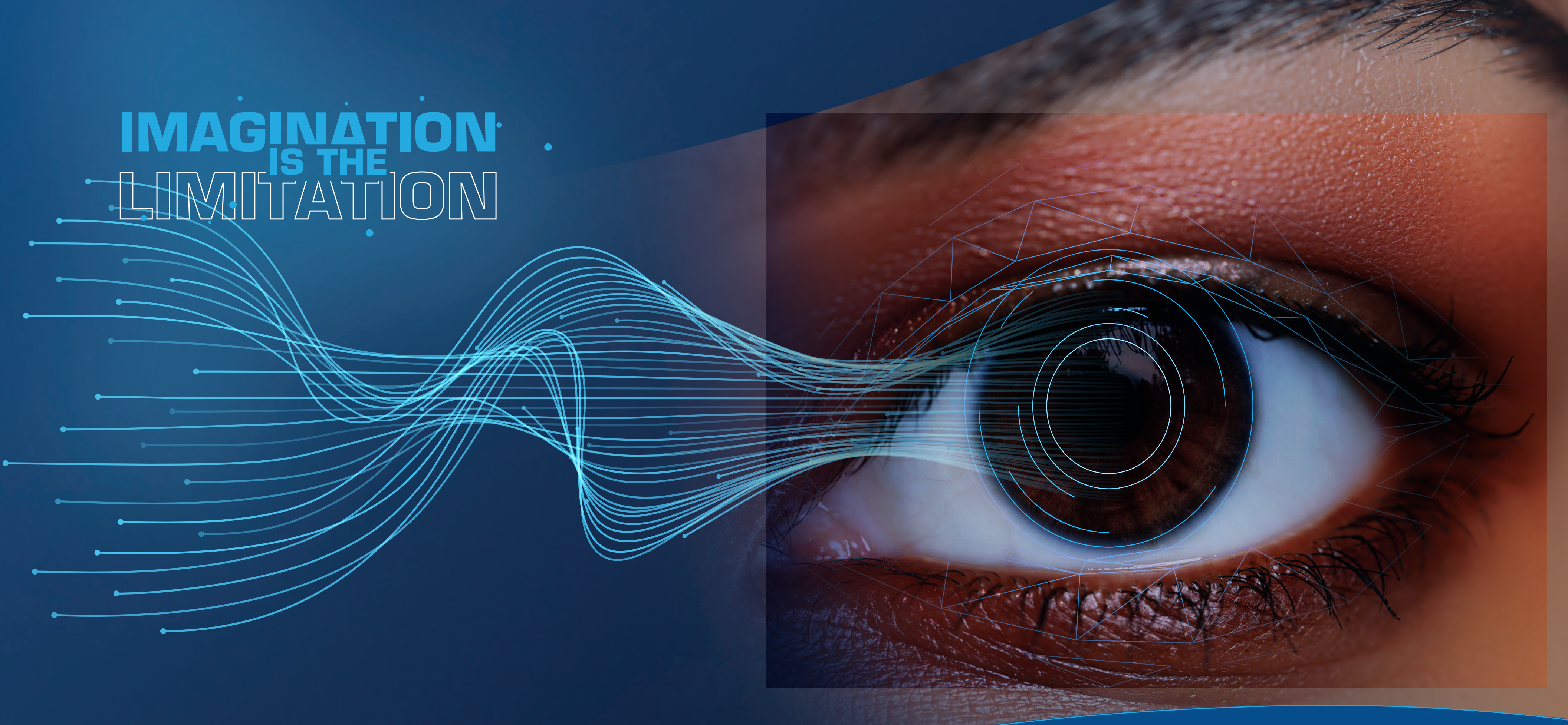
IMAGINATION IS THE LIMITATION



# NOTICE OF VIRTUAL ANNUAL GENERAL MEETING 2022

BLUE LABEL TELECOMS

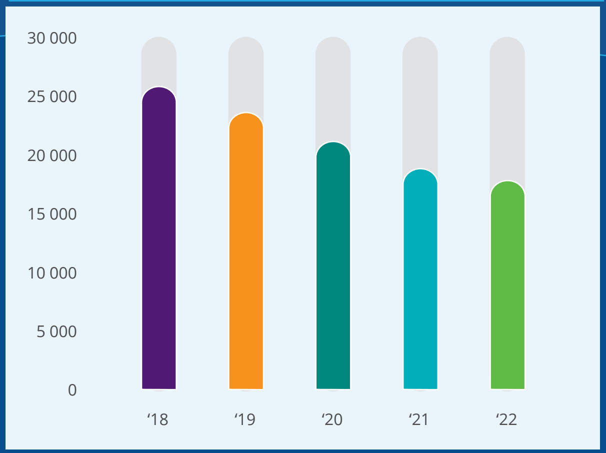
# CONTENTS



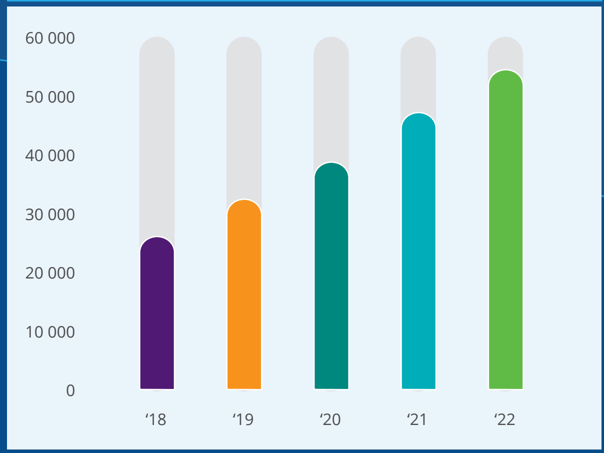
**OUR REPORTING SUITE**

**2022 Integrated Annual Report**
**2022 Annual Financial Statements**

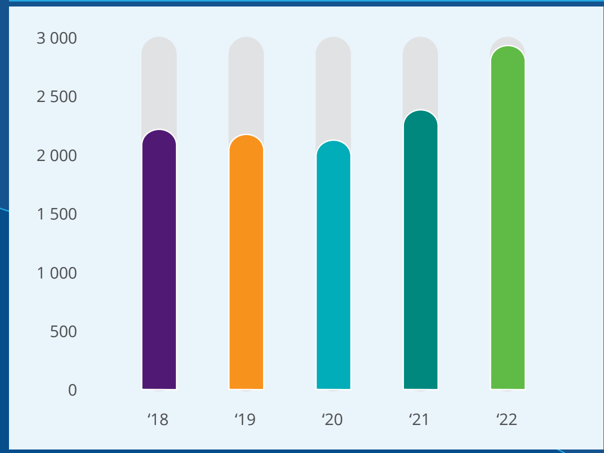
**Revenue** (R'000)




**Gross transactional values** (R'000)




**Gross profit** (R'000)



# CHAIRMAN'S REPORT

**LARRY NESTADT**
Chairman

As the world recovers from one of the most disruptive periods in our history and our economy readjusts to the devastation caused by it, Blue Label Telecom's **resilience** and **performance** validates our innovative product and services offering as well as our management and team efforts.

Through these difficult economic circumstances, exacerbated by various high-impact international developments, we continued to drive financial inclusion for the mass market and in doing so, we made life easier for our customers and continue to ensure more convenient and faster access to the products they need to work, live and play.

During the past year, our management team worked tirelessly to complete the Cell C recapitalisation transaction. This has been a frustrating and complicated drawn-out process, involving many stakeholders, both at Cell C and at Blue Label. Part of the reason for delays in the implementation of the Cell C recapitalisation process was the need to ensure our own balance sheet covenants are adhered to with the full support of the bankers. Fortunately, our business model delivers strong cash generation, evidenced in the financial results.

I am pleased to report that this three-year process was successfully completed and implementation is underway. We remain optimistic that the recapitalisation of Cell C will enable us to recover shareholder value over time.

With a restructured balance sheet and a new capex-light business model, Cell C is expected to perform in line with its operational plans and reattain the confidence and support of all its stakeholders.

# CHAIRMAN'S REPORT CONTINUED

## Board commitment to value creation and preservation

The Board understands the key role it plays in the oversight of strategic decisions by ensuring the creation and preservation of shareholder value.

To this end, and learning from decisions that eroded some value in the past, a new capital allocation framework has been adopted. The overarching objective of our capital allocation framework is to optimise financial and investment decisions within predefined risk parameters.

We are committed to a strong ethical culture, supported by regulatory compliance. This should also be seen as part of our long-term value creation story because meeting these important standards is not only about doing what is expected, but also about producing what is needed.

Past financial internal control and compliance shortcomings have been addressed and have galvanised a more vigilant and governance-focused regime, managed by a newly appointed compliance officer who reports to the Audit and Risk Committee.

As a responsible corporate citizen, we know the important role we play in the communities in which we operate. During the last three years, primarily motivated by COVID-19, our social responsibility initiatives were mostly driven by our need to plough back and reconnect with our consumers and business partners on a more personal level.

These social investment and enterprise development initiatives in the communities in which we operate are driven by a philosophy we call "shared value". By supporting the communities we sell our products and services to, we build brand loyalty, a vital aspect of our future sustainability efforts.

## ESG and sustainability

We have noticed increased investor and societal interest in environmental, social and governance issues and we are acutely aware that this is not only important to our own sustainability and future prospects, but also essential to the way we do business and engage in the environments in which we operate.

We have put in place the required mechanisms to proactively monitor, measure and improve our performance and ensure that these are embedded throughout the organisation and become central to our performance and output.

This is why we welcomed the long-awaited Sustainability and Climate Disclosure Guidance, issued by the JSE in June 2022. As a board, we are committed to the full implementation of these guidelines.

## A future-ready organisation

The devastating impact that COVID had on our economy and on business in general, understandably changed the way we work and think, but most importantly, it forced us to constantly think of the next pandemic, the next disaster, the next disruption, the next social problem, and how we can then use the lessons learnt from the past, to ensure that we are "future" ready.

Our sustainability is driven by our ability to develop much-needed products and services through digitalisation and innovation, enabled by the strength of our network, partnerships and capabilities. This supports the efficient and cost-effective delivery of our products and services to our customers.

This translates into continued focus on innovation and investment in IT infrastructure and our "Big Data" project, an integral part of our "future ready" strategy. Our back-to-basics business programme, implemented four years ago, has delivered impressive results.

## Outlook and appreciation

Blue Label Telecoms has proven its resilience under very difficult conditions in the past and leveraged the challenges provided, to innovate and reorganise to effectively exploit the opportunities given.

While we do foresee more changes in the market and additional competition in our space, we are well placed to improve our own position through product innovation and consistent focus on the needs of our consumers.

The majority of our Board members have served for more than nine years. Their valuable experience and contribution are highly appreciated. Now that the Cell C recapitalisation has been completed and in line with the King Code IV on Corporate Governance, some of the long-serving Board members will be rotated. The Board renewal process will be orderly and should be over a period of three years to ensure a seamless handover to the new Board members.

On behalf of the Board, I would like to compliment the management team for the achievement of our targets in the most difficult circumstances. I would also like to extend our gratitude to all our stakeholders for their support and belief in us. A new chapter beckons.

**Larry Nestadt**
*Chairman*

30 September 2022

# HIGHLIGHTS

A snapshot overview of Blue Label's performance for the year ended 31 May 2022:

Revenue of
**R17.8 billion***

Headline earnings of
**117.34 cents** per share
(2021: 86.16 cents per share)

Increase in gross profit of 23% to
**R2.93 billion**
(2021: R2.38 billion)

Increase in gross profit margin from
**12.66% to 16.46%**

Core headline earnings of
**121.01 cents** per share**
(2021: 89.65 cents per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase in revenue equated to 10% from R66.0 billion to R72.3 billion.

** On exclusion of non-recurring income of R214 million in the current year and R47 million in the prior year, core headline earnings per share from continuing operations increased by 18% to 96.56 cents per share compared to 81.50 cents per share in the prior year.

# COMMENTARY

## Group results

Core headline earnings for the year ended 31 May 2022 amounted to R1.06 billion, equating to core headline earnings of 121.01 cents per share.

In the comparative year, core headline earnings amounted to R788 million, of which R763 million related to continuing operations and R25 million to discontinued operations. Core headline earnings amounted to 89.65 cents per share.

On exclusion of the non-recurring income of R214 million in the current year and R47 million in the prior year, as illustrated in the underlying tables, core headline earnings from continuing operations increased by R131 million from R716 million to R847 million (18%) and core headline earnings from continuing operations increased by 18% from 81.50 cents per share in the prior year to 96.56 cents per share. This growth was indicative of a robust trading performance by the Group during the year.

The non-recurring income of R214 million emanated from:

- A net once-off recoupment of R123 million as a result of the previously reported fraudulent scheme. This recoupment income of R315 million comprised, the aggregate value of assets either realised by or signed over to the Group. This amount was partially offset by professional fees and other costs incurred, taxation and the minority share thereon, totalling R192 million.
- The accounting effects of the settlement of the contingent consideration relating to the disposal of the VAS operations to DNI 4PL Contracts Proprietary Limited (DNI) in April 2020. Of the sale proceeds of R450 million, R100 million was contingent upon Cell C passing the solvency and liquidity test. Given the prior uncertainty relating to the solvency and liquidity of Cell C, the fair value of the contingent consideration was determined to be R72 million. During May 2022, DNI waived the condition precedent relating to solvency and liquidity and accordingly settled the contingent consideration owing, inclusive of interest, totalling R118 million. This resulted in a gain of R46 million accounted for in other income.
- The accounting implications of the put option obligation for the acquisition of up to 40% of the shares in Airvantage. Congruent with the favourable progress made regarding Cell C's recapitalisation and the impact on its going concern assumption as well as the unlikely event of the Airvantage put option being exercised against Blue Label, management has revised the estimate of the potential exposure from R68 million to R22 million, resulting in a fair value gain of R46 million.

On exclusion of the non-recurring income in the current and prior year, earnings per share and headline earnings per share from continuing operations increased by 20% to 92.68 cents per share and by 19% to 92.89 cents per share respectively.

The financial results of WiConnect in the prior year of R25 million, are disclosed in core headline earnings from discontinued operations and is not included in the continuing operations' revenue, gross profit, earnings before interest, taxation, depreciation and amortisation (EBITDA), and net profit after taxation.

Revenue generated by the continuing operations within the Group declined by 5% to R17.8 billion. As only the gross profit earned on PINless top-ups, prepaid electricity, ticketing and gaming are recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 10% from R66.0 billion to R72.3 billion.

Gross profit increased by R548 million (23%) to R2.93 billion, congruent with an increase in margins from 12.66% to 16.46%.

## Group income statement

| | **Group May 2022 R'000** | Extraneous income* May 2022 R'000 | Remaining May 2022 R'000 | Group May 2021 R'000 | Extraneous costs** May 2021 R'000 | Remaining May 2021 R'000 | Growth remaining R'000 | Growth remaining % |
|---|---|---|---|---|---|---|---|---|
| Revenue | **17 806 262** | — | 17 806 262 | 18 821 290 | — | 18 821 290 | (1 015 028) | (5) |
| Gross profit | **2 930 974** | — | 2 930 974 | 2 383 254 | — | 2 383 254 | 547 719 | 23 |
| Other income | **390 851** | 360 955 | 29 896 | 103 684 | 88 093 | 15 591 | 14 305 | 92 |
| EBITDA | **1 698 494** | 326 301 | 1 372 193 | 1 360 273 | 131 777 | 1 228 496 | 143 697 | 12 |
| Non-controlling interest | **(64 918)** | (43 203) | (21 715) | (47 409) | — | (47 409) | 25 694 | 54 |
| Net profit from continuing operations | **1 027 079** | 214 410 | 812 669 | 805 286 | 126 175 | 679 111 | 133 558 | 20 |
| Core headline earnings | **1 061 080** | 214 410 | 846 670 | 787 580 | 71 663 | 715 917 | 130 753 | 18 |
| – From continuing operations | **1 061 080** | 214 410 | 846 670 | 762 599 | 46 682 | 715 917 | 130 753 | 18 |
| – From discontinued operations | **—** | — | — | 24 981 | 24 981 | — | — | |
| Gross profit margin (%) | **16.46** | | 16.46 | 12.66 | | 12.66 | | |
| EBITDA margin (%) | **9.54** | | 7.71 | 7.23 | | 6.23 | | |
| Weighted average shares ('000) | **876 857** | | 876 857 | 878 463 | | 878 463 | | |
| Share performance from continuing operations | | | | | | | | |
| EPS (cents) | **117.13** | | 92.68 | 91.67 | | 77.31 | 15.37 | 20 |
| HEPS (cents) | **117.34** | | 92.89 | 83.32 | | 78.01 | 14.88 | 19 |
| Core HEPS (cents) | **121.01** | | 96.56 | 86.81 | | 81.50 | 15.06 | 18 |

* The extraneous contributions to Group earnings in the current year were attributable to once-off income [(1)], including:
- once-off recoupment income, comprising the aggregate value of assets either realised by or signed over to the Group relating to the previously reported fraudulent scheme. This income was partially offset by professional fees and other costs incurred, taxation and the minority share thereon;
- the accounting effects of the settlement of the contingent consideration relating to the disposal of the VAS operations in April 2020; and
- the accounting implications of the put option obligation for the acquisition of up to 40% of the shares in Airvantage.

# COMMENTARY CONTINUED

| | **Extraneous income* May 2022 R'000** | Once-offs[1] May 2022 R'000 |
|---|---|---|
| Other income | **360 955** | 360 955 |
| EBITDA | **326 301** | 326 301 |
| Non-controlling interest | **(43 203)** | (43 203) |
| Net profit from continuing operations | **214 410** | 214 410 |
| Core headline earnings from continuing operations | **214 410** | 214 410 |

** The extraneous contributions to Group earnings in the prior year were attributable to:

- realised foreign exchange gains on the USD20 million liquidity support provided to SPV2[2];
- once-off income, including the disposal of the Group's interest in Blue Label Mexico[3]; and
- partial recoupment of losses by the Retail division as a result of the closure of the WiConnect stores[4].

| | Extraneous income** May 2021 R'000 | Fair value movements[2] May 2021 R'000 | Once-offs[3] May 2021 R'000 | WiConnect[4] May 2021 R'000 |
|---|---|---|---|---|
| Other income | 88 093 | — | 88 093 | — |
| EBITDA | 131 777 | 16 009 | 115 768 | — |
| Net profit from continuing operations | 126 175 | 16 961 | 109 214 | — |
| Core headline earnings | 71 663 | 16 961 | 29 721 | 24 981 |
| – From continuing operations | 46 382 | 16 961 | 29 721 | — |
| – From discontinued operations | 24 981 | — | — | 24 981 |

On exclusion of the R326 million relating to the non-recurring income in the current year and R132 million in the prior year, EBITDA increased by R144 million (12%) from R1.23 billion to R1.37 billion.

The anticipated increase in overheads, included costs of R65 million attributable to new learnership initiatives in the current year and R10 million in the prior year. The benefit thereof is realised by way of income tax savings as a result of the section 12H allowances being claimed for such learnerships. On exclusion thereof in both the current and prior year, EBITDA increased by R199 million (16%).

## Segmental report
### Africa distribution

| | May 2022 R'000 | Extraneous income[(1)] May 2022 R'000 | Remaining May 2022 R'000 | May 2021 R'000 | Extraneous costs[(2, 4)] May 2021 R'000 | Remaining May 2021 R'000 | Growth remaining R'000 | Growth remaining % |
|---|---|---|---|---|---|---|---|---|
| Revenue | **17 552 603** | — | 17 552 603 | 18 641 531 | — | 18 641 531 | (1 088 928) | (6) |
| Gross profit | **2 866 324** | — | 2 866 324 | 2 333 768 | — | 2 333 768 | 532 556 | 23 |
| Other income | **337 153** | 315 132 | 22 021 | 10 708 | — | 10 708 | 11 313 | 106 |
| EBITDA | **1 700 844** | 234 852 | 1 465 992 | 1 374 735 | 16 009 | 1 358 726 | 107 266 | 8 |
| Non-controlling interest | **(59 001)** | (43 203) | (15 798) | (42 006) | — | (42 006) | 26 205 | 62 |
| Net profit from continuing operations | **1 058 951** | 122 961 | 935 990 | 820 819 | 16 961 | 803 858 | 132 132 | 16 |
| Core headline earnings | **1 092 828** | 122 961 | 969 867 | 880 662 | 41 942 | 838 720 | 131 147 | 16 |
| – From continuing operations | **1 092 828** | 122 961 | 969 867 | 855 681 | 16 961 | 838 720 | 131 147 | 16 |
| – From discontinued operations | **—** | — | — | 24 981 | 24 981 | — | — | |
| Gross profit margin (%) | **16.33** | | 16.33 | 12.52 | | 12.52 | | |
| EBITDA margin (%) | **9.69** | | 8.35 | 7.37 | | 7.29 | | |

Refer to page 5 for footnote [(1)] and page 6 for footnotes [(2)] and [(4)].

Revenue generated by the continuing operations within this segment declined by 6% from R18.6 billion to R17.6 billion. As only the gross profit earned on "PINless top-ups", prepaid electricity, ticketing and gaming are recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 9% from R65.8 billion to R72.1 billion.

