BLUE LABEL
TELECOMS

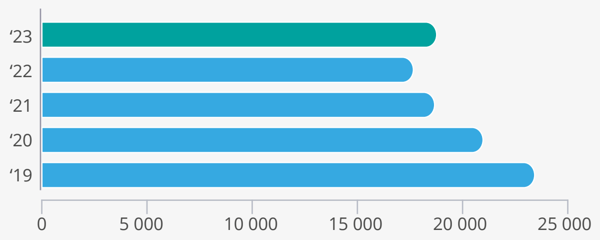
Notice of the annual general meeting 2023

Day one . . . the starting point of all achievement is desire

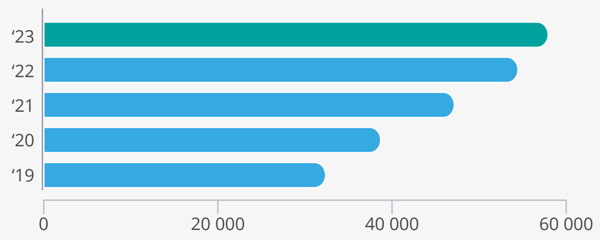
DAY ONE

CONTENTS

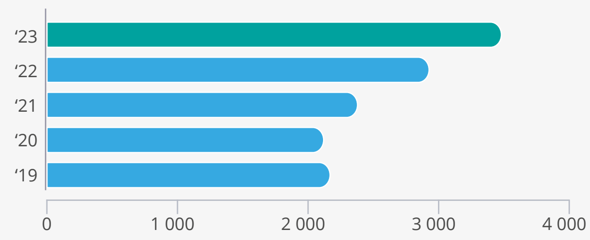
Revenue (R'000)



Gross transactional values** (R'000)



Gross profit (R'000)



** Includes gross electricity, ticketing, gaming and pinless top-ups.

HIGHLIGHTS

A snapshot overview of Blue Label's performance for the year ended 31 May 2023:

Revenue of
R18.9 billion*

Increase in gross profit margin from
16.46% to 18.41%

Increase in gross profit of 19% to
R3.48 billion

(2022: R2.93 billion)

Successful conclusion
of the Cell C recapitalisation transaction in September 2022

Core headline earnings per share**
45.55 cents per share

(2022: 121.01 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 6% from R72.3 billion to R76.8 billion.

** Excluding the extraneous contributions of R523 million in the current year, primarily resulting from the recapitalisation transaction of Cell C, and R214 million in the prior year, core headline earnings per share increased by 9% to 104.83 cents per share compared to 96.56 cents per share in the prior year.

CHAIRMAN'S REPORT

> As economies recover from the devastation caused by COVID-19 and the supply chain disruptions of the Ukraine-Russia war, many also had to contend with the subsequent inflation surge, driven primarily by the fiscal and monetary stimuli provided by governments in response to the pandemic.
>
> LARRY NESTADT **Chairman**

DEAR SHAREHOLDERS,

As economies recover from the devastation caused by COVID-19 and the supply chain disruptions of the Ukraine-Russia war, many also had to contend with the subsequent inflation surge, driven primarily by the fiscal and monetary stimuli provided by governments in response to the pandemic.

And while our local economy is also recovering, albeit slower than expected, the energy crisis and the financial pressure that consumers are experiencing as a result of growing inflation and the rise in interest rates continue to impact our performance, due to the essential nature of our services and products that we provide.

These macroeconomic influences are also the reasons why the JSE's telecommunication index has seen losses of around 25% during the last six months as the weaker rand and policy uncertainty in the sector continue to scare international investors off, with local investors being more cautious than normal.

These factors, combined with increased competition and a drastic shift in consumer patterns, continue to influence how we do business and how we utilise innovation to stay ahead of the game.

The implementation of our "back to basics" operational plan in 2021 resulted in the emergence of a greater sense of purpose and cohesion but it also delivered a more resilient organisation that could operate optimally during the COVID-19 pandemic and that could withstand the significant operational and economic headwinds that we experienced during the last two years. However, the post-COVID-19 recovery has been undermined by frequent and extended load shedding throughout our reporting financial year.

Focusing on developing more margin-accretive products, ensuring stronger growth in our distribution network and placing greater emphasis on digitisation and technological innovation, Blue Label again delivered a resilient performance.

INCREASED BOARD VIGILANCE

It is against this backdrop that the Board had to intensify its oversight role. This is not only done to respond speedily and appropriately to these rapid operational changes but also to ensure that Blue Label's strategy remains relevant, that execution is always key and that we, as a responsible citizen, are able to respond adequately to the varied demands and expectations of our different stakeholders.

While the Board remained focused on the reduction of debt, it continues to consider strategies that would return value to shareholders through dividend and share buy-back programmes.

ESG and sustainability considerations and new regulation and compliance requirements demanded that we hasten the restructuring and strengthening of the Board.

As previously mentioned, the Board is on a measured process to rejuvenate its composition by augmenting it with members who have diversified skills and experience.

During the last few months, we have noted the resignations of three of our most experienced non-executive directors; Gary Harlow, Lazarus Zim and Kevin Ellerine. Their wealth of knowledge and industry experience served Blue Label well over the years and we would always be grateful for their contribution.

In line with our succession plan we have welcomed two outstanding women, Lindiwe Mthimunye and Happy Masondo to the Board and look forward to working with them.

CHAIRMAN'S REPORT CONTINUED

Our approach to succession planning was always focused on broadening the diversity of the Board's experience and ensuring Blue Label's future stability. As our operational environment changes, the skill-set and competence of the Board as a collective is changing appropriately.

INTEGRATING SUSTAINABILITY AND ESG

ESG and sustainability will continue to be top priority for Blue Label and by integrating both into our strategy, we continue to make significant progress.

As a starting point, we have conducted materiality assessments to identify where our highest level of sustainability impact could be and in turn, linking these matters to our strategic response, policies and performance management. We are committed to creating measurable value for all our stakeholders towards a just and socio-economic sustainable future.

We have identified the following areas as key impact areas:

- Our ability to create employment, learnerships and direct entrepreneurial merchant opportunities;
- Creating financial inclusion for communities by digitally connecting consumers to products and services that would ordinarily be out of reach and decarbonising the supply chain through our digitised distribution channels; and
- Building our brand loyalty through the highest levels of trust in our products and services and always treating customers fairly.

This process is ongoing, and the Board will continue to monitor our obligations and make sure that we meet or exceed expectations as we continue to create and preserve value for all our stakeholders.

We have already identified key milestones and set strict timelines to ensure that everyone is on board. This, we believe, would allow us to measure our impact with greater efficiency and make sure that we integrate sustainability into decision-making across the entire Blue Label Group.

We will continue to ensure compliance with both local and international ethical demands and continue to pursue excellence in the execution of this purpose.

CELL C SET FOR GROWTH

The conclusion of the long-awaited recapitalisation in September 2022 was a significant step in the overall process to deleverage Cell C's balance sheet.

One of the critical regulatory requirements that they had to meet following the recapitalisation, was the application for an Electronic Communications Network Services and Electronic Communications Services licence. Our robust regulatory compliance was affirmed by ICASA, when the licence was issued, firmly supporting our ability to do business and trade as a mobile network operator.

To pursue its growth strategy, Cell C has focused on investment into innovating products and services that will add value to customers, operating from a more competitive platform that offers the same quality connectivity to all South Africans.

Most importantly, Cell C is restructuring its board and management by appointing industry experts onto the Board and introducing a new management team with new innovative ideas about how to return Cell C to positive operating results. Jorge Mendes, a former senior executive at Vodacom, was appointed as CEO of Cell C with effect from 1 July 2023.

Notwithstanding the challenges as a business in transition, Cell C is a leaner, more agile and fit-for-purpose entity that, along with the recapitalisation of the current debt structure, is well-positioned on a growth trajectory that will enhance shareholder value.

OUTLOOK AND APPRECIATION

Over the years, Blue Label developed products and provided services that are deemed essential for living. We established ourselves as a partner for growth and development and created opportunities that give people hope and a living. While consumer spending is down, we will not take our customers' loyalty and commitment to our brands for granted.

We will continue to invest in technology and digital innovations to make our products and services more accessible and readily available. In doing so, we will expand our distribution network and expand our dominance in the market.

We are a truly South African brand and our commitment to this country and its people are unquestionable.

We owe all our stakeholders the best value that we can offer, and the Board remains committed to doing just that.

Finally, I wish to express my sincerest appreciation to all my colleagues on the Board for their support and for always putting Blue Label first. I also wish to thank management and the staff who worked tirelessly under very difficult economic challenges as well as the loyalty and support from our various stakeholders.

I remain excited about the future and look forward to another fulfilling year.

Larry Nestadt
Chairman

29 September 2023

COMMENTARY

GROUP RESULTS

Core headline earnings for the year ended 31 May 2023 amounted to R402 million, equating to core headline earnings of 45.55 cents per share.

In the comparative year, core headline earnings amounted to R1.061 billion, equating to core headline earnings of 121.01 cents per share.

