 million offset by additional credit of R208 million afforded to the Group by its suppliers.

The increase in inventory was attributable to bulk purchasing at favourable discounts. Although this resulted in a temporary increase in inventory holding days, being a highly liquid asset, such excess inventory is capable of reduction within any given month. Of the increase in accounts receivable, R157 million related to a prepayment to utilities for prepaid electricity, which was replaced by inventory shortly after the reporting period due to timing differences. Further supplier prepayments amounted to R128 million.

Cash flows received from investing activities amounted to R561 million, mainly attributable to the R1 billion loan that was repaid by Cell C, offset by funds applied, net of cash acquired, to the acquisition of Airvantage Mauritius amounting to R19 million. A further R326 million was granted for the liquidity support to SPV2, R76 million for the purchase of intangible assets and R134 million for capital expenditure.

Cash flows applied to financing activities amounted to R42 million, of which R224 million related to share buybacks, R42.4 million to the acquisition of treasury shares and a dividend payment of R35.6 million to non-controlling interests. After additional borrowings of R260 million, cash on hand at year end amounted to R1.4 billion.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 5 947 453 (2018: 1 809 711) were issued to qualifying employees. During the year 473 121 (2018: 456 379) shares were forfeited and 2 020 901 (2018: 2 432 743) shares vested.

DIVIDENDS

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

DISPOSALS

The Blue Label Group has consistently generated positive cash flows from its trading operations since inception. These funds have been applied to dividend distributions, share buybacks and investing activities, at all times ensuring sufficient surplus funds to facilitate working capital requirements. Over the past two years significant investments were made, necessitating an increase in interest-bearing debt in order to ensure that working capital requirements remained intact. Accordingly, the Board of Directors has made a decision to deleverage the business in order to ensure a more robust and liquid balance sheet going forward. This deleveraging will be achieved through the disposal of certain assets, as reflected in subsequent events below, the proceeds of which will amount to approximately R1.07 billion. These funds will be applied to reduce current interest-bearing debt.

SUBSEQUENT EVENTS AND GOING CONCERN

Blue Label Mobile restructure and disposal

On 3 June 2019, BLT restructured its holdings in Cellfind Proprietary Limited (Cellfind), Via Media Proprietary Limited (Via Media), Airvantage Proprietary Limited (Airvantage) and AV Technology Limited (AV Technology). Prior to the restructure, BLT owned 100% of Cellfind, 60% of Airvantage SA, 60% of AV Technology and 75% of Via Media. Malik Investments Holdings Proprietary Limited (Malik), a non-Group company, owned 25% of Via Media. In terms of the restructure, BLT exchanged its shares in Cellfind, Via Media, Airvantage and AV Technology for 89.51% of the shares in a new entity called Blue Label Mobile Group Proprietary Limited (BLM). Malik thereafter exchanged its 25% shareholding in Via Media for 10.49% in BLM. Following this, Malik subscribed for a further 4.51% in BLM for R34 million, increasing its shareholding in BLM to 15% with BLT owning the remaining 85%. BLT retains all of the existing rights and obligations with respect to the remaining put and/or call options on 40% of the shares in Airvantage and AV Technology.

Subsequent to the restructure, BLT assigned its rights and obligations to acquire 50% of Hyve Mobile Proprietary Limited (Hyve) to BLM. The first tranche of payment due to the shareholders of Hyve was for R80 million, of which R47 million plus interest of R1.3 million has been paid. On payment of the balance of R33 million, BLM's 50% holding in Hyve will become effective. Thereafter, three additional tranches totalling an estimated R90.4 million will be payable over a three-year period based on performance targets. BLM has a call option to acquire a further 25% of Hyve, exercisable up until 30 September 2021, for an estimated purchase consideration of R85.2 million.

Post-year-end BLT entered into an agreement to dispose of its 85% shareholding in BLM as well as its 51% shareholdings in Simigenix Proprietary Limited (Simigenix) and Panacea Proprietary Limited (Panacea) to DNI 4PL Contracts

Proprietary Limited (DNI) for a purchase consideration of R450 million, inclusive of loan claims, plus the amounts which BLM paid towards the acquisition of 50% of Hyve as at the transaction closing date. The purchase price will be settled in cash as follows:

- R350 million plus the amounts BLT paid for the acquisition of 50% of Hyve as at the transaction closing date; and
- R100 million, bearing interest at prime overdraft rates plus 2% per annum compounded on a monthly basis, deferred until the solvency and liquidity status of Cell C is proven.

The conditions precedent to this transaction have not been fulfilled as at reporting date. The above proceeds received will be applied to reduce interest-bearing debt.

Post disposal of BLM, BLT will continue to assume the obligation with respect to the put and/or call options on 40% of the shares in Airvantage and AV Technology, until such time as the liquidity and solvency status of Cell C is proven. At that stage the obligation in respect of the put and/or call options will revert back to BLM. The put and/or call options cannot be exercised prior to the finalisation of the 31 May 2020 financial results of both entities.

Should BLT be obligated to meet the commitment relating to the put option, and the liquidity and solvency is never proven thereafter, then the R100 million deferred purchase price and the interest accrued thereon will be forfeited by BLT, but in lieu thereof, BLM will transfer an additional 24% of the issued share capital of Airvantage and AV Technologies to BLT, resulting in BLT ownership of these entities amounting to 64%.

Should BLT be obligated to meet the commitment relating to the put option, and the liquidity and solvency of Cell C is proven thereafter, then the R100 million deferred purchase price and the interest accrued thereon will be payable to BLT plus the cost of the 40% put option shares that will be transferred to BLM.

Disposal of 3G Mobile

Post-year-end 3G Proprietary Limited (3G) will distribute its shares in Comm Equipment Company (CEC) and 3G's loan account claim against CEC to its shareholder, TPC.

The latter will thereafter dispose of 100% of the shares in 3G to DNI for a purchase consideration of R544 million. The above proceeds received will be applied to reduce interest-bearing debt.

Cell C R1.4 billion financial guarantee

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 is required to purchase such inventory from the consortium on a piecemeal basis over a specified period that has been agreed upon. These purchases would be made in lieu of purchases that would have been made from Cell C within that period.

As at 31 May 2019, the above funding declined from R1.4 billion to R1.25 billion as a result of BLT purchasing from the security airtime. At this stage, the financial institutions have agreed to extend the repayment date to 30 November 2019. If Cell C is unable to meet this commitment by that date, and no further extension is granted, BLT will be required to purchase R100 million of security airtime in November 2019 and R300 million per month in December 2019, January 2020 and February 2020 respectively.

It is the intention of TPC to accelerate payments to RMB in order to expunge the distribution of stock in full from the vault by January 2020 if there is risk/indication that Cell C will not be able to meet its obligations to the banking consortium by 30 November 2019.

Management has performed detailed assessments considering seasonality of trading and has determined that, based on current inventory holdings and anticipated sales cycles, should circumstances dictate the need to purchase the abovementioned inventory from the consortium, acceleration of such payments could well result in the debt being expunged by mid-January through its trading capabilities in the ordinary course of business at normal operating margins.

Banking facility

In August 2019, The Prepaid Company concluded an addendum to its facilities agreement with Investec Bank Limited in terms of which the facility was increased by R150 million.

GOING CONCERN

The Board of Directors evaluated the going concern assumption as at 31 May 2019 and considered it to be appropriate in the preparation of these financial statements.

The Prepaid Company's Investec banking facilities, which would have expired on 30 September 2019, have been extended to 29 November 2019 and discussions are in progress for a further extension beyond that date.

As at the date of these financial statements, the renegotiation of these facilities had not yet been completed, and although the directors are of the opinion that the facilities would be extended beyond November 2019, material uncertainty exists should these facilities not be extended. In this event, certain liabilities within the group would not be settled in the normal course of business.

The directors are confident that the successful completion of the transactions, as detailed in the subsequent events above, will result in a significant reduction in interest-bearing debt and in turn the strengthening of the Group's balance sheet.

INDEPENDENT AUDIT

These summary consolidated financial statements for the year ended 31 May 2019 have been audited by PricewaterhouseCoopers Inc., who expressed a modified opinion thereon. The auditor also expressed a modified 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

26 September 2019

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

Independent auditor's report on summary Group financial statements

To the shareholders of Blue Label Telecoms Limited

OPINION

The summary consolidated financial statements of Blue Label Telecoms Limited, contained in the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 31 May 2019, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Blue Label Telecoms Limited for the year ended 31 May 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the *basis of preparation* section in the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed a qualified audit opinion on the audited consolidated financial statements in our report dated 26 September 2019.

The basis for our qualified opinion was as follows: The Group holds a 45% interest in Cell C Limited (Cell C) and accounts for this investment as an equity-accounted associate. The Group's interest in Cell C is included in the following financial statement line items within the Group's financial statements:

- share of (losses)/gains from associates and joint ventures (in the Group income statement); and
- investments in and loans to associates and joint ventures (in the Group statement of financial position).

Cell C has a December year-end and management requested them to prepare financial information as at 31 May 2019 for the purposes of preparing the consolidated financial statements of the Group. This financial information was prepared and audited in accordance with the accounting policies of Blue Label Telecoms Limited, and was presented on the going concern basis. The Group's investment in Cell C was included in the consolidated financial statements accordingly.

During the year, however, the adverse trading conditions experienced by Cell C, which included a significant decrease in forecast revenue and lower than anticipated growth in their subscriber base could result in insufficient available cash resources to settle their debts as they come due. For these reasons, the Group's investment in Cell C was impaired to nil (as explained in the *key audit matters* section on the following).

In light of the trading circumstances, it is possible that the use of the going concern basis of preparation may not be appropriate for the financial information of Cell C, however, we were not able to obtain sufficient appropriate audit evidence regarding that determination. If the going concern basis of preparation were considered inappropriate, this would result in the remeasurement of assets and liabilities within the financial information of Cell C, with a corresponding net impact on its profit or loss. Such remeasurement would be dependent on which alternate basis of preparation was adopted. Under an alternate basis of preparation, assets and liabilities of Cell C could be impaired, measured at fair value rather than cost, or written off entirely, depending how Cell C planned to recover or settle these assets and liabilities. The possible effect of this matter on the consolidated financial statements would be as follows:

- There could be a material classification misstatement in the Group income statement. The share of losses from associates and joint ventures as disclosed in note 2.1, may be materially understated in the current year. However, there would be an equal and opposite overstatement of the impairments on associates and joint ventures financial statement line item. Therefore, this potential classification misstatement would have no effect on the Group's loss before taxation.
- The headline earnings per share (HEPS) measure and core HEPS measure would also be impacted, should the equity-accounted losses and impairment of investment in Cell C materially differ as explained.

Independent auditor's report on summary Group financial statements continued

- The disclosure of summary financial information of Cell C Limited, presented in note 2.1 to the consolidated financial statements may be materially misstated.

The audit report also includes:

- A *material uncertainty relating to going concern* section that draws attention to note 9.2 to the audited consolidated financial statements. Note 9.2 of the audited consolidated financial statements indicated that one of the Group's significant facilities has been extended to 29 November 2019. A renegotiation for a further extension beyond that date is currently in process. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter. The summary consolidated financial statements are affected to the equivalent extent as the audited consolidated financial statements. These matters are addressed in the *going concern* section of the summary consolidated financial statements.
- The communication of other key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the *basis of preparation* section in the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

OTHER MATTERS

We have not audited future financial performance and expectations expressed by the directors included in the commentary in the accompanying financial statements and accordingly do not express an opinion thereon.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D Storm
Registered Auditor
Johannesburg
26 September 2019

Summarised Group income statement

for the year ended 31 May 2019

	2019 R'000	Restated* 2018 R'000
Revenue	**25 869 433**	26 734 249
Other income	**120 914**	81 704
Changes in inventories of finished goods	**(23 037 901)**	(24 375 756)
Finance costs incurred in the generation of revenue	**(185 411)**	(76 401)
Employee compensation and benefit expense	**(594 183)**	(524 187)
Depreciation and amortisation	**(253 016)**	(155 540)
Impairments and fair value losses	**(1 212 089)**	(158 657)
Other expenses	**(498 083)**	(427 863)
Operating profit	**209 664**	1 097 549
Finance costs	**(245 957)**	(306 636)
Finance income	**99 705**	195 298
Impairments on associates and joint venture	**(2 669 076)**	–
Share of (losses)/gains from associates and joint ventures	**(3 701 410)**	520 628
(Loss)/profit before taxation	**(6 307 074)**	1 506 839
Taxation	**(315 122)**	(331 069)
(Loss)/profit for the year	**(6 622 196)**	1 175 770
(Loss)/profit for the year attributable to:		
Equity holders of the parent	**(6 646 383)**	1 122 085
Non-controlling interest	**24 187**	53 685
Earnings per share for (loss)/profit attributable to:		
Equity holders (cents)		
– Basic	**(727.81)**	131.13
– Diluted[1]		123.03

** As a result of the prior year errors the Group has restated their comparative financial information.*
[1] There are no dilutive instruments in the current year.

Included on the face of the Group income statement is a line item called "Finance costs incurred in the generation of revenue". In the prior year these finance costs were included in "Changes in inventories of finished goods".

Included on the face of the Group income statement is a line item called "Impairments and fair value losses". In the prior year impairments or fair value losses were included in either "Other expenses" or "Depreciation, amortisation and impairment".

In order to enhance the disclosure of these costs the Group now discloses them on separate line items.

Summarised Group statement of comprehensive income

for the year ended 31 May 2019

	2019 R'000	Restated* 2018 R'000
Net (loss)/profit for the year	(6 622 196)	1 175 770
Other comprehensive income:		
Items reclassified to profit or loss		
Foreign currency translation reserve reclassified to profit or loss*	(144)	(3 098)
Items that may be subsequently reclassified to profit or loss		
Foreign exchange profit/(loss) on translation of associates and joint ventures*	45 868	(7 680)
Foreign exchange profit/(loss) on translation of foreign operations*	21 247	(3 869)
Other comprehensive income/(loss) for the year, net of tax	66 971	(14 647)
Total comprehensive (loss)/income for the year	(6 555 225)	1 161 123
Total comprehensive (loss)/income for the year attributable to:		
Equity holders of the parent	(6 582 478)	1 107 903
Non-controlling interest	27 253	53 220

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

Summarised Group statement of financial position

As at 31 May 2019

	2019 R'000	Restated* 2018 R'000	Restated* 1 June 2017 R'000
ASSETS			
Non-current assets	**3 477 070**	9 412 758	2 070 547
Property, plant and equipment	**237 657**	137 120	111 599
Intangible assets	**1 083 328**	1 076 871	511 164
Goodwill	**1 234 995**	1 036 243	604 590
Investments in and loans to associates and joint ventures	**218 842**	6 684 585	731 788
Loans receivable	**41 760**	53 270	36 851
Trade and other receivables	**–**	22 757	47 858
Advances to customers	**584 440**	356 689	–
Deferred taxation assets	**76 048**	45 223	26 697
Current assets	**8 604 302**	8 526 636	6 498 626
Loans to associate	**–**	1 029 626	–
Inventories	**1 514 649**	597 946	2 180 121
Loans receivable	**190 769**	207 799	188 229
Trade and other receivables	**4 257 266**	4 292 970	2 767 475
Advances to customers	**1 032 657**	1 238 321	–
Financial asset at fair value through profit and loss	**204 739**	168 144	–
Current tax assets	**18 626**	43 942	12 135
Cash and cash equivalents	**1 385 596**	947 888	1 350 666
Total assets	**12 081 372**	17 939 394	8 569 173
EQUITY AND LIABILITIES			
Capital and reserves	**2 491 562**	9 515 085	4 867 074
Issued share capital and premium	**7 599 016**	7 844 847	3 953 871
Other reserves	**(2 824 740)**	(2 814 202)	(2 709 176)
Retained earnings	**(2 405 031)**	4 327 523	3 555 242
Total ordinary shareholders' equity	**2 369 245**	9 358 168	4 799 937
Non-controlling interest	**122 317**	156 917	67 137
Non-current liabilities	**1 951 920**	1 743 240	49 391
Deferred taxation liabilities	**236 400**	229 100	49 391
Borrowings	**1 715 520**	1 514 140	–
Current liabilities	**7 637 890**	6 681 069	3 652 708
Trade and other payables	**5 371 386**	4 990 798	3 543 779
Financial guarantee contracts	**243 492**	–	–
Provisions	**24 947**	39 628	35 071
Financial liabilities at fair value through profit and loss	**460 354**	143 307	–
Current tax liabilities	**9 104**	50 368	55 832
Borrowings	**1 520 764**	1 456 968	18 026
Bank overdraft	**7 843**	–	–
Total equity and liabilities	**12 081 372**	17 939 394	8 569 173

** As a result of the prior year errors the Group has restated their comparative financial information.*

The Group has reclassified advances to customers to a separate line item. In the prior year financial statements this balance was included in trade and other receivables. There were no advances to customers at 31 May 2017.