The Group continues to increase market share and bolster its product and services mix to defend and grow its positions in the market. Gross revenue generated on "PINless top-ups" increased by R1.7 billion (9%) from R19.3 billion to R21.0 billion.

Net commissions earned on the distribution of prepaid electricity increased by R18 million (7%) to R298 million. Revenue generated on behalf of the utilities increased by 18% from R26.7 billion to R31.5 billion.

Gross profit increased by R533 million (23%) to R2.87 billion, congruent with an increase in margins from 12.52% to 16.33%.

EBITDA in the current year included the non-recurring recoupment income, net of professional fees and other costs incurred, of R235 million attributable to the fraudulent scheme. Non-recurring income in the prior year of R16 million pertained to foreign exchange gains on the USD20 million liquidity support provided to SPV2.

On exclusion of the non-recurring income in both the current and prior year, and despite an anticipated increase in overheads, EBITDA increased by R107 million (8%) from R1.36 billion to R1.47 billion.

The anticipated increase in overheads, included costs of R53 million attributable to new learnership initiatives in the current year, whereby the benefit thereof is realised by way of income tax savings as a result of the section 12H allowances being claimed for such learnerships. On exclusion thereof, EBITDA increased by R160 million (12%).

# COMMENTARY CONTINUED

Core headline earnings from continuing operations reflected non-recurring income of R123 million in the current year relating to the net recoupment as a result of the fraudulent scheme and R16 million in the prior year pertaining to the foreign exchange gains on the USD20 million SPV2 liquidity support.

On exclusion of the above non-recurring income in the current and prior year, core headline earnings from continuing operations increased by R131 million (16%) from R839 million to R970 million.

## Solutions

This segment comprises Datacel, Blue Label Data Solutions (BLDS), the data aggregation and lead generation entity in which the Group owns 81%, and a 50% joint venture shareholding owned by BLDS in iTalk Holdings and an effective 37.5% in iTalk Financial Services (joint venture), both of which are outbound call centre operations.

As at 1 June 2021, the Group incorporated the following additional companies, namely, Blue Train, Blue Label Communications, One World Telecoms and iTalk2U.

| | **May 2022 R'000** | May 2021 R'000 | Growth remaining R'000 | Growth remaining % |
|---|---|---|---|---|
| Revenue | **253 659** | 179 759 | 73 900 | 41 |
| Gross profit | **64 649** | 49 486 | 15 163 | 31 |
| EBITDA | **27 503** | 16 746 | 10 757 | 64 |
| Share of profits from associates and joint ventures | **6 364** | 5 722 | 642 | 11 |
| Core headline earnings | **29 487** | 21.411 | 8 076 | 38 |
| Gross profit margin (%) | **25.49** | 27.53 | | |
| EBITDA margin (%) | **10.84** | 9.32 | | |

Escalating demand for aggregated data and lead generations resulted in an increase in revenue of 41% from R180 million to R254 million.

Gross profit increased by R15 million (31%) from R49 million to R65 million, congruent with the increase in revenue albeit at lower margins from 27.53% to 25.49%.

EBITDA increased by R11 million (64%) from R17 million to R28 million, of which BLDS contributed R26 million, and the call centre operations R2 million. BLDS contributed R16 million, and the call centre operations R1 million in the prior year.

Contribution to Group core headline earnings increased by R8 million (38%) from R21 million to R29 million. Of the latter amount, BLDS accounted for R23 million. I Talk Holdings and iTalk Financial Services generated earnings of R12.1 million, of which the Group's share thereof amounted to R5.1 million. Of the core headline earnings of R21 million in the prior year, BLDS accounted for R16 million. iTalk Holdings and iTalk Financial Services generated earnings of R11.5 million, of which the Group's share thereof amounted to R4.6 million.

## Corporate

| | **May 2022 R'000** | Extraneous income May 2022 R'000 | Remaining May 2022 R'000 | May 2021 R'000 | Extraneous costs May 2021 R'000 | Remaining May 2021 R'000 | Growth remaining R'000 | Growth remaining % |
|---|---|---|---|---|---|---|---|---|
| Other income | **51 565** | 45 823 | 5 742 | 11 436 | 8 600 | 2 836 | (2 906) | 102 |
| EBITDA | **(41 621)** | 92 002 | (133 626) | (82 033) | 43 151 | (125 184) | (8 439) | (7) |
| Net loss from continuing operations | **(70 580)** | 92 002 | (162 582) | (104 965) | 43 151 | (148 116) | (14 466) | (10) |
| Core headline earnings | **(70 884)** | 92 002 | (162 886) | (103 021) | 43 151 | (146 172) | (16 714) | (11) |

On exclusion of the extraneous income in the current and prior year, the negative contribution to Group core headline earnings increased by R17 million (11%) to R163 million.

The extraneous income of R92 million in the current year related to the accounting effects of the settlement of the contingent consideration relating to the disposal of the VAS operations in April 2020 and the accounting implications of the put option obligation for the acquisition of up to 40% of the shares in Airvantage.

## Depreciation and amortisation

Depreciation, amortisation and impairment charges decreased by R15 million to R174 million. Of the latter amount, R65 million (2021: R65 million) pertained to depreciation on capital expenditure, R29 million (2021: R29 million) to depreciation raised in terms of IFRS 16 – *Leases*, R4 million (2021: R6 million) to impairments and R76 million (2021: R88 million) to the amortisation of intangible assets of which R43 million (2021: R43 million) emanated from purchase price allocations on historical acquisitions.

## Net finance costs

Finance costs totalled R201 million, of which interest paid on borrowed funds amounted to R187 million and R6 million to the unwinding on the lease liability in terms of IFRS 16. On a comparative basis, finance costs amounted to R132 million, comprising interest paid on borrowed funds of R117 million and R9 million on the unwinding on the lease liability.

Comm Equipment Company Proprietary Limited concluded a working capital financing facility with African Bank of R1.9 billion during the current financial year, of which R1.6 billion was utilised at year end. This resulted in an increase in finance costs of R80 million, offset by a reduction in finance costs attributable to a decline in the Investec Bank facility.

Finance income totalled R81 million, of which R70 million was for interest received on cash resources and R6 million on loans granted. In the prior year, interest received on cash resources amounted to R51 million and interest on loans granted amounted to R4 million.

## Statement of financial position

Total assets increased by R1.9 billion to R13.3 billion, of which non-current assets accounted for R0.7 billion and current assets for R1.2 billion.

Non-current assets included increases in intangible assets and goodwill of R614 million, investments in and loans to associates and joint ventures of R36 million, financial assets at fair value through profit or loss of R58 million, deferred tax assets of R8 million, loans receivable of R5 million, capital expenditure net of depreciation of R1 million and financial assets at fair value through other comprehensive income of R2 million. These increases were offset by decreases in advances to customers of R23 million and right-of-use assets of R22 million.

Of the net increase in intangible assets and goodwill of R614 million, additions to intangible assets amounted to R952 million offset by amortisation of R338 million. Of the total additions to intangible assets, R693 million relates to costs borne by the Group in terms of a subscription income sharing arrangement and R212 million to subscriber acquisition costs.

The net increase of R46.4 million in investments and loans to associates and joint ventures comprised the Group's net share of profits totalling R8 million, acquisition of further shares in an associate of R17.7 million, net loan increases of R25.8 million and its share of the movements in the foreign currency translation reserve amounting to R1.3 million, offset by a dilution of its holding in a joint venture of R0.5 million and dividends received of R5.8 million.

The material net increase in current assets included increases in trade and other receivables of R991 million, cash and cash equivalents of R306 million and inventory of R177 million, offset by decreases in advances to customers of R122 million and financial assets at fair value through profit and loss of R130 million.

The stock turn equated to 28 days compared to 22 days for the financial year ended May 2021.

# COMMENTARY CONTINUED

The debtor's collection period increased to 79 days compared to 59 days for the financial year ended May 2021. On exclusion of the trade debtors relating to CEC, the debtor's collection period remained unchanged at 28 days. CEC's trade debtors predominantly related to amounts due from Cell C, which will be settled down to an amount of R1.1 billion on the recapitalisation of Cell C.

Net profit attributable to equity holders amounted to R1.03 billion, contributing to accumulated capital and reserves of R4.2 billion.

Non-current liabilities increased by R546 million, comprising an increase in borrowings of R472 million, deferred taxation liabilities of R105 million offset by a decrease in lease liabilities of R31 million.

Current liabilities increased by R378 million, including increases in trade and other payables of R94 million, deferred revenue of R36 million, and borrowings of R390 million. This increase was offset by a decrease in financial guarantee contracts of R106 million and financial liabilities at fair value through profit and loss of R47 million. Average credit terms from continuing operations equating to 124 days (2021: 116 days).

The decrease in financial guarantee contracts of R106 million was due to the settlement of an amount owing by Glocell Proprietary Limited to Investec Bank Limited that was guaranteed by Glocell Distribution Proprietary Limited, congruent with the buyout of the latter's non-controlling interest in the current year.

## Statement of cash flows

Cash generated from trading operations totalled R935 million. Working capital movements comprised an increase in trade payables of R45 million and a decrease in advances to customers of R145 million, offset by an increase in trade receivables of R847 million and an increase in inventory of R181 million. After incurring net finance costs and taxation, net cash generated from operating activities amounted to R649 million.

Net cash flows utilised in investing activities amounted to R1.0 billion, primarily attributable to the purchase of intangible assets of R1.0 billion, capital expenditure of R78 million, the acquisition of further shares in an associate of R15 million and net loans granted of R38 million, offset by the receipt of R117 million contingent consideration relating to the disposal of the VAS operations in April 2020. Of the R1.0 billion invested in intangible assets, R928 million related to costs borne by the Group in terms of the subscription income sharing arrangement.

Cash flows generated from financing activities amounted to R668 million, of which R756 million related to the net increase in borrowings, offset by R38 million to lease payments, R30 million to dividend payments to non-controlling interests, R11 million to the acquisition of non-controlling interest and R9 million to the purchase of treasury shares.

Cash and cash equivalents accumulated to R2.7 billion at 31 May 2022.

## Forfeitable share scheme

Forfeitable shares totalling 8 717 136 (2021: 14 611 406) were issued to qualifying employees. During the year, 5 245 249 (2021: 2 517 085) shares were forfeited and 1 452 062 (2021: 1 174 045) shares vested.

## Subsequent events

### Cell C

Certain of the Secured Lenders of Cell C, are holders of formerly publicly listed notes issued by Cell C described as USD184 002 000 8.625% First Priority Senior Secured Notes. Shareholders were notified of the convening of a meeting of the holders of the Notes (Noteholders) for Noteholders to approve an extraordinary resolution which, among other things, will give effect to the compromising of the Noteholders' claims (Compromise Offer). In terms of the Compromise Offer Cell C shall, inter alia, restructure its debt owing to certain secured lenders totalling c.R7.3 billion, with such amount being fixed as at November 2019, by compromising the secured lenders' claims by an offer of 20c to the Rand. The Noteholder meeting was held on 5 July 2022 and Noteholders with the requisite majority voted resolutions in favour of, among other things, the compromise offer as set out in Cell C's consent solicitation memorandum.

The binding long-form agreements are expected to be completed in their entirety shortly. It is anticipated that the recapitalisation process, the completion of which has endured for longer than initially anticipated, is expected to close by mid-September 2022.

### Banking facilities

In August 2022, The Prepaid Company renegotiated a further extension of its Investec facility to 30 September 2023. The Investec facility available to The Prepaid Company at year end is required to reduce by R120 million to R1.005 billion as at 30 September 2022. At 31 May 2022, the Investec facility is disclosed as current borrowings, as the extension to 30 September 2023, was only granted in August 2022.

## Independent audit

These summary consolidated financial statements for the year ended 31 May 2022 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 wishes to express its appreciation to its staff, suppliers, customers and business partners for their continued support and commitment to the Group.

For and on behalf of the Board

**LM Nestadt**
*Chairman*

**BM Levy**
*Joint Chief Executive Officer*

**MS Levy**
*Joint Chief Executive Officer*

**DA Suntup* CA(SA)**
*Financial Director*

25 August 2022

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

# INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED 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 summarised group statement of financial position as at 31 May 2022, the summarised group income statement and summarised group 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 2022.

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 25 August 2022. That report also includes communication of 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.

The basis for the qualified audit opinion was an inability to obtain sufficient appropriate audit evidence to support the use of the going concern assumption in the current and prior years at the Group's equity-accounted associate, Cell C Limited (Cell C), due to the restructuring of the operations and capital structure of Cell C still being in progress and the outcome thereof remaining uncertain as at the date of this audit report. This matter only impacts the note disclosure in the audited consolidated financial statements, and has no impact on the summary consolidated financial statements due to the investment in Cell C having been fully impaired in prior periods.

### Director's 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, 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*.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
*Director: Pietro Calicchio*

Registered Auditor

Johannesburg, South Africa

25 August 2022

# SUMMARISED GROUP INCOME STATEMENT

for the year ended 31 May 2022

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Continuing operations** | | |
| Revenue | **17 395 281** | 18 438 662 |
| Finance revenue | **410 981** | 382 628 |
| **Total revenue** | **17 806 262** | 18 821 290 |
| Other income | **390 851** | 103 684 |
| Direct operating costs* | **(14 858 153)** | (16 378 665) |
| Finance costs incurred in the generation of revenue | **(17 135)** | (59 371) |
| Employee compensation and benefit expense | **(780 255)** | (637 387) |
| Depreciation and amortisation | **(174 045)** | (188 883) |
| Impairments and fair value movements | **63 246** | 7 795 |
| Bad debts and expected credit loss | **(327 761)** | 11 900 |
| Other expenses | **(578 561)** | (508 973) |
| **Operating profit** | **1 524 449** | 1 171 390 |
| Finance costs | **(201 225)** | (131 947) |
| Finance income | **80 993** | 59 717 |
| Share of gains from associates and joint ventures | **8 042** | 2 951 |
| **Profit before taxation** | **1 412 259** | 1 102 111 |
| Taxation | **(320 262)** | (249 416) |
| **Profit after taxation from continuing operations** | **1 091 997** | 852 695 |
| Profit from discontinued operations | **—** | 25 321 |
| **Profit for the year** | **1 091 997** | 878 016 |
| **Profit for the year from continuing operations attributable to:** | | |
| Equity holders of the parent | **1 027 079** | 805 286 |
| Non-controlling interest | **64 918** | 47 409 |
| **Profit for the year from discontinued operations attributable to:** | | |
| Equity holders of the parent | **—** | 25 321 |
| Non-controlling interest | **—** | — |
| **Earnings per share for profit attributable to:** | | |
| Equity holders (cents) | | |
| **– Basic** | **117.13** | 94.55 |
| **– Diluted** | **114.14** | 91.36 |

* Direct operating expenses are the operating expenses directly attributable to the production of goods and services sold by the Group. These include, but are not limited to, the costs associated with the acquisition of airtime and handsets sold by the Group.

# SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 May 2022

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Net profit for the year** | **1 091 997** | 878 016 |
| **Other comprehensive income:** | | |
| **Items reclassified to profit or loss** | | |
| Foreign currency translation reserve reclassified to profit or loss* | **—** | (52 538) |
| Loss arising on changes in fair value of hedging instruments (ineffective portion)** | **—** | (45) |
| Loss on hedging instruments reclassified to profit or loss (effective portion)** | **(2 680)** | (1 001) |
| Income tax related to amounts reclassified to profit or loss | **750** | 293 |
| **Items that may be subsequently reclassified to profit or loss** | | |
| Foreign exchange profit/(loss) on translation of associates and joint ventures* | **1 251** | (8 826) |
| Gain arising on changes in fair value of hedging instruments (effective portion) | **10 262** | 7 751 |
| Income tax related to gains recognised in other comprehensive income | **(2 635)** | (2 170) |
| **Other comprehensive income/(loss) for the year, net of tax** | **6 948** | (56 536) |
| **Total comprehensive income for the year** | **1 098 945** | 821 480 |
| **Total comprehensive income for the year attributable to:** | | |
| Equity holders of the parent | **1 034 027** | 774 071 |
| Non-controlling interest | **64 918** | 47 409 |
| **Total comprehensive income for the year attributable to equity holders of the parent arises from:** | **1 034 027** | 774 071 |
| Continuing operations | **1 034 027** | 748 750 |
| Discontinued operations | **—** | 25 321 |

* These components of other comprehensive income do not attract any tax.
** These items are included in finance costs.

# SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION
as at 31 May 2022

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **3 499 479** | 2 821 283 |
| Property, plant and equipment | 195 313 | 194 193 |
| Right-of-use assets | 36 266 | 58 746 |
| Intangible assets | 1 665 549 | 1 051 627 |
| Goodwill | 681 754 | 681 754 |
| Investments in and loans to associates and joint ventures | 98 892 | 62 996 |
| Loans receivable | 48 913 | 44 232 |
| Advances to customers | 547 711 | 570 456 |
| Financial assets at fair value through profit or loss | 133 293 | 75 342 |
| Financial assets at fair value through other comprehensive income | 8 536 | 6 915 |
| Deferred taxation assets | 83 252 | 75 022 |
| **Current assets** | **9 829 505** | 8 629 196 |
| Loans to associate | 25 858 | 15 369 |
| Inventories | 1 143 372 | 965 946 |
| Loans receivable | 32 801 | 25 572 |
| Trade and other receivables | 4 743 338 | 3 752 019 |
| Advances to customers | 1 119 827 | 1 241 832 |
| Financial assets at fair value through profit or loss | 14 008 | 143 797 |
| Financial assets at fair value through other comprehensive income | 11 688 | — |
| Current tax assets | 15 022 | 67 336 |
| Cash and cash equivalents | 2 723 591 | 2 417 325 |
| **Total assets** | **13 328 984** | 11 450 479 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | **4 187 598** | 3 233 348 |
| Issued share capital and premium | 7 544 531 | 7 543 436 |
| Other reserves | (2 871 437) | (2 732 783) |
| Retained earnings | (585 307) | (1 612 386) |
| Total ordinary shareholders' equity | 4 087 787 | 3 198 267 |
| Non-controlling interest | 99 811 | 35 081 |
| **Non-current liabilities** | **783 878** | 237 563 |
| Deferred taxation liabilities | 299 909 | 194 520 |
| Non-current lease liability | 9 498 | 40 265 |
| Borrowings | 474 471 | 2 778 |
| **Current liabilities** | **8 357 508** | 7 979 568 |
| Trade and other payables | 6 069 027 | 5 975 118 |
| Deferred revenue* | 113 367 | 77 731 |
| Lease liability | 37 384 | 32 860 |
| Financial guarantee contracts | — | 105 621 |
| Provisions | — | 500 |
| Financial liabilities at fair value through profit or loss | 22 200 | 68 742 |
| Current tax liabilities | 21 467 | 14 504 |
| Borrowings | 2 094 000 | 1 704 374 |
| Bank overdraft | 63 | 118 |
| **Total equity and liabilities** | **13 328 984** | 11 450 479 |

* Deferred revenue was previously aggregated into 'Trade and other payables'. This balance has now been presented separately due to its significance.

# SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 May 2022

| | Issued share capital and premium R'000 | Retained earnings R'000 | Other reserves R'000 | Total ordinary shareholders' equity R'000 | Non-controlling interest R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|
| Balance as at 1 June 2020 | 7 573 586 | (2 442 993) | (2 689 960) | 2 440 633 | 44 484 | 2 485 117 |
| Profit for the year | — | 830 607 | — | 830 607 | 47 409 | 878 016 |
| Other comprehensive loss | — | — | (56 536) | (56 536) | — | (56 536) |
| Total comprehensive income/(loss) | — | 830 607 | (56 536) | 774 071 | 47 409 | 821 480 |
| Treasury shares purchased | (43 924) | — | — | (43 924) | — | (43 924) |
| Equity compensation benefit scheme shares vested | 13 774 | — | (13 471) | 303 | (303) | — |
| Equity compensation benefit movement | — | — | 27 184 | 27 184 | 639 | 27 823 |
| Dividends paid | — | — | — | — | (57 148) | (57 148) |
| **Balance as at 31 May 2021** | 7 543 436 | (1 612 386) | (2 732 783) | 3 198 267 | 35 081 | 3 233 348 |
| Profit for the year | **—** | **1 027 079** | **—** | **1 027 079** | **64 918** | **1 091 997** |
| Other comprehensive income | **—** | **—** | **6 948** | **6 948** | **—** | **6 948** |
| **Total comprehensive income** | **—** | **1 027 079** | **6 948** | **1 034 027** | **64 918** | **1 098 945** |
| Treasury shares purchased | **(9 301)** | **—** | **—** | **(9 301)** | **—** | **(9 301)** |
| Equity compensation benefit scheme shares vested | **10 396** | **—** | **(9 954)** | **442** | **(442)** | **—** |
| Equity compensation benefit movement | **—** | **—** | **30 446** | **30 446** | **1 832** | **32 278** |
| Acquisition of non-controlling interest* | **—** | **—** | **(166 094)** | **(166 094)** | **28 472** | **(137 622)** |
| Dividends paid | **—** | **—** | **—** | **—** | **(30 050)** | **(30 050)** |
| **Balance as at 31 May 2022** | **7 544 531** | **(585 307)** | **(2 871 437)** | **4 087 787** | **99 811** | **4 187 598** |

* On the 29 June 2021, The Prepaid Company acquired an additional 52% shareholding in Glocell Distribution for a total purchase consideration of R137 million, of which R126 million was discharged by way of a conversion of debt owing by Glocell Proprietary Limited, the owners of 40% of the Company, to The Prepaid Company. The remaining 12% was acquired by The Prepaid Company for R11 million. Over and above the cost of acquisition of 52% of Glocell Distribution by The Prepaid Company, the latter assumed Glocell Proprietary Limited's obligation of R106 million to Investec Bank Limited. As a result of taking over this obligation, The Prepaid Company's guarantee liability in respect of Glocell Proprietary Limited was extinguished.