The core businesses of the Blue Label Group have shown consistent growth in revenue, gross profit, and core headline earnings per share for the year ended 31 May 2023. The predominant extraneous contributions to the May 2023 basic, headline, and core headline earnings per share are primarily associated with the recapitalisation transaction of Cell C.

Excluding the extraneous contributions of R523 million in the current year and the non-recurring income of R214 million in the prior year, as illustrated in the underlying tables, core headline earnings increased by R78 million (9%) from R847 million to R925 million. Core headline earnings per share increased by 9% from 96.56 cents per share in the prior year to 104.83 cents per share.

Earnings per share for the current and prior years amounted to 30.48 cents and 117.13 cents respectively. On exclusion of the extraneous contributions and non-recurring income from both the current and prior years, earnings per share and headline earnings per share increased by 8% to 100.35 cents per share and 9% to 101.24 cents per share, respectively.

Group revenue increased by R1.1 billion (6%) to R18.9 billion. However, as only the gross profit earned on "PINless top-ups", prepaid electricity, ticketing, and gaming is recognised as revenue, on imputing the gross revenue generated from these sources, the effective growth in revenue equated to R4.5 billion (6%), resulting in a total revenue of R76.8 billion compared to the prior year of R72.3 billion.

Gross profit increased by R552 million (19%) from R2.931 billion to R3.483 billion, corresponding to an increase in margins from 16.46% to 18.41%. This increase in margins can be partially attributed to the growth in "PINless top-ups", prepaid electricity, ticketing, and gaming, where only the gross profit earned thereon is recognised as revenue.

Furthermore, load shedding has been a significant challenge faced by our organisation in recent times, which is entirely out of management's control. It has negatively impacted the sale of prepaid electricity, prepaid airtime, starter packs and our call centre operations, all of which are significant revenue streams for the Group. The frequent power outages imposed by external factors have adversely affected our operational efficiency, resulting in disruptions, delays, and additional costs.

While the management team has worked diligently to mitigate the effects of load shedding, it has disrupted the availability and accessibility of these essential services to our customers and has negatively affected our overall financial performance. The demand for these product offerings has experienced a decline, resulting in a significant reduction in revenue. The unpredictability and intermittent nature of load shedding have made it challenging for customers to conveniently purchase these products, especially during the second half of the financial year when the country experienced stage 4 and higher levels of load shedding.

COMMENTARY CONTINUED

GROUP INCOME STATEMENT

For the year ended 31 May 2023

	Group May 2023 R'000	Extraneous costs* May 2023 R'000	Remaining May 2023 R'000	Group May 2022 R'000	Extraneous income** May 2022 R'000	Remaining May 2022 R'000	Growth remaining R'000	Growth remaining %
Revenue	**18 918 263**	—	18 918 263	17 806 262	—	17 806 262	1 112 001	6
Gross profit	**3 483 075**	—	3 483 075	2 930 974	—	2 930 974	552 101	19
Other income	**90 176**	—	90 176	390 851	360 955	29 896	60 280	202
Bad debts, expected credit losses and fair value movements	**(667 649)**	(88 474)	(579 175)	(264 515)	46 179	(310 694)	(268 481)	(86)
Loss on modification of financial instruments	**(57 453)**	(57 453)	—	—	—	—	—	
EBITDA	**1 316 926**	(145 927)	1 462 853	1 698 494	326 301	1 372 193	90 660	7
Finance costs	**(682 599)**	(321 915)	(360 684)	(201 225)	—	(201 225)	(159 459)	(79)
Finance income	**411 540**	238 362	173 178	80 993	—	80 993	92 185	114
Non-controlling interest	**(19 207)**	—	(19 207)	(64 918)	(43 203)	(21 715)	2 508	12
Reversal of impairments in associates	**962 531**	962 531	—	—	—	—	—	
Share of (losses)/profits from associates and joint ventures	**(1 329 747)**	(1 328 767)	(980)	8 042	—	8 042	(9 022)	(112)
Net profit after tax	**268 966**	(616 688)	885 654	1 027 079	214 410	812 669	72 985	9
Core headline earnings	**401 961**	(523 157)	925 118	1 061 080	214 410	846 670	78 448	9
Gross profit margin (%)	**18.41**		18.41	16.46		16.46		
EBITDA margin (%)	**6.96**		7.73	9.54		7.71		
Weighted average shares ('000)	**882 530**		882 530	876 857		876 857		
Share performance								
EPS (cents)	**30.48**		100.35	117.13		92.68	7.67	8
HEPS (cents)	**41.97**		101.24	117.34		92.89	8.36	9
Core HEPS (cents)	**45.55**		104.83	121.01		96.56	8.27	9

COMMENTARY CONTINUED

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

- the accounting treatment relating to the recapitalisation transaction of Cell C[(1)], emanating from:
  - expected credit losses and fair value movements of R88 million;
  - loss on modification of financial instruments of R57 million primarily due to the renegotiation and reclassification of the CEC deferral amount of R1.1 billion, owed by Cell C, from 'trade and other receivables' to 'loans to associates and joint ventures';
  - finance costs of R322 million resulting from increased borrowings related to airtime sale and repurchase obligations, as well as the issue of Class A Preference Shares;
  - finance income of R238 million resulting from a loan to Cell C for its debt funding requirements;
  - a partial reversal of R962.5 million relating to the initial impairment of R2.5 billion of Blue Label's investment in Cell C as at 31 May 2019, in line with an improvement in its equity valuation; and
  - recognition of the Group's share of Cell C's net accumulated losses for the period from 1 June 2019 to 31 May 2023, limited to R1.329 billion, being the aggregate of the partial reversal of the initial impairment of R962.5 million of Blue Label's investment in Cell C, as well as additional investments therein amounting to R366 million.
- the accounting implications of the termination of the Airvantage put option obligation for the acquisition of up to 40% of the shares therein resulted in a fair value gain of R22 million[(2)].

	Extraneous costs* May 2023 R'000	Recap of Cell C[(1)] May 2023 R'000	Once-offs[(2)] May 2023 R'000
Bad debts, expected credit losses and fair value movements	**(88 474)**	(110 474)	22 000
Loss on modification of financial instrument	**(57 453)**	(57 453)	—
EBITDA	**(145 927)**	(167 927)	22 000
Finance costs	**(321 915)**	(321 915)	—
Finance income	**238 362**	238 362	—
Reversal of impairments in associates	**962 531**	962 531	—
Share of losses from associates and joint ventures	**(1 328 767)**	(1 328 767)	—
Net (loss)/profit	**(616 688)**	(638 688)	22 000
Core headline earnings	**(523 157)**	(545 157)	22 000

** The extraneous contributions to Group earnings in the prior year were attributable to once-off income[(3)], including:

- once-off recoupment income of R123 million, comprising the aggregate value of assets either realised by or signed over to the Group relating to the fraudulent scheme. This income was partially offset by professional fees and other costs incurred, taxation and the non-controlling interest thereon;
- the accounting effects of the settlement of the contingent consideration of R46 million relating to the disposal of the VAS operations in April 2020; and
- the accounting implications of the put option obligation of R46 million, for the acquisition of up to 40% of the shares in Airvantage.

	Extraneous income May 2022 R'000**	Once-offs[(3)] May 2022 R'000
Other income	**360 955**	360 955
EBITDA	**326 301**	326 301
Non-controlling interest	**(43 203)**	(43 203)
Net profit	**214 410**	214 410
Core headline earnings	**214 410**	214 410

EBITDA increased by R91 million (7%) from R1.372 billion to R1.463 billion, excluding the extraneous contributions of R146 million in the current year and non-recurring income of R326 million in the prior year.

Excluding the R145 million costs attributable to learnership initiatives in the current year and R65 million in the prior year, EBITDA increased by R171 million (12%) to R1.608 billion (2022: R1.437 billion). The benefit thereof is realised through income tax savings resulting from the section 12H allowances claimed for these learnerships.

COMMENTARY CONTINUED

SEGMENTAL REPORT

Africa distribution

	May 2023 R'000	Extraneous costs[1] May 2023 R'000	Remaining May 2023 R'000	May 2022 R'000	Extraneous income[3] May 2022 R'000	Remaining May 2022 R'000	Growth remaining R'000	Growth remaining %
Revenue	**18 643 810**	—	18 643 810	17 552 603	—	17 552 602	1 091 207	6
Gross profit	**3 402 488**	—	3 402 488	2 866 324	—	2 866 324	536 164	19
Other income	**82 162**	—	82 162	337 153	315 132	22 021	60 141	273
Bad debts, expected credit losses and fair value movements	**(722 046)**	(110 474)	(611 572)	(323 091)	—	(323 091)	(288 481)	(89)
Loss on modification of financial instrument	**(57 453)**	(57 453)	—	—	—	—	—	
EBITDA	**1 363 916**	(167 927)	1 531 843	1 700 844	234 853	1 465 991	65 852	4
Finance costs	**(681 193)**	(321 915)	(359 278)	(197 477)	—	(197 477)	(161 801)	(82)
Finance income	**407 731**	238 362	169 369	79 733	—	79 733	89 636	112
Non-controlling interest	**(14 997)**	—	(14 997)	(59 001)	(43 203)	(15 798)	801	5
Reversal of impairments in associates	**962 531**	962 531	—	—	—	—	—	
Share of (losses)/profits from associates and joint ventures	**(1 320 348)**	(1 328 767)	8 419	1 678	—	1 678	6 741	402
Net profit	**360 771**	(638 688)	999 459	1 058 951	122 962	935 989	63 470	7
Core headline earnings	**493 402**	(545 157)	1 038 559	1 092 828	122 962	969 866	68 693	7
Gross profit margin (%)	**18.25**		18.25	16.33		16.33		
EBITDA margin (%)	**7.32**		8.22	9.69		8.35		

Refer to page 6 for footnotes (1) and (3).