Summarised Group statement of changes in equity

for the year ended 31 May 2019

	Issued share capital and premium R'000	Retained earnings R'000
Balance as at 1 June 2017 – as previously reported	3 953 871	3 640 034
Prior year errors*	–	(84 792)
Balance as at 1 June 2017 – restated*	3 953 871	3 555 242
Net profit for the year – restated*	–	1 122 085
Other comprehensive loss – restated*	–	–
Total comprehensive income/(loss) – restated*	–	1 122 085
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 – restated*	**7 844 847**	**4 327 523**
Adjustment on the initial application of IFRS 9	**–**	**(95 888)**
Adjustment on the initial application of IFRS 15	**–**	**9 717**
Adjusted opening balance as at 1 June 2018	**7 844 847**	**4 241 352**
Net profit for the year	**–**	**(6 646 383)**
Other comprehensive income	**–**	**–**
Total comprehensive (loss)/income	**–**	**(6 646 383)**
Treasury shares purchased	**(42 378)**	**–**
Shares repurchased	**(224 006)**	**–**
Equity compensation benefit scheme shares vested	**20 553**	**–**
Equity compensation benefit movement	**–**	**–**
Transaction with non-controlling interest reserve movement**	**–**	**–**
Non-controlling interest acquired	**–**	**–**
Non-controlling interest disposed of	**–**	**–**
Dividends paid	**–**	**–**
Balance as at 31 May 2019	**7 599 016**	**(2 405 031)**

** As a result of the prior year errors the Group has restated their comparative financial information.*
*** The majority of this amount relates to the put option on the acquisition of Airvantage Technology Limited.*

Other reserves R'000	Total ordinary shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
(2 665 758)	4 928 147	67 137	4 995 284
(43 418)	(128 210)	–	(128 210)
(2 709 176)	4 799 937	67 137	4 867 074
–	1 122 085	53 685	1 175 770
(14 182)	(14 182)	(465)	(14 647)
(14 182)	1 107 903	53 220	1 161 123
–	(28 846)	–	(28 846)
–	3 932 834	–	3 932 834
–	(34 663)	–	(34 663)
(21 362)	289	(289)	–
23 084	23 084	778	23 862
(93 966)	(93 966)	–	(93 966)
1 400	1 400	–	1 400
–	–	66 645	66 645
–	–	(2 824)	(2 824)
–	(349 804)	(27 750)	(377 554)
(2 814 202)	**9 358 168**	**156 917**	**9 515 085**
–	**(95 888)**	**(1 437)**	**(97 325)**
–	**9 717**	**–**	**9 717**
(2 814 202)	**9 271 997**	**155 480**	**9 427 477**
–	**(6 646 383)**	**24 187**	**(6 622 196)**
63 905	**63 905**	**3 066**	**66 971**
63 905	**(6 582 478)**	**27 253**	**(6 555 225)**
–	**(42 378)**	**–**	**(42 378)**
–	**(224 006)**	**–**	**(224 006)**
(19 915)	**638**	**(638)**	**–**
7 149	**7 149**	**577**	**7 726**
(61 677)	**(61 677)**	**–**	**(61 677)**
–	**–**	**(25 904)**	**(25 904)**
–	**–**	**1 099**	**1 099**
–	**–**	**(35 550)**	**(35 550)**
(2 824 740)	**2 369 245**	**122 317**	**2 491 562**

Summarised Group statement of cash flows

for the year ended 31 May 2019

	2019 R'000	2018 R'000
Cash flows from operating activities		
Cash received from customers	25 995 287	23 588 810
Cash paid to suppliers, financiers and employees	(25 564 000)	(20 000 031)
Cash generated by operations	431 287	3 588 779
Interest received	88 416	154 952
Interest paid	(231 131)	(187 489)
Taxation paid	(369 086)	(368 099)
Net cash (utilised in)/generated from operating activities	(80 514)	3 188 143
Cash flows from investing activities		
Acquisition of intangible assets	(75 931)	(31 183)
Proceeds on disposal of intangible assets	51	–
Proceeds on disposal of property, plant and equipment	5 230	6 486
Acquisition of property, plant and equipment	(134 028)	(71 640)
Acquisition of subsidiary net of cash acquired	(7 162)	(291 240)
Acquisition of associate	–	(6 124 127)
Transaction costs on associates	–	(55 131)
Capital contribution to Oxigen Services India	–	(25 076)
Purchase of bond notes	–	(117 037)
Liquidity support granted	(326 388)	–
Loan repaid by Cell C	1 135 759	–
Loan granted to Cell C	(106 132)	(1 017 522)
Loans advanced to associates and joint ventures	(13 284)	(31 641)
Loans repaid by associates and joint ventures	1 690	–
Dividend received from associate and joint venture	17 992	4 251
Loans granted	(29 916)	(54 981)
Loans receivable repaid	96 007	78 329
Settlement of contingent consideration	(2 614)	(27 867)
Net cash generated by/(utilised in) investing activities	561 274	(7 758 379)
Cash flows from financing activities		
Interest-bearing borrowings raised	993 439	935 442
Interest-bearing borrowings repaid	(769 652)	–
Non-interest-bearing borrowings raised	35 876	–
Non-interest-bearing borrowings repaid	(170)	(58)
Proceeds from shares issued	–	3 650 000
Transaction costs on share issue	–	(12 424)
Share buy back	(224 006)	–
Acquisition of treasury shares	(42 378)	(28 846)
Dividends paid to non-controlling interest	(35 550)	(27 750)
Dividends paid to equity holders of the parent	–	(349 804)
Net cash (utilised in)/generated by financing activities	(42 441)	4 166 560
Net increase/(decrease) in cash and cash equivalents	438 319	(403 676)
Cash and cash equivalents at the beginning of the year	947 888	1 350 666
Exchange gains on cash and cash equivalents	(8 454)	898
Cash and cash equivalents at the end of the year	1 377 753	947 888

Share performance

for the year ended 31 May 2019

CORE HEADLINE

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

Headline earnings, earnings and core headline earnings per share

	Notes	Attributable earnings		Cents per share	
		2019 R'000	Restated* 2018 R'000	**2019 R'000**	Restated* 2018
Headline earnings per share					
Basic		**(2 853 640)**	1 116 131	**(312.49)**	130.44
Diluted[1]			1 052 737		122.34
Core		**(2 783 155)**	1 160 477	**(304.77)**	135.62
Earnings attributable to ordinary equity holders					
Basic		**(6 646 383)**	1 122 085	**(727.81)**	131.13
Diluted[1]			1 058 691		123.03

[1] There are no dilutive instruments in the current year.
** As a result of the prior year errors the Group has restated their comparative information.*

Weighted average number of shares

	2019 '000	2018 '000
Weighted average number of ordinary shares	**913 208**	855 687
Adjusted for forfeitable shares	**–**	4 801
Weighted average number of ordinary shares for diluted earnings[1]	**913 208**	860 488

[1] There are no dilutive instruments in the current year.

The same weighted average number of shares for basic earnings per share is used for core headline earnings per share.

Share performance continued

for the year ended 31 May 2019

Analysis of headline earnings

	(Loss)/profit before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
2019				
Profit attributable to equity holders of the parent	**(6 307 074)**	**(315 122)**	**(24 187)**	**(6 646 383)**
Profit on disposal of property, plant and equipment	**(1 155)**	**323**	**74**	**(758)**
Impairment of property, plant and equipment	**2 002**	**(561)**	**–**	**1 441**
Impairment of intangible assets	**5 111**	**(1 431)**	**–**	**3 680**
Foreign currency translation reserve recycled to profit or loss	**(144)**	**–**	**–**	**(144)**
Impairments on investments	**2 669 376**	**–**	**(7 378)**	**2 661 998**
Fair value uplift on conversion from an associate to a subsidiary	**(27 741)**	**–**	**–**	**(27 741)**
Profit on disposal of property, plant and equipment in associate	**(5 524)**	**–**	**–**	**(5 524)**
Impairment of goodwill	**124 400**	**–**	**–**	**124 400**
Impairment of investment within associate equity accounted earnings	**47 174**	**–**	**–**	**47 174**
Impairment of property, plant and equipment in associate	**801 049**	**–**	**–**	**801 049**
Impairment of intangible assets in associate	**187 168**	**–**	**–**	**187 168**
Headline earnings				**(2 853 640)**
2018 – restated*				
Profit attributable to equity holders of the parent	1 506 839	(331 069)	(53 685)	1 122 085
Profit on disposal of property, plant and equipment	(1 784)	499	13	(1 272)
Impairment of property, plant and equipment	3 800	(1 064)	—	2 736
Impairment of intangible assets	338	(95)	—	243
Foreign currency translation reserve recycled to profit or loss	(3 098)	—	—	(3 098)
Profit on disposal of subsidiary	(2 824)	—	—	(2 824)
Profit on disposal of property, plant and equipment in associate	(16 771)	4 696	—	(12 075)
Impairment of intangible assets in associate	14 355	(4 019)	—	10 336
Headline earnings				1 116 131

** As a result of the prior year errors the Group has restated their comparative information.*

Analysis of core headline earnings

	2019 R'000	Restated* 2018 R'000
Reconciliation between net profit for the period and core headline earnings for the period:		
Net profit for the period	**(6 646 383)**	1 122 085
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**70 485**	44 345
Core net profit for the period	**(6 575 898)**	1 166 430
Headline earnings adjustments	**3 792 743**	(5 953)
Core headline earnings	**(2 783 155)**	1 160 477

** As a result of the prior year errors the Group has restated their comparative financial information.*

Segmental summary

Year ended 31 May 2019	**Total R'000**	**Africa Distribution R'000**	**Inter-national R'000**	**Mobile R'000**	**Solutions R'000**	**Corporate R'000**
Total segment revenue	**35 711 586**	**35 004 904**	**35 013**	**274 869**	**205 106**	**191 694**
Internal revenue	**(9 842 153)**	**(9 640 836)**	**–**	**(7 755)**	**(1 868)**	**(191 694)**
Revenue	**25 869 433**	**25 364 068**	**35 013**	**267 114**	**203 238**	**–**
Operating profit/(loss)	**209 664**	**432 373**	**(34 503)**	**10 478**	**37 494**	**(236 178)**
Net (loss)/profit for the year attributable to equity holders of parent	**(6 646 383)**	**(6 127 507)**	**(263 260)**	**(39 985)**	**43 563**	**(259 194)**
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**70 485**	**61 151**	**7 675**	**1 659**	**–**	**–**
Headline earnings adjustment	**3 792 743**	**3 530 852**	**165 443**	**96 448**	**–**	**–**
Core headline earnings for the year attributable to equity holders of parent	**(2 783 155)**	**(2 535 504)**	**(90 142)**	**58 122**	**43 563**	**(259 194)**
As at 31 May 2019						
Total assets	**12 081 372**	**11 008 921**	**439 247**	**450 542**	**164 341**	**18 321**
Net operating assets/(liabilities)	**966 412**	**1 036 773**	**120 608**	**29 486**	**39 234**	**(259 689)**

Year ended 31 May 2018	Restated* Total R'000	Africa Distribution R'000	Restated* Inter-national R'000	Restated* Mobile R'000	Solutions R'000	Corporate R'000
Total segment revenue	33 567 250	32 897 392	–	304 342	196 762	168 754
Internal revenue	(6 833 001)	(6 652 186)	–	(10 388)	(1 673)	(168 754)
Revenue	26 734 249	26 245 206	–	293 954	195 089	—
Operating profit/(loss)	1 097 549	1 205 191	(18 824)	86 833	42 455	(218 106)
Net profit for the year attributable to equity holders of parent	1 122 085	1 344 641	(98 538)	57 609	29 836	(211 463)
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	44 345	40 853	1 548	1 944	–	–
Headline earnings adjustment	(5 953)	(755)	(5 164)	126	(22)	(138)
Core headline earnings for the year attributable to equity holders of parent	1 160 477	1 384 739	(102 154)	59 679	29 814	(211 601)
As at 31 May 2018						
Total assets	17 939 394	16 671 589	526 488	561 330	146 672	33 315
Net operating assets/(liabilities)	1 845 567	1 755 660	94 701	62 036	36 780	(103 610)

** As a result of the prior year errors the Group has restated their comparative financial information.*

Revenue

	Total		Africa Distribution	
	2019 R'000	Restated* 2018 R'000	**2019 R'000**	2018 R'000
Revenue from contracts with customers				
Prepaid airtime, data and related revenue	**20 789 313**	22 968 967	**20 789 313**	22 968 967
Postpaid airtime, data and related revenue	**141 405**	110 535	**141 405**	110 535
Prepaid and postpaid SIM cards	**964 054**	889 001	**964 054**	889 001
Services	**748 441**	600 580	**245 693**	117 983
Electricity commission	**347 538**	299 850	**347 538**	299 850
Handsets, tablets and other devices	**2 271 804**	1 586 817	**2 271 804**	1 586 817
Other revenue	**179 125**	106 871	**176 508**	100 425
Finance revenue	**427 753**	171 628	**427 753**	171 628
	25 869 433	26 734 249	**25 364 068**	26 245 206

** As a result of the prior year errors the Group has restated their comparative financial information.*

Financial instruments at fair value through profit and loss

	Bond notes (SPV1) R'000	Liquidity support (SPV2) R'000	Loans at fair value R'000	Put option liability R'000	Other R'000	Total R'000
Opening balance	167 519	(45 360)	–	(97 947)	625	24 837
Reclassification from financial assets at amortised cost to financial assets at fair value through profit and loss	–	–	361 160	–	–	361 160
Additions	–	326 388	–	(62 784)	–	263 604
Repayments	–	–	(17 974)	–	–	(17 974)
Fair value (loss)/gain recognised in profit or loss	(167 519)	(582 744)	(140 919)	2 093	1 847	(887 242)
Closing balance	–	(301 716)	202 267	(158 638)	2 472	(255 615)
Financial assets at fair value through profit and loss	–	–	202 267	–	2 472	204 739
Financial liabilities at fair value through profit and loss	–	(301 716)	–	(158 638)	–	(460 354)
Closing balance	–	(301 716)	202 267	(158 638)	2 472	(255 615)
Unrealised (losses)/gains	(167 519)	(582 744)	(140 919)	2 093	1 847	(887 242)

International		Mobile		Solutions	
2019 R'000	2018 R'000	**2019 R'000**	Restated* 2018 R'000	**2019 R'000**	2018 R'000
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
35 013	–	**264 497**	287 508	**203 238**	195 089
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
–	–	**2 617**	6 446	**–**	–
–	–	**–**	–	**–**	–
35 013	–	**267 114**	293 954	**203 238**	195 089

BOND NOTES AND LIQUIDITY SUPPORT

With effect from 2 August 2017 The Prepaid Company 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. The Prepaid Company 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.

As part of the restructure of the debt into Cell C by third-party lenders, The Prepaid Company will be required to provide liquidity support to 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 The Prepaid Company's obligation in this regard to a maximum of USD44 million. As at 31 May 2019, the Group had contributed USD24 million to SPV2 towards the latter amount.

Fair value estimate

SPV1 and SPV2 own 11.8% and 16% of the shares issued by Cell C Limited 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 is realised by SPV1 and SPV2. The substance of these arrangements are therefore derivatives exposing the Group to the share price of Cell C.