# SUMMARISED GROUP STATEMENT OF CASH FLOWS
for the year ended 31 May 2022

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash received from customers | 16 698 666 | 18 988 312 |
| Cash paid to suppliers, financiers and employees | (15 764 089) | (17 248 453) |
| **Cash generated by operations** | 934 577 | 1 739 859 |
| Interest received | 80 993 | 59 719 |
| Interest paid | (201 091) | (126 780) |
| Taxation paid | (165 710) | (204 756) |
| Net cash generated from operating activities | 648 769 | 1 468 042 |
| **Cash flows from investing activities** | | |
| Acquisition of intangible assets* | (1 013 334) | (36 704) |
| Proceeds on disposal of intangible assets | — | 4 301 |
| Acquisition of property, plant and equipment | (77 813) | (71 214) |
| Proceeds on disposal of property, plant and equipment | 9 793 | 4 115 |
| Acquisition of subsidiary, net of cash acquired | — | 83 |
| Acquisition of shares in associate | (15 340) | — |
| Contingent consideration received** | 117 791 | — |
| Proceeds from disposal of shares in joint ventures | — | 190 555 |
| Liquidity support granted | — | (331 000) |
| Loans advanced to associates and joint ventures | (26 565) | (52 259) |
| Loans repaid by associates and joint ventures | 1 805 | 39 204 |
| Dividend received from associate and joint venture | 5 885 | 14 000 |
| Loans granted | (40 774) | (74 274) |
| Loans receivable repaid | 27 943 | 67 520 |
| Net cash utilised in investing activities | (1 010 609) | (245 673) |
| **Cash flows from financing activities** | | |
| Interest-bearing borrowings raised | 1 627 141 | 152 007 |
| Interest-bearing borrowings repaid | (870 502) | (751 053) |
| Non-interest-bearing borrowings raised | — | 270 |
| Non-interest-bearing borrowings repaid | (270) | (13 959) |
| Lease repayments | (37 857) | (49 900) |
| Settlement of financial guarantee | — | (53 285) |
| Settlement of forward exchange contracts | — | (2 895) |
| Acquisition of non-controlling interest | (11 000) | — |
| Acquisition of treasury shares*** | (9 301) | (43 924) |
| Dividends paid to non-controlling interest | (30 050) | (57 148) |
| Net cash generated by/(utilised in) financing activities | 668 161 | (819 887) |
| **Net increase in cash and cash equivalents** | 306 321 | 402 482 |
| Cash and cash equivalents at the beginning of the year | 2 417 207 | 2 014 725 |
| **Cash and cash equivalents at the end of the year** | 2 723 528 | 2 417 207 |

* Acquisitions of intangible assets in the current period include significant cash outflows of R928 million relating to the subscription income sharing arrangement that commenced during the 2021 financial year.
** Settlement of the contingent consideration relating to the disposal of the VAS operations in April 2020.
*** Approximately 1.4 million shares were repurchased over the period from 4 to 5 April 2022 at a weighted average price of R6.45 per share.

# SHARE PERFORMANCE
for the year ended 31 May 2022

## Use of adjusted measures

The measures listed below are presented as management believes it to be relevant to the understanding of the Group's financial performance. These measures are used for internal performance analysis and provide additional, useful information on underlying trends to equity holders. These measures are not defined terms under International Financial Reporting Standards (IFRS) and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

### (a) Headline earnings, earnings and core headline earnings per share

| | Total | | | | Continuing operations | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable earnings | | Cents per share | | Attributable earnings | | Cents per share | | Attributable earnings | | Cents per share | |
| | **2022 R'000** | 2021 R'000 | **2022** | 2021 | **2022 R'000** | 2021 R'000 | **2022** | 2021 | **2022 R'000** | 2021 R'000 | **2022** | 2021 |
| **Headline earnings per share** | | | | | | | | | | | | |
| Basic | **1 028 911** | 756 917 | **117.34** | 86.16 | **1 028 911** | 731 936 | **117.34** | 83.32 | **—** | 24 981 | **—** | 2.84 |
| Diluted | **1 028 911** | 756 917 | **114.34** | 83.26 | **1 028 911** | 731 936 | **114.34** | 80.51 | **—** | 24 981 | **—** | 2.75 |
| Core | **1 061 080** | 787 580 | **121.01** | 89.65 | **1 061 080** | 762 599 | **121.01** | 86.81 | **—** | 24 981 | **—** | 2.84 |
| **Earnings attributable to ordinary equity holders** | | | | | | | | | | | | |
| Basic | **1 027 079** | 830 607 | **117.13** | 94.55 | **1 027 079** | 805 286 | **117.13** | 91.67 | **—** | 25 321 | **—** | 2.88 |
| Diluted | **1 027 079** | 830 607 | **114.14** | 91.36 | **1 027 079** | 805 286 | **114.14** | 88.57 | **—** | 25 321 | **—** | 2.79 |

### (b) Weighted average number of shares

Weighted average number of shares

| | **2022 '000** | 2021 '000 |
|---|---|---|
| Weighted average number of ordinary shares | **876 857** | 878 463 |
| Adjusted for forfeitable shares | **23 006** | 31 334 |
| Weighted average number of ordinary shares for diluted earnings[1] | **899 863** | 909 797 |

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

### (c) Analysis of headline earnings

| | Total | | | | Continuing operations | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Profit/(loss) before tax and non-controlling interest R'000 | Tax R'000 | Non-controlling interest R'000 | Headline earnings R'000 | Profit/(loss) before tax and non-controlling interest R'000 | Tax R'000 | Non-controlling interest R'000 | Headline earnings R'000 | Profit/(loss) before tax and non-controlling interest R'000 | Tax R'000 | Non-controlling interest R'000 | Headline earnings R'000 |
| **2022** | | | | | | | | | | | | |
| Profit attributable to equity holders of the parent | 1 412 259 | (320 262) | (64 918) | 1 027 079 | 1 412 259 | (320 262) | (64 918) | 1 027 079 | — | — | — | — |
| Profit on disposal of property, plant and equipment | (1 383) | 387 | 27 | (969) | (1 383) | 387 | 27 | (969) | — | — | — | — |
| Profit on disposal of property, plant and equipment in associate | (32) | — | — | (32) | (32) | — | — | (32) | | | | |
| Impairment of property, plant and equipment | 3 580 | (1 003) | — | 2 577 | 3 580 | (1 003) | — | 2 577 | — | — | — | — |
| Remeasurement of non-current assets held-for-sale | 157 | (44) | (29) | 84 | 157 | (44) | (29) | 84 | — | — | — | — |
| Profit on disposal of intangible assets in joint venture | (270) | — | — | (270) | (270) | — | — | (270) | — | — | — | — |
| Dilution of holding in joint venture | 545 | — | (103) | 442 | 545 | — | (103) | 442 | — | — | — | — |
| Headline earnings | | | | 1 028 911 | | | | 1 028 911 | | | | — |

# SHARE PERFORMANCE CONTINUED

for the year ended 31 May 2022

| | Total | | | | Continuing operations | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Profit/(loss) before tax and non-controlling interest R'000 | Tax R'000 | Non-controlling interest R'000 | Headline earnings R'000 | Profit/(loss) before tax and non-controlling interest R'000 | Tax R'000 | Non-controlling interest R'000 | Headline earnings R'000 | Profit/(loss) before tax and non-controlling interest R'000 | Tax R'000 | Non-controlling interest R'000 | Headline earnings R'000 |
| 2021 | | | | | | | | | | | | |
| Profit attributable to equity holders of the parent | 1 136 968 | (258 952) | (47 409) | 830 607 | 1 102 111 | (249 416) | (47 409) | 805 286 | 34 857 | (9 536) | — | 25 321 |
| Profit on disposal of property, plant and equipment | (1 016) | 284 | — | (732) | (544) | 152 | — | (392) | (472) | 132 | — | (340) |
| Impairment of property, plant and equipment | 5 559 | (1 557) | — | 4 002 | 5 559 | (1 557) | — | 4 002 | — | — | — | — |
| Impairment of intangible assets | 754 | (211) | — | 543 | 754 | (211) | — | 543 | — | — | — | — |
| Profit on disposal of joint venture | (26 955) | — | — | (26 955) | (26 955) | — | — | (26 955) | — | — | — | — |
| Loss on disposal of joint venture | 1 990 | — | — | 1 990 | 1 990 | — | — | 1 990 | — | — | — | — |
| FCTR recycled on the disposal of investment in joint venture | (52 538) | — | — | (52 538) | (52 538) | — | — | (52 538) | — | — | — | — |
| Headline earnings | | | | 756 917 | | | | 731 936 | | | | 24 981 |

### (d) Analysis of core headline earnings

| | Total | | Continuing operations | | Discontinued operations | |
|---|---|---|---|---|---|---|
| | **2022 R'000** | 2021 R'000 | **2022 R'000** | 2021 R'000 | **2022 R'000** | 2021 R'000 |
| Reconciliation between net profit for the period and core headline earnings for the period: | | | | | | |
| Net profit for the period | **1 027 079** | 830 607 | **1 027 079** | 805 286 | **—** | 25 321 |
| Amortisation of intangibles raised through business combinations net of tax and non-controlling interest | **32 169** | 30 663 | **32 169** | 30 663 | **—** | — |
| Core net profit for the period | **1 059 248** | 861 270 | **1 059 248** | 835 949 | **—** | 25 321 |
| Headline earnings adjustments | **1 832** | (73 690) | **1 832** | (73 350) | **—** | (340) |
| Core headline earnings | **1 061 080** | 787 580 | **1 061 080** | 762 599 | **—** | 24 981 |

# SEGMENTAL SUMMARY

| For the year ended 31 May 2022 | Total R'000 | Africa Distribution R'000 | International R'000 | Solutions R'000 | Corporate R'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Total segment revenue | **24 531 675** | **24 023 222** | **—** | **254 571** | **253 882** |
| Internal revenue | **(6 725 413)** | **(6 470 619)** | **—** | **(912)** | **(253 882)** |
| **Revenue** | **17 806 262** | **17 552 603** | **—** | **253 659** | **—** |
| Operating profit/(loss) before depreciation and amortisation | **1 698 494** | **1 700 844** | **11 768** | **27 503** | **(41 621)** |
| **Profit/(loss) for the year from continuing operations attributable to equity holders of the parent** | **1 027 079** | **1 058 951** | **9 649** | **29 059** | **(70 580)** |
| Amortisation of intangibles raised through business combinations net of tax and non-controlling interest | **32 169** | **32 169** | **—** | **—** | **—** |
| Headline earnings adjustment | **1 832** | **1 708** | **—** | **428** | **(304)** |
| **Core headline earnings for the year** | **1 061 080** | **1 092 828** | **9 649** | **29 487** | **(70 884)** |

| For the year ended 31 May 2021 | Total R'000 | Africa Distribution R'000 | International R'000 | Solutions R'000 | Corporate R'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Total segment revenue | 26 524 093 | 26 177 843 | — | 186 145 | 160 105 |
| Internal revenue | (7 702 803) | (7 536 312) | — | (6 386) | (160 105) |
| **Revenue** | 18 821 290 | 18 641 531 | — | 179 759 | — |
| Operating profit/(loss) before depreciation and amortisation | 1 360 273 | 1 374 735 | 50 825 | 16 746 | (82 033) |
| Profit/(loss) for the year from continuing operations attributable to equity holders of the parent | 805 286 | 820 819 | 68 021 | 21 411 | (104 965) |
| Profit from discontinued operations attributable to equity holders of the parent | 25 321 | 25 321 | — | — | — |
| **Profit/(loss) for the year attributable to equity holders of the parent** | 830 607 | 846 140 | 68 021 | 21 411 | (104 965) |
| Amortisation of intangibles raised through business combinations net of tax and non-controlling interest | 30 663 | 30 663 | — | — | — |
| Headline earnings adjustment | (73 690) | 3 859 | (79 493) | — | 1 944 |
| **Core headline earnings for the year** | 787 580 | 880 662 | (11 472) | 21 411 | (103 021) |

## Discontinued operations

The prior year segmental results account for the discontinued operations within the Africa Distribution segment (WiConnect).

# REVENUE

| | Total | | Africa Distribution | | Solutions | |
|---|---|---|---|---|---|---|
| | **2022 R'000** | 2021 R'000 | **2022 R'000** | 2021 R'000 | **2022 R'000** | 2021 R'000 |
| **Revenue from contracts with customers** | **16 552 919** | 18 159 335 | **16 299 260** | 17 979 576 | **253 659** | 179 759 |
| Prepaid airtime, data and related revenue | **14 556 809** | 16 370 708 | **14 556 809** | 16 370 708 | **—** | — |
| Postpaid airtime, data and related revenue | **106 285** | 103 656 | **106 285** | 103 656 | **—** | — |
| Prepaid and postpaid SIM cards | **504 111** | 532 073 | **504 111** | 532 073 | **—** | — |
| Services | **394 253** | 344 603 | **140 594** | 164 844 | **253 659** | 179 759 |
| Electricity commission | **336 197** | 350 912 | **336 197** | 350 912 | **—** | — |
| Handsets, tablets and other devices | **274 447** | 199 246 | **274 447** | 199 246 | **—** | — |
| Other revenue* | **380 817** | 258 137 | **380 817** | 258 137 | **—** | — |
| Subscription income share | **842 362** | 279 327 | **842 362** | 279 327 | **—** | — |
| **Revenue** | **17 395 281** | 18 438 662 | **17 141 622** | 18 258 903 | **253 659** | 179 759 |
| **Finance revenue** | **410 981** | 382 628 | **410 981** | 382 628 | **—** | — |
| **Total revenue** | **17 806 262** | 18 821 290 | **17 552 603** | 18 641 531 | **253 659** | 179 759 |

* Other revenue predominantly includes audit projects on municipalities and commissions earned on the sale of betting vouchers, bus ticketing and the facilitation of bill payments.

Revenue generating entities accounted for as discontinued operations that were previously disclosed within the Africa segment are not included in current or prior period revenue per the Group's statement of comprehensive income.

# FRAUD RECOUPMENT

The Group uncovered a fraudulent scheme, operating since 2015, which was perpetrated by two former senior key executives (the perpetrators) of a subsidiary company (the subsidiary). These fraudulent transactions were performed primarily outside the course and scope of the subsidiary's immediate field of commercial dealings, whereby the perpetrators interposed themselves between intermediary companies and the subsidiary for their own benefit. In addition, certain transactions were identified evidencing theft of funds from the subsidiary and the fraudulent concealment thereof. Settlement agreements were signed with the perpetrators in late October 2021, in terms of which rights to all, but a few, assets of the perpetrators were signed over to the Group. The Group holds Powers of Attorney over these assets. As of 31 October 2021, the aggregate value of assets either realised by or signed over to the Group as a result of the fraudulent scheme, amounted to R315 million, which has been recognised as recoupment income within other income, and comprised the following:

| | Amounts collectable at 31 October 2021 R'000 | Collected in cash R'000 | Other movements R'000 | Amounts collectable at 31 May 2022 R'000 |
|---|---|---|---|---|
| **Rights to:** | | | | |
| Immovable property | 42 295[1] | (11 354) | (30 941) | — |
| Loans made to third parties | 62 772[2] | (3 524) | (8 292) | 50 956 |
| Unlisted shares | 13 100[3] | — | (13 100) | — |
| Listed share portfolio | 750[4] | (750) | — | — |
| Bank accounts | 191 527[5] | (189 825) | — | 1 702 |
| Inventory | 448 | — | (448) | — |
| Other | 4 240 | (140) | (4 100) | — |
| Receivables | — | — | 60 483 | 60 483 |
| | 315 132 | (205 593) | 3 602 | 113 141 |

1 Rights to immovable property have been accounted for as rights to receive non-current assets and were recognised initially at their fair value using comparable market prices. As it is not the intention of the Group to acquire legal title to the properties or to keep the rights for the long term, the Group is actively marketing these properties and expects to realise them all within the next 12 months. Accordingly, the rights to receive immovable property have been classified as non-current assets held-for-sale and are presented as such under current assets on the statement of financial position. These rights are measured at the lower of the initial amount recognised and fair value less costs to sell. Since the perpetrators are required to bear the costs to sell, these have been assumed to be zero for the Group's measurement purposes. All properties were sold by 31 May 2022, resulting in the derecognition of the related right and the recognition of a receivable for the sale proceeds which are expected to be received within the next 12 months where the transfer of title to the property has not yet taken place.

2 The right to a loan made to a third party with a carrying amount of R49.5 million has been accounted for as a financial asset at fair value through profit or loss. Early prepayment features resulted in the underlying loan failing the requirements for amortised cost accounting. The rights to the remaining loans receivable have been measured at amortised cost.

3 At about the time of the settlement agreement, an agreement was reached for the sale of certain unlisted shares owned by the perpetrators, the proceeds of which are payable to the Group within the next few months. Accordingly, the Group recognised a receivable for such proceeds, measured initially at fair value, which is subject to the Group's accounting policy for expected credit losses.

4 The right to the listed share portfolio has been accounted for as a financial asset at fair value through profit or loss based on quoted share prices.

5 Substantially all funds that were found to be held in bank accounts have been transferred to the Group's bank accounts.

Subsequent to year-end, R20.8 million of the balance remaining to be collected at 31 May 2022 was collected.

Professional fees incurred relating to the fraud recoupment amounted to R67.9 million to the end of May 2022 and have been included in other expenses.

As the fraudulent activities had a direct impact on the Group's operating cash flows, the realisation of the recoupment income is recognised in cash flows from operating activities in the cash flow statement.

Subsequent to the fraud investigation and detailed review of the control environment and business processes within the subsidiary, management has implemented the necessary improvements relating to the existing control environment.

# BORROWINGS

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

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

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

| | **2022 R'000** | 2021 R'000 |
|---|---|---|
| Interest-bearing borrowings | **2 567 752** | 1 706 163 |
| Non-interest-bearing borrowings | **719** | 989 |
| | **2 568 471** | 1 707 152 |
| Amounts included in non-current portion of borrowings | **474 471** | 2 778 |
| Amounts included in current portion of borrowings | **2 094 000** | 1 704 374 |

The table below details the facilities drawn upon at 31 May 2022.

| | **Available facility** | | **Facility utilised** | |
|---|---|---|---|---|
| | **2022 R'000** | 2021 R'000 | **2022 R'000** | 2021 R'000 |
| Mezzanine facility | **—** | 410 532 | **—** | 410 532 |
| Facility A | **1 125 000** | 1 450 000 | **941 584** | 1 292 637 |
| African Bank | **1 900 000** | — | **1 623 342** | — |
| | **3 025 000** | 1 860 532 | **2 564 926** | 1 703 169 |

The Group did not default on any loans or breach any terms of the underlying agreements during the year.

# BORROWINGS CONTINUED

### Changes in liabilities arising from financing activities

| | Borrowings due within one year R'000 | Borrowings due after one year R'000 | Total R'000 |
|---|---|---|---|
| **Opening balance as at 1 June 2020** | 2 316 383 | 2 778 | 2 319 161 |
| Acquisition of subsidiary | 726 | — | 726 |
| Non-interest-bearing borrowings raised | 270 | — | 270 |
| Non-interest-bearing borrowings repaid | (13 959) | — | (13 959) |
| Interest-bearing borrowings raised | 152 007 | — | 152 007 |
| Interest accrued on interest-bearing borrowings* | 152 331 | — | 152 331 |
| Interest-bearing borrowings capital repaid | (751 053) | — | (751 053) |
| Interest-bearing borrowings interest repaid | (152 331) | — | (152 331) |
| **Closing balance as at 31 May 2021** | 1 704 374 | 2 778 | 1 707 152 |
| Non-interest-bearing borrowings raised | **—** | **—** | **—** |
| Non-interest-bearing borrowings repaid | **(270)** | **—** | **(270)** |
| Interest-bearing borrowings raised through the acquisition of non-controlling interest | **104 950** | **—** | **104 950** |
| Interest-bearing borrowings raised | **1 155 448** | **471 693** | **1 627 141** |
| Interest accrued on interest-bearing borrowings* | **183 280** | **—** | **183 280** |
| Interest-bearing borrowings capital repaid | **(870 502)** | **—** | **(870 502)** |
| Interest-bearing borrowings interest repaid | **(183 280)** | **—** | **(183 280)** |
| **Closing balance as at 31 May 2022** | **2 094 000** | **474 471** | **2 568 471** |

* Of the total interest accrued on interest-bearing borrowings, R17 million (2021: R59 million) is accounted for as finance costs incurred in the generation of revenue on the Group income statement. The balance is accounted for in finance costs on the Group income statement.