Revenue generated within the Africa distribution segment increased by R1.1 billion (6%) from R17.5 billion to R18.6 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 R4.4 billion (6%) from R72.1 billion to R76.5 billion.

Gross revenue generated on "PINless top-ups" increased by R246 million from R21.0 billion to R21.2 billion.

Although electricity revenue generated on behalf of the utilities increased by R983 million (3%) from R31.5 billion to R32.4 billion, the net commission earned, calculated based on a kW/hour usage, declined by R47 million (16%) from R298 million to R251 million. This decline in commissions was primarily due to a decrease in electricity usage resulting from a higher frequency of load shedding and margin compression, despite an increase in gross electricity revenue driven by NERSA electricity tariffs.

Gross gaming revenue increased by R1.5 billion (72%) from R2.1 billion to R3.6 billion, driven by the continued traction of BluVoucher sales. Additionally, gross ticketing revenue increased by R675 million (156%) to R1.1 billion, primarily from revenue generated through commuter bus channels.

Gross profit increased by R536 million (19%) from R2.87 billion to R3.4 billion, congruent with an increase in margins from 16.33% to 18.25%.

COMMENTARY CONTINUED

Excluding the extraneous contributions of R168 million relating to the Cell C recapitalisation transaction in the current year, and the once-off income of R235 million in the prior year, which included the non-recurring recoupment income, net of professional fees incurred, EBITDA increased by R66 million (4%) to R1.53 billion.

The anticipated increase in overheads included costs of R139 million attributed to learnership initiatives in the current year and R53 million in the prior year. Excluding these costs in both the current and prior years, EBITDA increased by R152 million (10%).

Core headline earnings reflected extraneous contributions of R545 million in the current year, relating to the recapitalisation transaction of Cell C, and R123 million in the prior year, pertaining to the net recoupment as a result of the fraudulent scheme.

Excluding the above extraneous contributions and non-recurring income in the current and prior years, core headline earnings increased by R69 million (7%) from R970 million to R1.04 billion.

Solutions

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

In addition, the following underlying companies form part of the solutions segment, namely, Blue Train, Blue Label Communications, One World Telecoms and I Talk2U.

	May 2023 R'000	May 2022 R'000	Growth R'000	Growth %
Revenue	**274 453**	253 659	20 794	8
Gross profit	**80 587**	64 650	15 937	25
EBITDA	**40 359**	27 503	12 856	47
Share of (losses)/profits from associates and joint ventures	**(9 399)**	6 364	(15 763)	(248)
Core headline earnings	**25 240**	29 487	(4 247)	(14)
Gross profit margin (%)	**29.36**	25.49		
EBITDA margin (%)	**14.71**	10.84		

Increased demand for aggregated data, lead generations and SMS volumes resulted in an increase in revenue of 8% from R254 million to R274 million.

Gross profit increased by R16 million (25%) from R65 million to R81 million, congruent with the increase in revenue at higher margins from 25.49% to 29.36%.

EBITDA increased by R13 million (47%) from R28 million to R40 million, of which BLDS contributed R40 million. In the prior year, BLDS contributed R26 million, and the call centre operations R2 million.

Of the core headline earnings of R25.2 million, BLDS accounted for R32.5 million, I Talk Holdings and I Talk Financial Services generated negative earnings of R20 million, of which the Group's share amounted to R8 million. Blue Label Communications generated earnings of R1.3 million, of which the Group's share amounted to R0.7 million.

Of the core headline earnings of R29.5 million in the prior year, BLDS accounted for R24.4 million. I Talk Holdings and I Talk Financial Services generated earnings of R12.1 million, of which the Group's share thereof amounted to R5.1 million.

Corporate

	May 2023 R'000	Extraneous income(2) May 2023 R'000	Remaining May 2023 R'000	May 2022 R'000	Extraneous income(3) May 2022 R'000	Remaining May 2022 R'000	Growth remaining R'000	Growth remaining %
Other income	**3 677**	—	3 677	51 565	45 823	5 742	(2 065)	(36)
EBITDA	**(119 344)**	22 000	(141 344)	(41 621)	92 002	(133 623)	(7 721)	(6)
Net profit	**(140 844)**	22 000	(162 844)	(70 580)	92 002	(162 582)	(262)	—
Core headline earnings	**(140 785)**	22 000	(162 785)	(70 884)	92 002	(162 886)	101	—

Refer to page 6 for footnotes (2) and (3).

Excluding the extraneous income of R22 million in the current year and R92 million in the prior year, the negative contribution to Group core headline earnings remained constant at R163 million.

The extraneous fair value movements of R22 million in the current year related to the accounting implications of the termination of the Airvantage put option obligation for the acquisition of up to 40% of the shares therein.

The extraneous income of R92 million in the prior 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, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges decreased by R16 million to R190 million. Of the latter amount, R72 million (2022: R65 million) pertained to depreciation on capital expenditure, R31 million (2022: R29 million) to depreciation raised in terms of IFRS 16 – *Leases*, R12 million (2022: R4 million) to impairments and R75 million (2022: R76 million) to the amortisation of intangible assets of which R42 million (2022: R43 million) emanated from purchase price allocations on historical acquisitions.

FINANCE COSTS

Finance costs increased by R481 million from R201 million to R682 million. Of the latter amount, R664 million was associated with interest paid on borrowed funds, R4 million with the unwinding of the lease liability in accordance with IFRS 16, and R14 million with other finance costs. In comparison, R187 million related to interest paid on borrowed funds, R6 million to the unwinding of the lease liability, and R9 million to other finance costs.

The recapitalisation transaction of Cell C in September 2022 resulted in an additional R309 million in finance costs, incurred due to increased borrowings related to airtime sale and repurchase obligations, as well as R13 million for the issue of Class A Preference Shares.

Excluding the aforementioned recapitalisation interest, finance costs increased by an additional R160 million from R201 million to R361 million. Of this increase, R119 million was a result of Comm Equipment Company Proprietary Limited securing a working capital financing facility of R1.9 billion from African Bank in November 2021, which was fully utilised by 31 May 2023. Furthermore, the remaining increase of R41 million primarily stemmed from higher finance costs due to the expansion of the Group's working capital facility from R1.15 billion to R1.4 billion on the recapitalisation date, as well as elevated interest rates compared to the previous year.

FINANCE INCOME

Finance income increased by R331 million from R81 million to R412 million. Of the latter amount, R77 million was attributable to interest received on cash resources, R83 million to a loan provided to Cell C in connection with the CEC R1.1 billion deferral amount, R235 million from a loan extended to Cell C as a component of the Debt Funding required as part of the recapitalisation transaction and R18 million from other granted loans. In the prior year, interest received on cash resources totalled R70 million, and interest on other loans granted amounted to R11 million.

STATEMENT OF FINANCIAL POSITION

Total assets increased by R1.4 billion to R14.7 billion, of which non-current assets accounted for R2.2 billion offset by a decline in current assets of R811 million.

COMMENTARY CONTINUED

Non-current assets included an increase in loans to associates and joint ventures, totalling R1.9 billion, along with investments in associates and joint ventures, which increased by R7 million. Additionally, advances to customers increased by R263 million and deferred taxation assets by R82 million. Loans receivable increased by R16 million, and capital expenditure net of depreciation by R29 million. However, these increases were offset by reductions of R12 million in right-of-use assets, R9 million in financial assets at fair value through comprehensive income, R20 million in financial assets at fair value through profit and loss, as well as R47 million in intangible assets and goodwill.

The increase of R1.9 billion in loans to associates and joint ventures primarily related to the recapitalisation of Cell C and comprised the following:

- Debt Funding of R1.03 billion that was required by Cell C to affect a compromise offer made by it to certain of its secured lenders. Of this amount, R915 million was accounted for as a loan to an associate and R118 million as an investment in Cell C, the latter being congruent with the fair value of the additional 9.53% shareholding acquired as part of the recapitalisation process;
- a loan of R111 million, originating from TPC's participation in the Reinvestment Instrument acquired at nominal value; and
- the CEC deferral amount, whereby the existing claim of R1.1 billion, owed by Cell C, was renegotiated to be repaid by the latter in 60 equal monthly capital instalments. This claim was reclassified from "trade and other receivables" to "loans to associates and joint ventures" at its initial fair value of R1.035 billion. Of this amount, R220 million is accounted for in current assets.

The significant net reduction in current assets included declines in trade and other receivables amounting to R1.7 billion, as well as a decrease of R1.4 billion in cash and cash equivalents. These decreases were offset by an increase in inventory amounting to R1.7 billion, advances to customers by R327 million, loans to associates and joint ventures by R215 million, and financial assets at fair value through profit and loss by R47 million.