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

The derivatives are not traded in an active market and therefore the fair value is determined by the use of a valuation technique. The finance department of the Group includes a team that outsources the valuation to a qualified independent third-party valuation specialist. This team reports directly to the Financial Director (FD) and the Audit, Risk and Compliance Committee (ARCC). The valuation was performed using a binomial model taking into account the value of Cell C Limited and an expected exit event date of Cell C in the second quarter of 2020. 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 instruments in the fair value hierarchy.

Financial instruments at fair value through profit and loss continued

BOND NOTES AND LIQUIDITY SUPPORT continued

As at 31 May 2019, a qualified independent third-party specialist determined no value to Cell C Limited. As a result, an unrealised fair value loss totalling R750 million was recognised in the current period, of which R167 million related to SPV1 and R583 million to SPV2.

LOANS AT FAIR VALUE

TPC acquired a 48% share in Glocell Distribution Proprietary Limited (Glocell Distribution) on 30 June 2018.

In terms of an agreement entered into between TPC and Glocell Proprietary Limited (Glocell) during the year ended 31 May 2019, Glocell pledged its 40% shareholding in Glocell Distribution to TPC in the event of Glocell defaulting on amounts owing of R343 million to TPC as at 31 May 2019. The right to enforce this pledge is currently not exercisable. This right only becomes exercisable once Glocell has settled its outstanding debt of R121 million to Investec Bank Limited.

Glocell's ability to repay TPC the amounts owing to it is dependent on the extent of dividends receivable from Glocell Distribution on a piecemeal basis. The contractual terms of the loan have no fixed repayment dates, and in the event that the loan defaults, the only recourse the Group has is to the shares of Glocell Distribution held by Glocell. As such the Group is of the view that the instrument does not meet the requirements to be measured at amortised cost, and therefore this instrument has been reclassified from trade receivables to financial instruments measured at fair value through profit or loss.

A fair value downward adjustment of R141 million of the R343 million owing to TPC was required due to unfavourable wholesale trading conditions impacting on Glocell Distribution's financial performance.

Fair value estimate

A discounted cash flow valuation of Glocell Distribution has been used to determine the value of Glocell's 40% shareholding in Glocell Distribution. This is used to determine the fair value of the loan. This valuation has been performed by the finance department of the Group using cash flow projections based on forecasts for up to five years which are based on assumptions of the business, industry and economic growth.

Based on the outcome of the value-in-use calculation, a fair value movement of R141 million was recognised against the financial asset.

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

Key assumption applied to value-in-use calculation	
Discount rate	20.7%
Terminal growth rate	4.2%

Effect on fair value due to change in key assumption	%	Increase/ (decrease) in loan at fair value R'000
Change in discount rate	1	(12 122)
	(1)	13 679
Change in terminal growth rate	2	17 386
	(2)	(13 627)

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.

This relates to a put option that the Group has on the remaining 40% shareholding in Airvantage Proprietary Limited and Airvantage Technology Limited. This is exercisable within the next 12 months. The Group will settle this from available cash resources. The option is valued based on the audited net profit after tax for 12 months ending 28 February 2019 at a six multiple.

Acquisition of subsidiaries

Shares in the following subsidiaries were acquired during the year:

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

Details of the total net assets acquired and the resulting goodwill as at the date of acquisition are as follows:

	Glocell Distribution Proprietary Limited R'000	AV Technology Limited R'000	WiConnect Proprietary Limited R'000
Total purchase consideration	173 398	84 187	5 000
Fair value of net assets acquired	(45 381)	34 889	(40 588)
Goodwill	218 779	49 298	45 588

The assets and liabilities acquired through acquisition are as follows:

	Glocell Distribution Proprietary Limited		AV Technology Limited		WiConnect Proprietary Limited	
	Fair value at acquisition date R'000	Acquirer's carrying amount on acquisition date R'000	Fair value at acquisition date R'000	Acquirer's carrying amount on acquisition date R'000	Fair value at acquisition date R'000	Acquirer's 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	5 733	5 733	–	–	39 251	39 251
Intangible assets	52 364	29 571	78 059	440	–	–
Goodwill	218 780	–	49 298	–	45 588	–
Inventories	19 754	19 754	–	–	34 255	34 255
Receivables	37 023	37 023	10 039	10 039	29 659	29 659
Deferred tax	(6 300)	–	(21 733)	–	6 880	18 067
Borrowings	–	–	–	–	(104 529)	(144 480)
Payables	(209 097)	(209 097)	(73 658)	(73 658)	(56 709)	(56 709)
Value of subsidiaries acquired	124 235	(111 038)	107 447	2 263	5 000	(69 352)
Non-controlling interest		57 740		(905)		–
Value of net assets acquired		(53 298)		1 358		(69 352)
Total purchase consideration		173 398		84 187		5 000
Debtors capitalised		(173 398)		–		–
Cash and cash equivalents in subsidiary acquired		(5 978)		(65 442)		(10 605)
Cash outflow from acquisitions		(5 978)		18 745		(5 605)

Glocell Distribution Proprietary Limited (Glocell) and WiConnect Proprietary Limited (WiConnect) were purchased with the objective of affording the Group access to new channels for the supply and distribution of airtime, mobile devices and contracts. AV Technology Limited (AV Technology) gives 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 above acquisitions, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these in Glocell and WiConnect is the opportunity that the distribution network affords the Group. Most significant in AV Technology is the opportunity that the Prepaid Airtime Advance System affords the Group.

Significant related party transactions and balances

for the year ended 31 May 2019

	2019 Audited R'000	2018 Audited R'000
Sales to related parties		
Cell C Proprietary Limited	**2 030 623**	1 100 788
Purchases from related parties		
Cell C Proprietary Limited	**6 203 272**	4 873 215
Interest received from related parties		
2DFine Holdings Mauritius	**3 776**	21 736
Cell C Proprietary Limited	**141 841**	96 380
Loans to related parties		
2DFine Holdings Mauritius*	**208 026**	242 687
Brett Levy*	**42 502**	27 503
Cell C Proprietary Limited	**–**	1 029 626
Mark Levy*	**42 502**	27 503
Oxigen Services India Private Limited	**47 215**	34 018
Loss allowance on above loans	**(255 242)**	(141 850)
Amounts due from related parties included in trade receivables		
Cell C Proprietary Limited	**1 352 718**	1 028 184
Amounts due to related parties included in trade payables		
Cell C Proprietary Limited	**1 212 392**	1 573 472

** Brett Levy and Mark Levy have signed personal sureties for the loan owed by 2DFine Holdings Mauritius to Gold Label Investments Proprietary Limited. Their liability is limited to the difference between the loan owing to Gold Label Investments Proprietary Limited and the value of 16.93% of the shares in Oxigen Services India Private Limited on the 30th day after which the loan becomes due and payable or the extended date as may be agreed in writing by Gold Label Investments Proprietary Limited. As at 31 May 2019 a combined surety asset of R85 million has been raised (May 2018: R55 million).*

Change in accounting policy

IFRS 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

IFRS 15 replaces both IAS 11 and IAS 18 as well as SIC 31, IFRIC 13, IFRIC 15 and IFRIC 18 and establishes a comprehensive framework for recognition of revenue from contracts with customers. Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires a certain level of judgement.

On application of IFRS 15, the following material changes and considerations have been made

Revenue category	Nature of material considerations and changes in accounting policy
Prepaid and postpaid SIM cards	The Group earns activation and ongoing revenue on starter packs that have been distributed to prepaid customers. Under IFRS 15, the recognition of ongoing revenue requires a certain level of judgement (refer to critical accounting judgements and assumptions below) and the Group has concluded that the treatment remains unchanged as under the previous standards. However, the initial sale of starter packs is now deemed to have a financing element under IFRS 15. As such, less revenue is recognised at the point of sale of starter packs taking into account the time value of money. The unwinding of the corresponding trade receivables balance is recognised in revenue, resulting in a reduction of net profit after tax of R10.1 million.
Sale of handsets, tablets and other devices	Revenue relating to the sale of handsets under certain contracts that were previously recognised as principal are now accounted for as agent. This is due to the change in considerations for the recognition of principal versus agent under IFRS 15, specifically the removal of the principal indicator that the Group bears credit risk for the amount receivable from the customer. The Group has applied its judgement when considering the remaining indicators and determined that it acts as an agent in these specific contracts. In general, however, the sale of handsets, tablets and devices remain as principal under IFRS 15 as they were historically under IAS 18. The effect of this change due to IFRS 15 on the current year Group statement of comprehensive income is only a reclassification between revenue and changes in inventories of finished goods to the value of R1.3 billion. The gross profit effect of this change is nil.
Contract revenue (included in share of losses from Cell C)	Cell C's incremental cost of obtaining a contract with a customer, previously expensed under IAS 18, is recognised as an asset under IFRS 15. The effect on the share of losses in the current period is offset by the impairment of the investment in Cell C to zero, resulting in an immaterial effect on net profit after tax.

Change in accounting policy continued

Revenue category	Critical accounting judgements and assumptions
Prepaid and postpaid SIM cards – ongoing revenue	The Group earns ongoing revenue on starter packs that have been distributed to prepaid customers. The Group is entitled to ongoing revenue on all future prepaid airtime purchases that a signed-up prepaid customer makes, even if the subscriber does not top up at that group in the future. Ongoing revenue earned is variable in nature as the Group's entitlement to these amounts is dependent on the future spending patterns of the prepaid customers, and therefore contingent on a future event occurring or not occurring. IFRS 15 requires an entity to estimate the amount of variable consideration it will be entitled to for the contracts it has entered into with its customers and include this in the transaction price at contract inception, to the extent the variable consideration is not constrained. The Group has concluded that the ongoing revenue is fully constrained at the individual contract level due to the high variability in behaviour of the individual customers, including: ▸ the period over which prepaid customers remain on the same SIM card (this can range from one day to a number of years), ▸ the spending patterns of individual customers, which is also highly variable. In addition, because the terms of the ongoing revenue structure with the telecommunication companies are regularly up for negotiation, the Group is not able to predict the likelihood or magnitude of a revenue reversal. The Group's policy is therefore only to recognise the variable consideration as revenue as and when it's received because it is only at this point that it is highly probable that a significant reversal in revenue for that contract will not occur in the future.

IFRS 15 TRANSITION

The Group has applied IFRS 15 *Revenue from Contracts with Customers* using the modified retrospective approach by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 June 2018. Therefore the comparative information on the summarised Group statement of financial position and summarised Group statement of comprehensive income has not been restated for the adoption of this new standard and continues to be reported under the previously applied standards.

In accordance with the requirements of applying the modified retrospective approach under IFRS 15, the current financial information has been presented below with adjustments to indicate the Group results had IFRS 15 not been adopted.

Group income statement

For the year ended 31 May

	2019 under previously applied standards R'000	IFRS 15 adjustments R'000	2019 R'000
Revenue	27 157 300	(1 287 867)	25 869 433
Other income	120 914	–	120 914
Changes in inventories of finished goods	(24 342 726)	1 304 825	(23 037 901)
Finance costs incurred in the generation of revenue	(185 411)	–	(185 411)
Employee compensation and benefit expense	(594 183)	–	(594 183)
Depreciation, amortisation and other impairment charges	(253 016)	–	(253 016)
Impairment and fair value losses on financial assets	(1 212 089)	–	(1 212 089)
Other expenses	(499 174)	1 091	(498 083)
Operating profit	191 615	18 049	209 664
Finance costs	(247 115)	1 158	(245 957)
Finance income	102 877	(3 172)	99 705
Impairments on associates and joint venture	(2 436 468)	(232 608)	(2 669 076)
Share of gains/(losses) from associates and joint ventures	(3 886 638)	185 228	(3 701 410)
Loss before taxation	(6 275 729)	(31 345)	(6 307 074)
Taxation	(310 632)	(4 490)	(315 122)
Loss for the year	(6 586 361)	(35 835)	(6 622 196)
(Loss)/profit for the year attributable to:			
Equity holders of the parent	(6 610 548)	(35 835)	(6 646 383)
Non-controlling interest	24 187	–	24 187
Earnings per share for profit attributable to:			
Equity holders (cents)			
– Basic	(123.07)	(0.04)	(123.03)
– Diluted[1]			

[1] *There are no dilutive instruments in the current year.*

Change in accounting policy continued

Group statement of financial position

As at 31 May

	2019 under previously applied standards R'000	IFRS 15 adjustments R'000	31 May 2019 R'000
ASSETS			
Non-current assets	3 475 242	1 828	3 477 070
Property, plant and equipment	237 657	–	237 657
Intangible assets	1 083 328	–	1 083 328
Goodwill	1 234 995	–	1 234 995
Investments in and loans to associates and joint ventures	218 842	–	218 842
Investments in and loans to venture capital associates and joint ventures	–	–	–
Loans receivable	41 760	–	41 760
Starter pack assets	–	–	–
Trade and other receivables	–	–	–
Advances to customers	584 440	–	584 440
Deferred taxation assets	74 220	1 828	76 048
Current assets	8 643 895	(39 593)	8 604 302
Starter pack assets	–	–	–
Loans to associate	–	–	–
Inventories	1 514 649	–	1 514 649
Loans receivable	190 769	–	190 769
Trade and other receivables	4 296 859	(39 593)	4 257 266
Advances to customers	1 032 657	–	1 032 657
Financial asset at fair value through profit and loss	204 739	–	204 739
Current tax assets	18 626	–	18 626
Cash and cash equivalents	1 385 596	–	1 385 596
Total assets	12 119 137	(37 765)	12 081 372
EQUITY AND LIABILITIES			
Capital and reserves	2 517 680	(26 118)	2 491 562
Issued share capital and premium	7 599 016	–	7 599 016
Other reserves	(2 824 740)	–	(2 824 740)
Retained earnings	(2 378 913)	(26 118)	(2 405 031)
Total ordinary shareholders' equity	2 395 363	(26 118)	2 369 245
Non-controlling interest	122 317	–	122 317
Non-current liabilities	1 960 247	(8 327)	1 951 920
Deferred taxation liabilities	244 727	(8 327)	236 400
Borrowings	1 715 520	–	1 715 520
Current liabilities	7 641 210	(3 320)	7 637 890
Trade and other payables	5 374 706	(3 320)	5 371 386
Financial guarantee contracts	243 492	–	243 492
Provisions	24 947	–	24 947
Financial liabilities at fair value through profit and loss	460 354	–	460 354
Current tax liabilities	9 104	–	9 104
Borrowings	1 520 764	–	1 520 764
Bank overdraft	7 843	–	7 843
Total equity and liabilities	12 119 137	(37 765)	12 081 372

Adjustments to retained earnings	IFRS 15 adjustments R'000
Retained earnings as at 1 June 2018	(9 717)
Profit for the year attributable to equity holders of the parent	35 835
Retained earnings as at 31 May 2019	26 118

IFRS 9 *FINANCIAL INSTRUMENTS*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

Classification and measurement of financial assets

The adoption of IFRS 9 has not had a material impact on the Group's accounting policies related to the classification and measurement of financial assets, financial liabilities and derivative financial instruments. The following table demonstrates the measurement category of financial instruments under IAS 39 and IFRS 9:

	IAS 39	IFRS 9
Trade and other receivables*	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Loans to associates and joint ventures	Loans and receivables	Amortised cost
Loans receivable	Loans and receivables	Amortised cost
Advances to customers	Loans and receivables	Amortised cost
Financial assets at fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss
Interest-bearing borrowings	Amortised cost	Amortised cost
Non-interest-bearing borrowings	Amortised cost	Amortised cost
Trade and other payables*	Amortised cost	Amortised cost
Put option liability	Fair value through profit and loss	Fair value through profit and loss
Contingent consideration	Amortised cost	Amortised cost
Financial guarantee contracts	Not applicable	Amortised cost
Bank overdraft	Amortised cost	Amortised cost
Financial liabilities at fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group has four types of financial assets that are subject to the new ECL model:

- trade receivables
- loans receivable and loans to associates and joint ventures
- guarantees, and
- cash and cash equivalents (immaterial impairment loss identified)

Change in accounting policy continued

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings is disclosed below.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward looking information to determine the ECL for the portfolio of trade receivables at the reporting period.