# CELL C LIMITED

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

As at 31 May 2019, the Group's investment in Cell C was impaired to Rnil. It remains at Rnil as at 31 May 2022.

## Critical accounting judgements and assumptions

### Going concern of Cell C

For purposes of the Group's annual financial statements for the year ended 31 May 2022, Cell C has been accounted for using the going concern assumption. As the Group's share of Cell C's losses exceed the carrying amount of the investment (Rnil), the Group has ceased recognising its share of further losses. If Cell C subsequently generates profits, the Group will resume recognising its share of profits only after its share of the profits equals the share of losses not recognised.

Based on the following facts available, management is of the opinion that Cell C will continue as a going concern for the foreseeable future:

Cell C concluded the national roaming agreement on 7 August 2019, which became effective on 4 May 2020. This agreement is one of the key pillars in Cell C's transformation plan, as well as its long-term network strategy to optimise operating costs and reduce capital outlay as part of the turnaround strategy. This agreement is anticipated to positively impact the cost base and future cash flows on the successful implementation of this transaction.

The Board of Cell C established a liquidity committee to monitor the liquidity position of Cell C and to ensure that the business is not trading recklessly during the negotiations of the recapitalisation and debt restructure. Although the liquidity position of Cell C remains challenging, Cell C has proven that it has managed to continue trading despite the liquidity concerns and management is confident that this committee will manage the liquidity position of Cell C until the conclusion of the recapitalisation process.

Cell C appointed independent financial restructuring advisers to assist in stringent monitoring of the liquidity of Cell C, as well as designing the revised business plans that support the new operating business model. Stakeholders have appointed independent advisers to assist with the recapitalisation and/or debt restructuring process and formal engagements are ongoing.

A roaming agreement with Vodacom was concluded in November 2020 which is aligned to Cell C's revised network strategy, aimed at managing capacity in a more scalable and cost-efficient manner through a roaming model. Contract and broadband customers have been transitioned in stages to roam on the Vodacom network. The strategic vision is to differentiate Cell C by focusing on innovative products and services without being owners of capital-intensive infrastructure. This creates more flexibility and capacity to deliver the right quality of service to our current and future customers.

Cell C embarked on a strategy to reconsider its current service offering, whereby Cell C identified the need to either wind down or restructure the service offering being provided to its postpaid mobile telecommunication business (the base). During the 2021 financial year, the Group, through its subsidiary Comm Equipment Company (CEC), entered into an arrangement with Cell C to facilitate Cell C's operation of the base. The agreement commenced on 1 November 2020 for an initial period of five years, with CEC having the right to renew for a further four years. CEC is entitled to receive a share of the subscription income generated by Cell C from a subset of postpaid subscribers that sign up, extend or upgrade their subscriptions with Cell C after 1 November 2020 (New and Upgrade subscribers) plus certain fixed and variable payments. Cell C will remain entitled to the subscription income of existing subscribers at 31 October 2020 for the remainder of the subscribers' contract and a share of the ongoing revenue of New and Upgrade subscribers. The aim of the reorganisation would be for the base to remain intact and grow in the future, and for Cell C to have limited downside risk on the base.

On 4 August 2020, Cell C notified its noteholders that it defaulted on the payment of capital on its USD184 002 000 8.625% First Priority Senior Secured Notes which was due on 2 August 2020; as well as interest and capital repayments related to the respective bilateral loan facilities between Cell C and Nedbank Limited, China Development Bank Corporation, Development Bank of Southern Africa Limited and Industrial and Commercial Bank of China Limited, which were due in January and July 2020.

Currently, none of the bilateral loan facilities have been accelerated as noteholders are aware and support that Cell C is committed to resolving the situation by agreeing to restructuring terms with its lenders while it also continues to work proactively with all stakeholders to improve its liquidity, debt profile and long-term competitiveness.

Management and the Directors have taken the default into consideration as part of their overall assessment of the going concern principle for Cell C and are of the view that the going concern assumption is still applicable. The default does not change any judgements or assumptions made in the financial assumptions that are dependent on the continued operation of Cell C as a going concern.

# CELL C LIMITED CONTINUED

On 26 August 2021, TPC concluded a term sheet for an Airtime Purchase transaction with Investec Bank Limited, FirstRand Bank Limited (acting through its Rand Merchant Bank division) and other financiers, the proceeds of which are intended to be utilised for the recapitalisation of Cell C. This arrangement is subject to the conclusion of all legal documentation and fulfilment of all conditions precedent under such legal documentation.

On 15 March 2022, Blue Label concluded a non-binding term sheet (Umbrella Restructure Term Sheet) with Cell C and various Cell C's financial stakeholders (including certain shareholders and creditors of Cell C). In terms of the Umbrella Restructure Term Sheet, Cell C will be restructured and refinanced (the Proposed Transaction) with the purpose of deleveraging its balance sheet, providing it with liquidity with which to operate and grow its businesses and to position itself to achieve long-term success for the benefit of its customers, employees, creditors, shareholders and its other stakeholders. The Umbrella Restructure Term Sheet is non-binding, save for stand-still provisions and certain provisions of a general nature which are binding.

The salient terms of the Proposed Transaction are set out below.

### Capital and debt restructure:

In order to facilitate the restructuring of Cell C's debt owing to certain secured lenders totalling c.R7.3 billion, with such amount being fixed as at November 2019, TPC shall loan to Cell C an amount required to affect a compromise offer to be made by Cell C to certain of its secured lenders of a maximum amount of up to R1.46 billion (TPC Debt Funding). It is anticipated that TPC's actual funding obligation in respect of the compromise offer will, however, amount to R1.03 billion.

The TPC Debt Funding will be provided by TPC to Cell C in the form of a secured loan. Cell C will utilise the TPC Debt Funding to settle the claims of secured lenders by paying an amount of 20c to the Rand.

Certain secured lenders have indicated that they wish to remain invested in Cell C. These secured lenders will be entitled to loan an amount equal to the 20c received, back to Cell C under a new loan arrangement (Reinvestment Instrument). The Reinvestment Instrument, which will be interest bearing and secured, will have an aggregate capital face value equal to 2.75 times of the amount advanced. In addition, the participating lenders will be entitled to share pro-rata in a fresh issue of ordinary shares in Cell C at a nominal value. All shareholders of Cell C will dilute proportionately to enable the issuance of these ordinary shares to the participating lenders.

Simultaneously but separately with the issuance of the Reinvestment Instrument, Cell C will, pursuant to a rights issue at nominal value, allot and issue shares to TPC. Following such issue and various other issues of shares to be made by Cell C to third parties at nominal value pursuant to the Proposed Transaction, TPC will hold approximately 49.3% of the shares in Cell C, inclusive of those shares which TPC will be entitled to, pursuant to the Reinvestment Instrument.

In addition, CEC (a wholly owned subsidiary of TPC) will defer an amount of R1.1 billion owed by Cell C and some of its subsidiaries to it on the date of implementation of the Proposed Transaction (the Effective Date), which amount will be repaid in equal monthly installments over 60 months reckoned from the Effective Date. The actual Effective Date shall be once all conditions precedent to the Proposed Transaction have been fulfilled or waived.

### Liquidity requirements

In order to further assist Cell C with its working capital requirements, TPC shall:

- purchase Cell C pre-paid airtime for a purchase price of R1.2 billion (inclusive of VAT) on the Effective Date; and
- purchase, by way of four further quarterly payments of R300 million (inclusive of VAT), additional pre-paid airtime, with each such quarterly payment payable at the beginning of each calendar quarter. The first such quarterly payment will be made at the beginning of the 13th month following the recapitalisation of Cell C and subsequent payments will be made at the commencement of each quarter thereafter.

Furthermore, in conjunction with other third parties, TPC shall undertake to purchase certain minimum levels of pre-paid airtime from Cell C in accordance with an agreed monthly schedule or otherwise in accordance with market requirements.

The pre-paid airtime to be acquired by TPC from Cell C pursuant to the above pre-paid airtime transactions, forms part of the average monthly pre-paid airtime acquisitions by TPC of Cell C pre-paid airtime in the ordinary course of business.

TPC will raise c.R1.6 billion of the required funds from financial institutions, through an Airtime Purchase transaction, for the purpose of facilitating the Proposed Transaction, and will have an obligation to repurchase such airtime over a 24-month period in equal monthly instalments. The financial institutions have provided the requisite credit approvals in respect of the airtime purchase transaction, which are subject to the conclusion of all legal documentation and fulfilment of all conditions precedent under such legal documentation.

### Other inter-related transactions

In addition to the conclusion of the Umbrella Restructure Term Sheet, the following transactions will be implemented and agreements in respect thereof have been concluded (conditional upon the Proposed Transaction) being unconditional (save for conditions related to such arrangements being unconditional or implemented) whereby TPC will acquire:

- from certain funders to Cell C their right to reinvest in the Reinvestment Instrument available to them for a purchase consideration of R1 from each such funder. Following such acquisition by TPC of such rights, TPC will invest an aggregate amount of R110 million into Cell C via the Reinvestment Instrument;
- debt notes in Cedar Cellular Investment 1 (RF) Proprietary Limited, a shareholder in Cell C, for a purchase consideration of USD500 000 and R16 million;
- a credit claim of USD6 million against Cell C for an amount of USD4 million, and which claim will then be subject to a compromise as between TPC and Cell C;
- certain trade claims against Cell C, which claims shall be acquired for an aggregate amount of R16 million and USD4.5 million and which claims will then be subject to a compromise as between TPC and Cell C.

### Subsequent events

Certain of the Secured Lenders of Cell C, are holders of formerly publicly listed notes issued by Cell C described as USD184 002 000 8.625% First Priority Senior Secured Notes. Shareholders were notified of the convening of a meeting of the holders of the Notes (Noteholders) for Noteholders to approve an extraordinary resolution which, among other things, will give effect to the compromising of the Noteholders' claims (Compromise Offer).

In terms of the Compromise Offer, Cell C shall, inter alia, restructure its debt owing to certain secured lenders totalling c.R7.3 billion, with such amount being fixed as at November 2019, by compromising the secured lenders' claims by an offer of 20c to the Rand.

The Noteholder meeting was held on 5 July 2022 and Noteholders with the requisite majority voted resolutions in favour of, among other things, the compromise offer as set out in Cell C's consent solicitation memorandum.

The binding long-form agreements are expected to be completed in their entirety shortly. It is anticipated that the recapitalisation process, the completion of which has endured for longer than initially anticipated, is expected to close by mid-September 2022.

### Classification of Cell C Limited as an associate

The Group will be entitled to appoint four of the 11 Directors to the Cell C Board which will represent 36% of the overall votes of the Board. Based on the Group's shareholding and representation on the Board, management has assessed Cell C Limited to be an associate, as the Group will have the power to participate in (but not control) the financial and operating policy decisions of Cell C Limited.

The arrangement between Cell C and CEC as described in the annual financial statements has not altered the decision-making power of the Group over Cell C. Therefore, the Group continues to account for Cell C as an associate.

### Impairment of Cell C

TPC's share of the value-in-use of Cell C as at 31 May 2022 remained at Rnil value. The key assumptions applied in determining the value-in-use calculations are as follows:

| | **May 2022** | | | May 2021 | | |
|---|---|---|---|---|---|---|
| | **Average EBITDA margin %** | **Terminal growth rate %** | **Discount rate %** | Average EBITDA margin % | Terminal growth rate % | Discount rate % |
| Cell C Limited | **15.6** | **4.0** | **16.3** | 19.9 | 4.0 | 18.8 |

A limited scope desktop valuation was performed in order to determine the value-in-use of Cell C based on cash flow projections incorporated in its five-year business plan. Assumptions relating to the business, the industry and economic growth were applied. Cash flows beyond this point were then extrapolated, applying terminal growth rates. The discount rates used are pre-tax and reflect specific risks related to Cell C. The valuation does not take into account the effects of any planned future restructuring or recapitalisation.

# CELL C LIMITED CONTINUED

The Prepaid Company's equity share of the value as at 31 May 2022 remained at Rnil, however, there was a decline in value compared to the prior year attributable to the following:

a. an increase in interest-bearing borrowings due to unfavourable exchange rate fluctuations and capitalised interest expense;
b. a decrease in cash flow generation over the forecast period; and
c. a decrease in the assessed loss tax shield value due to delayed utilisation thereof.

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

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Concentration of credit risk:** | | |
| Trade receivables | **2 612 065** | 1 677 193 |
| Loss allowance on trade receivables to Cell C | **(26 717)** | (4 220) |
| **Payables due to Cell C:** | | |
| Trade payables | **(851 473)** | (456 902) |

The Airtime Purchase transaction and the Umbrella Restructure Term Sheet referred to above are non-binding and do not create any unilateral obligation on the Groups behalf. There are no guarantees issued by the Group relating to any obligation of Cell C.

There is indirect exposure to Cell C as a result of the derivative liability. This results from the potential extinguishment of the derivative liability, linked to the solvency and liquidity of Cell C.

There is indirect exposure to Cell C as a result of the subscription sharing arrangement.

## Summarised financial information

Principal activity: Mobile network
Country of incorporation: South Africa
Financial year-end: 31 December*

| | 31 May 2022 R'000 | 31 May 2021 R'000 |
|---|---|---|
| **Statement of financial position** | | |
| Non-current assets | **12 833 049** | 13 565 997 |
| Current assets | **5 305 662** | 6 228 984 |
| | **18 138 711** | 19 794 981 |
| Total equity | **(8 007 848)** | (5 559 338) |
| Non-current liabilities | **5 280 021** | 5 800 315 |
| Current liabilities | **20 866 538** | 19 554 004 |
| | **18 138 711** | 19 794 981 |
| Effective percentage held (%) | **45** | 45 |
| Net assets | **(8 007 848)** | (5 559 338) |
| Company net assets | **(15 307 778)** | (12 859 268) |
| Carrying value of purchase price allocations net of deferred taxation | **7 299 930** | 7 299 930 |
| Interest in associate | **(3 603 532)** | (2 501 702) |
| Goodwill | **1 317 776** | 1 317 776 |
| Accumulated impairment | **(2 521 152)** | (2 521 152) |
| Accumulated losses not guaranteed | **4 806 908** | 3 705 078 |
| **Balance at the end of the year** | **—** | — |

* Where the financial year differs from the Group's year-end of 31 May, special purpose accounts are prepared to coincide with the Group's reporting period. These special purpose accounts are adjusted for the Group's equity-accounted adjustments.

## Statement of comprehensive income for the year ended*

| | 1 June 2021 to 31 May 2022 R'000 | 1 June 2020 to 31 May 2021 R'000 |
|---|---|---|
| Revenue | **13 302 733** | 13 954 861 |
| Net (loss)/profit before taxation | **(2 448 510)** | 2 363 748 |
| Taxation | **—** | 89 619 |
| Net (loss)/profit after taxation | **(2 448 510)** | 2 453 367 |
| Other comprehensive income | **—** | — |
| Losses not guaranteed/(profits not recognised)** | **2 448 510** | (2 453 367) |
| Total comprehensive income | **—** | — |
| Effective percentage held | **45** | 45 |
| Share of total comprehensive income | **—** | — |

* Where the financial year differs from the Group's year-end of 31 May, special purpose accounts are prepared to coincide with the Group's reporting period. These special purpose accounts are adjusted for the Group's equity-accounted adjustments.
** The Group will resume recognising its share of the profits only after its share of the profits equals the share of accumulated losses not recognised.

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

An extension was concluded on 31 May 2020 with an agreed quantum of airtime purchases required to be made by TPC on a monthly basis. This would have resulted in the Cell C facility reducing to Rnil by 31 March 2021. However, as at 31 May 2021, the above funding had declined to R182 million, as a result of TPC purchasing from the security airtime. This outstanding balance was paid by way of the TPC purchasing approximately R35 million per month from the security airtime, commencing June 2021. The facility has been settled at year-end.

# RELATED PARTIES

## Significant related-party transactions and balances

| | Sales to related parties | | Purchases from related parties | |
|---|---|---|---|---|
| | **2022 R'000** | 2021 R'000 | **2022 R'000** | 2021 R'000 |
| Cell C Limited and its related entities* | **3 975 162** | 1 729 573 | **6 624 066** | 4 275 098 |
| Prepaid24 Proprietary Limited*[1] | **—** | 8 832 | **—** | — |
| iTalk Financial Services Proprietary Limited* | **5 924** | 3 645 | **2 452** | 651 |
| T3 Telecoms SA Proprietary Limited* | **3 619 533** | 3 394 108 | **20 561** | 14 154 |
| iTalk Holdings Proprietary Limited* | **28 192** | 23 756 | **42 542** | 12 935 |
| | **Income received from related parties** | | **Expenses paid to related parties** | |
| **Dividends received from related parties** | | | | |
| iTalk Holdings Proprietary Limited* | **—** | 14 000 | **—** | — |
| Utilities World Proprietary Limited* | **5 885** | — | **—** | — |
| **Finance revenue from related parties** | | | | |
| Cell C Limited and its related entities* | **96 788** | 95 951 | **—** | — |
| | **Loans to related parties** | | **Loans from related parties** | |
| 2DFine Holdings Mauritius*^ | **—** | 196 513 | **—** | — |
| Oxigen Services India Private Limited*^ | **—** | 45 908 | **—** | — |
| Brett Levy | **48 286** | 41 857 | **—** | — |
| Mark Levy | **48 286** | 41 857 | **—** | — |
| iTalk Financial Services Proprietary Limited* | **8 000** | 8 000 | **—** | — |
| iTalk Holdings Proprietary Limited* | **18 900** | 2 000 | **—** | 270 |
| T3 Telecoms SA Proprietary Limited* | **14 682** | 15 016 | **—** | — |
| Total loss allowance on loans to related parties | **(1 173)** | (247 992) | **—** | — |

| | Lease asset due from related parties | | Lease liability due to related parties | |
|---|---|---|---|---|
| Ellerine Bros. Proprietary Limited | **—** | — | **10 059** | 18 419 |
| Moneyline 311 Proprietary Limited | **—** | — | **10 059** | 18 419 |
| Uvongo Falls No 26 Proprietary Limited | **—** | — | **10 257** | 18 859 |

| | Amounts due from related parties included in trade receivables | | Amounts due to related parties included in trade payables | |
|---|---|---|---|---|
| Cell C Limited and its related entities* | **2 612 065** | 1 677 193 | **851 473** | 456 902 |
| Oxigen Services India Private Limited* | **5 876** | 5 876[2] | **—** | — |
| iTalk Holdings Proprietary Limited* | **10 031** | 4 775 | **3 123** | 3 706 |
| T3 Telecoms SA Proprietary Limited* | **9 687** | 3 879 | **—** | — |
| Total loss allowance on trade receivables to related parties | **(32 650)** | (10 931) | **—** | — |

| | Amounts due from related parties included in other receivables | | Amounts due to related parties included in other payables | |
|---|---|---|---|---|
| Utilities World Proprietary Limited* | **5 885** | — | **—** | — |

* These entities are associates/joint ventures.
^ These loans have been written off in the current year. In the prior year, they were fully provided for and included as part of the total loss allowance.
1 Prepaid24 Proprietary Limited was disposed of in the prior year. Transactions are disclosed up until the date of sale.
2 In the prior year, the loan to Oxigen Services India Private Limited was incorrectly disclosed on a net basis. This has been corrected to show the gross amount and expected credit loss separately.

Certain related party disclosure is required as a result of common directorships.

# SUBSEQUENT EVENTS

## Banking facilities

In August 2022, The Prepaid Company renegotiated a further extension of its Investec facility to 30 September 2023. The Investec facility available to The Prepaid Company at year-end is required to reduce by R120 million to R1.005 billion as at 30 September 2022. At 31 May 2022 the Investec facility is disclosed as current borrowings, as the extension to 30 September 2023, was only granted in August 2022.

## Update on Cell C

Refer to Cell C note for details in this regard.

# BASIS OF PREPARATION

The summarised Group financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to the summarised Group financial statements. The JSE 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 2O21.