The R1.7 billion decrease in trade and other receivables is predominately related to a decline in CEC's trade receivable balances from Cell C. This reduction was attributable to the settlement of the obligation owed to CEC, reducing it to an amount of R1.1 billion, with this deferred amount being reclassified as "loans to associates and joint ventures". Excluding the trade debtors relating to CEC, the debtor's collection period increased to 40 days compared to the 28 days reported for the year ended May 2022.

The increase in inventory of R1.7 billion was primarily attributable to the Group purchasing R1.2 billion of Cell C prepaid airtime as part of the recapitalisation transaction. This purchase was necessitated in order to assist Cell C with its working capital requirements.

Net profit attributable to equity holders amounted to R269 million, resulting in accumulated capital and reserves of R4.4 billion.

Non-current liabilities grew by R1.5 billion, comprising an increase in borrowings of R1.37 billion relating to the airtime sale and repurchase obligations totalling R278 million, the issuance of Class A Preference Shares amounting to R172 million and an increase in the non-current portion of the Group's working capital facilities of R918 million. Furthermore, financial liabilities through profit and loss increased by R62 million, deferred taxation liabilities by R19 million and lease liabilities by R14 million.

The increase in financial liabilities held at fair value through profit and loss of R62 million related to the issuance of Class B Preference Shares to the lenders and the recognition of the SPV5 derivative liability in line with the recapitalisation transaction.

Current liabilities decreased by R326 million, mainly due to a reduction in trade and other payables totalling R433 million, lease liabilities by R28 million, deferred revenue by R26 million and financial liabilities at fair value through profit and loss of R22 million. However, this decrease was offset by an increase in borrowings of R136 million and an increase in current tax liabilities of R47 million.

The reduction in trade and other payables of R433 million primarily related to a decrease in CEC's trade payable balance owed to Cell C. This decrease occurred concurrently with the decline in trade receivables, which resulted from the settlement of the obligation by Cell C to CEC to the amount of R1.1 billion. Average credit terms were 114 days, as compared to 124 days for the financial year ended 31 May 2022.

The net increase of R136 million in current borrowings is related to the current portion of the airtime sale and repurchase obligations, totalling R710 million. This increase was offset by a decrease in the current portion of the Group's working capital facilities, amounting to R574 million. This reduction resulted from extending the terms of these facilities, consequently classifying them as non-current borrowings.

The decrease in current financial liabilities held at fair value through profit and loss related to a release of R22 million due to the termination of the Airvantage put option obligation.

COMMENTARY CONTINUED

STATEMENT OF CASH FLOWS

Cash generated from trading operations amounted to R203 million. Working capital movements included an increase in inventory of R1.7 billion and advances to customers of R590 million. These increases were offset by decreases in trade receivables of R656 million and trade payables of R38 million. After incurring net finance costs of R490 million and taxation of R215 million, net cash utilised in operating activities amounted to R502 million.

The increase in inventory of R1.7 billion was attributable to the Group purchasing R1.2 billion of Cell C prepaid airtime as part of the recapitalisation transaction. Congruent with this acquisition of airtime, Cell C settled amounts owing to CEC resulting in a significant decrease in trade receivables of R656 million.

Net cash flows utilised in investing activities amounted to R2.4 billion, primarily attributable to the purchase of intangible assets amounting to R936 million, net loans granted to associates and joint ventures of R898 million and an increase in the investment in Cell C of R366 million.

Of the R936 million invested in intangible assets, R429 million pertained to costs incurred by the Group in terms of the subscription income-sharing arrangement, and R403 million pertained to costs incurred by the Group in terms of subscriber acquisition costs.

The net loans granted to associates and joint ventures of R898 million included net loans of R896 million relating to Cell C. This amount comprised the R915 million Debt Funding and the R111 million originating from TPC's participation in the Reinvestment Instrument acquired at nominal value, offset by R128 million of capital repayments by Cell C.

The additional investment of R366 million comprised R25 million of notes acquired in SPV1, a loan of R223 million provided to SPV4, both of which are secured by shares in Cell C, and R118 million of the new money loan attributed to the acquisition of a further 9.53% of the issued share capital of Cell C.

Cash flows generated from financing activities amounted to R1.4 billion, of which R1.5 billion related to the net increase in borrowings and R67 million from the issuance of Class B Preference Shares, the proceeds of which were applied to the Cell C recapitalisation transaction. These amounts were offset by lease payments of R42 million and the purchase of treasury shares amounting to R66 million.

Cash and cash equivalents accumulated to R1.3 billion at 31 May 2023.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 7 985 185 (2022: 8 717 136) were issued to qualifying employees. During the year, 2 282 379 (2022: 5 245 249) shares were forfeited and 16 764 722 (2022: 1 452 062) shares vested.

INDEPENDENT AUDIT

These summary consolidated financial statements for the year ended 31 May 2023 have been audited by SizweNtsalubaGobodo Grant Thornton Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which these summary consolidated financial statements were derived.

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

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

APPRECIATION

The Blue Label Board would like to extend its gratitude to the staff, suppliers, customers, and business partners for their ongoing support and dedication 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

29 August 2023

* 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 2023, 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 2023.

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 have expressed an unmodified audit opinion on the audited Consolidated Financial Statements in our report dated 28 August 2023. That report also includes communication of identified key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated and Separate Financial Statements of the current period.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report dated 24 August 2023. We are independent of the Group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of Financial Statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Standards on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Alex Philippou CA(SA)
SizweNtsalubaGobodo Grant Thornton Inc.
Engagement Director
Registered Auditor

29 August 2023

221 Garstfontein Road
Newlands
Pretoria
Gauteng

SUMMARISED GROUP INCOME STATEMENT

for the year ended 31 May 2023

	2023 R'000	2022 R'000
Revenue	**18 595 905**	17 395 281
Finance revenue	**322 358**	410 981
Total revenue	**18 918 263**	17 806 262
Other income	**90 176**	390 851
Direct operating costs*	**(15 435 188)**	(14 858 153)
Finance costs incurred in the generation of revenue	**—**	(17 135)
Employee compensation and benefit expense	**(945 501)**	(780 255)
Depreciation and amortisation	**(190 440)**	(174 045)
Fair value movements	**69 276**	63 246
Bad debts and expected credit loss	**(736 925)**	(327 761)
Loss on modification of financial instruments	**(57 453)**	—
Other expenses	**(585 722)**	(578 561)
Operating profit	**1 126 486**	1 524 449
Finance costs	**(682 599)**	(201 225)
Finance income	**411 540**	80 993
Reversal of impairment of investment in associate	**962 531**	—
Share of (losses)/gains from associates and joint ventures	**(1 329 747)**	8 042
Profit before taxation	**488 211**	1 412 259
Taxation	**(200 038)**	(320 262)
Profit for the year	**288 173**	1 091 997
Profit for the year attributable to:		
Equity holders of the parent	**268 966**	1 027 079
Non-controlling interest	**19 207**	64 918
Earnings per share for profit attributable to:		
Equity holders (cents)		
– Basic	**30.48**	117.13
– Diluted	**30.07**	114.14

* 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 2023

	2023 R'000	2022 R'000
Profit for the year	**288 173**	1 091 997
Other comprehensive income:		
Items reclassified to profit or loss		
Ineffective portion of hedging instruments reclassified to profit or loss*	**(639)**	—
Effective portion of hedging instrument reclassified to profit or loss*	**(13 677)**	(2 680)
Income tax related to amounts reclassified to profit or loss	**3 770**	750
Items that may be subsequently reclassified to profit or loss		
Foreign exchange profit on translation of associates and joint ventures**	**1 646**	1 251
Gain arising on changes in fair value of hedging instruments (effective portion)	**8 693**	10 262
Income tax related to gains recognised in other comprehensive income	**(2 347)**	(2 635)
Other comprehensive (loss)/income for the year, net of tax	**(2 554)**	6 948
Total comprehensive income for the year	**285 619**	1 098 945
Total comprehensive income for the year attributable to:		
Equity holders of the parent	**266 412**	1 034 027
Non-controlling interest	**19 207**	64 918

* These items reduce finance costs.