Loans receivable, loans to associates and joint ventures, and guarantees

The Group applies the IFRS 9 general approach to measuring expected credit losses which uses a 12-month expected loss allowance for all loans receivables, loans to associates and joint ventures, and guarantees individually. ECLs are calculated by applying a loss ratio to the balance of each loan and guarantee at each reporting date. The loss ratio for loans is calculated according to the ageing/payment profile of loans by applying historic write-offs to the payment profile of the loan population. The loss ratio for guarantees is calculated according to the past history of drawdowns on the financial guarantee contract population. The historic loss ratio is then adjusted for forward looking information to determine the ECL for each loan and guarantee at the reporting period to the extent that there is a strong correlation between the forward looking information and the ECL. To calculate an ECL, management allocates a risk rating to each loan and guarantee. The risk rating is assigned an average cumulative default rate, based on management assessing market related default rates for emerging markets. This rate is added to the historical loss ratio to determine the ECL of the relevant loan or guarantee.

Critical accounting judgements and assumptions

The ECL for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the input to the impairment calculation, based on the Group's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

IFRS 9 transition

The Group has applied IFRS 9 *Financial Instruments* using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 9 as an adjustment to the opening balance of equity at 1 June 2018. Therefore the comparative information on the summarised Group statement of financial position and summarised Group statement of comprehensive income has not been restated for the adoption of these new standards and continues to be reported under the previously applied standards.

In accordance with the requirements of applying the modified retrospective approach under IFRS 9, the Group statement of financial position as at 31 May 2018 has been presented below with the changes in the carrying amounts on 1 June 2018 arising from the change in measurement attribute on transition to IFRS 9.

Group statement of financial position

As at 31 May 2019

	Restated* 31 May 2018 R'000	IFRS 9 adjustments R'000	1 June 2018 R'000
ASSETS			
Non-current assets	**9 412 758**	(35 846)	**9 376 912**
Property, plant and equipment	137 120	–	137 120
Intangible assets	1 076 871	–	1 076 871
Goodwill	1 036 243	–	1 036 243
Investments in and loans to associates and joint ventures	6 684 585	(45 283)	6 639 302
Investments in and loans to venture capital associates and joint ventures	–	–	–
Loans receivable	53 270	–	53 270
Starter pack assets	–	–	–
Trade and other receivables	22 757	–	22 757
Advances to customers	356 689	–	356 689
Deferred taxation assets	45 223	9 437	54 660
Current assets	**8 526 636**	(42 450)	**8 484 186**
Starter pack assets	–	–	–
Loans to associate	1 029 626	–	1 029 626
Inventories	597 946	–	597 946
Loans receivable	207 799	(8 328)	199 471
Trade and other receivables	4 292 970	(32 876)	4 260 094
Advances to customers	1 238 321	(1 246)	1 237 075
Financial asset at fair value through profit and loss	168 144	–	168 144
Current tax assets	43 942	–	43 942
Cash and cash equivalents	947 888	–	947 888
Total assets	**17 939 394**	(78 296)	**17 861 098**
EQUITY AND LIABILITIES			
Capital and reserves	**9 515 085**	(97 325)	**9 417 760**
Issued share capital and premium	7 844 847	–	7 844 847
Other reserves	(2 814 202)	–	(2 814 202)
Retained earnings	4 327 523	(95 888)	4 231 635
Total ordinary shareholders' equity	9 358 168	(95 888)	9 262 280
Non-controlling interest	156 917	(1 437)	155 480
Non-current liabilities	**1 743 240**	–	**1 743 240**
Deferred taxation liabilities	229 100	–	229 100
Borrowings	1 514 140	–	1 514 140
Current liabilities	**6 681 069**	19 029	**6 700 098**
Trade and other payables	4 990 798	19 029	5 009 827
Financial guarantee contracts	–	–	–
Provisions	39 628	–	39 628
Financial liabilities at fair value through profit and loss	143 307	–	143 307
Current tax liabilities	50 368	–	50 368
Borrowings	1 456 968	–	1 456 968
Bank overdraft	–	–	–
Total equity and liabilities	**17 939 394**	(78 296)	**17 861 098**

** As a result of the prior year errors the Group has restated their comparative financial information. Refer to the prior year errors note.*

Prior year errors

VENTURE CAPITAL ACCOUNTING TO EQUITY ACCOUNTING

As from 30 November 2016, the Group applied the exemption available in IAS 28 – *Investments in Associates and Joint Ventures* to account for the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius as venture capital investments. Therefore, the investment was 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. Any changes in the fair value would have been recognised in the Group income statement.

This accounting treatment was highly judgemental therefore the Group included detailed disclosure on the critical judgement it had applied.

In June 2018, the Group received notification from the JSE proactive monitoring panel stating that they did not agree with the exemption we had applied in IAS 28. This resulted in a protracted engagement with the JSE to determine the appropriate accounting treatment. After lengthy discussions with the JSE, including the JSE consulting with the Financial Reporting Investigation Panel, the JSE concluded that the Group should not have applied venture capital accounting.

The Group has therefore agreed to not apply the exemption available under IAS 28 – *Investments in Associates and Joint Ventures* to the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings and now account for these associates and joint venture using equity accounting principles.

REVENUE – PRINCIPAL VERSUS AGENT

The Group earns subscription revenue through the provision of content, products and services to customers. During the current year it was determined that certain contracts of this nature that had been accounted for as principal in the prior period should in fact be accounted for as agent. The effect of this error is an equal decrease in revenue and changes in inventories of finished goods. There is no effect on operating profit or net profit after tax.

PUT OPTION LIABILITY CLASSIFICATION

The Airvantage Proprietary Limited put option is carried at fair value through profit and loss. In the prior year this was incorrectly classified as trade and other payables. Whilst the measurement and disclosures complied with IFRS 7 and IAS 39, the classification on the face of the Group statement of financial position was incorrect. This has been rectified in the current year and is now correctly included in the line item "Financial liabilities at fair value through profit and loss". There is no effect on the Group income statement. The amount reclassified is R98 million.

These errors have been corrected by restating each of the affected financial statement line items in the prior periods as follows:

Effect on Group statement of financial position (extract)	31 May 2018 (as previously reported) R'000	31 May 2018 (restated) R'000	Difference R'000	31 May 2017 (as previously reported) R'000	1 June 2017 (restated) R'000	Difference R'000
Investment in and loans to associates and joint ventures	6 398 305	6 684 584	286 279	315 833	731 788	415 955
Investment in and loans to venture capital associates and joint ventures	277 835	–	(277 835)	544 165	–	(544 165)
Effect on assets			8 444			(128 210)
Retained earnings	4 283 854	4 327 523	43 669	3 640 034	3 555 242	(84 792)
Foreign currency translation reserve	76 841	41 615	(35 226)	99 215	55 797	(43 418)
Effect on reserves			8 443			(128 210)
Non-current trade and other payables	2 550	–	2 500	–	–	–
Current trade and other payables	5 086 196	4 990 799	95 397	–	–	–
Financial liabilities at fair value through profit and loss	45 360	143 307	97 947	–	–	–
Effect on liabilities			–			–
Effect on Group income statement (extract)						
Revenue	26 800 265	26 734 249	(66 016)			
Changes in inventories of finished goods	(24 441 772)	(24 375 756)	66 016			
(Loss)/gain on associates measured at fair value	(173 645)	–	173 645	160 200	–	(160 200)
Share of gains/(losses) from associates and joint ventures	565 812	520 628	(45 184)	(164 941)	(89 533)	75 408
Net profit for the year attributable to equity holders of the parent	993 624	1 122 085	128 461	781 254	696 462	(84 792)
EPS	116.12	131.13	15.01	114.13	101.75	(12.38)
Diluted EPS	108.10	123.03	14.93	113.17	100.89	(12.28)
HEPS	115.42	130.44	15.02	114.19	101.80	(12.39)
Diluted HEPS	107.41	122.34	14.93	113.22	100.94	(12.28)
Core HEPS	120.61	135.62	15.01	116.24	103.85	(12.39)

Impairment assessment of goodwill and investments in associates

For the year ended 31 May 2019, management performed an impairment assessment over the goodwill and investment balances as follows:

- assessing the recoverable amount as being value-in-use, as entities are held-for-trading and not for sale;
- calculating the value-in-use for each cash-generating unit (CGU) using a discounted cash flow model; and
- performing a sensitivity analysis over the value-in-use calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC, i.e. discount rate) to assess the impact on the valuations.

KEY ASSUMPTIONS APPLIED TO VALUE-IN-USE CALCULATIONS

	2019		2018	
	Terminal growth rate %	Discount rate %	Terminal growth rate %	Discount rate %
Cell C Limited	**5.0**	**16.6**	–	–
Supa Pesa	**3.0**	**18.1**	4.0	19.5
Blue Label Connect Proprietary Limited	**4.2**	**22.7**	4.2	18.7
Via Media Proprietary Limited	**4.2**	**29.0**	4.0	19.2

The discount rates used are pre-tax and reflect specific risks relating to the relevant associates and companies. The growth rate is used to extrapolate cash flows beyond the budget period. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the companies/cash-generating units operate. The discount rates used for the prior year were adjusted to reflect the Group's target debt:equity ratio. This did not give rise to any impairments in the prior period.

Where relevant, other valuation methodologies were applied. These will be explained in the applicable paragraphs pertaining to those assessments.

Based on the above impairment assessments, as well as management judgement, the following impairments were applied:

Impairment of goodwill

Via Media goodwill impairment of R74 million

Via Media's performance has been negatively impacted as a result of a sector-wide decline in the B2C (direct to consumer) WASP industry. Previously this was significantly offset by growth in its Enterprise division. However, over the past six months, the latter division has flat-lined which, together with the continued decline in the B2C channel, has caused a negative impact on operating profits with marginal growth expectations going forward.

Blue Label Connect goodwill impairment of R50 million

Blue Label Connect's performance has been negatively impacted as a result of challenging economic conditions that have affected one of its major clients. Furthermore, margin compression resulting from reduced incentives from the networks, as well as an increase in product costs, has resulted in an impairment to goodwill.

Impairment of investments

Supa Pesa investment impairment of R30 million

A decline in revenue, primarily attributable to legislative changes and loss in clientele, has resulted in the impairment.

Oxigen, Oxigen Online and 2DFine investments impairment to Rnil

For the year ended 31 May 2019, management utilised an independent third-party valuation specialist to calculate the fair value less cost of disposal. The fair value less cost of disposal is calculated by utilising relevant information generated by similar market transactions that have been concluded by comparable businesses. The assumptions and inputs used in calculating the fair value less cost to sell are regarded as level 3 fair value estimates.

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.

Impairment assessment of goodwill and investments in associates continued

Based on the fair value less cost of disposal, combined with the corporate transaction, referred to in the 30 November 2018 interim results, that did not materialise, and the resultant lack of funding, management concluded that an impairment of its full investment of R118 million in the Oxigen Group was required. The full value of loans to Oxigen Services India of R31 million and 2DFine Holdings Mauritius of R101 million, net of a surety asset raised, were also impaired. In addition, the Group has accounted for a R103 million liability relating to financial guarantee contracts.

Cell C Limited investment impairment to Rnil

On 2 August 2017, Blue Label, through its wholly owned subsidiary, The Prepaid Company, acquired 45% of the issued share capital of Cell C for a purchase consideration of R5.5 billion.

For the year ended 31 May 2019, management appointed an independent third-party valuation specialist to determine the value-in-use based on cash flow projections incorporated in the five-year Cell C business plan. They applied assumptions relating to the business, the industry and economic growth. Cash flows beyond this point were then extrapolated, applying terminal growth rates that did not exceed the expected long-term economic growth rate.

TPC's share of the value-in-use as at 30 November 2018 amounted to R6.04 billion. The valuation declined to a nil value at 31 May 2019. This was primarily attributable to:

(a) A significant downward revision of the mobile subscriber base. The valuation at November 2018 was based on the assumption the CAGR forecast would average 9.3% per annum over a five-year period. In May 2019 the CAGR forecast was revised to an average of 4.6% per annum. This resulted in an originally expected 23.4 million subscribers after five years declining to a revised expectation of 17.9 million.
  - Cell C previously anticipating gaining approximately 6% additional market share by accessing new territories. Instead, Cell C's market share declined by approximately 2% from 16% at November 2018 to 14% at May 2019. This was in line with re-evaluating the inactive subscriber base and a loss of customers to competitors.
  - A deteriorating South African economy since November 2018, with an initial GDP forecast of 1.9% for the calendar year ended 2019 to a revised forecast contraction of 0.2%. Accordingly, the forecast GDP was adjusted downwards each year for the following four years. In addition, Business Monitor Intelligence revised their mobile subscriber growth in April 2019 from a CAGR of 2.2% for the period FY18 to FY23 to 1.8%.
  - Year to date trading being below budget.

(b) A substantial decline in forecast other revenue. This is largely due to a significant decline in equipment, Mobile Virtual Network Operator and Business Service Provider revenues over the five-year period in comparison to the initial forecast. Cell C had previously forecast gaining market share from its competitors. This did not materialise.

(c) Lower taxation benefit relating to depreciation as a result of a revised forecast reduction in capital expenditure.

In determining the revised valuation, cognisance was taken into account of positive cash flow generation from:

(a) A decline in forecast direct expenditure on handset, SIM costs, ongoing commissions and discounts due to lower subscriber growth.
(b) A reduction in forecast payroll costs.
(c) A decline in capital expenditure due to cash flow constraints and lower subscriber base forecast.
(d) A decrease in cash lease payments as a result of less network towers required due to the lower forecast of the subscriber base.

The impact of the transactions in progress relating to a national roaming agreement and the recapitalisation of Cell C were not in effect as at 31 May 2019 and as such have not been accounted for in the valuation at that date.

Cell C concluded the national roaming agreement on 7 August 2019. This agreement is anticipated to positively impact the cost base and future cash flows on the successful implementation of this transaction. Furthermore, the debt within Cell C will require a capital restructure. These ongoing matters cast significant doubt over Cell C's ability to continue as a going concern should they not materialise.

For purposes of the Group's annual financial statements, Cell C has been accounted for using the going concern assumption. The Group's share of Cell C's losses has been recognised in "equity losses through the share of (losses)/gains from associates and joint ventures" in the Group summarised income statement. An impairment assessment was performed on the Group's investment in Cell C which resulted in an impairment being recognised. This is included in the "impairments on associates and joint venture" in the Group summarised income statement. The result of this impairment is that the investment in Cell C is now carried at a nil valuation as at 31 May 2019.

The Group's remaining exposure to Cell C is as follows:

	2019 R'000	2018 R'000
Investment in associate	–	6 095 459
Trade receivables*	1 352 718	1 028 184
Loans receivable	–	1 029 626
Financial assets at fair value through profit or loss – bond notes	–	167 519
Trade payables	(1 212 392)	(1 573 472)
Financial liabilities at fair value through profit or loss	(301 716)	(45 360)

** Prior year amount has been adjusted as advances to customers are not regarded as advances to Cell C. They are advances to Cell C's end user.*

Financial guarantee in respect of Cell C's facility

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 is required to purchase such inventory from the consortium on a piecemeal basis over a specified period that has been agreed upon. These purchases would be made in lieu of purchases that would have been made from Cell C within that period.

As at 31 May 2019, the above funding declined from R1.4 billion to R1.25 billion as a result of BLT purchasing from the security airtime. At this stage, the financial institutions have agreed to extend the repayment date to 30 November 2019. If Cell C is unable to meet this commitment by that date, and no further extension is granted, BLT will be required to purchase R100 millions of security airtime in November 2019 and R300 million per month in December 2019, January 2020 and February 2020 respectively.

It is the intention of TPC to accelerate payments to the banking consortium in order to distribute the vault stock in full by January 2020 if there is risk/indication that Cell C will not be able to meet its obligations to the banking consortium by 30 November 2019.

The fair value of the financial guarantee issued in respect of Cell C's facility was valued to be insignificant taking into account the inventory held as collateral.

Management has performed detailed assessments considering seasonality of trading and has determined that, based on current inventory holdings and anticipated sales cycles, should circumstances dictate the need to purchase the abovementioned inventory from the consortium, acceleration of such payments could well result in the debt being expunged by mid-January through its trading capabilities in the ordinary course of business at normal operating margins.