# 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**

(Chair of Nomination Committee)

**BRETT LEVY**

**Joint Chief Executive Officer**

**MARK LEVY**

**Joint Chief Executive Officer**

BCompt (Unisa)

**DEAN SUNTUP**

**Financial Director**

(Alternate to Brett Levy on Social, Ethics and Transformation Committee)

BCom (Wits), Hons (Unisa), Chartered Accountant (SA)

**GARY HARLOW**

**Independent Non-executive Director**

BBusSci (Hons) (UCT), FCMA, CGMA, Chartered Accountant (SA)

(Chair of Investment Committee)
(Chair of Remuneration Committee)

**KEVIN ELLERINE**

**Non-executive Director**

National Diploma in Company Administration

**JERRY VILAKAZI**

**Independent Non-executive Director**

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

(Chair of Social, Ethics and Transformation Committee)

**JOE MTHIMUNYE**

**Independent Non-executive Director**

BCompt (Hons), CTA (Unisa), Chartered Accountant (SA)

(Chair of Audit, Risk and Compliance Committee)

**NOMAVUSO MNXASANA**

**Independent Non-executive Director**

Chartered Accountant (SA), BCompt (Hons)

**LAZURUS ZIM**

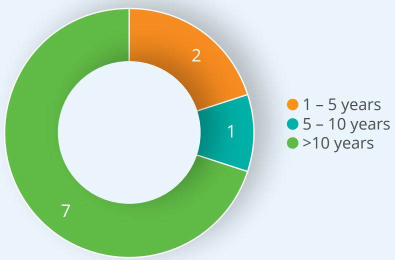
**Independent Non-executive Director**

BCom (Fort Hare), BCom Honours (Wits), MCom (RAU), Dip SBID (Technicon – Israel), DCom (honoris causa) (Fort Hare), DHumanities (honoris causa) (Thomas a Becket – Edinburgh)

## Committee key

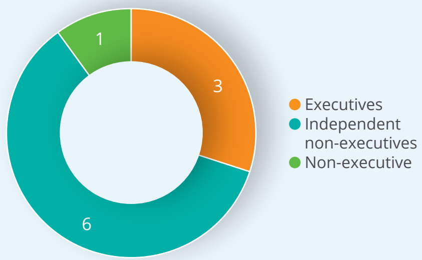
- Investment Committee
- Remuneration and Nomination Committee
- Social, Ethics and Transformation Committee
- Audit, Risk and Compliance Committee

**Board tenure**



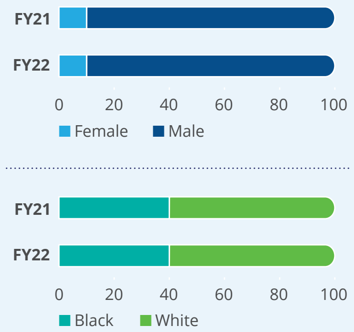

Average tenure:
**10 years**

**Board members**




**6/7** Non-executive directors are independent

**Gender and racial diversity**



# BOARD OF DIRECTORS CONTINUED

## LAURENCE (LARRY) NESTADT

**Independent Non-executive Chairman**

**Age:** 71

**Joined the Board:** October 2007

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, Universal Partners Limited, National Airways Corporation Proprietary Limited, 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).

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

## BRETT LEVY

**Joint Chief Executive Officer**

**Age:** 47

**Joined the Board:** February 2007

Serves as director of various Group companies

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 the Top Entrepreneur accolade in the African Access National Business Awards with Mark.

## MARK LEVY

**Joint Chief Executive Officer**

**Age:** 51

BCompt (Unisa)

**Joined the Board:** February 2007

Serves as director of various Group companies

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 the Top Entrepreneur accolade in the African Access National Business Awards with Brett.

## DEAN SUNTUP

**Financial Director**

**Age:** 45

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

**Joined the Board:** November 2013

Serves as director of various Group companies

Dean completed his articles at PwC where he continued working after qualifying as a Chartered Accountant (SA), 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.

## KEVIN ELLERINE

**Non-executive Director**

**Age:** 54

National Diploma in Company Administration

**Joined the Board:** December 2009

Serves as director of The Prepaid Company

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 the Board and Committee deliberations of the Group.

## GARY HARLOW

**Independent Non-executive Director**

**Age:** 64

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

**Joined the Board:** October 2007

Serves as director of various Group companies

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 CEO of Msele Corporate and Merchant Bank, South Africa's first black-controlled merchant bank.

In 1996, Gary was appointed group CEO 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 serves on various other private and public boards.

## NOMAVUSO MNXASANA

**Independent Non-executive Director**

**Age:** 66

BCompt (Hons) CA(SA)

**Joined the Board:** September 2020

Nomavuso is a Chartered Accountant (SA), having obtained her BCompt and Hons from the University of South Africa. She received her training from Deloitte & Touche. After completing her articles, she spent one year at Deloitte before joining SizweNtsaluba VSP (formerly Nkonki Sizwe Ntsaluba).

During her tenure at SizweNtsaluba, she specialised in consulting, internal auditing and attest function. She started the corporate governance division which housed the internal audit services, as she identified this opportunity during the introduction of the Public Finance Management Act (PFMA). She was also involved in staff development and training as a staff partner for five years. She then joined the Imperial Group as the Group Audit and Risk Executive. While at Imperial she introduced Training Outside Public Practice (TOPP). When she left the group, she had 11 TOPP trainees who were spread across the group, and she still assists Imperial Group on a consulting basis to ensure they receive adequate training. She was appointed to serve on the board of Imperial Bank as a non-executive director representing Imperial, the position she held until the bank surrendered its banking licence in September 2010. Nomavuso sits on a number of boards in both listed and unlisted companies.

# BOARD OF DIRECTORS CONTINUED

## JOE MTHIMUNYE

**Independent Non-executive Director**

**Age:** 57

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

**Joined the Board:** October 2007

Serves as director of various Group companies

Joe qualified as a Chartered Accountant (SA) in 1993. In 1996, he co-founded Gobodo Incorporated, an accounting practice with eight other partners which later became SNG Grant Thornton.

In 1999, he led a management buy-out 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 the chairman of Cell C Limited. He is also chairman of the Dis-Chem audit committee.

## JERRY VILAKAZI

**Independent Non-executive Director**

**Age:** 61

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

**Joined the Board:** October 2011

Jerry has held various executive positions in government and in the business sector, including that of director for Commerce and Industry at SAICA and MD of the Black Management Forum (BMF), where he also served on the board of the BMF investment company. He was nominated by Parliament and appointed by the President as a public service commissioner in 1998. In the recent past, he served as a member of the B-BBEE Advisory Council, and the first National Planning Commission. Jerry was chairman of the Mpumalanga Gambling Board, Mpumalanga Economic Growth Agency and the State Information Technology Agency (SOC) Proprietary Limited until the end of his term in 2015. He previously served on the boards of PPC Limited and Goliath Gold Limited, and held the position of chairman of Netcare Limited as well as adviser to Citibank.

Jerry is executive chairman of Palama, which he co-founded. He was the CEO of Business Unity South Africa (BUSA) and has also served as chairman of the SADC Employer Group and the EU-Southern African Business Council. In addition to representing business at Nedlac, he served as a member of the King Committee on Corporate Governance, the National Anti-corruption Forum and SADC Business Forum. He currently serves on the boards of Cell C Limited and Sibanye-Stillwater Limited, where he also chairs the social and ethics committee. He was recently appointed adjunct professor at UNISA in the College of Economic and Management Sciences.

## LAZARUS ZIM

**Independent Non-executive Director**

**Age:** 62

BCom (Fort Hare), BCom Hons (Witwatersrand), M Com (RAU), Dip SBID (Technion – Israel), DCom hc (Fort Hare), DHumanities hc (Thomas a Becket – Edinburgh)

**Joined the Board:** October 2020

Serves as director and Chairman of Comm Equipment Company

Lazarus has extensive experience as CEO and chairman of blue chip companies across a wide range of industries.

Lazarus is the founder and chairman of Zanozi Properties & Commodities. He is the former CEO of Anglo American South Africa Limited and former chairman of Anglo Operations Limited (AOL). He has served on the boards of directors of MTN Group, Anglo Gold Ashanti, Anglo American Platinum, Kumba Resources, Mondi South Africa, and Tongaat Hulett. He is a former chairman of Kumba Iron Ore, Telkom SA and TransHex Group.

In 2006, he invested in Mvelaphanda Resources which held significant stakes in Northam Platinum, TransHex Group and Goldfields Limited. He retired from mining boards in 2017 after 10 years as chairman of Northam and after serving as founder chairman of Zambezi Platinum. During his tenure, Northam expanded from being a one mine company (Zondereinde) to multi-shaft operations, which included the successful design, development and commissioning of Booysendal Mine and the acquisition of Eland Platinum.

Lazarus is past president of the Chamber of Mines of South Africa and was voted African Business Leader of the Year in 2005. He is also a retired Honorary Colonel in the South African Army. He holds a BCom degree from Fort Hare, a BCom Honours from Wits, an MCom from RAU and a DCom (honoris causa) from Fort Hare. He has also served on the boards of Sanlam, Armscor, and on the International Advisory Council of Capital International (USA). Between 1994 and 2003 he held several executive positions at M-Net Supersport, Multichoice and MTN Group.

# REMUNERATION REPORT

## Dear shareholders

I am pleased to report that the Human Capital team at Blue Label and Blue Label Remuneration Committee continued to prioritise staff welfare as we navigated another year of COVID-related challenges.

Our Remuneration Policy, amended significantly in 2020 to align with best practice, together with the Implementation Report and Non-executive Directors fees, were put to a shareholder vote at the previous AGM on 25 November 2021 and were endorsed with a majority vote of 98.8% and 81.2% respectively. Each year we engage with our shareholders to ensure alignment of our policy and their goals.

It is also vital that our Remuneration Policy aligns with best practice and achieves our goals of attracting and retaining top talent. During the reporting period, PwC was engaged to review our overall remuneration policy and the underlying variable remuneration structures to assess their alignment with leading market practice and good corporate governance principles. The updates to our remuneration practices to align with market/best practice continue as at the time of this publication, to be reported on fully, as necessary, in our 2023 report.

As in the previous year, and in line with best practice, no metrics or targets, have been or will be retrospectively adjusted but the policy ensures that the Remuneration Committee has the flexibility in setting appropriate metrics and targets on an annual basis. For the reporting year, the Committee has however evaluated the impact on EBITDA as a consequence of the Group initiating a learnership programme which negatively impacts EBITDA but which after deducting the S12H allowance in terms of the Income Tax Act, should leave our bottom line NPAT unchanged. Consequently, the Committee agreed that it would be appropriate to evaluate EBITDA on a normalised basis adjusting only for the extra spend on the learnership programme.

Section 1 provides an overview of how the Remuneration Committee has championed our alignment to King IV's Code on Corporate Governance, our areas of focus in achievement of our policy objectives, our efforts to build a culture through values and our purpose and alignment with performance and rewards. We also address diversity and inclusion, gender and race remuneration parity and setting new ESG goals.

Section 2 summarises our forward-looking remuneration philosophy and policy, together with an overview of our total rewards strategy. The most significant change for the year ahead relates to our long-term incentive plan, and updates which have been made to its administration, as discussed in detail below. Given PwC's ongoing review and the updates required as a result thereof, we anticipate that next year's report will disclose these changes in detail. Minor changes were made to move threshold to 80% of target and stretch to 125% of target for financial measures in both the short-term incentive plan (STIP) and long-term incentive plan (LTIP). We removed the stretch component of the individual key performance indicator (KPI) targets in the STI and the ESG measures in the LTIP, as these measures are assessed on a binary basis and only provide for the achievement of target performance, with threshold performance being assessed on a pro-rata basis relative to target. Financial metrics were slightly amended to match realistic and benchmarked targets noting prevailing economic conditions in the country. The full policy can be accessed here **https://www.bluelabeltelecoms.co.za/sus-governance-framework.php**. We also highlight our continued focus areas for FY2023.

Finally, section 3, the Remuneration Implementation Report, provides an overview of FY2022 performance and discloses performance against targets and resulting awards to Executive Directors, Prescribed Officers as well as the fees paid to Non-executive Directors.

Looking forward to FY2023, we will continue to review the success of our Remuneration Policy in terms of both our and stakeholders' goals. We have to be mindful of the challenges facing our country and what role we need to play in addressing these. Together with ESG, these will be our prioritised goals for the forthcoming year.

We invite engagement with our shareholders as part of our efforts to continuously review and improve.

**GD Harlow**
*Chairman*

30 September 2022

# REMUNERATION REPORT CONTINUED

## SECTION 1

### Background statement regarding committee considerations and decisions

It remains the responsibility of the Remuneration Committee Chairman to give feedback to the Board after every Remuneration Committee meeting of any key decisions and relevant discussions. The Remuneration Committee is committed to applying the King IV principles regarding responsible and transparent remuneration practices, assisted by regular benchmarking exercises. As noted hereinabove, during the reporting period, PwC was engaged to review the Company's remuneration policy and practices, specifically its variable remuneration structures against leading market practice and corporate governance as well as the Company ongoing business strategy. The Remuneration Committee confirmed their independence in this mandate as well as their objectivity.

This is discussed in more detail below.

The management team's focus in the past year was a "back to basics" plan. We believe the short and long-term incentive components of our remuneration policy, strongly assisted in the achievement of our goals. Rewards were well earned after an exceptional operational performance.

The Remuneration Committee was not required to consider any request to deviate from policy other than a "normalisation" of actual EBITDA, taking into account the additional expenses incurred on the new learnership programme which we implemented. In this regard, the adjustment required to normalise EBITDA in the current and prior year amounted to R65 million and R10 million respectively.

### Achievement of policy objectives

The Remuneration Committee believes that the Blue Label remuneration philosophy and policy remain fit for purpose and achieves the high-level objectives of attraction, retention, and performance motivation of our employees. We took the same approach as last year by taking into consideration the challenges in the country and allowing the Remuneration Committee to have flexibility in the determination of performance metrics and other elements that would typically be addressed yearly, rather than codified into a policy without change.

This has the added benefit of ensuring that metrics and targets associated with remuneration remain relevant through changing business environments.

The Remuneration Committee prioritised and achieved the following objectives during the FY2022 year:

- Monitored the success of the Remuneration Policy in attracting and retaining critical skills and talent.
- Supported the transformation agenda and eliminated any unfair bias or practices.
- Ensured alignment of metrics to value-creating behaviour that enhances shareholder returns and rewards performance accordingly.
- Reviewed and approved Executive Director and Senior Management succession plans.
- Reviewed the ESG scorecard for "fit-for-purpose".
- Identified the applicable prescribed officers as an outcome of the new organisational redesign.
- Continued reviewing potential talent with new skills and capabilities that will complement our non-executive Board, with a focus on succession for Non-executive Directors who have served on the Board for more than nine years and specifically attracting black female talent onto our Board of Directors.
- Continued efforts to improve the environment, health and safety for all employees.
- Driving a mindset of "performance with purpose" which includes being responsive to the needs of the communities we serve.
- Provided quality education, decent work and growth and development opportunities, creating sustainable communities with socio-economic plans that reduce inequalities and poverty.

### Culture, reward, and performance

An inclusive leadership culture shifts the impact on the employer-employee relationship. We believe the right culture is a huge factor in driving long-term employee engagement, organisational performance, brand loyalty and customer satisfaction. The talent pool we are targeting are attracted to organisations with robust environmental and social commitments. We have worked on a range of initiatives in our social responsibility projects together with our employees.

We have successfully completed career discussions and people planning, with succession plans in place for all management. Research has shown that employees feel their work is more meaningful when organisations show that they are:

- **Environmentally conscious** – 25% of employees feel their role is more meaningful
- **Socially responsible** – 59% of employees feel their role is more meaningful
- **Display inclusive leadership** – 70% of employees feel their role is more meaningful.

Employees desire to work for organisations that reflect their values and have a positive impact on the world around them.

### Additional considerations made in FY2022 to be implemented in the future

BluTrain, a subsidiary in the group, has been appointed to support and encourage a culture of learning within the organisation. The programme accommodates approximately 3 600 unemployed learners and 539 employed learners across the Blue Label Group. This is consistent with the Group's goals to focus on Skills Development and Enterprise Development. Although the new learnership initiatives impacts negatively on EBITDA, the benefit thereof is realised by way of income tax savings as a result of the section 12H allowances being claimed for such learnerships.

### 2023 pay review

Paying for performance remained at the core of the Group's and the Remuneration Committees' philosophy.

For employees, management and executives, an increase in fixed pay of up to 6% was approved, based on an individual performance rating. These decisions were aligned to the reported inflation rate.

### Changes to remuneration policy for 2023

Key recommendations were to table a revised Share Incentive Scheme for shareholder approval. The primary motivation was driven by the limits imposed on the old scheme which was based on significantly lower shares in issue. The second motivation was to convert the scheme from a Forfeitable Share Award to a Conditional Share Award to allow the Company to better plan the purchase of shares to be awarded, optimising flexibility and the cost thereof.

The benchmarking exercise by PwC led to recommendations of some policy changes or small amendments for the forthcoming year, to align to best prevailing practice. These were linked to the changes for the targets for the financial metrics in both the STI and LTIP plans, threshold and stretch target percentages and removing stretch performance level for individual KPI and ESG targets, as these targets are binary. After extensive deliberation and taking into consideration leading local and global market practices as well as Blue Label's strategic objectives, the Committee will table a number of the proposed changes for shareholder approval.

The Committee considered amendments to the current performance metrics for the forthcoming year and after recommendations from PwC and considering market benchmarks, made the following adjustments for the forthcoming year in line with economic conditions and best practice:

- For the STIP, the on-target growth for EBITDA and Core HEPS will be CPI plus 10%, and remains unchanged from the prior year (threshold at 80% of on-target, and stretch at 125% of on-target).
- For the LTIP, a cumulative on target growth for Core HEPS will be CPI plus 7.5%; and for TSR, performance will be assessed against a 3-5 year long bond rate plus 7.5% (threshold at 80% of on-target and stretch at 125% of on-target).

We also tabled these to some of our larger shareholders, for feedback and comment prior to convening the AGM voting resolutions.

### Long-term incentive policy updates

During PwC's review of our remuneration structures, the RemCo decided that in line with evolving market practice and shareholder alignment, the long-term incentive plan should be updated to operate as a Conditional Share Plan. Accordingly, the Forfeitable Share Plan rules approved in 2008 by shareholders have been updated to cater for the following:

- Awards of conditional shares are made to participants, rather than awards of forfeitable shares;
- As conditional shares comprise conditional rights to shares, participants receive neither shareholders rights nor dividends/dividend equivalents until vesting (principle aligned with previous LTIP);
- Conditional shares are only settled to participants to the extent that the applicable performance conditions are achieved during the performance period (principle aligned with previous LTIP);
- Provisions are added to provide for malus and clawback mechanisms, in line with the Company's remuneration policy;
- The provisions relating to the treatment of awards upon a change of control of the company are updated for alignment with best practice; and
- Finally, although the rules comply with the JSE Listings Requirements, given that the JSE Listings Requirements have been amended since the approval of the 2008 rules, the current rules have been updated to account and reflect for the additional Schedule 14 requirements, to ensure continued and full compliance therewith.

One of the other main changes relates to the applicable share schemes limits. The 2008 set of rules were approved with an overall limit of 10% of the total issued shares of the Company as at 2008, equating to c.76.64 million shares. As it is the Company's intention to continue using the plan albeit as an amended conditional share plan, as per the 2022 Notice of AGM, shareholders are requested to approve an adjustment of the overall plan limit to c.91.37 million shares, which would retain a limit of 10% of the total issued shares of the Company as at the date of AGM, but provide c.14.73 million further

# REMUNERATION REPORT CONTINUED

shares for settlement of awards, thereby prolonging the life of the structure for an additional period. The updating of this limit maintains the principle of utilising 10% of the issued share capital and shareholders are no further diluted by the updated limit, than they were as at the original approval of the structure. In addition, measurement of the depletion of the limit will be based on shares vested and settled to participants and not shares allocated to participants as was the case historically.

Confirmation is furthermore provided that once the share scheme limit above has been fully depleted through the use of a treasury function which hedges Blue Label's exposure to share price fluctuations, Blue Label will thereafter settle all subsequent awards solely through the use of a market purchase of shares, which is non-dilutive to shareholders.

Similarly, shareholders are asked to approve an adjustment of the conditional share plan's (previously forfeitable share plan's) individual limit from c.7.66 million shares to c.9.13 million shares, which, while updating the number of shares available for individual participants, would retain the limit of 1% of total issued shares, as approved by shareholders as at adoption of the structure. As noted above regarding the adjustment of the overall limit, this adjustment would not lead to further shareholder dilution.

Given that the bulk of amendments are made to simplify the administration of the structure and to bring its provisions in line with best practice in corporate governance, we anticipate and trust that shareholders would support them.

### General remuneration policy updates anticipated

As noted hereinabove, as at the time of this publication, the Company continues to engage PwC in the review of its remuneration policy and overall variable remuneration practices.

As part of this process and given that the Group has made a number of acquisitions within the last decade, a review shall be undertaken during FY23, in addition to the changes proposed to the long-term incentive policy outlined above. This review will look at the underlying rules and the Company's pay bands; whether these are sufficiently stratified and whether the participating employees within the bands are receiving a market-related mix of fixed and variable remuneration.

To the extent that it is determined that this is not the case, the Committee will review and adjust the bands and variable remuneration allocation methodologies and quanta, as may be required for market-alignment. Additionally, a formal analysis of the participants of the long-term incentive plan will be conducted, determining which participants should remain on an equity-settled long-term incentive plan and which should be placed on a similar cash-settled structure. Of course, and aligned to King IV, this would exclude executive directors and prescribed officers, who would remain on an equity-settled long-term incentive plan to ensure overall alignment with shareholders.

Further, to the extent that the Remuneration Committee becomes aware that there is significant misalignment between current pay band grading and the total reward review outcomes, discretion will be applied in how the remuneration policy is applied during FY23.

Such discretion is intended primarily for levels below executive director and prescribed officers and shall be applied with caution and after careful consideration to executive directors and prescribed officers. Aligned with our policy in circumstances where discretion is applied, such discretion will be applied reasonably within the ambit of the principle of pay for performance and taking into account Blue Label's commitment to fair and responsible remuneration. Where any additional remuneration structures are introduced, these will be self-funding and be evaluated against the appropriateness of total remuneration relative to market.