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

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

as at 31 May 2023

	31 May 2023 R'000	31 May 2022 R'000
ASSETS		
Non-current assets	**5 700 072**	3 499 479
Property, plant and equipment	**224 362**	195 313
Right-of-use assets	**24 577**	36 266
Intangible assets	**1 583 231**	1 665 549
Goodwill	**717 475**	681 754
Investments in associates and joint ventures[1]	**83 185**	76 147
Loans to associates and joint ventures[1]	**1 913 645**	22 745
Loans receivable	**65 386**	48 913
Advances to customers	**810 252**	547 711
Financial assets at fair value through profit or loss	**113 151**	133 293
Financial assets at fair value through other comprehensive income	**—**	8 536
Deferred taxation assets	**164 808**	83 252
Current assets	**9 018 238**	9 829 505
Loans to associates and joint ventures[1]	**241 402**	25 858
Inventories	**2 834 914**	1 143 372
Loans receivable	**38 804**	32 801
Trade and other receivables	**3 060 510**	4 743 338
Advances to customers	**1 446 950**	1 119 827
Financial assets at fair value through profit or loss	**61 028**	14 008
Financial assets at fair value through other comprehensive income	**12 914**	11 688
Current tax assets	**18 946**	15 022
Cash and cash equivalents	**1 302 770**	2 723 591
Total assets	**14 718 310**	13 328 984

	31 May 2023 R'000	31 May 2022 R'000
EQUITY AND LIABILITIES		
Capital and reserves	**4 439 543**	4 187 598
Issued share capital and premium	**7 521 248**	7 544 531
Other reserves	**(2 877 012)**	(2 871 437)
Retained earnings	**(316 341)**	(585 307)
Total ordinary shareholders' equity	**4 327 895**	4 087 787
Non-controlling interest	**111 648**	99 811
Non-current liabilities	**2 247 191**	783 878
Deferred taxation liabilities	**319 140**	299 909
Non-current lease liability	**23 462**	9 498
Financial liabilities at fair value through profit or loss	**61 824**	—
Borrowings	**1 842 765**	474 471
Current liabilities	**8 031 576**	8 357 508
Trade and other payables	**5 636 270**	6 069 027
Deferred revenue	**87 434**	113 367
Lease liability	**9 239**	37 384
Financial liabilities at fair value through profit or loss	**—**	22 200
Current tax liabilities	**68 275**	21 467
Borrowings	**2 230 355**	2 094 000
Bank overdraft	**3**	63
Total equity and liabilities	**14 718 310**	13 328 984

[1] In order to achieve enhanced disclosure, investments in associates and joint ventures have been disaggregated from loans to associates and joint ventures. The loans are not considered to be part of the net investment in associates and joint ventures.

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 May 2023

	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 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**
Profit for the year	**—**	**268 966**	**—**	**268 966**	**19 207**	**288 173**
Other comprehensive loss	**—**	**—**	**(2 554)**	**(2 554)**	**—**	**(2 554)**
Total comprehensive income/(loss)	**—**	**268 966**	**(2 554)**	**266 412**	**19 207**	**285 619**
Treasury shares purchased	**(66 033)**	**—**	**—**	**(66 033)**	**—**	**(66 033)**
Equity compensation benefit scheme shares vested	**42 750**	**—**	**(41 423)**	**1 327**	**(1 327)**	**—**
Equity compensation benefit movement	**—**	**—**	**38 443**	**38 443**	**1 569**	**40 012**
Acquisition of non-controlling interest	**—**	**—**	**(41)**	**(41)**	**(5 138)**	**(5 179)**
Dividends paid	**—**	**—**	**—**	**—**	**(2 474)**	**(2 474)**
Balance as at 31 May 2023	**7 521 248**	**(316 341)**	**(2 877 012)**	**4 327 895**	**111 648**	**4 439 543**

SUMMARISED GROUP STATEMENT OF CASH FLOWS

for the year ended 31 May 2023

	2023 R'000	2022 R'000
Cash flows from operating activities		
Cash received from customers	**19 227 226**	16 698 666
Cash paid to suppliers, financiers and employees	**(19 024 350)**	(15 764 089)
Cash generated by operations	**202 876**	934 577
Interest received	**174 039**	80 993
Interest paid	**(663 908)**	(201 091)
Taxation paid	**(214 850)**	(165 710)
Net cash (utilised in)/generated from operating activities	**(501 843)**	648 769
Cash flows from investing activities		
Acquisition of intangible assets*	**(936 140)**	(1 013 334)
Proceeds on disposal of intangible assets	**4**	—
Acquisition of property, plant and equipment	**(119 167)**	(77 813)
Proceeds on disposal of property, plant and equipment	**7 847**	9 793
Acquisition of subsidiary, net of cash acquired**	**(29 707)**	—
Additional investment in and acquisition of shares in associates	**(372 609)**	(15 340)
Contingent consideration received***	**—**	117 791
Loans advanced to associates and joint ventures	**(1 093 013)**	(26 565)
Loans repaid by associates and joint ventures	**194 681**	1 805
Dividend received from associate and joint venture	**—**	5 885
Loans receivable carried at fair value repaid	**13 540**	—
Loans granted	**(65 539)**	(40 774)
Loans receivable repaid	**38 252**	27 943
Net cash utilised in investing activities	**(2 361 851)**	(1 010 609)

	2023 R'000	2022 R'000
Cash flows from financing activities		
Interest-bearing borrowings raised	**1 867 861**	1 627 141
Interest-bearing borrowings repaid	**(381 248)**	(870 502)
Non-interest-bearing borrowings repaid	**—**	(270)
Lease repayments	**(42 032)**	(37 857)
Issuance of Class B Preference Shares	**66 859**	—
Acquisition of non-controlling interest	**—**	(11 000)
Acquisition of treasury shares****	**(66 033)**	(9 301)
Dividends paid to non-controlling interest	**(2 474)**	(30 050)
Net cash generated by financing activities	**1 442 933**	668 161
Net (decrease)/increase in cash and cash equivalents	**(1 420 761)**	306 321
Cash and cash equivalents at the beginning of the year	**2 723 528**	2 417 207
Cash and cash equivalents at the end of the year	**1 302 767**	2 723 528

* Acquisitions of intangible assets in the current period include significant cash outflows of R832 million (2022: R928 million) relating to the subscription income sharing arrangement that commenced during the 2021 financial year.

** The Group acquired 50% of Aligned Partnered Solutions Proprietary Limited's share capital on 31 March 2023 for a purchase consideration of R500. The Group further acquired 60% of Lipa Payments Proprietary Limited's share capital on 24 April 2023 for a purchase consideration of R30 million.

*** Prior year settlement of the contingent consideration relating to the disposal of the VAS operations in April 2020.

**** Approximately 10 million shares were repurchased over the period 25 August 2022 to 19 September 2022 at a weighted average price of R6.58 per share.

SHARE PERFORMANCE

for the year ended 31 May 2023

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 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

	Attributable earnings		Cents per share	
	2023 R'000	2022 R'000	2023	2022
Headline earnings per share				
Basic	**370 356**	1 028 911	**41.97**	117.34
Diluted	**370 356**	1 028 911	**41.41**	114.34
Core	**401 961**	1 061 080	**45.55**	121.01
Earnings attributable to ordinary equity holders				
Basic	**268 966**	1 027 079	**30.48**	117.13
Diluted	**268 966**	1 027 079	**30.07**	114.14

(b) Weighted average number of shares

Weighted average number of shares	2023 '000	2022 '000
Weighted average number of ordinary shares	**882 530**	876 857
Adjusted for forfeitable shares	**11 835**	23 006
Weighted average number of ordinary shares for diluted earnings[1]	**894 365**	899 863

[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

	Profit/(loss) before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
2023				
Profit attributable to equity holders of the parent	**488 211**	**(200 038)**	**(19 207)**	**268 966**
Net profit on disposal of property, plant and equipment	**(1 919)**	**518**	**27**	**(1 374)**
Impairment of property, plant and equipment	**12 145**	**(3 280)**	**—**	**8 865**
Reversal of impairment of investment in associate	**(962 531)**	**—**	**—**	**(962 531)**
Net loss on disposal of property, plant and equipment in associate/joint venture	**6 403**	**—**	**—**	**6 403**
Impairment of property, plant and equipment in associate	**330 129**	**—**	**—**	**330 129**
Impairment of intangible assets in associate	**516 009**	**—**	**—**	**516 009**
Impairment of leased assets in associate	**203 889**	**—**	**—**	**203 889**
Headline earnings				**370 356**

SHARE PERFORMANCE CONTINUED

(c) Analysis of headline earnings continued

	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
Profit on disposal of property, plant and equipment	(1 383)	387	27	(969)
Profit on disposal of property, plant and equipment in joint venture	(32)	—	—	(32)
Impairment of property, plant and equipment	3 580	(1 003)	—	2 577
Remeasurement of non-current assets held-for-sale	157	(44)	(29)	84
Profit on disposal of intangible assets in joint venture	(270)	—	—	(270)
Dilution of holding in joint venture	545	—	(103)	442
Headline earnings				1 028 911

(d) Analysis of core headline earnings

	2023 R'000	2022 R'000
Reconciliation between net profit for the period and core headline earnings for the year:		
Net profit for the year	**268 966**	1 027 079
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**31 605**	32 169
Core net profit for the year	**300 571**	1 059 248
Headline earnings adjustments	**101 390**	1 832
Core headline earnings	**401 961**	1 061 080

SEGMENTAL SUMMARY

For the year ended May 2023	Total R'000	Africa Distribution R'000	International R'000	Solutions R'000	Corporate R'000
Total segment revenue	**24 958 278**	**24 470 272**	**—**	**283 366**	**204 640**
Internal revenue	**(6 040 015)**	**(5 826 462)**	**—**	**(8 913)**	**(204 640)**
Revenue	**18 918 263**	**18 643 810**	**—**	**274 453**	**—**
Operating profit/(loss) before depreciation, amortisation	**1 316 926**	**1 363 916**	**31 995**	**40 359**	**(119 344)**
Profit/(loss) for the year attributable to equity holders of the parent	**268 966**	**360 771**	**24 104**	**24 935**	**(140 844)**
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**31 605**	**31 605**	**—**	**—**	**—**
Headline earnings adjustment	**101 390**	**101 026**	**—**	**305**	**59**
Core headline earnings for the year	**401 961**	**493 402**	**24 104**	**25 240**	**(140 785)**
For the year ended May 2022					
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, amortisation	1 698 494	1 700 844	11 768	27 503	(41 621)
Profit/(loss) for the year 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)