Critical accounting judgements and assumptions

Financial guarantee

As explained above under the heading "financial guarantee in respect of Cell C's facility", Cell C procured R1.4 billion of funding and utilised a portion of this funding to repay the R1.029 billion loan. Since the Group was a party to this new funding agreement, the Group considered whether it met the derecognition requirements of IFRS 9 for the loan receivable from Cell C. Specifically, the Group considered whether the loan receivable was extinguished and replaced with a new financial instrument, or whether this represented the continuation of the Group's loan receivable to Cell C. The Group applied its judgement, and concluded that the R1.4 billion of funding represented a new financial instrument and therefore derecognised the loan receivable from Cell C. The qualitative factors that the Group considered in making this judgement included the fact that the original term of the loan receivable had come to an end and the new funding was for a different period of time compared to the initial term, an increase in the amount of the borrowing, a change in the interest rate from variable to fixed and changes to the repayment schedule from a bullet repayment schedule to an amortising repayment schedule.

Management is of the view that the purchasing of such inventory will not result in an onerous contract as this inventory is capable of being realised in the ordinary course of business without any negative impact being incurred by TPC.

Subsequent events

SUBSEQUENT EVENTS

Disposals

The Blue Label Group has consistently generated positive cash flows from its trading operations since its listing. These funds have been applied to dividend distributions, share buy-backs and investing activities, at all times ensuring sufficient surplus funds to facilitate working capital requirements. Over the past two years significant investments were made, necessitating an increase in interest-bearing debt in order to ensure that working capital requirements remained intact. Accordingly, the Board of Directors have made a decision to deleverage the business in order to ensure a more robust and liquid balance sheet going forward. This deleveraging will be achieved through the disposal of certain assets, as reflected in subsequent events below, the proceeds of which will amount to approximately R1.07 billion. The disposal thereof will not have a negative impact on the extensive distribution network that Blue Label has established and will not inhibit its distribution capabilities nor on its strategic objectives going forward. These funds will be applied to reduce current interest-bearing debt.

Blue Label Mobile restructure and disposal

On 3 June 2019, BLT restructured its holdings in Cellfind Proprietary Limited (Cellfind), Via Media Proprietary Limited (Via Media), Airvantage Proprietary Limited (Airvantage) and AV Technology Limited (AV Technology). Prior to the restructure, BLT owned 100% of Cellfind, 60% of Airvantage SA, 60% of AV Technology and 75% of Via Media. Malik Investments Holdings Proprietary Limited (Malik), a non-Group company, owned 25% of Via Media. In terms of the restructure, BLT exchanged its shares in Cellfind, Via Media, Airvantage and AV Technology for 89.51% of the shares in a new entity called Blue Label Mobile Group Proprietary Limited (BLM). Malik thereafter exchanged its 25% shareholding in Via Media for 10.49% in BLM. Following this, Malik subscribed for a further 4.51% in BLM for R34 million, increasing its shareholding in BLM to 15% with BLT owning the remaining 85%. BLT retains all of the existing rights and obligations with respect to the remaining put and/or call options on 40% of the shares in Airvantage and AV Technology.

Subsequent to the restructure, BLT assigned its rights and obligations to acquire 50% of Hyve Mobile Proprietary Limited (Hyve) to BLM. The first tranche of payment due to the shareholders of Hyve was for R80 million, of which R47 million plus interest of R1.3 million has been paid. On payment of the balance of R33 million, BLM's 50% holding in Hyve will become effective. Thereafter, three additional tranches totalling an estimated R90.4 million will be payable over a three-year period based on performance targets. BLM has a call option to acquire a further 25% of Hyve, exercisable up until 30 September 2021, for an estimated purchase consideration of R85.2 million.

Post-year-end, BLT entered into an agreement to dispose of its 85% shareholding in BLM as well as its 51% shareholdings in Simigenix Proprietary Limited (Simigenix) and Panacea Proprietary Limited (Panacea), to DNI 4PL Contracts Proprietary Limited (DNI), for a purchase consideration of R450 million, inclusive of loan claims, plus the amounts which BLM has disbursed towards the acquisition of 50% of Hyve as at the transaction closing date. The purchase price will be as follows:

- R350 million plus the amounts BLT has disbursed for the acquisition of 50% of Hyve as at the transaction closing date; and
- R100 million, bearing interest at prime overdraft rates plus 2% per annum compounded on a monthly basis, deferred until the solvency and liquidity status of Cell C is proven.

The above proceeds received will be applied to reduce interest-bearing debt.

Post disposal of BLM, BLT will continue to assume the obligation with respect to the put and/or call options on 40% of the shares in Airvantage and AV Technology, until such time as the liquidity and solvency status of Cell C is proven. At that stage the obligation in respect of the put and/or call options will revert back to BLM. The put and/or call options cannot be exercised prior to the finalisation of the 31 May 2020 financial results of both entities.

Should BLT be obligated to meet the commitment relating to the put option, and the liquidity and solvency is never proven thereafter, then the R100 million deferred purchase price and the interest accrued thereon will be forfeited by BLT, but in lieu thereof, BLM will transfer an additional 24% of the issued share capital of Airvantage and AV Technologies to BLT, resulting in BLT ownership of these entities amounting to 64%.

Should BLT be obligated to meet the commitment relating to the put option, and the liquidity and solvency of Cell C is proven thereafter, then the R100 million deferred purchase price and the interest accrued thereon will be payable to BLT plus the cost of the 40% put option shares that will be transferred to BLM.

Disposal of 3G Mobile

Post-year-end 3G Mobile Proprietary Limited (3G) will distribute its shares in Comm Equipment Company (CEC) and 3G's loan account claim against CEC to its shareholder, TPC.

The latter will thereafter dispose of 100% of the shares in 3G to DNI for a purchase consideration of R544 million. The above proceeds received will be applied to reduce interest-bearing debt.

Cell C R1.4 billion financial guarantee

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 is required to purchase such inventory from the consortium on a piecemeal basis over a specified period that has been agreed upon. These purchases would be made in lieu of purchases that would have been made from Cell C within that period.

As at 31 May 2019, the above funding declined from R1.4 billion to R1.25 billion as a result of BLT purchasing from the security airtime. At this stage, the financial institutions have agreed to extend the repayment date to 30 November 2019. If Cell C is unable to meet this commitment by that date, and no further extension is granted, BLT will be required to purchase R100 million of security airtime in November 2019 and R300 million per month in December 2019, January 2020 and February 2020.

Banking facility

In August 2019, The Prepaid Company concluded an addendum to its facilities agreement with Investec Bank Limited in terms of which the facility was increased by R150 million.

GOING CONCERN

The Board of Directors evaluated the going concern assumption as at 31 May 2019 and considered it to be appropriate in the preparation of these financial statements.

The Prepaid Company's Investec banking facilities, which would have expired on 30 September 2019, have been extended to 29 November 2019 and discussions are in progress for a further extension beyond that date.

As at the date of these financial statements, the renegotiation of these facilities had not yet been completed, and although the directors are of the opinion that the facilities would be extended beyond November 2019, material uncertainty exists should these facilities not be extended. In this event, certain liabilities within the group would not be settled in the normal course of business.

The directors are confident that the successful completion of the transactions, as detailed in the subsequent events above, will result in a significant reduction in interest-bearing debt and in turn the strengthening of the Group's balance sheet.

Basis of preparation

The summarised Group 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 the summarised Group 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 audited summarised Group financial statements are in terms of IFRS and are consistent with those applied in the previous audited Group annual financial statements as at 31 May 2018, except for the change in accounting policy stated. The Group has adopted all new and amended accounting pronouncements issued by the IASB that are effective for financial years commencing 1 June 2018. Refer to the change in accounting policy note.

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 audited 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)

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.

- **Nomination Committee** (Chair)

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 developing the Group's strategy and commercial negotiations. 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.

- **Social, Ethics and Transformation Committee**
- **Investment Committee**

MARK LEVY

JOINT CHIEF EXECUTIVE OFFICER

BORN: 1971

BCompt (Unisa)

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 the execution of Blue Label's growth strategy, integration of acquisitions and development of the IT architecture. His leadership stature is frequently recognised. Together with his brother Brett, Mark received the Absa Bank 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.

- **Investment Committee**

DEAN SUNTUP

FINANCIAL DIRECTOR

BORN: 1977

BCom (Wits), Hons (Unisa), CA(SA)

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.

- **Investment Committee**
- **Social, Ethics and Transformation Committee** (alternate to Brett Levy)

GARY HARLOW

INDEPENDENT NON-EXECUTIVE DIRECTOR

BORN: 1957

BBusSci (Hons) (UCT), FCMA, CGMA, CA(SA)

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 the boards of Imbalie Beauty Limited and Newpark Reit Limited.

Gary joined the Board on 5 October 2007 and is also chairman and/or director of various Group subsidiaries.

- **Investment Committee** (Chair)
- **Remuneration Committee** (Chair)
- **Nomination Committee**
- **Audit, Risk and Compliance Committee**
- **Social, Ethics and Transformation Committee**

KEVIN ELLERINE

NON-EXECUTIVE DIRECTOR

BORN: 1968

National Diploma in Company Administration

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.

- **Investment Committee**
- **Social, Ethics and Transformation Committee**

JERRY VILAKAZI

INDEPENDENT NON-EXECUTIVE DIRECTOR

BORN: 1961

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

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.

- **Social, Ethics and Transformation Committee** (Chair)
- **Audit, Risk and Compliance Committee**

JOE MTHIMUNYE

INDEPENDENT NON-EXECUTIVE DIRECTOR

BORN: 1965

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

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.

- **Audit, Risk and Compliance Committee** (Chair)
- **Remuneration Committee**
- **Nomination Committee**
- **Investment Committee**

Remuneration report

DEAR SHAREHOLDERS

It has been a busy year for the Remuneration Committee. We have engaged actively with institutional shareholders to address concerns expressed with our policy. Our aim is to fortify relationships with our shareholders through aligning interests which is achieved through honest dialogue and an understanding of our remuneration practices and how they will be applied within the organisation.

Working with our Human Capital team we have engaged external advice and support to address these concerns and bring our policy closer to best practice of fair and responsible remuneration aligned to shareholder interests and value creation. In the revision of our policy we have partnered with business to ensure that the policy is fit for purpose and is aligned to the operational strategy and the talent requirements of Blue Label.

In choosing which financial metrics to use in STIs and LTIs, we have benchmarked against our peers, considered best practice, and more importantly incorporated the specific business goals of Blue Label. It is important to ensure consistency and a meaningful analysis of performance.

When considering an appropriate peer group, we gave consideration to the industry sector, the size of comparator companies, the complexity of the business, the extent of international operations and talent considerations (companies from which individuals might be recruited or to where individuals might be lost). We aimed to choose a peer group that is robust and would allow for a fair reflection of our performance over a period of time, which allows a fair unencumbered measure of performance in returning value to shareholders in comparison to alternative investments shareholders could have made.

This report has been drafted in accordance with the requirements of King IV. We have divided the report into three sections:

- Background statement regarding committee considerations and decisions
- Our remuneration philosophy, policy and framework
- Implementation and remuneration disclosure of the prescribed officers (joint CEOs and CFO) and Non-Executive Directors (NED).

Section 1 provides an overview of how the Remuneration Committee has championed our alignment to King IV's Code on Corporate Governance and how we have aimed to address institutional shareholder concerns with changes to our policy. Section 2 summarises our revised remuneration philosophy and policy, together with an overview of our revised total rewards strategy that will be a key focus area for Blue Label in FY20. The full policy can be accessed at **https://www.bluelabeltelecoms.co.za/sus-remuneration-policy.php**. Finally, Section 3 provides an overview of FY19 performance and discloses payments made to Executive Directors during the year in terms of performance against targets, as well as the fees paid to Non-Executive Directors.

Looking forward to FY20, we will implement and anchor our new reward philosophy and policy across the Group. We will continue to champion the pay for performance principle and ensure that the revised policy is aligned to our business strategy and growth agenda and deliver total shareholder returns. The Human Capital team will continue to expand our total reward philosophy, in line with our broader employee value proposition #HappinessisBlu. We trust that our holistic and considered approach will enable us to align our talent to shareholder interests, while differentiating us within the marketplace and enabling us to attract and retain talent.

We invite you to give us your views on our revised policy and its implementation looking forward. We would like to thank everyone who engaged with us through the year and provided valuable input and who have ultimately enabled us to align further to all of our stakeholder requirements. We are mindful that during the year under review, the Group performance and resulting impact on our share price, has been hugely disappointing. The Executive Directors have consequently waived any entitlements to STI bonuses for this financial year. We acknowledge that we are on a journey of moving Blue Label closer to best practice and remain committed to this.

GD Harlow
Chairman of the Remuneration Committee

SECTION 1

Background statement regarding committee considerations and decisions

The Blue Label board and Remuneration committee endeavour to apply the King IV principles regarding responsible and transparent remuneration practices. During the year, the Remuneration Committee have actively engaged with the Board, Deloitte, KPMG, Korn Ferry and various shareholders, to comprehensively review our remuneration strategy and supporting policy. We are confident that the new remuneration policy will align shareholder and management objectives while also providing for employee attraction and retention.

The review was undertaken to:

- Address institutional shareholders feedback and concerns,
- Enable Blue Label to compete within an increasingly competitive talent market, through bringing us closer to best practice fair and transparent remuneration practices;
- Enable us to attract and retain key capabilities and talent required to deliver our growth strategy;
- Align employee performance and value-creating behaviours to our strategy and delivering shareholder returns.

We engaged with the various stakeholders during and after the implementation of the changes. At the end of the engagements, key decisions were taken to review how we positioned ourselves to comparator groups within the South African general market and identified peers to make changes to our short-term and long-term incentives. Our revised remuneration philosophy and policy, demonstrates our desire to move us closer to best practice and maintain our competitiveness within the market.

Bringing us closer to best practice fair and transparent remuneration practices:

King IV™ guides organisations to apply remuneration practices which are fair, responsible and transparent. The Committee has engaged with shareholders and external advisers to bring us closer to best practice.

In summary the following amendments have been made to our remuneration practices:

- created a new total reward philosophy for Blue Label Telecoms;
- revised our remuneration philosophy and policy and engaged consistently with key stakeholders though the process;
- in revising the policy we:
  - aim to achieve a more favourable split between fixed and variable pay over time, taking us closer to a 35% fixed and 65% variable split;
  - are positioning our fixed pay at market median as opposed to the upper quartile;
  - will upweight variable pay and pay for performance;
  - have revised our targets for our STIP and LTIP and removed the outperformance bonus from our policy;
  - have introduced a new malus and clawback clause; and
  - have introduced special short-term incentives to enable us to attract and retain critical skills which are key to our strategy.

Further details can be found in Section 2 of the report and the full Remuneration Policy which can be accessed here **https://www.bluelabeltelecoms.co.za/sus-remuneration-policy.php**.

Attracting and retaining key capabilities and talent required to deliver our growth strategy:

In FY18 we saw an increase in staff turnover within Blue Label, particularly within our IT division. As with other organisations, we have had to compete for key skills and high potential talent within an environment where the demand and supply forces of certain skills resulted in management offering remuneration that was on occasion higher than the average remuneration offered to current employees. We have responded in a holistic approach through reviewing our Blue Label talent strategy, talent management practices, and standardising our grading and remuneration practices across the Group.

In FY19 we have:

- updated our talent strategy and implemented new talent management processes;
- engaged Deloitte, the Korn Ferry Hay Group and KPMG to understand what our strengths are as an organisation and where we could improve our remuneration practices;
- revised our total reward framework to create a compelling and competitive employee value proposition that speaks to all employee generations and life cycles, thereby aiming to increase engagement and maintain our high-performance Blue Label culture;
- reviewed our grading and embarked on systematically aligning the organisation across all entities to Hay grades and the newly defined Blue Label bands through updating job descriptions;
- completed a benchmarking process to review our internal pay scales, align the organisation and have begun to consistently apply them to all new appointments;
- been guided by our internal pay scales, when drafting offers for new appointments, and aim to offer packages targeted at the market median, taking into consideration individual criteria, such as availability of skill within the market, employee experience, qualifications, leadership skills and technical competencies;

- conducted an equal pay for equal work assessment, with regard to gender and race, to understand our pay practices across the Group and found that no bias exists within our business based on race and gender, where there is equal representation. The bigger issue that needs to be addressed is female representation and equity representation in Senior Management and Top Management; and
- begun to address pay inequity across various bands and roles where job content has expanded through our growth strategy.