### ESG, shared value and our purpose

Our rewards policy, value proposition, culture and ESG objectives must align with our purpose. Through good ethics and good commercials, it is our social responsibility to generate value for all. In this way we will:

- Attract and retain key capabilities
- Reward employees for living our values and displaying our leadership behaviours.
- Motivate our people to innovate and bring new ideas to achieve our goals and purpose.

We have partnered with Deloitte to perform a gap analysis of our ESG goals and metrics and will compile a three-year plan with new measurable objectives.

### Voting at the 2022 annual general meeting

In line with the JSE Listings Requirements and King IV, we will table the following resolutions for shareholders voting at the AGM:

- Advisory vote for the approval of the remuneration policy.
- Advisory vote for FY2022 implementation report.
- A binding vote on Non-executive Directors' fees.

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

### Remuneration Committee focus areas for FY2023

The Committee is mandated by the Board to continually assess the executive remuneration market and governance framework.

The Committee will consider current market conditions, Blue Label's strategy and operational performance. We anticipate focusing on the following in FY2023:

- Attracting and retaining key talent to deliver our strategic goals and shareholder returns.
- Continued benchmarking against best practice, refining where appropriate (for example, ensuring our growth targets are realistic given current economic conditions in the country).
- Succession planning across all levels in the group, with a focus on transformation.
- Best practice reviews on ESG goals, to ensure it is measurable and verifiable.
- Benchmarking Non-executive Director fees and reviewing accordingly.
- Continued annual engagement with our institutional shareholders for their input and advice.
- Reviewing our strategy to attract and retain the best skills needed in technology.
- Continuing our policy of gender and equity pay parity and the need to drive to achieve our targets in the next two years.
- Continuing to identify and develop future leaders through the leadership development programme.
- Stratification of employee-wide pay bands and reviewing our allocation methodology under our variable remuneration structures.

## SECTION 2

### Our remuneration philosophy, policy, and framework

Blue Label recognises that our people are one of our biggest assets and believes that it is important to allow each individual to thrive as an individual and grow their career, while excelling and succeeding together as an organisation. Our remuneration policy and practices, together with our *WeLead* programme, aims to create awareness of how important it is to be resilient, be achievement-driven and have a winning mindset.

We aim with our Employment Value Proposition (EVP) of #HappinessisBlu and employee engagement #teamblu programmes, to differentiate ourselves from our peers. Our all-in culture creates a safe environment that leads to increased productivity and innovation.

This together with our remuneration policy, enables us to:

- deliver shareholder value by aligning our remuneration practices to our strategic goals;
- achieve our employment equity aspirations;
- align our employees' performance with shareholder interests;
- support our talent strategy by enabling Blue Label to attract, motivate and retain the very best calibre of Directors and employees who have top tier industry ability and expertise;
- create an entrepreneurial, competitive, innovative, and high-performance Company through rewarding achievement of demanding performance goals that are consistent with our strategy and shareholder growth expectations;
- 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; and
- drive our *WeLead* initiative that cultivates a growth mindset and innovative spirit that will dare to win.

This 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. The Remuneration Committee may approve by exception for the policy to apply to seconded Blue Label employees.

### Employer of choice

Our objective is to be an employer of choice and our employee brand and reward programme should be designed to help us achieve this.

### Competitive pay levels

Our localised benchmark on guaranteed pay practices helps us to stay committed to remuneration packages that are competitive and relevant for the role and experience.

### Pay for performance

We strive to pay for performance and therefore structure remuneration around this. This allows us to reward strong individual performance as well as strong organisational performance. We apply malus and clawback provisions to vested and unvested LTIP awards for management.

### Fair and responsible remuneration

As far as possible, remuneration differentiation between employees is based on fair and objective criteria. The Committee has a policy in place which is aimed at monitoring and continuously addressing any fair pay related matters. We have completed a pay equity analysis this past year as part of our commitment to diversity, equity, and inclusion. It helps us stay competitive as an

# REMUNERATION REPORT CONTINUED

employer, meet shareholder expectations, and ensure legal compliance. Our process included gathered data to analyse internal job grading in relation to remuneration and benchmarks (salary information, position information, tenure, and seniority). The analysis helps us identify pay differences within the company. Further research was conducted to interpret and understand what causes the difference in pay. The final step is to take the results from the analysis report and communicate with each subsidiary leadership team to derive an implementation plan on how to close the gaps in the next two years to correct discrepancies.

During the reporting year, the representation of women and African employees in leadership was a key focus of the Committee and the Board. In this regard, the following is noted:

- We continue to see a positive trajectory in Top Management across most equity demographics.
- The key focus in Senior Management, must be to appoint African females and males.
- There is a positive movement in Middle Management for Coloured and Indian males.

70% of all promotions were awarded to equity candidates, 39% to women and 47% to African. Of all new appointments, 46% were women and 54% men. We will continue to focus on recruiting and promoting the right talent and driving our equity plan.

## Our approach

At Blue Label, we adopt a holistic approach to rewards, which includes guaranteed pay, variable pay, recognition and employee development and benefits.

We understand that the philosophy and each component of the policy are dynamic and should be reviewed from time to time to ensure we keep abreast of our objectives and market trends. We ensure that our practices comply with legislative and regulatory requirements.

We provide transparent and understandable information about our reward programme, policy and processes, to all employees to ensure that employees understand what they receive, why and when they receive it.

## Our reward framework

Blue Label's reward framework comprises financial and non-financial components and applies to all employees. The framework is set out below:

- fixed annual remuneration (FAR);
- short-term incentive plan (STIP);
- long-term incentive plan (LTIP);
- commissions for sales staff;
- ad hoc rewards for performance and behaviours linked to our values, leadership programs and competitions; and
- non-financial benefits aligned to our EVP #HappinessisBlu.

At Blue Label the pay mix differs when specific business circumstances require it, including costs and allowances related to relocation and international assignments. We reimburse all necessary and reasonable business expenses.

## Blue Label remuneration and talent retention 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 and 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.<br><br>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 EVP 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.<br>• High-performing employees with high potential and critical skills. | Executives and management. | All. |
| FY2023 approach | As in FY22, the Remuneration Committee recommended up to 6% increases for FY2023. Increases awarded on exception to retain critical skills and high performing talent. | As defined by the operational plan and budget. | Schemes with varying components linked to:<br>• individual performance;<br>• divisional performance (where applicable); and<br>• Group performance.<br><br>Gatekeeper conditions are in place.<br><br>Individual metrics are limited to five KPIs and must be verifiable and challenging.<br><br>The following financial measures will be applied in determining the STIP for Group head office and Executive Directors:<br>• normalised EBITDA; and<br>• core HEPS.<br><br>The following financial measure will be applied in determining the STIP at divisional levels:<br>• Divisional NPAT; and<br>• Group normalised EBITDA and core HEPS.<br><br>Further details on targets can be found in the remuneration policy. | Cash-based sign-on awards and retention bonuses are assessed on a case-by-case instance in line with policy. | Conditional shares are offered (instead of forfeitable shares as has been done historically).<br><br>The following metrics apply:<br>• core HEPS compounded; cumulatively over three years;<br>• total shareholder return against a 3-5 year long bond rate plus a spread;<br>• return on capital employed; and<br>• ESG performance scorecard. | Individualised employee engagement, development and growth. |

# REMUNERATION REPORT CONTINUED

### Fixed annual remuneration

FAR 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.

To ensure we apply the right competitive remuneration, we collected industry and country-relevant benchmarks from Deloitte and KornFerry. Fair and competitive compensation is critical to being an employer of choice.

### 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 effected in June each year. We aim to differentiate between non-performance, average performance and exceptional performance. The Committee mandated up to 6% increases for FY2023. The Remuneration Committee further mandated that where appropriate, by exception, higher increases may be awarded to retain critical skills and high- performing talent, or where there were enhanced responsibilities.

### Short-term incentive plan

Our STIP reward the achievement of critical short-term metrics comprising both financial and non-financial measures. Our STIP also reward self-development and focus on developing others and the economic development of the communities we serve. In line with our entrepreneurial spirit, targets and metrics are challenging and align individuals KPIs to divisional and Group performance and the interests of our shareholders.

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.

The emphasis remains on performance beyond target for Executive Directors for FY2023:

- Individual goals will account for 20% of the STI. In FY2023, for Executive Directors, these will be:
  - the turnaround strategy and performance of Cell C;
  - the Group's overall performance;
  - facility targets with the banks;
  - debt equity ratios;
  - succession planning and
  - BEE targets;
- Group performance will account for 80% of the STIP.

### Executive Directors STIP metrics#

| Metrics | | Threshold | Target | Stretch* |
|---|---|---|---|---|
| KPIs (20%) | Individual**<br>Payout % of FAR | Pro-rata of target<br>16% – CEOs<br>10% – FD | Specific<br>20% – CEOs<br>14% – FD | No stretch<br>20% – CEOs<br>14% – FD |
| Normalised EBITDA (40%) (adjusting for the additional expenses linked to the learnership programme) | Group<br>Payout % of FAR | 80% of target<br>32% – CEOs<br>20% – FD | CPI + 10%<br>40% – CEOs<br>28% – FD | 125% of target<br>65% – CEOs<br>43% – FD |
| Core HEPS (40%) | Group<br>Payout % of FAR | 80% of target<br>32% – CEOs<br>20% – FD | CPI + 10%<br>40% – CEOs<br>28% – FD | 125% of target<br>65% – CEOs<br>43% – FD |

# The bonus is calculated per metric. Values awarded will be a weighted average of scores attained versus target and pro-rated applying linear interpolation.
* Remco discretion to be applied for performance above target.
** RemCo removed the stretch component of the individual KPI targets in the STIP as these measures are assessed on a binary basis and only provide for the achievement of target performance, with threshold performance being assessed on a pro-rata basis relative to target.

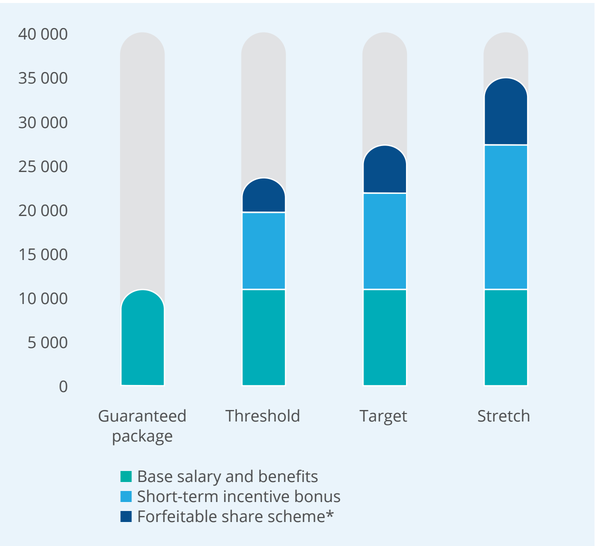
Remco will be guided by economic conditions and an annual review of the performance target percentage above CPI, with the most relevant metrics selected each year.

The Executive Directors thresholds and stretches are currently calculated as follows:

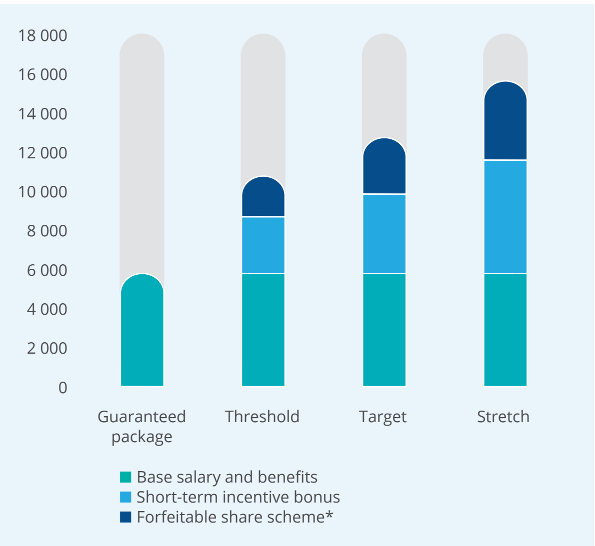
- CEOs thresholds are calculated at 80% of FAR, target at 100% of FAR and a maximum payout at 150% of FAR.
- FD threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum payout at 100% of FAR.

## Executive Directors' composition of FY2023 total remuneration

**Joint CEOs** (R'000)




**Financial director** (R'000)




* Forfeitable share scheme vesting in August 2025.

### 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 creation. In addition, it aims to retain human capital with scarce or critical skills. The Remco, through engagement with shareholders, and guided by consultants through market benchmark reviews, has determined applicable criteria for the LTIP, 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 three years from the date of the grant.

Minimum levels of financial performance must be achieved. Employees who do not meet minimum performance requirements or are on a performance improvement plan, are not eligible. To the extent ordinary resolution 9 is approved, the following LTIP will be operated.

# REMUNERATION REPORT CONTINUED

| Aspect | Description |
|---|---|
| Nature | Blue Label's long-term incentive plan is operated as a conditional share plan. |
| Eligibility | Eligibility based on:<br>• senior leadership;<br>• talent key to driving business strategy;<br>• retention of talent with high potential and/or critical skills; and<br>• transformation objective. |
| Allocation methodology | Allocation awards for Executive Directors are currently as follows:<br>• 50% of FAR for the CEOs achieving target, with a threshold of 36% of FAR and a maximum of 70% of FAR; and<br>• 50% of FAR for the FD achieving target, with a threshold of 36% of FAR and a maximum of 70% of FAR. |
| Performance conditions | Refer to the table below for FY23 performance metrics, weightings and associated targets. |
| Performance period | Three years |
| Vesting period and profile | Three years, from the date of the award. Cliff vesting applies. |
| Plan limits | Overall plan limit: 10% of issued shares (c.91.37 million shares)<br><br>Individual participant limit: 1% of issued shares (c.9.14 million shares) |
| Termination of employment | **Bad leavers:** In cases of resignation or dismissal prior to vesting, all unvested awards are forfeited.<br><br>**Good leavers:** In cases of retrenchment, death, ill health, disability of any other reason, a portion of unvested awards, or such greater portion as the Board may determine in its absolute discretion, shall vest and be settled upon the date of termination of employment, pro-rated for time served between the award date and the date of termination, as well as for the extent to which performance has been achieved over the relevant period.<br><br>**Retirement:** Participants shall be entitled to the same rights and be subject to the same conditions as if they had continued to be an employee, unless the Board/Remuneration Committee decides otherwise. |

The following metrics apply for each award:

**Group LTIP metrics***

| Metrics | | Threshold | Target | Stretch |
|---|---|---|---|---|
| Core HEPS (30%) (compounded cumulatively over three years) | Group | 80% of target | CPI + 7.5%** | 125% of target |
| | Vesting % | 21.6% | 30% | 45% |
| TSR (30%) (performance against long bond compounded over three years plus spread) | Group | 80% of target | Performance equal to three to five year SARB nominal long bond rate +7.5%*** | 125% of target |
| | Vesting % | 21.6% | 30% | 45% |
| ROCE**** (20%) (compared to WACC over the three-year period not compounded) | Group | ROCE greater than or equal to WACC over three years | ROCE greater than or equal to WACC +2.5% over three years | ROCE greater than or equal to WACC +5% over three years |
| | Vesting % | 14.4% | 20% | 30% |
| ESG (20%) (specific ESG metrics*****) | Group | Pro-rata of target | Specific | No stretch |
| | Vesting % | 14.4% | 20% | 20% |

* Remco may review metrics and targets post-FY2023 for new awards to ensure that they are relevant. The LTIP is calculated per metric. Values awarded will be a weighted average of scores attained versus target. All metrics will be assessed and vest on a pro-rata basis applying linear interpolation basis, save for the ESG metric which will be assessed on a binary basis.

** The rationale for using a spread above CPI of 7.5%, which is lower than the spread being applied for the STIP, is that the LTIP is assessed on a forward-looking three-year basis while the STIP only looks to performance in the next 12 months.

*** In setting the TSR target, consideration was given to utilise a risk-free rate that is aligned with a typical vesting and performance period of the award, consequently a 3-5 SARB nominal long bond rate was applied as the anchor in setting TSR targets, with an appropriate spread applied to this anchor in order to set realistic but stretching targets. In addition, TSR will be assessed based on growth in market cap as well as dividends distributed to shareholders over the performance period.

**** ROCE is calculated using the following formula:
ROCE = Net operating profit (EBIT)/Capital employed. Capital employed = total assets – current liabilities (excluding interest-bearing borrowings). The Remuneration Committee will review any prior year impairments to assess if adverse outcomes have occurred, and if so, make the necessary adjustments to the capital employed number such that the average performance is a more accurate indication to shareholders over the measurement period.

***** RemCo removed the stretch component of the ESG KPIs in the LTIP as these measures are assessed on a binary basis and only provide for the achievement of target performance, with threshold performance being assessed on a pro-rata basis relative to target.

As noted in Part 1, as at the time of this publication, the Company continues to engage PwC in the review of its remuneration policy and overall variable remuneration practices. During the upcoming year in addition to the employee wide pay band stratification process, a formal analysis of the participants of the long-term incentive plan will be conducted, determining which participants should remain on the equity-settled long-term incentive plan (Conditional Share Plan) and which should be placed on a similar cash-settled structure. Further information regarding this process shall be detailed in next year's remuneration report.

### Malus and clawback provision

This 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. The provision may be implemented up to 10 years after a trigger event and is applicable to financial year ended 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 auditor.

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 STIP or LTIP awards, where they are not satisfied that an award is appropriate or warranted due to exceptional circumstances.

### Minimum shareholding requirements for Executive Directors

To further align the Executive Directors' interests directly with those of shareholders and to encourage long-term commitment to the organisation, Executive Directors will be required to accumulate a prescribed minimum holding of share allocations within five years from September 2019. Joint CEOs will be required to accumulate two times their Fixed Annual Remuneration over a period of five years.

Our joint CEOs own a significant shareholding in Blue Label, and we will continue to review this.

The FD will be required to accumulate one times his fixed annual remuneration over a period of five years.

### Executive Directors' service contracts

The service contracts of the following Executive Directors will expire on 4 November 2023 and are subject to renegotiation. No further restraint of trade payments will apply to BM Levy and MS Levy. Should the Joint CEO's employment be terminated for whatever reason, a restraint clause will apply. There are no contractual termination benefits, including restraint of trade payments, in place for the Executive Directors:

- BM Levy
- MS Levy
- DA Suntup

### 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 one 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, a new agreement without a restraint of trade agreement, was concluded in November 2021 for the joint CEOs for 24 months. No fixed sums of money or "balloon payments" in recognition of service to the Company,

# REMUNERATION REPORT CONTINUED

without any performance conditions attached, will be paid on termination of employment.

### Non-executive Director remuneration

The fees of the Group Chairman and the Non-executive Directors reflect their specific responsibilities relating to their membership of the Board and, where applicable, Board committees. Blue Label's Non-executive Directors do not receive any performance-related remuneration or any employee benefits. For FY2022, together with Executive Directors and Senior Management, an increase of 6% for NED fees was approved. For FY2023, Non-executive Director fee increases have been proposed at 6% to be approved by shareholders at the November AGM.

## SECTION 3
## Implementation report

### Short-term incentive bonus

#### Executive Directors

The performance metrics for Executive Directors, relating to the STIP for the year ended 31 May 2022, were 20% for Individual goals and 80% for financial achievement, of which 40% related to growth in EBITDA and 40% to growth in Core HEPS.

For the joint CEO's, achievement of threshold is calculated at 80% of FAR, target at 100% of FAR and a maximum payout at 150% of FAR. For the FD, achievement of threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum payout at 100% of FAR.

The individual goals set for the executive directors related to the performance of Cell C, the Group's overall performance, the facility targets with the banks and succession planning.

The finalisation of the recapitalisation of Cell C has resulted in it being restructured and refinanced. This has resulted in the deleveraging of its balance sheet, providing it with liquidity with which to operate and grow its businesses and to position itself to achieve long-term success for the benefit of its customers, employees, creditors, shareholders and its other stakeholders.

The BLT turnaround strategy has been implemented, simplifying our portfolio, and reverting to "back to basics" within our core businesses as well as the successful ongoing implementation of Project Boston between Cell C and CEC.

The Prepaid Company renegotiated, prior to the Cell C recapitalisation, a further extension of its Investec facility and reduced its interest-bearing debt from R1.3 billion to R942 million, for the financial year ended 31 May 2022. In addition, CEC settled R411 million of its debt funding with Investec Bank and concluded a working capital financing facility with African Bank of R1.9 billion.

A succession planning strategy was implemented whereby critical positions within the organisation was identified and action plans were developed.

The financial metrics for the financial year ended 31 May 2022 were normalised EBITDA and core headline earnings per share for group financial targets and NPAT for divisional financial targets.

On exclusion of R326 million relating to non-recurring income in the current year and R132 million in the prior year, EBITDA increased by R144 million (12%) from R1.228 billion to R1.372 billion. The anticipated increase in overheads, included costs of R65 million attributable to new learnership initiatives in the current year and R10 million in the prior year, whereby the benefit thereof is realised by way of income tax savings as a result of the section 12H allowances being claimed for such learnerships. On exclusion thereof, in both the current and prior year, EBITDA increased by R199 million (16.03%).