REVENUE

for the year ended 31 May 2023

	Total		Africa Distribution		Solutions	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Revenue from contracts with customers	**17 654 965**	16 552 919	**17 380 512**	16 299 260	**274 453**	253 659
Prepaid airtime, data and related revenue	**13 009 793**	14 556 809	**13 009 793**	14 556 809	**—**	—
Postpaid airtime, data and related revenue	**155 568**	106 285	**155 568**	106 285	**—**	—
Prepaid and postpaid SIM cards	**460 280**	504 111	**460 280**	504 111	**—**	—
Services	**441 683**	394 253	**167 230**	140 594	**274 453**	253 659
Electricity commission	**282 903**	336 197	**282 903**	336 197	**—**	—
Handsets, tablets and other devices	**2 770 279**	274 447	**2 770 279**	274 447	**—**	—
Other revenue*	**534 459**	380 817	**534 459**	380 817	**—**	—
Subscription income share	**940 940**	842 362	**940 940**	842 362	**—**	—
Revenue	**18 595 905**	17 395 281	**18 321 452**	17 141 622	**274 453**	253 659
Finance revenue	**322 358**	410 981	**322 358**	410 981	**—**	—
Total revenue	**18 918 263**	17 806 262	**18 643 810**	17 552 603	**274 453**	253 659

* 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.

INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES

INVESTMENTS IN AND LOANS TO 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. On recapitalisation, BLT holds 49.53%, refer below to "Shareholding in Cell C".

Critical accounting judgements and assumptions

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

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

(b) Classification of significant associates

Assessment of control over Cell C

BLT holds 49.53% of the shareholder voting rights of Cell C and is able to appoint four out of 12 on the Cell C Board of Directors, where each director has one vote. It has been determined that the Cell C Board makes the decisions about the activities that significantly affect the returns of Cell C (the relevant activities).

As a result of loans made by TPC to SPV1 and SPV4, TPC is entitled to obtain additional shares comprising 13.66% in aggregate in Cell C at any time from the SPVs in settlement of the loans. Should TPC wish to obtain any of these additional shares, and hence the corresponding voting rights, the Group's external legal advisors have advised that it can only do so lawfully with the prior approvals of the Competition Commission and ICASA – as acquiring additional voting rights would result in TPC obtaining control over Cell C. According to the Group's external legal advisors, it is unlawful to give effect to a transaction that requires the approval of the Competition Commission before such approval is granted, and doing so could result in the transaction being set aside. Furthermore, the granting of the regulatory approvals is not a formality or within TPC's control, hence TPC does not, on its own, have the practical ability to obtain any additional shares (and voting rights). Therefore, management has concluded that TPC's rights under the loan agreements to obtain additional Cell C shares are not substantive until such approvals have been granted. Consequently, the potential voting rights of 13.66% have been excluded from the assessment of whether the Group has control over Cell C.

SPV1 and SPV4 hold the voting rights attached to the aggregate 13.66% equity interest. Even though TPC bears the economic risks and rewards of these shares (subject to upper limits of the amounts repayable under the loans), it does not have the ability to direct the way in which the corresponding voting rights in Cell C are exercised. These decisions lie with the Directors of SPV1 and SPV4, which are appointed by Albanta Trading 109 Proprietary Limited (Albanta), over which BLT has no control.

Although the SPVs will only benefit from the aggregate 13.66% equity interest in Cell C to the extent that they realise more than the amounts repayable to TPC under the loans, whether they exercise their Cell C voting rights in line with the way that TPC exercises its 49.53% Cell C voting rights or not, management is of the view that this would not affect the SPVs in any way. Similarly, whether the SPVs vote in line with TPC or not, management is of the view that this would have no impact on whether TPC elects to obtain the additional shares in settlement of its loans, subject to receiving the requisite regulatory approvals. Since management is of the view that the SPVs do not have any incentive to exercise their Cell C voting rights in the way that TPC would want them to such that TPC can rely on them to do so, it has been concluded that the SPVs are not de facto agents of TPC. Furthermore, Albanta holds other shares (5.50%) in Cell C, therefore management believes that Albanta would exercise all its Cell C voting rights in the same way and management is of the view that there is no incentive or reason why Albanta would necessarily vote in line with TPC.

Based on historical attendance at Cell C shareholder meetings, the fact that the shares of Cell C are not widely held (there are only nine shareholders currently; six if one recognises that SPV1, SPV4 and SPV5 are all subsidiaries of Albanta), and that Gramercy and Nedbank now hold 7.53% and 6.09% of Cell C, respectively, management is of the view that there is currently no basis for concluding that TPC has de facto control of Cell C at a shareholder level. Furthermore, it is the Memorandum of Incorporation (MOI) of Cell C that enables TPC to appoint only four of the 12 Directors, and changes to the MOI require shareholder approval of at least 82% including that of Gramercy and Nedbank, for as long as they are permitted to appoint a director to the Cell C Board. Therefore, even if TPC had de

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facto control at a shareholder level, it could not, on its own, change the MOI to enable it to appoint the majority of the Directors. Management has thus concluded that the Group does not have control over Cell C and continues to exercise significant influence. Therefore the Group continues to account for Cell C as an associate.

(c) Going concern of Cell C

For purposes of the Group's annual financial statements, Cell C has been accounted for using the going concern assumption. 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 with MTN 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 has positively impacted the cost base and anticipated future cash flows.

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.

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 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.

Cell C has implemented a turnaround strategy, focusing on operational efficiencies, reducing operational expenditure and optimising traffic. This includes a significant reduction in capital expenditure and a conversion of a fixed cost infrastructure-based network to a variable operational expenditure model. This, together with the recapitalisation of the current debt structure (refer below for further information in this regard), will result in a significant improvement of its liquidity and ensure the long-term sustainability of Cell C.

OVERVIEW OF THE CELL C RECAPITALISATION TRANSACTION

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 were intended to be utilised for the recapitalisation of Cell C. This arrangement was subject to the conclusion of all legal documentation and fulfilment of all conditions precedent under such legal documentation, which occurred at the end of September 2022. On 15 March 2022, Blue Label concluded a non-binding term sheet (Umbrella Restructure Term Sheet) with Cell C and various Cell C financial stakeholders (including certain shareholders and creditors of Cell C). In terms of the Umbrella Restructure Term Sheet, Cell C was to be restructured and refinanced (the Recapitalisation 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 was non-binding, save for stand-still provisions and certain provisions of a general nature which were binding. The binding long-term agreements and the recapitalisation

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process, the completion of which endured for longer than initially anticipated, was effective and closed end September 2022.

The salient terms of the Recapitalisation 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 loaned to Cell C an amount required to effect a compromise offer made by Cell C to certain of its secured lenders of a maximum amount of up to R1.46 billion (TPC Debt Funding). TPC's actual funding obligation in respect of the compromise offer, however, amounted to R1.03 billion. The TPC Debt Funding was provided by TPC to Cell C in the form of a secured loan. Cell C utilised the TPC Debt Funding to settle the claims of secured lenders by paying an amount of 20c to the rand.

Certain secured lenders indicated that they wish to remain invested in Cell C. These secured lenders were 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 is interest bearing and secured, has an aggregate capital face value equal to 2.75 times of the amount advanced. In addition, the participating lenders were entitled to share pro rata in a fresh issue of ordinary shares in Cell C at a nominal value. All shareholders of Cell C diluted 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, pursuant to a rights issue at nominal value, allotted and issued 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 holds 49.53% of the shares in Cell C, inclusive of those shares which TPC were entitled to, pursuant to the Reinvestment Instrument.

In addition, CEC (a wholly owned subsidiary of TPC) deferred an amount of R1.1 billion owed by Cell C and some of its subsidiaries to it on the date of implementation of the Recapitalisation Transaction, which amount will be repaid in equal monthly instalments over 60 months. At year-end, Cell C has met its payment obligations.

Liquidity requirements

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

- purchased Cell C prepaid airtime for a purchase price of R1.2 billion (including VAT) on the Effective Date of the Recapitalisation Transaction; and
- will purchase, by way of four further quarterly payments of R300 million (including VAT), additional prepaid 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, TPC undertook to purchase certain minimum levels of prepaid airtime from Cell C in accordance with an agreed monthly schedule or otherwise in accordance with market requirements.