As demonstrated we have responded in a holistic approach to compete effectively through a total reward philosophy that is fair and transparent and that aims to engage the hearts, hands and minds of our talent.

Aligning employee performance and value-creating behaviours to our strategy and delivering shareholder returns:

In consultation with our institutional shareholders and taking cognisance of our strategy, we have revised our metrics to align employee performance to value-creating behaviours and shareholder returns. In consultation with our Remuneration Committee, Social and Ethics Committee and Group Risk Management Committee, we have revised our metrics to:

- reward delivery of NPAT for Senior Management;
- retain core HEPS growth for Senior Management at Group level and Executive Directors as a key metric;
- introduce EBITDA for Senior Management at Group level and Executive Directors;
- introduce return on capital employed as a new key metric to ensure an appropriate capital allocation policy is implemented and delivered against; and
- introduce TSR (total shareholder return) targets for our LTIP scheme.

In addition we:

- removed the retention element of our LTIP and replaced it with an ESG performance scorecard, further aligning us to King IV;
- introduced minimum holding requirements for Executive Directors; and
- introduced malus and clawback provisions.

The revised policy and metrics are effective for FY20.

Additional decisions taken in FY19:

- Updated the Remuneration and Nomination Committee Terms of Reference.
- Updated the Remuneration Policy.
- Set performance conditions for short and long-term incentives for FY19 for Executive Directors.
- Approved increases and adjustments for executives, Senior Management and employees.
- Evaluated the LTIP vesting conditions for the 2015 scheme and approved final vesting ratios.

Specifically, addressing institutional shareholder concerns:

Following the results of the non-binding advisory vote on the 2018 remuneration policy, we encouraged and received feedback from various institutional shareholders through the year regarding our policy and the implementation thereof. Specifically, the Chairman of the Remuneration Committee conducted both written and face-to-face meetings with Sanlam, Old Mutual, Allan Gray and Aeon. Engagement with these institutional shareholders allowed us to distil key areas of concern. We have taken steps to address them in a pragmatic and affordable manner and incorporated the required changes in the new remuneration policy. We summarise:

Key themes	Assessment and recommendations by certain shareholders	Amendments to the Blue Label Telecoms remuneration policy
Fixed annual remuneration (FAR) in proportion to total remuneration is too high for Executive Directors of BLT.	**ASSESSMENT** The split between FAR and performance variable remuneration (Short-term Incentives (STIs) and Long-term Incentives (LTIs)) is skewed towards the Short-term Incentive plan (STIP) and FAR because target pay-outs for the Long-term Incentive plan (LTIP) are too low. Our CFO's total on-target single figure remuneration is below the market median, with fixed pay only marginally above the median. The joint CEOs total on-target single figure remuneration is at the market median, with FAR at the upper quartile. Total remuneration is skewed towards the STIP and FAR. In addition, the benchmarking process was skewed by the dramatic fall in the market capitalisation of BLT without taking into consideration that the CEOs also play a significant role in driving the recapitalisation and new strategy of Cell C. The Executive Directors do not earn any Non-Executive Director fees from Cell C.	We aim to leverage our remuneration policy to attract and retain competent executives and talent into Blue Label, reward them fairly in a way that is consistent with their performance, and align the incentives for these executives with the best interests of shareholders. We have a unique business in that our CEOs are founding members of the organisation and are significant shareholders. This ties them to the long-term success of the company. Further increasing the cap within the LTIP to provide for slightly more shares will not significantly alter their motivation or drive performance. However, while they are in our employment, we will ensure that we incentivise and reward them to deliver against the interests of our institutional shareholders.

Key themes	Assessment and recommendations by certain shareholders	Amendments to the Blue Label Telecoms remuneration policy
Fixed annual remuneration (FAR) in proportion to total remuneration is too high for Executive Directors of BLT (continued).	**RECOMMENDATIONS** ▶ For our CEOs, the current overall on-target single figure total remuneration should remain the focus and Remco can be comfortable that this is in line with the median. Should the founding CEOs leave the company, then BLT should align the pay mix with market practice, resize the job and pay mix with a more traditional view and mix across fixed pay and variable pay. ▶ Adjust the overall remuneration by paying at the market median for fixed pay and increase cap on STIP and LTIP to bring BLT closer to aligning pay mix and on-target single figure remuneration.	The following amendments have been made: ▶ The outperformance bonus has been removed and we adjusted caps on STIs and LTIs to improve the pay mix and bring us closer to best practice. ▶ Pay mix has been reviewed and adjusted for Executive Directors increasing variable pay proportion and adjusting the mix between STIPs and LTIPs. Joint CEOs: ▶ STIP on-target payout has been reduced from 120% to 100% of FAR. A maximum payout of 150% has been introduced. ▶ LTIP on-target share allocation has been increased from 35% to 50% of FAR. A maximum share allocation of 70% has been introduced. CFO: ▶ STIP on-target payout remains at 70% of FAR. A maximum payout of 100% has been introduced. ▶ LTIP on-target share allocation has been increased from 35% to 50% of FAR. A maximum share allocation of 70% has been introduced. Senior management: ▶ STIP on-target payout remains at 50% of FAR. A maximum payout of 75% has been introduced. ▶ LTIP on-target share allocation has been increased from 18% to 25% of FAR. A maximum share allocation of 35% has been introduced.

<table>
<tr><th>Key themes</th><th>Assessment and recommendations by certain shareholders</th><th>Amendments to the Blue Label Telecoms remuneration policy</th></tr>
<tr><td>Retention shares are being paid to Executive Directors with no performance conditions.</td><td>ASSESSMENT
Retention of the CEOs is key to the firm’s success and the restraint of trade payment (a concern raised by shareholders) across three years to cover a further three years after termination of their employment, addresses this.

That said, a removal of the retention element in the LTIP is warranted.

RECOMMENDATIONS
An ESG performance scorecard should replace the retention element, aligning BLT even further with King IV and removing the large retention element of pay.</td><td>The retention element within the LTIP has been replaced with an ESG performance scorecard that will be linked to our strategy and operational requirements. 20% of the LTIP will be linked to the ESG performance scorecard.

100% of the LTIP is now linked to performance measures (both financial and non-financial).</td></tr>
<tr><td>Long-term rewards should drive governance and long-term shareholder value.</td><td>RECOMMENDATIONS
▶ Remove the retention element.
▶ Use of relative TSR measure versus an absolute one.
▶ Limit duplication of metrics across STIP and LTIP.

The following metrics were suggested, all with an equal 33.3% weighting:
▶ Growth in core HEPS compared to CPI plus a premium (with varying targets and thresholds);
▶ Total shareholder return versus a selected market peer Group;
▶ ESG Performance scorecard (environmental, social, governance) that is weighted average across selected metrics.

Value awarded should be weighted average of scores attained versus target.</td><td>Blue Label remains committed to aligning our LTIP to shareholder interests through incentivising performance in line with strategic goals and long-term shareholder value. In addition, the plan will be structured to retain human capital with scarce or critical skills.

In response to our assessment we have:
▶ Removed the retention element within our LTIP and the outperformance bonus; and
▶ Increased the LTIP cap to drive and reward outperformance.

From 1 September 2019, the following metrics will apply:
▶ 30% of the allocation will be linked to cumulative growth in core HEPS compared to CPI plus a premium;
▶ 30% will be linked to total shareholder return (TSR) versus the JSE Capped All Share Index (i.e. relative outperformance is required);
▶ 20% will be linked to return on capital employed; and
▶ 20% will be linked to a predefined ESG performance scorecard (environmental, social, governance).

We chose a broad market index as opposed to a selected peer group as there are only five other listed entities in the telecommunication sector, and the Group operates in other sectors as well.</td></tr>
</table>

Key themes	Assessment and recommendations by certain shareholders	Amendments to the Blue Label Telecoms remuneration policy
Minimum shareholding requirements are not in place within the current scheme.	**RECOMMENDATION** Minimum shareholding requirements for management should be implemented.	The policy has been updated to further align management's interests directly with those of shareholders and to encourage long-term commitment to the organisation. Executive Directors and Prescribed Officers will be required to accumulate a minimum holding of share allocations from 1 September 2019. ▶ Joint CEOs will be required to accumulate two times FAR over a period of five years. Our joint CEOs own a significant part of Blue Label and we will continue to review this. ▶ The CFO will be required to accumulate one times FAR over a period of five years.
It is not clear what the malus and clawback provisions are.	**ASSESSMENT AND RECOMMENDATION** While there is a clawback policy currently in place, it does not include and detail, malus/clawback provisions as pertaining to any award in terms of the remuneration policy.	We have integrated a malus and clawback clause into the revised remuneration policy. It is designed to be preventive rather than a purely remedial or punitive measure and removes the incentive for executives to consider deliberately misstating company earnings to inflate variable pay. The clause applies to both the STIP and LTIP. The Board may act on the recommendation of the remuneration committee to adjust (malus) or recover (clawback) vested and unvested "at risk" remuneration paid or payable under the STIP and LTIP, where there is reasonable evidence that a Blue Label employee has materially contributed to, or been materially responsible for, the need for the restatement of financial results for reasons including: ▶ Personally, acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation, or which is characterised as gross misconduct. ▶ Directing an employee, contractor or adviser to act fraudulently, dishonestly or to undertake other misconduct. ▶ Breaching their material obligations to Blue Label, through error, omission or negligence. ▶ Receiving a STIP or LTIP award because of fraud, dishonesty or a breach of obligation committed by another person. ▶ Receiving a STIP or LTIP award because of an error in the calculation of a performance measure. This policy will not apply in the case of a restatement of financial results caused by a change in applicable accounting standards or interpretations thereof, provided originally approved by the Company's auditors.

Key themes	Assessment and recommendations by certain shareholders	Amendments to the Blue Label Telecoms remuneration policy
Concerns raised about the use of core HEPS as the only financial performance hurdle factor for the STIs and LTIs.	**RECOMMENDATION** Metrics chosen should drive the achievement of Blue Label's long-term objectives, as well as address any concerns highlighted by shareholders. ▸ Core HEPS should be retained given that Blue Label is an entrepreneurial growth company. It is a metric that has short and long-term applicability and that management has control over in meeting financial performance targets. ▸ Apply TSR versus peer group as a transparent metric to review relative value creation and shareholder return. ▸ ROE will ensure an appropriate capital allocation policy is implemented. ▸ Apply EBITDA as a financial metric as opposed to core HEPS.	With regard to concerns about the use of core HEPS, the only adjustment made to HEPS to determine core HEPS is the add back of the amortisation of intangible assets as a consequence of purchase price allocations in terms of IFRS 3(R), thus demonstrating the true operational performance of the BLT Group. In determining growth in core HEPS, cognisance of extraneous income and expenditure in both the comparative and current year will be taken into account by the REMCO. Applying EBITDA only as a financial metric, does not factor in the impact on earnings relating to the cost of strategic gearing, to contributions from associates and joint ventures and to depreciation and taxation. The Group is strongly focused on growth in earnings and not just at EBITDA level. The following financial measures will be applied in determining the STIP for Group head office and Executive Directors: ▸ core HEPS; and ▸ EBITDA. The following financial measure will be applied in determining the STIP at divisional level: ▸ NPAT. The following financial measures will be used within our LTIP: ▸ core HEPS; ▸ total shareholder return compared against the JSE Capped All Share Index; and ▸ return on capital employed.

VOTING AT THE 2019 ANNUAL GENERAL MEETING (AGM)

In line with the Companies Act and King IV, we will table the following resolutions for shareholders voting at the AGM:

- Advisory vote for the approval of the revised remuneration policy for implementation in FY20;
- Advisory vote for FY19 implementation report which is governed by our previous remuneration policy; and
- Binding vote on Non-Executive Directors' fees.

Remuneration report continued

Shareholder votes in favour

REMUNERATION AND REWARD POLICY

73.16% in 2018

96.32% in 2017

97.73% in 2016

REMUNERATION OF NON-EXECUTIVE DIRECTORS

98.33% in 2018

94.83% in 2017

99.96% in 2016

IMPLEMENTATION REPORT

73.28% in 2018

Shareholders are invited to engage on our new remuneration policy and this remuneration report by sending a request for engagement to the Chairman of the Remuneration Committee to investors@blts.co.za.

Remuneration committee focus areas for FY20:

The Board has mandated the Remuneration Committee to continually assess the executive remuneration market and governance frameworks. Given the current South African economic environment and Blue Label's strategy and operational performance, we anticipate the following focus areas for the year ahead:

- Monitor the implementation of the revised remuneration policy across the organisation to demonstrate our commitment to attracting and retaining critical skills and talent.
- Continue to champion the fair and responsible pay of our talent, support the transformation agenda and eliminate any unfair bias or practices.
- Monitor and assess the remuneration landscape within South Africa, particularly relative to other telcos and similarly sized organisations.
- Review of our peer group applicable to the LTIP.
- Non-Executive Director benchmarking assessment.
- Alignment of metrics to value creating behaviour and hence shareholder interests, and rewarding performance accordingly.
- Assessing who our prescribed officers should be as an outcome of our current organisational re-design.
- Attracting female black talent onto our Board of Directors for BLT.

SECTION 2

Our remuneration philosophy, policy and framework

Blue Label recognises that our talent is a critical enabler to us achieving our aspirations and strategic goals. Our remuneration policy and practices, together with our Employee Value Proposition (EVP) of #HappinessisBlu aims to differentiate us from our peers. Through our remuneration policy and employment practices, we aim to:

- create shareholder value by aligning our remuneration practices to our strategic goals;
- achieve new employment equity targets;
- align our employees' performance with shareholder interests;
- support our talent strategy through enabling Blue Label to attract, motivate and retain the very best calibre of directors and employees who have above-average industry ability and expertise;
- create an entrepreneurial, competitive, innovative and high-performance company through rewarding demanding performance goals that are consistent with our strategy and shareholder growth expectations;
- achieve our employment equity targets; and
- reinforce our desired culture through encouraging and rewarding ethical behaviour that is consistent with our values and leadership behaviours, thereby stimulating employee engagement and corporate citizenship simultaneously.

The competitive talent landscape, within which Blue Label operates, demands a differentiated reward system that is capable of competitively matching pay for results and which can be executed fairly and without bias.

To create a progressive and yet pragmatic remuneration policy, we have applied the following design principles:

- market competitiveness and affordability;
- transparency, fairness and clarity;
- performance and alignment; and
- differentiation and flexibility.

BLUE LABEL'S REWARD PRINCIPLES

– POLICY OBJECTIVES –

The Blue Label remuneration policy aligns the interests of our shareholders with our employees through:

Enabling Blue Label to attract, motivate and retain the very best calibre of directors and employees who have above-average industry ability and expertise.

Supporting an entrepreneurial, competitive, innovative and high-performance company through rewarding demanding performance goals that are consistent with our strategy and shareholder growth expectations

Supporting and reinforcing our desired culture through encouraging and rewarding ethical behavior that is consistent with our values and leadership behaviours, thereby stimulating employee engagement and corporate citizenship simultaneously

MARKET COMPETITIVENESS AND AFFORDABILITY

Blue Label's pay positioning policy will ensure that the Company is able to attract and retain superior quality talent from competing companies in the South African market. It is pragmatic and affordable and cannot be seen in isolation of our broader Employee Value Proposition.

TRANSPARENCY, FAIRNESS AND CLARITY

Our overarching goal is to have a remuneration policy and associated application which is non-discriminatory against race and gender. All employees will be clear about performance expectations and the relationship between individual delivery and pay.

PERFORMANCE AND ALIGNMENT

Our reward strategy is aligned to shareholder interests and our strategy. It will motivate and reinforce performance orientation by aligning individual employee rewards with their achievements and contribution.

DIFFERENTIATION AND FLEXIBILITY

Our reward philosophy and model is sufficiently flexible to handle all positions at Blue Label and allow for adjustments to be made in response to demands in the skills market and retention of critical skills and talent.