Core headline earnings for the year ended 31 May 2022 amounted to R1.06 billion, equating to Core headline earnings per share of 121.01 cents. In the comparative year, core headline earnings amounted to R788 million, of which R763 million related to continuing operations and R25 million to discontinued operations. Core headline earnings per share amounted to 89.65 cents.

On exclusion of the non-recurring income of R214 million in the current year and R47 million in the prior year, core headline earnings from continued operations increased by R131 million from R716 million to R847 million and core headline earnings per share from continuing operations increased by 18.48% from 81.50 cents in the prior year to 96.56 cents.

From a group financial target perspective, the financial metrics of both normalised EBITDA and NPAT exceeded prior year by 16.03% and 18.48% respectively, thus exceeding target. A 12-month CPI rolling average equating to 5.46%, for the period 1 June 2021 to 31 May 2022, was applied.

Strong growth in EBITDA and core headline earnings per share, excluding non-recurring income in the current year and prior year, resulted in the Group exceeding the target set for the executive directors for the year ended 31 May 2022, as illustrated in the table on next page:

### Executive Directors STIP metrics#

| Metrics | | Threshold | Target | Stretch* | Performance and payout % of FAR |
|---|---|---|---|---|---|
| KPIs (20%) | Individual performance<br><br>Payout % of FAR | Specific<br>16% – CEOs<br>10% – FD | Specific<br>20% – CEOs<br>14% – FD | Specific<br>30% – CEOs<br>20% – FD | √<br>30% – CEOs<br>20% – FD |
| Normalised EBITDA (40%) | Group performance<br><br>Payout % of FAR | CPI + 5% = 10.46%<br>32% – CEOs<br>20% – FD | CPI + 10% = 15.46%<br>40% – CEOs<br>28% – FD | CPI + 15% = 20.46%<br>60% – CEOs<br>40% – FD | 16.03%<br>42% – CEOs<br>30% – FD |
| Core HEPS (40%) | Group performance<br><br>Payout % of FAR | CPI + 5% = 10.46%<br>32% – CEOs<br>20% – FD | CPI + 10% = 15.46%<br>40% – CEOs<br>28% – FD | CPI + 15% = 20.46%<br>60% – CEOs<br>40% – FD | 18.48%<br>52% – CEOs<br>35% – FD |
| **Total payout % of FAR** | | **80% – CEOs**<br>**50% – FD** | **100% – CEOs**<br>**70% – FD** | **150% – CEOs**<br>**100% – FD** | **124% – CEOs**<br>**85% – FD** |

# The bonus is calculated per metric. Values awarded will be a weighted average of scores attained versus target and pro-rated applying linear interpolation.
* Remco discretion to be applied for performance above target.

With reference to the above, the total payout percentage of FAR equated to 124% for the Joint CEOs and 85% for the Financial Director, in line with the stretch target, pro-rated, applying linear interpolation.

The bonuses awarded to the three executive directors, amounted to R30.231 million, of which R12.793 million was payable to each joint CEO and R4.645 million to the Financial Director.

### Prescribed Officers

For prescribed officers, achievement of threshold is calculated at 25% of FAR, target at 50% of FAR and a maximum payout at 75% of FAR.

The performance metrics for JS Newman, relating to the STIP for the year ended 31 May 2022, was 40% for Individual goals and 60% for financial achievement, of which 30% related to growth in EBITDA and 30% to growth in Core HEPS. This is illustrated in the table on next page:

# REMUNERATION REPORT CONTINUED

## Group Prescribed Officer STIP metrics#

| Metrics | | Threshold | Target | Stretch* | Performance and payout % of FAR |
|---|---|---|---|---|---|
| KPIs (40%) | Individual performance<br>Payout % of FAR | Specific<br>10% | Specific<br>20% | Specific<br>30% | √<br>20% |
| Normalised EBITDA (30%) | Group performance<br>Payout % of FAR | CPI + 5% = 10.46%<br>7.5% | CPI + 10% = 15.46%<br>15% | CPI + 15% = 20.46%<br>22.5% | 16.03%<br>15% |
| Core HEPS (30%) | Group performance<br>Payout % of FAR | CPI + 5% = 10.46%<br>7.5% | CPI + 10% = 15.46%<br>15% | CPI + 15% = 20.46%<br>22.5% | 18.48%<br>15% |
| **Total payout % of FAR** | | **25%** | **50%** | **75%** | **50%** |

# The bonus is calculated per metric. Values awarded will be a weighted average of scores attained versus target and pro-rated applying linear interpolation.
* Remco discretion to be applied for performance above target.

With reference to the above, the total payout percentage of FAR equated to 50% for JS Newman, in line with target. The bonus awarded, amounted to R2.280 million.

The performance metrics for GB Levin, relating to the STIP for the year ended 31 May 2022, were 20% for Individual goals and 80% for financial achievement, of which 60% was linked to divisional financial targets and 20% to group financial targets. Of the 20% group financial targets, 10% related to growth in EBITDA and 10% to growth in Core HEPS. This is illustrated in the table below:

## Divisional Prescribed Officer STIP metrics#

| Metrics | | Threshold | Target | Stretch* | Performance and payout % of FAR |
|---|---|---|---|---|---|
| KPIs (20%) | Individual performance<br>Payout % of FAR | Specific<br>5% | Specific<br>10% | Specific<br>15% | √<br>15% |
| NPAT (60%) | Divisional performance<br>Payout % of FAR | CPI + 5% = 10.46%<br>15% | CPI + 10% = 15.46%<br>30% | CPI + 15% = 20.46%<br>45% | >20.46%<br>45% |
| Normalised EBITDA (10%) | Group performance<br>Payout % of FAR | CPI + 5% = 10.46%<br>2.5% | CPI + 10% = 15.46%<br>5% | CPI + 15% = 20.46%<br>7.5% | 16.03%<br>5% |
| Core HEPS (10%) | Group performance<br>Payout % of FAR | CPI + 5% = 10.46%<br>2.5% | CPI + 10% = 15.46%<br>5% | CPI + 15% = 20.46%<br>7.5% | 18.48%<br>5% |
| **Total payout % of FAR** | | **25%** | **50%** | **75%** | **70%** |

# The bonus is calculated per metric. Values awarded will be a weighted average of scores attained versus target and pro-rated applying linear interpolation.
* Remco discretion to be applied for performance above target.

With reference to the above, the total payout percentage of FAR equated to 70% for GB Levin, in line with both stretch and target. The bonus awarded, amounted to R3.282 million.

### Long-term incentive plan

The long-term incentive plan related to the allocation of shares in 2018, which vested on 16 March 2022. Under normal circumstances, vesting would have occurred on 31 August 2021. However, since the Group was in a closed period, vesting was deferred to 16 March 2022. The financial measurement was for the period 1 June 2018 to 31 May 2021.

#### Executive Directors

| Performance metric – Executive Directors | Target | Actual performance | Executive Directors weighting | Amount paid to Executive Directors R'000 |
|---|---|---|---|---|
| Long-term incentive plan (2018 forfeitable share scheme vested 16 March 2022) | | | | |
| Retention | Three years | √ | **33.33%** | **2 138** |
| Growth in core HEPS | 25% + (cumulative CPI over three years) = 37% | Not achieved | **33.34%** | **—** |
| Shareholder returns | R9.53 market price per share | R5.88 market price per share | **33.33%** | **—** |
| Total vesting related to performance conditions (excluding retention portion) included in 2022 total single figure of remuneration | | | | **—** |

The retention criteria of 33.33% was achieved.

Growth in CPI over the three-year period accumulated to 12%, which after inclusion of the maximum growth target of 25%, equated to 37%. As the actual growth fell short of target, the resultant allocation of 33.34% was not achieved.

In respect of growth in shareholder returns, the weighted average price per share at commencement of the allocation on 31 August 2018 was R7.16. The required compounded growth of 10% per annum over the vesting period as at 31 August 2021 equated to a targeted share price of R9.53. The opening market price at 31 August 2021 was R5.88, therefore the minimum target requirement was not achieved. Accordingly, the 33.33% allocation relating to growth in shareholder returns was not achieved.

# REMUNERATION REPORT CONTINUED

### Prescribed Officer

| Performance metric – Divisional prescribed officer* | Target | Actual performance | Prescribed officer weighting | Amount paid to prescribed officer R'000 |
|---|---|---|---|---|
| Long-term incentive plan (2018 forfeitable share scheme vested 16 March 2022) | | | | |
| Retention | Three years | √ | **40%** | **128** |
| Net profit after tax at subsidiary level | 25% + (cumulative CPI over three years) = 37% | Achieved | **30%** | **170** |
| Shareholder returns | R9.53 market price per share | R5.88 market price per share | **30%** | **—** |
| Total vesting related to performance conditions (excluding retention portion) included in 2022 total single figure of remuneration | | | | **170** |

* Relates only to GB Levin, as JS Newman was employed in the current year.

The retention criteria of 40% was achieved.

As GB Levin is the CEO of CEC, a major subsidiary of the Group, his financial performance criteria are measured at subsidiary level based on growth in net profit after taxation. Growth in CPI over the three-year period accumulated to 12%, which after inclusion of the maximum growth target of 25%, equated to 37%. As the actual growth of CEC exceeded the target, the resultant allocation of 30% was achieved.

In respect of growth in shareholder returns, the weighted average price per share at commencement of the allocation on 31 August 2018 was R7.16. The required compounded growth of 10% per annum over the vesting period as at 31 August 2021 equated to a targeted share price of R9.53. The opening market price at 31 August 2021 was R5.88, therefore the minimum target requirement was not achieved. Accordingly, the 30% allocation relating to growth in shareholder returns was not achieved.

## Tables of single total figure of remuneration for FY2022

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 the Executive Directors and Prescribed Officers of Blue Label Telecoms. The comparative information has been presented in a manner consistent with the current year presentation.

| Executive Directors and prescribed officers remuneration for the year ended 31 May 2022 | Explanatory notes | BM Levy R'000 | MS Levy R'000 | DA Suntup R'000 | GB Levin* R'000 | JS Newman* R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| Fixed remuneration (including salary, allowances and retirement benefits) | | 10 317 | 10 317 | 5 464 | 4 689 | 3 262 | 34 049 |
| Other benefits | | 36 | 36 | — | 192 | — | 264 |
| Short-term incentive bonus | 1 | 12 793 | 12 793 | 4 645 | 3 282 | 2 280 | 35 793 |
| 2018 forfeitable share scheme – growth performance component on vesting date (16 March 2022) at fair value | 2 | — | — | — | 170 | — | 170 |
| **Single total figure of remuneration** | | 23 146 | 23 146 | 10 109 | 8 333 | 5 542 | 70 276 |
| 2018 forfeitable share scheme – vesting of retention component in the current year at fair value | 3 | 845 | 845 | 448 | 128 | — | 2 266 |
| Dividends on vested shares | 4 | — | — | — | — | — | — |
| Short-term incentive bonus to be settled post year end | 1 | (10 793) | (10 793) | (4 645) | (3 282) | (2 280) | (31 793) |
| Short-term incentive bonus of prior year paid in August 2021 | | 9 733 | 9 733 | 3 608 | 3 150 | — | 26 224 |
| Restraint of trade award paid in five equal monthly instalments | 5 | 1 391 | 1 391 | — | — | — | 2 782 |
| **Total cash equivalent value remuneration received for the year ended 31 May 2022** | 6 | 24 322 | 24 322 | 9 520 | 8 329 | 3 262 | 69 755 |
| **Reconciliation to note 5.3 of the Group annual financial statements** | | | | | | | |
| Remuneration as disclosed in terms of IFRS | | 24 537 | 24 537 | 10 109 | 8 163 | 5 542 | 72 888 |
| Total cash equivalent value remuneration received for the year ended 31 May 2022 | | 24 322 | 24 322 | 9 520 | 8 329 | 3 262 | 69 755 |
| Difference to remuneration as disclosed in note 5.3 of the Group annual financial statements | | (215) | (215) | (589) | 166 | (2 280) | (3 133) |
| **Reconciling items:** | | | | | | | |
| Remaining short-term incentive bonus accrued in May 2022, to be settled post-year end | 1 | (10 793) | (10 793) | (4 645) | (3 282) | (2 280) | (31 793) |
| Short-term incentive bonus accrued in May 2021, paid in September 2021 | | 9 733 | 9 733 | 3 608 | 3 150 | — | 26 224 |
| 2018 forfeitable share scheme that vested in the current year at fair value | | 845 | 845 | 448 | 298 | — | 2 436 |
| 2018 forfeitable share scheme – growth performance component on vesting date (16 March 2022) at fair value | | — | — | — | 170 | — | 170 |
| 2018 forfeitable share scheme – vesting of retention component in the current year at fair value | | 845 | 845 | 448 | 128 | — | 2 266 |
| | | (215) | (215) | (589) | 166 | (2 280) | (3 133) |

[1] R2 million of the total STIP for the year ended 31 May 2022 was paid each to Brett Levy and Mark Levy prior to year-end. The balance to executive directors and prescribed officers was paid post-year end.
[2] Under normal circumstances, vesting of the 2018 forfeitable share scheme would have occurred on 31 August 2021. However, since the Group was in a closed period, vesting was deferred to 16 March 2022. The 33.33% LTIP growth in market price per share of was not achieved. The 33.34% LTIP growth in core HEPS was not achieved on a Group level but was achieved in the case of a subsidiary pertinent to GB Levin.
[3] The 33.33% LTIP retention portion of the 2018 forfeitable share scheme is added to "the total cash equivalent value remuneration received", as vesting took place on 16 March 2022. In the case of GB Levin, 40% LTIP retention applied.
[4] No dividends were applicable to the 2018 forfeitable share scheme.
[5] These amounts represent the five monthly instalments received during the year relating to the restraint of trade payments payable in 12 equal instalments which commenced on 1 November 2020 and ended on 31 October 2021.
[6] Cash equivalent value remuneration represents the total proceeds paid to the executive directors and prescribed officers for the period 1 June 2021 to 31 May 2022, inclusive of the cash element of basic remuneration, STIP and LTIP.
* GB Levin and JS Newman were identified as prescribed officers in the current financial year. As such there is no comparative information.

# REMUNERATION REPORT CONTINUED

| Executive Directors' remuneration for the year ended 31 May 2021 | Explanatory notes | BM Levy R000 | MS Levy R000 | DA Suntup R000 | Total R000 |
|---|---|---|---|---|---|
| Fixed remuneration (including salary, allowances and retirement benefits) | | 9 509 | 9 526 | 4 931 | 23 966 |
| Other benefits | | 224 | 207 | 224 | 655 |
| Short-term incentive bonus | 1 | 9 733 | 9 733 | 3 608 | 23 074 |
| 2017 forfeitable share scheme – growth performance component on vesting date (31 August 2020) at fair value | 2 | — | — | — | — |
| One-year restraint of trade award settled in equal monthly instalments over 12 months with effect from 1 November 2020 | 3 | 3 338 | 3 338 | — | 6 676 |
| **Single total figure of remuneration** | | 22 804 | 22 804 | 8 763 | 54 371 |
| 2017 forfeitable share scheme – vesting of retention component in the current year at fair value | 4 | 175 | 175 | 93 | 443 |
| Dividends on vested shares | 5 | 17 | 17 | 9 | 43 |
| Short-term incentive bonus to be settled post-year end | 1 | (9 733) | (9 733) | (3 608) | (23 074) |
| Restraint of trade award paid in five equal monthly instalments | 6 | 1 390 | 1 390 | — | 2 780 |
| Restraint of trade award still to be settled in five equal monthly instalments | 7 | (1 390) | (1 390) | — | (2 780) |
| **Total cash equivalent value remuneration received for the year ended 31 May 2021** | 8 | 13 263 | 13 263 | 5 257 | 31 783 |
| **Reconciliation to note 5.3 of the Group annual financial statements** | | | | | |
| Remuneration as disclosed in terms of IFRS | | 22 804 | 22 804 | 8 763 | 54 371 |
| Total cash equivalent value remuneration received for the year ended 31 May 2021 | | 13 263 | 13 263 | 5 257 | 31 783 |
| Difference to remuneration as disclosed in note 5.3 of the Group annual financial statements | | (9 541) | (9 541) | (3 506) | (22 588) |
| **Reconciling items:** | | | | | |
| Short-term incentive bonus accrued in May 2021, to be settled in September 2021 | 1 | (9 733) | (9 733) | (3 608) | (23 074) |
| Dividends on shares vested in the current year | | 17 | 17 | 9 | 43 |
| 2017 forfeitable share scheme that vested in the current year at fair value | | 175 | 175 | 93 | 443 |
| 2017 forfeitable share scheme – growth performance component on vesting date (31 August 2020) at fair value | | — | — | — | — |
| 2017 forfeitable share scheme – vesting of retention component in the current year at fair value | | 175 | 175 | 93 | 443 |
| | | (9 541) | (9 541) | (3 506) | (22 588) |

1 STIP for the year ended 31 May 2021 will be paid in September 2021.
2 The 33.34% LTIP growth in core HEPS of the 2017 forfeitable share scheme that vested 31 August 2020 was not achieved.
3 The restraint of trade payments of the joint CEOs, although payable in 12 equal instalments, have been included in total in "the single total figure of remuneration" in that there are no conditions pertaining thereto other than retention of employment. This took effect from the 1 November 2020.
4 The 33.33% LTIP retention portion of the 2017 forfeitable share scheme is added to "the total cash equivalent value remuneration received", as vesting took place on 31 August 2020.
5 Dividends are the total of cash receipts during the financial year applicable to the 2017 forfeitable share scheme, as vesting took place on 31 August 2020.
6 These amounts represent the five monthly instalments received during the year relating to the restraint of trade payments payable in 36 equal instalments which commenced on 1 November 2017.
7 These amounts represent five equal monthly instalments, being the balance payable post 31 May 2021, on the restraint of trade agreements which commenced on 1 November 2020.
8 Cash equivalent value remuneration represents the total proceeds paid to the Executive Directors for the period 1 June 2020 to the 31 May 2021, inclusive of the cash element of basic remuneration, STIP, LTIP 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.

## Termination of office

No payments were made on termination of employment or office of any members of executive management.

### Forfeitable share scheme – granted and unvested instruments

| | Issue date | Issue price R | Vesting date | Awards outstanding as at the beginning of the year | Number of shares awarded | Awards forfeited during the year | Awards vested during the year | Balance as at the end of the year* | Fair value at grant date R'000 | Fair value at 31 May 2022* R'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Forfeitable share scheme | | | | | | | | | | |
| **For the year ended 31 May 2022** | | | | | | | | | | |
| **Executive Directors** | | | | | | | | | | |
| BM Levy | 1 September 2018 | **7.16** | 16 March 2022 | **448 843** | **—** | **(299 244)** | **(149 599)** | **—** | | |
| BM Levy | 18 November 2019 | **2.55** | 31 August 2022 | **1 908 425** | **—** | **—** | **—** | **1 908 425** | **4 866** | **10 744** |
| BM Levy | 1 September 2020 | **3.20** | 31 August 2023 | **1 520 776** | **—** | **—** | **—** | **1 520 776** | **4 866** | **8 562** |
| BM Levy | 6 April 2022 | **6.42** | 31 August 2024 | **—** | **803 501** | **—** | **—** | **803 501** | **5 158** | **4 524** |
| | | | | **3 878 044** | **803 501** | **(299 244)** | **(149 599)** | **4 232 702** | **14 891** | **23 830** |
| MS Levy | 1 September 2018 | **7.16** | 16 March 2022 | **448 843** | **—** | **(299 244)** | **(149 599)** | **—** | | |
| MS Levy | 18 November 2019 | **2.55** | 31 August 2022 | **1 908 425** | **—** | **—** | **—** | **1 908 425** | **4 866** | **10 744** |
| MS Levy | 1 September 2020 | **3.20** | 31 August 2023 | **1 520 776** | **—** | **—** | **—** | **1 520 776** | **4 866** | **8 562** |
| MS Levy | 6 April 2022 | **6.42** | 31 August 2024 | **—** | **803 501** | **—** | **—** | **803 501** | **5 158** | **4 524** |
| | | | | **3 878 044** | **803 501** | **(299 244)** | **(149 599)** | **4 232 702** | **14 891** | **23 830** |
| DA Suntup | 1 September 2018 | **7.16** | 16 March 2022 | **237 725** | **—** | **(158 491)** | **(79 234)** | **—** | | |
| DA Suntup | 18 November 2019 | **2.55** | 31 August 2022 | **1 010 776** | **—** | **—** | **—** | **1 010 776** | **2 577** | **5 691** |
| DA Suntup | 1 September 2020 | **3.20** | 31 August 2023 | **805 462** | **—** | **—** | **—** | **805 462** | **2 577** | **4 535** |
| DA Suntup | 6 April 2022 | **6.42** | 31 August 2024 | **—** | **425 565** | **—** | **—** | **425 565** | **2 732** | **2 396** |
| | | | | **2 053 963** | **425 565** | **(158 491)** | **(79 234)** | **2 241 803** | **7 887** | **12 621** |

* The fair value at 31 May 2022 is based on the closing price of R5.63.