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

Other inter-related transactions

In addition to the conclusion of the Recapitalisation Transaction, the following transactions were concluded. Under these further agreements TPC:

- acquired from certain funders to Cell C their right to reinvest in the Reinvestment Instrument for a purchase consideration of R1 from each such funder. Following such acquisition by TPC of such rights, TPC invested an aggregate amount of R111 million into Cell C via the Reinvestment Instrument;
- acquired debt notes in Cedar Cellular Investment 1 (RF) Proprietary Limited (SPV1), a shareholder in Cell C, for a purchase consideration of USD500 000 plus R16 million;
- acquired a credit claim of USD6 million against Cell C for an amount of USD4 million. This claim was subject to a compromise as between TPC and Cell C;
- acquired certain trade claims against Cell C, which claims were acquired for an aggregate amount of R12 million plus USD2.2 million and were then subject to a compromise as between TPC and Cell C;

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- advanced an amount of R223 million to K2021889191 (South Africa) Proprietary Limited (SPV4), which amount SPV4 utilised to acquire from the joint liquidators of Magnolia Cellular Investments 2 (RF) Proprietary Limited (in liquidation) (SPV2), shares in Cell C owned by SPV2, such shares being 5.47% of the shares in Cell C post Recapitalisation. SPV2 used the proceeds of the aforesaid sale to compromise and settle all unsubordinated claims which lenders had against it;
- disposed of such shares in Cell C as equates to 5% post recapitalisation equity in Cell C to SPV4 on loan account for R204 million. The loan to SPV4 is secured by the shares in Cell C held by SPV4;
- will loan an aggregate amount of R275 million to K2022559963 (South Africa) Proprietary Limited (SPV5) between 2024 and 2026, in return for a claim of R699 million. SPV5 will apply the loaned amount of R275 million to settle, in full, the above third-party claim on behalf of Cell C. In return for SPV5 undertaking such obligations on behalf of Cell C, it allotted and issued 10% of its share capital to SPV5. Such shares were provided by SPV5 to TPC as security for the above loan. Following the settlement of the claim of R699 million to TPC, TPC has a right to share in 50% of any economic benefit generated by SPV5 in excess of the aforementioned R699 million.

TPC airtime purchase transactions and working capital facility

TPC entered into agreements with Investec Bank Limited (acting through its Investment Banking Division: Corporate Solutions), FirstRand Bank Limited (acting through its Rand Merchant Bank division) and another financier (lenders):

- pursuant to which TPC sold Cell C prepaid airtime, with a face value of R2.115 billion, to the lenders for a purchase consideration of R1.692 billion (including VAT). TPC has a repurchase obligation in respect of this airtime, payable in 48 equal bi-monthly instalments;
- to amend the terms of its working capital facility (Facility A) that existed at the time. The working capital facility has been increased from R1.125 billion to R1.4 billion (facility A, facility B and general banking facility) and will be settled in two tranches. Facilities A and B will be amortised at R20 million per month collectively from months 13 to 24 with the balance and the general banking facility being settled as a bullet at the end of 24 months; and
- whereby TPC issued to the lenders, two classes of preference shares for a nominal consideration. The first class of preference share affords the holders of such preference shares a right to 15% of the upside realised by TPC on the TPC Debt Funding (Preference Share A) and the second class the right to all amounts (dividends and sale proceeds) received by TPC from 5% of its shareholding in Cell C (Preference Share B).

Additionally, TPC sold to a third party Cell C prepaid airtime for a purchase consideration of R250 million (including VAT). TPC has a repurchase obligation in respect of this airtime, payable in 18 equal monthly instalments.

ACCOUNTING IMPLICATIONS OF THE CELL C RECAPITALISATION TRANSACTION

TPC borrowings – from lenders

The bank borrowings of R1.471 billion were structured as:

i) an airtime sale and repurchase;
ii) the issue of Class A Preference Shares; and
iii) the issue of Class B Preference Shares.

i. Airtime sale and repurchase

Refer to the borrowings note.

TPC sold Cell C airtime vouchers with an aggregate face value of R2.115 billion (including VAT) for cash of R1.692 billion (including VAT) (R1.471 billion, excluding VAT) to the lenders. TPC will repurchase the airtime vouchers in 48 semi-monthly tranches from October 2022 to September 2024. After the first repurchase payment of R44.8 million (including VAT), the semi-monthly repurchase payments are R40.4 million (including VAT). This represents an implicit interest rate of 13.6%. At year-end, TPC has repurchased stock with an aggregate face value of R705 million (including VAT).

ii. Issue of Class A Preference Shares

Refer to the borrowings note.

TPC issued Class A Preference Shares to the lenders for a nominal issue price. The shares are redeemable at the issue price, carry a mandatory preference dividend, and have no other participation rights. The preference dividend is indexed to 15% of the 'upside' realised by TPC on the loan to Cell C (refer to "Loans to Cell C"). TPC has no obligation to pay any preference dividend unless the equivalent amount is received from Cell C.

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iii. Issue of Class B Preference Shares

Refer to the financial instruments at fair value through profit or loss note.

TPC issued Class B Preference Shares to the lenders for a nominal issue price. The shares are redeemable at the issue price, carry a mandatory preference dividend, and have no other participation rights. The preference dividend is indexed to 10.01% of TPC's shareholding in Cell C immediately after the Cell C recapitalisation, which is equivalent to a 5% shareholding in Cell C. TPC has no obligation to pay any preference dividend unless the equivalent amount is received from Cell C or from an exit event.

TPC borrowings – from other third parties

Refer to the borrowings note.

The borrowings were structured as an airtime sale and repurchase.

iv. Airtime sale and repurchase

TPC sold Cell C airtime vouchers with an aggregate face value of R315 million (including VAT) for cash of R250 million (including VAT) (R217 million, excluding VAT) to the third party. TPC will repurchase the airtime vouchers in 18 equal monthly tranches of R16.89 million (including VAT) from October 2022 to March 2024. This represents an implicit interest rate of 25.75%. At year-end, TPC has repurchased stock with an aggregate face value of R144.4 million (including VAT).

Loans to Cell C

Refer to the summary of investments in and loans to Cell C, other associates and other joint ventures note.

TPC provided funding to Cell C in the form of two loans.

i. Debt funding

TPC advanced R1.03 billion to Cell C. The total capital amount to be repaid is R2.8 billion. The difference between the two, as well as any interest on this difference, is the 'upside' to which the mandatory preference dividends on the Class A Preference Shares are indexed (refer to "Issue of Class A Preference Shares").

The amount advanced is to be repaid by Cell C at the end of the 42nd month after the recapitalisation date, and the balance of the total capital amount at the end of the 66th month.

The loan bears no interest for the first 24 months. Thereafter the total capital amount bears interest at a fixed rate of 10% per annum until month 42, and thereafter the outstanding amount bears interest at prime plus 3% until month 66, payable monthly.

ii. Reinvestment Instrument

TPC invested an aggregate amount of R111 million into Cell C via the Reinvestment Instrument. The total capital amount to be repaid is R306 million.

The total capital amount is to be repaid by Cell C at the end of the 42nd month after the recapitalisation date.

The loan bears no interest for the first 24 months after the recapitalisation date and thereafter the total capital amount bears interest at a fixed rate of 10% per annum. Interest payments are payable monthly.

Loan to SPV4

Refer to the summary of investments in and loans to Cell C, other associates and other joint ventures note.

TPC advanced R223 million to SPV4, which SPV4 used to acquire a 5.47% shareholding in Cell C from SPV2. SPV2 used the proceeds to repay certain of its debts after which it was liquidated. The loan is interest free and is repayable on demand. The only asset securing this loan is the 5.47% shareholding in Cell C which TPC can acquire in settlement of its loan. If TPC elected to acquire these additional shares, it would first require the prior approval of the Competition Commission of South Africa and ICASA as such acquisition would result in TPC acquiring control of Cell C.

Sale of a 5% shareholding in Cell C to SPV4 on loan account

Prior to the effective date of the recapitalisation, TPC sold a 5% shareholding (in terms of post-recapitalisation shareholding) in Cell C to SPV4 thereby divesting itself of the ability to direct the voting rights attached to these shares. The shares were sold on loan account for R204 million which is repayable on demand on an interest-free basis. The only security for this loan is the 5% shareholding in Cell C which TPC can acquire in settlement of its loan. SPV4 is required to pay to TPC all payments it receives or realises on this 5% shareholding in Cell C towards settlement of the loan. In this way TPC retains the

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economic interest in this 5% shareholding in Cell C. If TPC elected to acquire these additional shares, it would first require the prior approval of the Competition Commission of South Africa and ICASA as such acquisition would result in TPC acquiring control of Cell C.

Although TPC has not retained the voting rights attached to this 5% shareholding in Cell C, it has retained substantially all the risks and rewards of ownership. TPC continues to recognise the economic interest of this shareholding as part of the investment in associate and to equity account it. Accordingly, the overall percentage interest in Cell C that is equity accounted reflects TPC's economic interest (and not only voting interest) which includes this economic interest of 5%. The loan does not meet criteria to be classified as a financial asset at amortised cost as it represents an additional interest (without voting rights) in these shares. Since Cell C is accounted for as an associate, TPC's additional interest in Cell C has also been accounted for as part of the investment in associate and equity accounted.

The assessment of control is concerned with substantive rights as it relates to decisions about the direction of the relevant activities of the investee, and therefore, it is management's view that the additional interest without the additional right to vote, together with the operational barriers which prevent the Group from exercising its rights, will not change its assessment of whether Cell C is an associate, until such rights become substantive.

Shareholding in Cell C

TPC received additional shares from Cell C for a nominal amount.