REMUNERATION PRINCIPLES

This policy applies to all subsidiaries, associates and joint venture companies in which the Group holds a shareholding in excess of 40%, excluding Cell C who have their own remuneration policy and committee. Furthermore, it applies uniformly in all such jurisdictions, except where it conflicts with either local statutes or regulations, in which case such statutes or regulations will apply. Where an operating jurisdiction has a more onerous regulatory or statutory framework, the local standards of governance in that jurisdiction will apply. The Remuneration Committee may approve by exception, for the policy to apply to seconded Blue Label employees.

Remuneration report continued

At Blue Label we subscribe to a total reward philosophy. Fixed remuneration includes cash and benefits. When combined with incentive payments and awards and other non-quantifiable elements, they make up the Blue Label Total Rewards Plan.

The components of the Blue Label employee remuneration and reward plans are:
- fixed annual remuneration (FAR);
- short-term incentives (STI);
- long-term incentives (LTI);
- commissions for sales staff;
- ad hoc rewards for performance and behaviours linked to our values, leadership programmes and competitions;
- non-financial benefits aligned to our EVP #HappinessisBlu;
- Blue Label pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments; and
- we reimburse all necessary and reasonable business expenses.

BLUE LABEL TALENT STRATEGY

	GUARANTEED	VARIABLE				NON-FINANCIAL
	Fixed annual remuneration	Sales commissions	Short-term Incentive Plan	Short-term variable remuneration	Long-term Incentive Plan	#HappinessisBlu
OBJECTIVES	Enables us to attract and retain talent, taking into consideration, skills, experience, high potential and value contribution.	Aligned to drive continuous improvement, improved customer service and increased revenue in sales and operations.	Reward the achievement of challenging strategic, financial and operational objectives, aligning individuals to divisional, Group performance and the interests of our shareholders. The scheme is structured to reward collaborative work across the Group to ensure we leverage our capabilities, increase innovation, improve customer and consumer service, reduce inefficiencies and increase revenue and profits.	Special-purpose variable remuneration arrangements to help attract and retain high potential talent who are the holders of scarce skills. Arrangements are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.	Aligning employees to shareholder interests through incentivising performance in line with strategic goals and long-term shareholder value.	Create a differentiated employee value proposition and work experience to increase the engagement and retention of existing employees and position Blue Label as an employer of choice within an increasingly competitive landscape.
ELIGIBILITY	All	Specific roles within sales and operations.	All	▶ Critical and scarce skills ▶ High-performing employees with high potential and critical skills	Executives and management	All

FY20 APPROACH

BLUE LABEL TALENT STRATEGY

GUARANTEED	VARIABLE				NON-FINANCIAL
Fixed annual remuneration	Sales commissions	Short-term Incentive Plan	Short-term variable remuneration	Long-term Incentive Plan	#HappinessisBlu
Weighted average increase of up to 6%.	As defined by the operational plan and budget.	Schemes with varying components linked to: ▸ individual performance; ▸ divisional performance (where applicable); and ▸ Group performance. Gatekeeper conditions are in place. Individual metrics are limited to five KPIs and must be verifiable and challenging. The following financial measures will be applied in determining the STIP for Group head office and Executive Directors: ▸ core HEPS; and ▸ EBITDA. The following financial measure will be applied in determining the STIP at divisional level: ▸ NPAT. CEO's thresholds are calculated at 80% of FAR, target at 100% of FAR and a maximum pay-out at 150% of FAR. FD threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum pay-out at 100% of FAR. *Further details on targets can be found in the full remuneration policy.* ** See hyperlink below.*	Cash-based signed-on awards and retention bonuses are assessed on a case-by-case instance in line with policy. *Further details on targets can be found in the full remuneration policy.* ** See hyperlink below.*	Schemes available. Eligibility based on: ▸ senior leadership; ▸ talent key to driving business strategy; ▸ retention of talent with high potential and/or critical skills; and ▸ transformation objective. Gatekeeper conditions are in place. Awards are subject to malus and clawback provisions. Minimum holding requirements are in place for Executive Directors. From 1 September 2019 the following metrics will apply: ▸ core HEPS compounded cumulatively over three years. ▸ total shareholder return versus the all share capped index. ▸ return on capital employed. ▸ ESG performance scorecard. Allocation awards for Executive Directors looking forward are: ▸ 50% of FAR for the CEOs with a maximum of 70%; and ▸ 50% of FAR for the FD with a maximum of 70%. *Further details on targets can be found in the full remuneration policy.* ** See hyperlink below.*	Individualised employee engagement, development and growth.

https://www.bluelabeltelecoms.co.za/sus-remuneration-policy.php.

Remuneration report continued

BLUE LABEL HIGH PERFORMANCE

In our assessment of our current remuneration practices we have noted that we need to increase our pay for performance through variable pay. The Remco is working closely with management through the application of this policy and our Blue Label remuneration and talent management strategy, to move towards a pay mix of 35% fixed annual remuneration and 65% variable annual remuneration for Executive Directors and senior management for on-target performance. Variable annual remuneration will be equally split between STIs and LTIPs. This will bring us closer to best practice and will enable us to balance attracting and retaining high potential human capital with creating long-term value for our shareholders. This is a three-year goal.

Fixed Annual Remuneration

Fixed Annual Remuneration is a critical enabler in the attraction and retention of human capital, taking into regard skills, experience, high potential and value contribution. The components of guaranteed fixed remuneration are:

- cash salary;
- medical aid benefits;
- allowances; and
- disability and death benefits.

Any changes to benefit contribution levels are cost neutral to the Group.

Consideration is given to local market conditions and FAR, and total annual remuneration is benchmarked against independent market data. We have revised our policy and we aim to pay at the median of the general South African market. We are transitioning to the Hay Grading Methodology across the group and each graded role reflects the scope and depth of role, experience required and level of responsibility. An acceptable earnings range is allocated to each role. In limited instances, salaries above the market median may exist due to historical factors or where we have aimed to attract or retain high potential human capital, with above-average experience or critical skills.

In line with equal pay for equal work, every effort is made to ensure internal equity (between race, gender and grade) within the Group. The policy is flexible and allows for management discretion to consider consistent high-performance, high potential human capital, above-average experience or critical skills within an increasingly competitive talent market place. Where any remuneration levels are not market-related or reflect internal inequity as per our grading and recommended pay scales, an appropriate adjustment can be made. In addition, management may motivate to the CEOs, Group Head of Human Capital and Remco, for senior management and executives remuneration adjustments, within reason, to retain above-average experience, high potential human capital or critical skills.

Annual salary review process

Blue Label's annual salary review process provides an opportunity for management to reward for performance and adjust salaries in line with market increases and organisational affordability. Blue Label's annual performance-based increases are affected in June each year. We aim to differentiate between non-performance, average performance and exceptional performance. A pool of allocated budget linked to inflation is distributed amongst employees. In FY20 the Remco mandated an average increase of up to 6%. All increases above 6% were reviewed, moderated and approved by the CEOs and Remco where appropriate. To qualify for an annual increase in June, employees must have been employed by Blue Label for six months.

Short-term Incentive Plan

Within our revised policy we have extended our Blue Label STI plan to additional bands within our grading framework. Looking forward, STIs will reward the achievement of strategic, financial, and operational objectives. In line with our entrepreneurial spirit, targets and metrics are challenging and align individuals to divisional and Group performance and the interests of our shareholders. In this way, we encourage the achievement of sustainable results within an agreed risk appetite. Further detail on its components, eligibility and operation can be found within our remuneration policy **https://www.bluelabeltelecoms.co.za/sus-remuneration-policy.php.**

We have introduced further incentives for managers to use within exceptional instances. The special-purpose short-term variable remuneration arrangements have been designed to help attract and retain high potential human capital who are the holders of scarce skills. These include sign-on awards and deferred short-term incentive (DSTI) arrangements, both of which are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.

Adjustments have been made to how this scheme is applied to our Executive Directors. Our new policy has removed the outperformance bonus, adjusted thresholds and introduced a maximum bonus set ahead of the market median to encourage superior growth and performance. Malus and clawback policies have been implemented as well as a minimum shareholding.

The emphasis is on performance beyond target for Executive Directors for FY20:

- Individual goals will account for 20% of the STI. In FY20, for Executive Directors, these relate to the recapitalisation of Cell C, implementation of a new turnaround strategy and disposals to reduce debt.
- Group performance will account for 80% of the STI.
  - Organisational targets will be linked to the financial metrics as defined within the annual budget and performance management cycle.

		Individual	Division	Group
Executive Directors (Band 8) STI scheme	Group	20%		80%

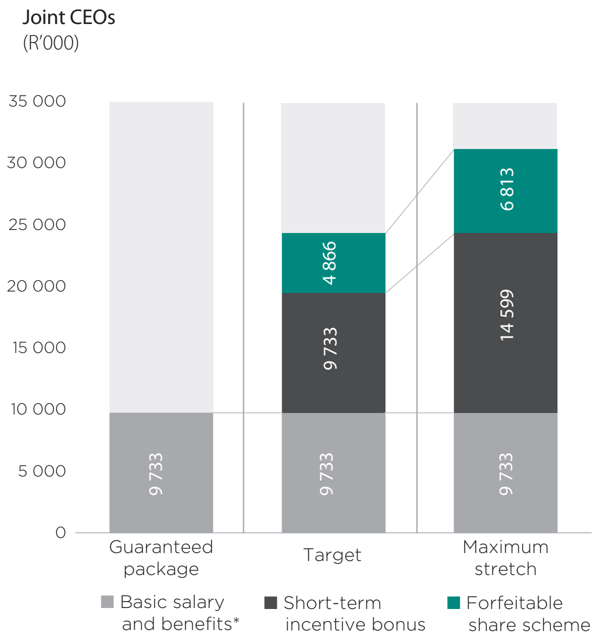
Executive Directors (Scheme 5) Group STI financial metrics

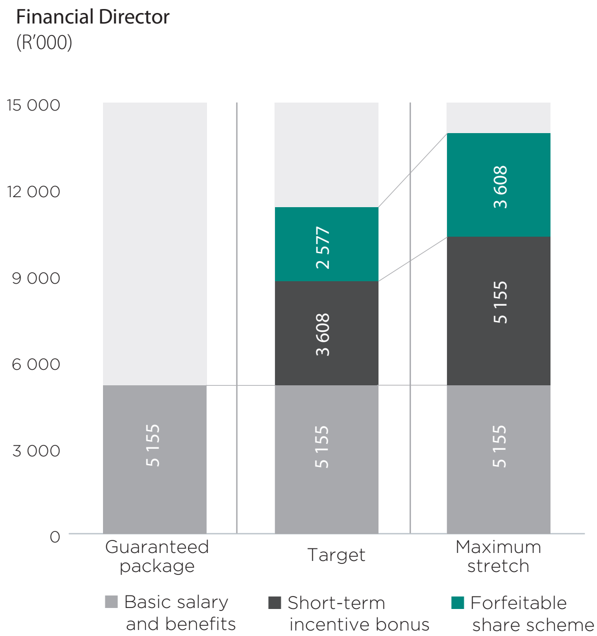
		Threshold	Target	Stretch
EBITDA (40%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 40%#	3/3 of 40%#	Remco discretion#
Core HEPS (40%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 40%#	3/3 of 40%#	Remco discretion#

** Remco discretion to be applied for performance above target.*
 # The bonus is calculated per objective. Values awarded will be a weighted average of scores attained versus target and pro-rated as the case may be.

- CEOs thresholds have been amended and are calculated at 80% of FAR, target at 100% of FAR and a maximum pay-out at 150% of FAR.
- The FD threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum pay out at 100% of FAR has been introduced.

Executive Directors' composition of FY2020 total remuneration





** In addition to the basic salary of R9.733 million each, the joint CEO's will receive R3.3 million each in line with the restraint of trade agreement that was concluded with them in November 2017. (As referred to on page 83 of the 2018 integrated annual report)*

The tenure of the restraint of trade undertaking is 36 months, which commenced on 1 November 2017 and will expire on 31 October 2020.

The total restraint of trade amount payable over the 36 month period is R10.013 million per CEO.

In determining the short term incentives and forfeitable share scheme awards, the above restraint payments do not form part of the base calculation thereof.

Long-term Incentive Plan

Blue Label's LTIP aligns employees to shareholder interests through incentivising performance in line with strategic goals and long-term shareholder value. In addition, they aim to retain human capital with scarce or critical skills. The Remco, through engagement with shareholders, has determined applicable criteria for LTIs, ensuring that the interests of all stakeholders are appropriately considered. These may be reviewed and adjusted in future, upon further engagement with shareholders. Awards are made once a year post our annual performance and pay reviews. All awards are subject to the necessary governance and approval processes. Awards are subject to vesting over a period of no less than three years from the date of the grant.

We have introduced some changes to our LTIP:

- Minimum levels of financial performance must be met. Employees who do not meet minimum performance requirements or are on a performance improvement plan, are not eligible.
- Awards from 2019 onwards are subject to malus and clawback provisions as set out in our policy. Further detail can be accessed here **https://www.bluelabeltelecoms.co.za/sus-remuneration-policy.php.**
- To further align management's interests directly with those of shareholders and to encourage long-term commitment to the organisation, Executive Directors will be expected to accumulate a minimum holding of shares from September 2019.
- Committees will take into consideration value contribution, experience, skill and transformation requirements.

From September 2019, the following metrics will apply for the performance period 1 June to 31 May of each year:

		Group LTI Financial Metrics*		
		Threshold	**Target**	**Stretch**
Core HEPS (30%) (compounded cumulatively over three years)	**Group**	CPI + 5%	CPI + 10%	CPI + 15%
	Payout %	1/3 of 30%	3/3 of 30%	38% of max
TSR (30%)	**Group**	Greater than or equal to JSE Capped All Share Index	JSE Capped All Share Index Return + CPI + 5% (average not compounded over three years)	JSE Capped All Share Index Return + CPI + 15% (average not compounded over three years)
	Payout %	1/3 of 30%	3/3 of 30%	38% of max
ROCE (20%)**	**Group**	ROCE greater than or equal to WACC compounded over three years	ROCE greater than or equal to WACC + 2.5% compounded over three years	ROCE greater than or equal to WACC + 5% compounded over three years
	Payout %	1/3 of 20%	3/3 of 20%	24% of max
ESG* (20%)**	**Group**	Succession plans for key roles	B-BBEE performance + succession plans for key roles	N/A
	Payout %	1/3 of 20%	3/3 of 20%	N/A

* *Remco may review targets post-FY20. The LTI is calculated per objective. Values awarded will be a weighted average of scores attained versus target and pro-rated as the case may be.*

** *ROCE is calculated using the following formula:*
ROCE = Net operating profit (EBIT)/(total equity + net debt). Net debt = total liabilities minus cash.

*** *ESG targets may be replaced for Executive Directors with personal strategic objectives.*

Malus and clawback provision

Our revised remuneration malus and clawback ensures that excessive risk-taking is not rewarded. This malus and clawback clause applies to both vested and unvested 'at risk' remuneration. It is designed to be preventative rather than a purely remedial or punitive measure as it removes the incentive for executives to consider deliberately misstating company earnings to inflate variable pay. The clause applies to both the STIP and LTIP from June 2019 and September 2019 respectively. May be implemented up to 10 years after a trigger event and is applicable to financial year ending 31 May 2020 and each financial year-end thereafter.

The Board may act on the recommendation of the Remuneration Committee to adjust (malus) or recover (clawback) unvested and vested 'at risk' remuneration where there is reasonable evidence that a Blue Label employee has materially contributed to, or been materially responsible for, the need for the restatement of financial results. The malus and clawback clause does not apply in the case of a restatement of financial results caused by a change in applicable accounting standards or interpretations thereof, provided originally approved by the company's auditors.

The CEOs or Company Secretary are required to notify the Chairman of the Remco and the Chairman of the Board respectively, of any circumstances that could constitute a 'trigger' under this policy as soon as practical. If either the CEOs or Company Secretary is involved in the trigger event, the Head of Group Risk and Compliance is required to notify the Chairman of the Remco and the Chairman of the Board respectively.