# REMUNERATION REPORT CONTINUED

| | Issue date | Issue price R | Vesting date | Awards outstanding as at the beginning of the year | Number of shares awarded | Awards forfeited during the year | Awards vested during the year | Balance as at the end of the year* | Fair value at grant date R'000 | Fair value at 31 May 2022* R'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Prescribed Officers** | | | | | | | | | | |
| GB Levin | 1 September 2018 | 7.16 | 16 March 2022 | 75 419 | — | (22 626) | (52 793) | — | | |
| GB Levin | 18 November 2019 | 2.55 | 31 August 2022 | 318 400 | — | — | — | 318 400 | 812 | 1 793 |
| GB Levin | 1 September 2020 | 3.20 | 31 August 2023 | 328 125 | — | — | — | 328 125 | 1 050 | 1 847 |
| GB Levin | 6 April 2022 | 6.42 | 31 August 2024 | — | 615 300 | — | — | 615 300 | 3 950 | 3 464 |
| | | | | 721 944 | 615 300 | (22 626) | (52 793) | 1 261 825 | 5 812 | 7 104 |
| JS Newman | 6 April 2022 | 6.42 | 31 August 2024 | — | 177 570 | — | — | 177 570 | 1 140 | 1 000 |
| | | | | — | 177 570 | — | — | 177 570 | 1 140 | 1 000 |

* The fair value at 31 May 2022 is based on the closing price of R5.63.

### Non-executive remuneration

| | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **Non-executive Directors** | | |
| LM Nestadt | **2 191** | 2 067 |
| KM Ellerine | **929** | 890 |
| GD Harlow | **2 010** | 1 890 |
| NP Mnxasana | **947** | 462* |
| JS Mthimunye | **1 447** | 1 379 |
| SJ Vilakazi | **1 229** | 1 042 |
| PL Zim | **857** | 256** |
| | **9 609** | 7 986 |

* Appointed on 18 September 2020.
** Appointed on 23 October 2020.

# REMUNERATION REPORT CONTINUED

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

| | **Current fee 2022 R** | Proposed fee 2023 R |
|---|---|---|
| Services as Directors | | |
| – Chairman of the Board (per annum) | **2 024 727** | 2 146 211 |
| – Board members (per annum) | **446 631** | 473 429 |
| Audit, Risk and Compliance Committee | | |
| – Chairman (per annum) | **404 945** | 429 242 |
| – Member (per annum) | **250 113** | 265 120 |
| Remuneration and Nomination Committee | | |
| – Chairman Remuneration (per annum) | **238 203** | 252 495 |
| – Chairman Nomination (per annum) | **166 742** | 176 747 |
| – Member (per annum) | **142 922** | 151 497 |
| Investment Committee | | |
| – Chairman (per annum) | **238 203** | 252 495 |
| – Member (per annum) | **142 922** | 151 497 |
| Transformation, Social and Ethics Committee | | |
| – Chairman (per annum) | **142 922** | 151 497 |
| – Member (per annum) | **89 326** | 94 686 |
| Ad hoc Committee | | |
| – Chairman (per meeting) | **53 596** | 56 812 |
| – Member (per meeting) | **32 157** | 34 086 |

**GD Harlow**
*Chairman*

30 September 2022

# NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 23 September 2022, that the fifteenth Annual General Meeting (AGM) of shareholders of Blue Label Telecoms Limited will be held entirely by electronic communication as permitted by the Companies Act, No 71 of 2008, as amended (the Companies Act) and by the Company's Memorandum of Incorporation (MOI), on Thursday, 24 November 2022 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 virtual AGM (being the date on which a shareholder must be registered in the Company's shareholders' register in order to receive notice of the virtual AGM) as Friday, 23 September 2022;
- participate in and vote at the virtual 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 virtual AGM) as Friday, 18 November 2022; and
- the last date to trade to participate in and vote at the virtual AGM is Tuesday, 15 November 2022.

Certificated shareholders or own-name dematerialised shareholders may attend and vote at the virtual 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, 22 November 2022.

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 virtual 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 virtual AGM are entitled to appoint a proxy to attend, participate in and vote at the virtual 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 virtual AGM.

# NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

## Electronic participation

Shareholders or their duly appointed proxy(ies) who wish to participate in the virtual AGM via electronic communication (Participant(s)) must either 1. register online using the online registration portal at www.meetnow.global/za; or 2. apply to Computershare, by sending an e-mail to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Tuesday, 22 November 2022. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided. The Company will inform Participants who notified Computershare of their intended participation by no later than 17:00 on Wednesday, 23 November 2022 by e-mail of the relevant details through which Participants can participate electronically.

## 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 2022, have been distributed as required and will be presented to shareholders at the virtual AGM.

The Audit, Risk and Compliance Committee's report is set out on pages 95 to 98 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 KM Ellerine as a Director of the Company

   Resolved that Mr KM Ellerine, who was first appointed to the Board on 8 December 2009 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 KM Ellerine is on page 39.

2. **Ordinary resolution number 2:** 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 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 38.

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

   Resolved that Mr LM Nestadt , who was first appointed to the Board on 5 October 2007 and who retires in terms of the 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 38.

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 Ms NP Mnxasana as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2023

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

   A brief biography of Ms NP Mnxasana is on page 39.

6. **Ordinary resolution number 6:** Election of Mr JS Mthimunye as a member and Chair of the Audit, Risk and Compliance Committee for the year ending 31 May 2023

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

   A brief biography of Mr JS Mthimunye is on page 40.

7. **Ordinary resolution number 7:** Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2023

   Resolved that, in terms of section 94(2) of the Act, 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 39.

8. **Ordinary resolution number 8:** Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2023

   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 40.

9. **Ordinary resolution number 9:** Approval of amendments to the rules of the Blue Label Telecoms Forfeitable Share Plan and the share scheme envisaged by such rules.

   Resolved that amendments to the rules of the Blue Label Telecoms Forfeitable Share Plan, and the share scheme envisaged by such rules, are approved in the form of the amended rules, as are made available for inspection, with effect from date of this resolution.

   The Remuneration Committee of the Board proposed certain amendments to the scheme and its rules, the principal terms of which are summarised as follows:

   (a) name and overall functioning of the scheme from a forfeitable share plan to a conditional share plan:
   to update the name and overall functioning of the scheme to operate as a conditional share plan, where awards made in terms of the scheme are settled to participants after a performance period and only to the extent that performance is achieved, rather than on the award date;

   (b) overall scheme limit:
   to update the maximum aggregate number of ordinary shares in the capital of the Company (shares) which may at any time be used to settle vested awards through the delivery of treasury shares, alternatively the issuance of shares, if required, to participants to reflect the current number of shares in issue, namely from 76 636 085 shares to 91 365 587 shares, thereby retaining an overall limit of 10% (ten percent) of the total issued ordinary shares of the company;

   (c) individual limit:
   to update the maximum aggregate number of ordinary shares in the capital of the Company (shares) which may at any time be used to settle vested awards to any one participant to reflect the current number of shares in issue, namely from 7 663 608 shares to 9 136 558 shares, thereby retaining an individual limit of 1% (one percent) of the total issued ordinary shares of the Company;

   (d) malus and clawback:
   to expressly provide that all awards granted to any person in terms of the scheme may be subject to malus and/or clawback provisions as may be provided for in terms of the rules, the Company's remuneration policy or any additional policies adopted by the Company from time to time;

   (e) change of control:
   to amend the scheme's change of control provisions to, at the discretion of the Remuneration Committee, provide for pro-rated vesting and settlement of unvested awards as at any future date of change of control, in line with best practice in corporate governance; and

   (f) compliance with Listings Requirements:
   to amend the scheme's rules generally to provide for full compliance with Schedule 14 of the Listings Requirements, as the Listings Requirements have developed and been amended since the scheme was first approved by shareholders.

The amended Conditional Share Plan (Forfeitable Share Plan) rules will be made available on the Company's website on 4 November 2022 for a period not less than 14 days prior to the AGM.

This ordinary resolution number 9 will only be effective if passed by a 75% vote by all shareholders present or represented by proxy, excluding any votes exercised in respect of any treasury shares held by the Group and any shares acquired through share schemes of the Group.

10. **Ordinary resolution number 10:** Non-binding advisory endorsement of the 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 2022 is endorsed.

# NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

11. **Ordinary resolution number 11:** 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 2022 is endorsed.

12. **Ordinary resolution number 12:** 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 2022 to 31 May 2023.

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

| | **Current fee 2022 R** | Proposed fee 2023 R |
|---|---|---|
| Services as Directors | | |
| – Chair of the Board (per annum) | **2 024 727** | 2 146 211 |
| – Board members (per annum) | **446 631** | 473 429 |
| Audit, Risk and Compliance Committee | | |
| – Chair (per annum) | **404 945** | 429 242 |
| – Member (per annum) | **250 113** | 265 120 |
| Remuneration and Nomination Committee | | |
| – Chair Remuneration (per annum) | **238 203** | 252 495 |
| – Chair Nomination (per annum) | **166 742** | 176 747 |
| – Member (per annum) | **142 922** | 151 497 |
| Investment Committee | | |
| – Chair (per annum) | **238 203** | 252 495 |
| – Member (per annum) | **142 922** | 151 497 |
| Transformation, Social and Ethics Committee | | |
| – Chair (per annum) | **142 922** | 151 497 |
| – Member (per annum) | **89 326** | 94 686 |
| Ad hoc Committee | | |
| – Chair (per meeting) | **53 596** | 56 812 |
| – Member (per meeting) | **32 157** | 34 086 |

2. **Special resolution number 2:** General authority to repurchase shares

Resolved that, pursuant to the MOI, the Company or any of its subsidiaries are hereby authorised by way of a general approval, from time to time, to acquire ordinary shares in the share capital of the Company in accordance with the Act and the Listings Requirements, provided that:

(a) the number of its own ordinary shares acquired by the Company in any one financial year shall not exceed 20% (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.

# NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

3. **Special resolution number 3:** Approval to grant financial assistance in terms of sections 44 and 45 of the Act

   Resolved that the Board may, subject to the Act and the MOI, authorise the Company to provide direct or indirect financial assistance:
   - by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, as contemplated in section 44 of the Act, at any time during a period commencing on the date of passing of this special resolution and ending at the expiry of two years from the date of the adoption of this special resolution number 3; and/or to a Director of the Company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, as contemplated in section 45 of the Act, at any time during a period commencing on the date of passing of this special resolution and ending at the expiry of two years from the date of the adoption of this special resolution number 3.

The Listings Requirements require, in terms of paragraph 11.26, the following disclosures, which appear in the integrated annual report:
- major shareholders – refer to page 114 of the Group annual financial statements;
- material change – there were no material changes;
- share capital of the Company – refer to page 100 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

30 September 2022

## 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 virtual 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 KM Ellerine, MS Levy and LM Nestadt retire by rotation at the AGM in accordance with article 25.17 of the MOI, and have offered themselves for re-election.

Brief biographies of the Directors are on pages 38 and 39.

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.

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 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 2023 financial year.

**Ordinary resolution numbers 5 to 8 (inclusive):** Election of Audit, Risk and Compliance Committee members

In terms of section 94(2) of the Act, each Audit Committee member must be elected by shareholders at its AGM. King IV likewise requires shareholders of a public company to elect each member of an audit committee at an AGM.

In terms of Regulation 42 of the Companies Regulations 2011, relating to the Act, at least one-third of the members of the Company's Audit, Risk and Compliance Committee at any particular time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. Each of the proposed members is duly qualified, as is evident from the biographies of each member, as contained on pages 39 and 40.

**Ordinary resolution number 9:** Approval of amendments to the rules of the Blue Label Telecoms Forfeitable Share Plan and the share scheme envisaged by such rules.

Schedule 14 of the Listings Requirements (Schedule 14) governs share option schemes and share incentive schemes involving the issue of equity securities by issues to, or for the benefit of, employees and other persons involved in the business of the issuer group and which result in a dilution of the shareholder of equity securities holders in the issue. This includes the issue of equity securities from the issuer's authorised, but unissued, share capital, as well as the use of equity securities held as treasury shares. Schedule 14 is applicable to the scheme and the scheme and its rules were originally approved in terms of Schedule 14. In terms of Schedule 14, certain provisions of the Forfeitable Share Plan approved in 2008, cannot be altered without the prior approval of shareholders and it is on this basis, that we seek approval for the following amendments:

### Name and overall functioning of the scheme from a forfeitable share plan to a conditional share plan

In line with market trends, the rules have been updated to provide for the awarding of conditional shares and operation of a Conditional Share Plan which will furthermore simplify the administration of the long-term incentive plan. Accordingly, a resolution is sought, in line with the requirements of Schedule 14, to amend the Forfeitable Share Plan rules and name, to operate as a Conditional Share Plan from date of approval of the resolution onward.

# NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

### Overall scheme limit

Prior to amendment, the aggregate maximum number of shares which may be used to settle Forfeitable Share Plan awards over the life of the scheme was limited to 76 636 085 ordinary shares, representing 10% (ten percent) of the total issued shares of the Company. A resolution is sought to update the aggregate number of shares from 76 636 085 to 91 365 587, which would retain an overall limit of 10% (ten percent) of the total issued shares of the Company as at the date of AGM and account for shares which have been issued since the original approval of the scheme.

After approval of this amendment, and as at the AGM, 43 055 736 shares (equating to 4.71% of the issued shares of the Company) will have been used in settlement of Forfeitable Share Plan awards since it has been in operation since 2008. 48 309 851 shares (equating to 5.29% of the issued shares of the Company) will remain available for settlement of current unvested awards. It is the Company's intention to put a new scheme in place prior to the making of the next awards in 2023. Neither the update to the overall limit, nor the introduction of such new scheme will result in any shareholder dilution. Therefore, the purpose of the adjustment to the limit is merely to honour existing obligations under the scheme.

### Individual limit

Prior to the amendment, the aggregate maximum number of shares which may be used to settle Forfeitable Share Plan awards to any participant was 7 663 608 shares, representing 1% (one percent) of the total issued shares of the Company. A resolution is sought to adjust the aggregate number of shares from 7 663 608 to 9 136 558, which would retain an individual limit of 1% (one percent) of the total issued shares of the Company as at the date of AGM and account for the revised issued capital of Blue Label since the original approval of the scheme in 2008.

### Malus and clawback

The Company has, from 2019, included malus and clawback provisions in its remuneration policy for application upon variable remuneration (short and long-term incentive awards). Accordingly, the Company has amended the Conditional Share Plan (previously Forfeitable Share Plan) rules to include the necessary provisions relating to malus and clawback, as presented herewith. The amendments to the Conditional Share Plan (previously Forfeitable Share Plan) to include malus and clawback provisions are aligned to current developments in respect of executive remuneration practices and corporate governance within South Africa. The aim of the amendments is to allow the Company the ability to reduce (for unvested awards) and/or recoup (for vested awards) the value of awards/grants in terms of the scheme in the event that a trigger event is discovered before or for a specified period after the vesting date.

As noted in the proposed amended Conditional Share Plan rules, clawback, while defined therein, will continue to be regulated in terms of the Company's remuneration policy (the full details are disclosed in the integrated report).

### Change of control

To align to evolving market practice, the rules have been updated to cater for a treatment of unvested LTI awards which is greater aligned to best practice in corporate governance, namely that upon a change of control, at the discretion of the Remuneration Committee, any unvested awards under the scheme will have pro-rata vesting and settlement.

### JSE Listings Requirements

Since the approval of the rules in 2008, Schedule 14 of the JSE Listings Requirements has been amended and updated to provide for leading business and regulatory practices. Although the scheme remains aligned with the JSE Listings Requirements, the rules have been amended to provide for full compliance with Schedule 14 of the Listings Requirements.

**Ordinary resolution number 10:** Non-binding advisory vote: Endorsement of the remuneration and reward policy

King IV requires a company to table its remuneration and reward policy for a non-binding advisory vote by shareholders at its AGM. This vote enables shareholders to endorse the remuneration policy adopted for Executive Directors. The Blue Label remuneration policy is contained on pages 45 to 52.

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 11:** 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 52 to 62.

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 12:** Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 12 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 Non-executive Directors for their services as Directors may be paid only in accordance with a special resolution approved by shareholders.

**Special resolution number 2:** General authority to repurchase shares

Special resolution number 2 seeks to allow the Group, by way of a general authority, to acquire its own issued shares (reducing the total number of ordinary shares of the Company in issue in the case of an acquisition by the Company of its own shares). This resolution is required in order to allow the Company to take advantage of any opportunity that presents itself to enhance shareholder value by repurchasing shares where the Company's share price is at a level which results in a share repurchase being to the benefit of shareholders. Any decision by the Directors to use the general authority to acquire shares of the Company will be taken with regard to the prevailing market conditions, share price, cash needs of the Group, together with various other factors, and in compliance with the Act, Listings Requirements and the MOI.

**Special resolution number 3:** Approval to grant financial assistance in terms of sections 44 and 45 of the Act

The existing authority granted by shareholders at the AGM held on 26 November 2020 was valid for a two-year period and will expire at the virtual AGM unless renewed.

In the ordinary course of the Company business, it needs to provide financial assistance to certain of its Group companies in accordance with section 45 of the Act, and furthermore it may be necessary for the Company to provide financial assistance in the circumstances contemplated in section 44 of the Act.

- Notwithstanding the title of section 45 of the Act, being "Loans or other financial assistance to Directors", on a proper interpretation thereof, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, and to a person related to any such company, corporation or member.
- Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.
- Both sections 44 and 45 of the Act provide, inter alia, that the particular financial assistance may only be provided:
  - pursuant to a special resolution of shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category;

# NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

- the Board is satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as contemplated in the Act); and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

## Electronic participation at the virtual AGM

(a) Shareholders wishing to participate electronically in the virtual AGM are required to:
  (i) 1. register online using the online registration portal at www.meetnow.global/za; or 2. apply to Computershare, by sending an e-mail to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Tuesday, 22 November 2022.

(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 virtual 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 virtual 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) 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 entirely by electronic communication as permitted by the Companies Act, No 71 of 2008, as amended and by the Company's Memorandum of Incorporation at 10:00 on Thursday, 24 November 2022.

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 virtual 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 virtual 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, 24 November 2022 or any adjournment thereof as follows:

| Resolution | For | Against | Abstain |
|---|---|---|---|
| **Ordinary resolution number 1:** Re-election of Mr KM Ellerine as a Director of the Company | | | |
| **Ordinary resolution number 2:** Re-election of Mr MS Levy as a Director of the Company | | | |
| **Ordinary resolution number 3:** Re-election of Mr LM Nestadt as a Director and Chairman of the Company | | | |
| **Ordinary resolution number 4:** Reappointment of external auditor | | | |
| **Ordinary resolution number 5:** Election of Ms NP Mnxasana as a member of the Audit, Risk and Compliance Committee | | | |
| **Ordinary resolution number 6:** Election of Mr JS Mthimunye as a member and Chair of the Audit, Risk and Compliance Committee | | | |
| **Ordinary resolution number 7:** Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee | | | |
| **Ordinary resolution number 8:** Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee | | | |
| **Ordinary resolution number 9:** Approval of amendments to the rules of the Blue Label Telecoms Forfeitable Share Plan and the share scheme envisaged by such rules | | | |
| **Ordinary resolution number 10:** Non-binding advisory endorsement of the remuneration and reward policy | | | |
| **Ordinary resolution number 11:** Non-binding advisory endorsement of the remuneration implementation report | | | |
| **Ordinary resolution number 12:** Directors' authority to implement ordinary and special resolutions | | | |
| **Special resolution number 1:** Non-executive Directors' remuneration | | | |
| **Special resolution number 2:** General authority to repurchase shares | | | |
| **Special resolution number 3:** Approval to grant financial assistance in terms of sections 44 and 45 of the Act | | | |

Signed at on day of 2022

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 virtual AGM may appoint one or more persons as his/her/its proxy to attend, speak or vote in his/her/its stead at the virtual 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 virtual 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. (Private Bag X9000, Saxonwold, 2132). 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, 22 November 2022. 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 virtual 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 virtual 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 virtual 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 virtual 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 virtual 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 virtual AGM in person, in order for their nominee to vote in accordance with their instruction at the virtual AGM.
11. A vote given in terms of an instrument of proxy shall be valid in relation to the virtual 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 virtual 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 virtual AGM or any postponement or adjournment of the virtual 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 virtual AGM if it could not be used at the virtual AGM for any reason other than it was not lodged timeously for the virtual AGM. This form of proxy shall, in addition to the authority conferred by the Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.

# ADMINISTRATION

**Directors**
LM Nestadt (Chairman)*, BM Levy, MS Levy, KM Ellerine**, GD Harlow*, NP Mnxasana*, JS Mthimunye*, DA Suntup, SJ Vilakazi*, PL Zim*

(* 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 |
| Contacts: | +27 11 523 3000 |
| E-mail: | info@blts.co.za |
| Website: | www.bluelabeltelecoms.co.za |
| LinkedIn: | https://www.linkedin.com/company/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")

# NOTES

75 Grayston Drive
(Corner of Grayston Drive & Benmore Drive)
Morningside Extension 05, Sandton,
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