Before the Remco makes a recommendation to the Board to implement malus or clawback provisions under the policy, they shall:

- review the situation to understand the impact of the misstatement;
- assess the involvement of the employee and their level of responsibility regarding the trigger; and
- provide the relevant employee with written notice of the intended actions and the right to respond in writing within 15 working days to raise salient matters.

Having completed an investigation and following due process, the Board, on advice from the Remco, may decide to clawback, cancel or adjust any vested or unvested STI or LTI awards, where they are not satisfied that an award is appropriate or warranted due to exceptional circumstances.

Termination arrangements

Conditions of employment are comparable to those companies in our sector. In ordinary practice, no special or extraordinary conditions are applicable to senior executives. Exceptions may exist because of acquisitions and these must be reviewed and signed off by the Board and Remco.

In the event that services are terminated due to a no-fault basis, Executive Directors, prescribed officers and senior managers are entitled to severance pay equal to two weeks' FAR per completed year of service. Contractual notice and accrued leave will also be paid out in the normal course. Treatment of any unpaid bonus or unvested LTIP awards, will be dealt with in accordance with this policy and will in all instances be subject to Group Remco and Board oversight and approval.

In line with King IV, Blue Label has not concluded any termination agreements with its Executive Directors, other than a restraint of trade agreement entered into in 2017 with the joint CEOs. These are unlikely to be renewed after the three-year employment contract term. No fixed sums of money or "balloon payments" in recognition of service to the company, without any performance conditions attached, will be paid on termination of employment.

SECTION 3

Implementation report

Short-term incentive bonus

For the 2019 financial year, the Group did not achieve the levels required in terms of its predetermined targets for growth in core HEPS. 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.

Performance metric	Target	Actual performance	Weighting	Amount paid to Executive Directors R'000	Amount forfeited by Executive Directors R'000
Short-term incentive bonus					
Financial target					
Group core headline earnings per share growth	greater/equal to CPI + 10% = 14.5%	(325%)	80%	–	–
Non-financial targets	Varies across the Group	Varies across the Group	20%	–	5 088*
Total				–	5 088

* *The targets were met for the 20% non-financial measures. However, the Executive Directors elected to forfeit this portion of the short-term incentive bonus.*

Long-term Incentive Plan

The Long-term Incentive Plan related to the allocation of shares in 2015, which vested on 31 August 2018. The financial measurement was for the period 1 June 2015 to 31 May 2018.

The retention criteria of 40% was met.

Growth in core headline earnings per share over the three-year period equated to 41%. Growth in CPI over the three-year period accumulated to 16%, which after inclusion of the maximum growth target of 25%, equated to 41%. As the actual growth amounted to 41%, 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 2015 was R10.17. The required compounded growth of 10% per annum over the vesting period as at 31 August 2018 equated to a targeted share price of R13.54 inclusive of dividends paid totalling R0.76. The qualifying target equated to R12.78 net of dividends. The market price at vesting date was R7.16, therefore the minimum target requirement was not met. Therefore the 10% allocation relating to growth in shareholder returns did not vest.

On 31 August 2018, 90% of the 2015 share scheme allocations fell due.

Outperformance bonus

For the year ended 31 May 2019, 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 2018 was R11.80. The target share price equated to R14.16, measured against the share price as at 31 May 2019 of R3.78. Therefore, the outperformance bonus was not achieved.

Performance metric	Target	Actual performance	Weighting	Amount paid to Executive Directors R'000
Long-term Incentive Plan (2015 forfeitable share scheme vested in August 2018)				
Retention	three years		40%	1 713
Growth in core HEPS	25% + (cumulative CPI over three years) 41%	41%	50%	2 143
Shareholder returns	R12.78 market price per share	R7.16 market price per share	10%	–
Total vesting related to performance conditions (excluding retention portion) included in 2019 total single figure of remuneration				2 143
Outperformance bonus				
Annual growth in the share price	R14.16 market price per share	R3.78 market price per share	–	–

Remuneration report continued

Tables of single total figure of remuneration for FY2019

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 2019:

Executive Directors' remuneration for the year ended 31 May 2019	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)		8 991	9 005	4 686	22 682
Other benefits		191	177	177	545
Short-term incentive bonus	1	–	–	–	–
2018 forfeitable share scheme – retention component on award date (1 September 2018) at fair value	2	1 071	1 071	567	2 709
2015 forfeitable share scheme – growth performance component on vesting date (31 August 2018) at fair value	3	847	847	449	2 143
Outperformance bonus on award date at fair value	1	–	–	–	–
Single total figure of remuneration		11 100	11 100	5 879	28 079
2018 forfeitable share scheme retention component	5	(1 071)	(1 071)	(567)	(2 709)
2015 forfeitable share scheme – vesting of retention component in the current year at fair value	6	677	677	359	1 713
Dividends on vested shares	7	210	210	111	532
Short-term incentive bonus of prior year paid in August 2018	8	–	–	–	–
Restraint of trade award monthly instalments paid during the year	9	3 338	3 338	–	6 676
Total cash equivalent value remuneration received for the year ended 31 May 2019	10	14 254	14 254	5 782	34 291
Reconciliation to note 5.3 of the Group annual financial statements					
Remuneration as disclosed in terms of IFRS		12 520	12 520	4 863	29 903
Total cash equivalent value remuneration received for the year ended 31 May 2018		14 254	14 254	5 782	34 291
Difference to remuneration as disclosed in note 5.3		1 734	1 734	919	4 388
Reconciling items:					
Short-term incentive bonus accrued in May 2018 and settled in August 2018		–	–	–	–
Dividends on shares vested in the current year		210	210	111	532
2015 forfeitable share scheme that vested in the current year at fair value		1 524	1 524	808	3 856
2015 forfeitable share scheme – growth performance component on vesting date (31 August 2018) at fair value		*847*	*847*	*449*	*2 143*
2015 forfeitable share scheme – vesting of retention component in the current year at fair value		*677*	*677*	*359*	*1 713*
		1 734	1 734	919	4 388

1. No STI or outperformance bonuses, for the year ended 31 May 2019, were payable.

2. The 33.33% LTI retention portion of the 2018 forfeitable share scheme, awarded on 1 September 2018, which will vest in three 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 50% LTI growth in core HEPS of the 2015 forfeitable share scheme that vested 1 September 2018.

4. The restraint of trade payments of the joint CEOs, although payable in 36 equal instalments, were included in the 2018 Single Total Figure of Remuneration in that there were 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 2018 forfeitable share scheme is deducted from 'the Total cash equivalent value Remuneration received', as vesting will only take place on 31 August 2021.

6. The 40% LTI retention portion of the 2015 forfeitable share scheme is added to 'the Total cash equivalent value Remuneration received', as vesting took place on 31 August 2018.

7. Dividends are the total of cash receipts during the financial year applicable to the 2015 forfeitable share scheme, as vesting took place on 31 August 2018.

8. These amounts relate to the STI bonuses paid in August 2018, which were derived from performance for the year ended 31 May 2018.

9. These amounts represent the 12 monthly instalments received during the year.

10. Cash equivalent value remuneration represents the total proceeds paid to the Executive Directors for the period 1 June 2018 to the 31 May 2019, inclusive of the cash element of basic remuneration, STIs, LTIs and dividends.

Executive Directors' remuneration for the year ended 31 May 2018:

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 three 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 60% 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 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 40% 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.

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 is concerned.

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 2019				
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	163 970
BM Levy	3 September 2018	7.16	31 August 2021	–
				563 998
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	163 970
MS Levy	3 September 2018	7.16	31 August 2021	–
				683 367
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	86 845
DA Suntup	3 September 2018	7.16	31 August 2021	–
				361 937

 # Awards include both the retention and performance instruments not yet vested.
** The fair value is based on the closing price of R3.78 at 31 May 2019 and excludes performance criteria.*

Non-Executive remuneration

	Total R'000
Non-Executive Directors	
LM Nestadt	1 950
K Ellerine	604
G Harlow	1 638
J Mthimunye	1 065
JS Vilakazi	747
P Mahanyele**	374
	6 378

*** P Mahanyele resigned with effect from 23 November 2018.*

Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year[#] R'000	Fair value at grant date R'000	Fair value at 31 May 2019* R'000
–	(26 283)	(236 551)	–	2 673	–
–	–	–	137 194	2 847	519
–	–	–	163 970	3 032	620
448 843	–	–	448 843	3 214	1 697
448 843	(26 283)	(236 551)	750 007	11 765	2 835
–	(26 283)	(236 551)	–	2 673	–
–	–	–	137 194	2 847	519
–	–	–	163 970	3 032	620
448 843	–	–	448 843	3 214	1 697
448 843	–	(283 339)	750 007	11 765	2 835
–	(13 921)	(125 286)	–	1 415	–
–	–	–	72 663	1 508	275
–	–	–	86 845	1 606	328
237 725	–	–	237 725	1 702	899
86 845	–	(150 067)	397 233	6 231	1 502

Remuneration report continued

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

	Current fee 2019 R	Proposed fee 2020 R
Services as Directors		
– Chairman of the Board (per annum)	1 802 000	1 910 120
– Board members (per annum)	397 500	421 350
Audit, Risk and Compliance Committee		
– Chairman (per annum)	360 400	382 024
– Member (per annum)	222 600	235 956
Remuneration and Nomination Committee		
– Chairman remuneration (per annum)	212 000	224 720
– Chairman nomination (per annum)	148 400	157 304
– Member (per annum)	127 200	134 832
Investment Committee		
– Chairman (per annum)	212 000	224 720
– Member (per annum)	127 200	134 832
Transformation, Social and Ethics Committee		
– Chairman (per annum)	127 200	134 832
– Member (per annum)	79 500	84 270
Ad hoc Committee		
– Chairman (per meeting)	47 700	50 562
– Member (per meeting)	28 620	30 337

GD Harlow
Remuneration Committee Chairman

29 October 2019

Notice of Annual General Meeting

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 18 October 2019, that the twelfth 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, 28 November 2019 at 10:00 (South African time), 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, No 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, 18 October 2019; 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, 22 November 2019.

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 10:00 on Tuesday, 26 November 2019.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own-name registration, should contact their central securities depository participant (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 78 at the end of this notice.

When reading the resolutions below, please refer to the explanatory notes on pages 77 and 78.

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 2019, have been distributed as required and will be presented to shareholders at the AGM.

These can be found on the Blue Label website. The Audit, Risk and Compliance Committee's report is set out on pages 89 to 95 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 MS Levy as a Director of the Company

   Resolved that Mr MS Levy, who was first appointed to the Board on 1 February 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 MS Levy is on page 48.

2. **Ordinary resolution number 2:** Re-election of Mr JS Mthimunye as a Director of the Company

   Resolved that Mr JS Mthimunye, who was first appointed to the Board on 5 October 2007 and who retires in terms of the 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 JS Mthimunye is on page 49.

3. **Ordinary resolution number 3:** Re-election of Mr LM Nestadt as a Director of the Company and Chairman of the Board

   Resolved that Mr LM Nestadt, an Independent Non-Executive Director who was first appointed to the Board on 5 October 2007 and who retires in terms of the MoI, and who is eligible and available for re-election, is re-elected as a Director and Chairman of the Company with immediate effect.

   A brief biography of Mr LM Nestadt is on page 48.

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 2020

   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 2, Mr JS Mthimunye, an Independent Non-Executive Director of the Company, is elected as a member and Chairman of the Audit, Risk and Compliance Committee.

   A brief biography of Mr JS Mthimunye is on page 49.

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 2020.

   Resolved that, in terms of section 94(2) of the Act, Mr GD Harlow, an Independent Non-Executive Director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr GD Harlow is on page 49.

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 2020

   Resolved that, in terms of section 94(2) of the Act, Mr SJ Vilakazi, an Independent Non-Executive Director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr SJ Vilakazi is on page 49.

8. **Ordinary resolution number 8:** Non-binding advisory endorsement of Blue Label Telecoms Limited Group's 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 2019 is endorsed.

9. **Ordinary resolution number 9:** Non-binding advisory endorsement of the Blue Label Telecoms Limited Group's remuneration implementation report

   Resolved, by way of a non-binding advisory vote, that the Blue Label Telecoms Limited Group's remuneration implementation report set out in the remuneration report in the integrated annual report 2019 is endorsed.

10. **Ordinary resolution number 10:** Directors' authority to implement ordinary and special resolutions

    Resolved that each and every Director of the Company is authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the ordinary and special resolutions passed at the AGM.

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 2019 to 31 May 2020.

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

	Current fee 2019 R	Proposed fee 2020 R
Services as Directors		
– Chairman of the Board (per annum)	**1 802 000**	1 910 120
– Board members (per annum)	**397 500**	421 350
Audit, Risk and Compliance Committee		
– Chairman (per annum)	**360 400**	382 024
– Member (per annum)	**222 600**	235 956
Remuneration and Nomination Committee		
– Chairman Remuneration (per annum)	**212 000**	224 720
– Chairman Nomination (per annum)	**148 400**	157 304
– Member (per annum)	**127 200**	134 832
Investment Committee		
– Chairman (per annum)	**212 000**	224 720
– Member (per annum)	**127 200**	134 832
Transformation, Social and Ethics Committee		
– Chairman (per annum)	**127 200**	134 832
– Member (per annum)	**79 500**	84 270
Ad hoc Committee		
– Chairman (per meeting)	**47 700**	50 562
– Member (per meeting)	**28 620**	30 337

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 five (5) 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 have 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 investment decisions in relation to the issuer's, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.

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 130 of the Group annual financial statements;
- material change – there were no material changes;
- share capital of the Company – refer to page 104 of the Group annual financial statements and;
- responsibility statement – refer to page 1 of the Group annual financial statements.

By order of the Board

J van Eden
Group Company Secretary

Sandton

29 October 2019

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 are 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 MS Levy, JS Mthimunye and LM Nestadt retire by rotation at the AGM in accordance with article 25.17 of the MoI, and have offered themselves for re-election.

Brief biographies of the Directors are on page 48 to 49.

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 the re-election of each 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 Pietro Calicchio, who replaces Mr D Storm in line with mandatory audit partner rotation, 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 Pietro Calicchio, 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 2020 financial year.

Ordinary resolution numbers 5 to 7 (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 49.

Ordinary resolution number 8: Non-binding advisory vote: Endorsement of the remuneration policy

King IV requires a company to table its remuneration policy for a non-binding advisory vote by shareholders at its AGM. This vote enables shareholders to endorse the Remuneration Policy adopted for Executive Directors. The Blue Label Remuneration Policy is contained on pages 50 to 72.

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 9: 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 66 to 72.

Notice of Annual General Meeting continued

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 10: Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 10 is to authorise any Director of the Company to do all things necessary to implement the ordinary and special resolutions passed at the AGM and to sign all such documentation required to give effect and to record the ordinary and special resolutions.

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.

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 10:00 on Tuesday, 26 November 2019 (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 driver's 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, 28 November 2019 at the registered office of Blue Label, 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, Johannesburg.

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 the 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 overleaf.

Full name: I/We of (address)

(BLOCK LETTERS)

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, 28 November 2019 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Re-election of Mr MS Levy as a Director of the Company			
Ordinary resolution number 2: Re-election of Mr JS Mthimunye as a Director of the Company			
Ordinary resolution number 3: Re-election of Mr LM Nestadt as a Director of the Company and Chairman of the Board			
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: Non-binding advisory endorsement of the remuneration and reward policy			
Ordinary resolution number 9: Non-binding advisory endorsement of the remuneration implementation report			
Ordinary resolution number 10: 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			

Signed at this day of 2019

Signature

Assisted by (if applicable)

Please read the notes on the reverse side hereof.

Notes to the form of proxy

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.

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). Faxed to: +27 11 688 5238 or e-mailed to: proxy@computershare.co.za, to be received by no later than 10:00 on Tuesday, 26 November 2019. 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 Chairman 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, K Ellerine**, GD Harlow*, JS Mthimunye*, DA Suntup, J Vilakazi*
*(*Independent non-executive) (**Non-executive)*

Company Secretary
J van Eden

Sponsor
Investec Bank Limited

Auditors
PricewaterhouseCoopers Inc.

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
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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”)

BLUE LABEL
TELECOMS

WWW.BLUELABELTELECOMS.CO.ZA