Following the recapitalisation of Cell C, TPC has a shareholding and voting rights of 49.53% in Cell C, as well as additional interests of 13.66% , derived as follows:

	Percentage
Pre-recapitalisation shareholding	45.00
Sale of shares (SPV4)	(5.00)
Net new issue	9.53
Dilution	(29.61)
New issue	39.14
Post-recapitalisation shareholding	49.53
Post-recapitalisation shareholding without voting rights	13.66
SPV1	3.19
SPV4 – Loan to SPV4	5.47
SPV4 – Sale of a 5% shareholding in Cell C to SPV4 on loan account	5.00
Total economic interest	63.19

Percentage of Cell C equity accounted

Up until 22 September 2022, the Group had a 45% shareholding in Cell C which was held via TPC, and which represented the percentage interest in Cell C that was equity accounted up to that date. Post the Cell C recapitalisation, Cell C continues to be an associate of the Group with 49.53% participatory (with voting rights) shareholding therein. When applying the equity method to investments in associates, the carrying amount is increased or decreased to recognise the investor's share of the associate's profit or loss since the date of acquisition. An investor's interest in an associate is determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights or other derivatives, unless they currently give the investor access to returns associated with an ownership interest. As a result of its transactions with SPV1 and SPV4, in substance, TPC has additional interests of 13.66% (subject to certain caps, being the amounts to be repaid by the SPVs in respect of the loans from TPC) in the equity of Cell C (but without the corresponding voting rights). The caps have not become effective as yet. Therefore, since the date of the recapitalisation the Group has equity accounted 63.19% of the earnings of Cell C.

Purchase of certain trade claims against Cell C

TPC acquired several trade claims held by two parties against Cell C.

Claims of one of the parties were acquired for cash payments totalling USD4 million (R65 million). These claims were settled in full by Cell C by providing TPC with airtime vouchers with an aggregate face value of R75.8 million (including VAT).

Claims of the other party of R153 million were acquired for cash payments totalling R53 million. TPC agreed to a compromise with Cell C which reduced the amount owing by Cell C by 45%, down to R84 million. The balance is to be repaid by Cell C on an interest-free basis from the 25th month after the date of recapitalisation. On a quarterly basis from this date TPC is entitled to receive as settlement 11% of any excess cash held by Cell C above an amount of R700 million until the debt is repaid.

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Deferred repayment terms of an amount of R1.1 billion owing by Cell C to CEC

Refer to the summary of investments in and loans to Cell C, other associates and other joint ventures note.

An existing claim of R1.1 billion by CEC against Cell C will be repaid by Cell C in 60 equal monthly instalments, plus interest on the outstanding amount at a fixed rate of 12% per annum. At year-end, Cell C has met its payment obligations.

Bulk airtime purchases from Cell C

TPC purchased airtime vouchers from Cell C with a face value of R1.992 billion (including VAT) for a cash payment of R1.2 billion (including VAT).

TPC will purchase, by way of four further quarterly payments of R300 million (including VAT), with a face value of R498 million (including 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.

In addition, TPC is required to make minimum monthly purchases of airtime vouchers from Cell C for a period of 24 months from the date of the Cell C recapitalisation. For each of the first 12 months, the minimum purchase is airtime with a face value of R427 million (including VAT), and for each of the second 12 months it is airtime with a face value of R378 million (including VAT). The cash purchase price payable is at a discount of 6% to the face value of the airtime. The minimum monthly purchases will be reduced by R125 million (including VAT) per month until TPC's airtime repurchase obligation towards the funders has been settled. Furthermore, if in any calendar quarter following the effective date of the Cell C recapitalisation, Cell C's actual MVNO Revenue is in excess of the MVNO Revenue for the relevant period as stated in the Agreed Financial Base Case, then for the following quarter the minimum monthly purchase requirement will be reduced by one-third of such excess.

Restricted inventory

Of the carrying value of inventory as of 31 May 2023, R1 billion (excluding VAT) is restricted as it is held by the funders and other third parties under the airtime sale and repurchase agreements which form part of TPC's borrowings in connection with the Cell C recapitalisation, as detailed above. As a result of TPC's repurchase obligation, the airtime stock that was sold to the funders has continued to be recognised as TPC's stock, and the repurchase obligation has been recognised as borrowings. As airtime stock is repurchased it becomes unrestricted and is available to be sold. During the next 12 months, TPC is required to repurchase R787.4 million (excluding VAT) of the restricted airtime.

Included in the carrying value of inventory as of 31 May 2023 are amounts that have been purchased to date (and not yet sold) by TPC from Cell C as part of the Cell C recapitalisation as detailed above. TPC has the right to sell this airtime stock without restriction before 28 September 2024. However, there are certain restrictions regarding TPC's ability to dispose of any of this airtime that is still on hand at that date (which carrying value of airtime management believes will be negligible), these restrictions fall away from 28 March 2026 or earlier should certain trigger events occur.

Airtime purchase agreement

To provide Cell C with the funds to settle an aggregate amount of R197 million owing to a lessor, TPC agreed to purchase additional airtime from Cell C. Airtime with a face value of R645 million was purchased by TPC before 31 May 2023 for a cash purchase price of R161 million (including VAT), and airtime with a face value of R145 million will be purchased by TPC in September 2023 for a cash purchase price of R36 million (excluding VAT). TPC is only permitted to sell the airtime in specified tranches of face value, on specified dates, as follows: R114 million in February 2025, R8 million in February 2027, R208 million in February 2028, and R230 million in both February 2029 and in February 2030.

Acquisition of additional notes in SPV1

Refer to the summary of investments in and loans to Cell C, other associates and other joint ventures note.

TPC acquired additional notes comprising 72% of the issued notes in SPV1 for R25 million. The notes have a face value of USD201 million. The only asset that SPV1 has is a 4.04% shareholding in Cell C which has been pledged as security for the repayment of the notes. The redemption date of 2 August 2022 has passed, as such TPC can

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demand repayment of its notes at any time and can acquire 79% of the Cell C shares held by SPV1, which constitutes a 3.19% interest in Cell C, as settlement thereof. Prior to acquiring these additional shares, TPC would first require the approval of the Competition Commission of South Africa and ICASA as such acquisition would result in TPC acquiring control of Cell C.

SPV5 derivative liability

Refer to the financial instruments at fair value through profit or loss note.

A debt owing to a lessor by Cell C was transferred into a new special purpose vehicle (SPV5) in exchange for a 10% shareholding in Cell C (being the only asset of the SPV). SPV5 is required to repay the debt of R275 million in tranches from 31 December 2024 to December 2026. BLT issued a guarantee in favour of the lessor for the repayment of its debt, and TPC has committed to provide SPV5 with the necessary funding as and when it is required to make the payments of R275 million to the lessor, in return for a claim of R699 million in SPV5. TPC's loan will be repayable on demand at an amount equal to: i) the capital advanced of R275 million, plus ii) R424 million, plus iii) 50% of the fair value of the Cell C shares held by SPV5 in excess of i) and ii).

The Cell C shares held by SPV5 are pledged as security in favour of TPC, however, SPV5 is permitted to sell the Cell C shares prior to TPC advancing it any funds provided that the net proceeds exceed R375 million. If SPV5 disposes of its shares in Cell C, then R275 million of the net proceeds needs to be used to settle the lessor and R100 million is to be paid to TPC as an irrevocable and unconditional break fee. Once TPC has advanced funds to SPV5, SPV5 is precluded from selling the Cell C shares without TPC's consent, but TPC has no rights with respect to directing the voting rights attached to the shares. In the event of default, TPC would be able to acquire the 10% shareholding in Cell C in settlement of its loan, but only with the prior approval of the Competition Commission of South Africa and ICASA as such acquisition would result in TPC acquiring control of Cell C. Such rights are not substantive as the Group does not have the practical ability to exercise its rights as it relates to SPV5.

Impairment of associates and joint ventures

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

The following investments were tested for impairment in line with IAS 36, by comparing the recoverable amount against the carrying value of the investments:

Valuation of Cell C and impairment reversal

The value-in-use of Cell C as at 30 November 2022 equated to R1.5 billion, of which TPC's share amounted to R962.5 million.

Of the accumulated impairment of R2.5 billion (refer to accumulated impairment on page 33), R962.5 million was accounted for as a reversal of impairment of investment in associate. At year-end there was no further adjustment required.

The key assumptions applied in determining the value-in-use calculation as at 30 November 2022 were as follows:

	November 2022		
	Average EBITDA margin %	Terminal growth rate %	Pre-tax discount rate %
Cell C Limited	**18.3**	**4.2**	**39.0**

As a result of an indication of a reversal of the previous impairment due to the recapitalisation transaction, an internal 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 incorporates the effects of the recapitalisation, which was effective end September 2022.

INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES CONTINUED

Considering Cell C have recently undertaken a financial recapitalisation, management was required to apply a probability of distress overlay to the discounted cash flow valuation. Assumptions related to the Moody's rating of both Cell C and BLT were taken into account, given the strategic relationship between the two companies.

The Prepaid Company's equity share of the value as at 30 November 2022 reflected a partial recovery following the implementation of the recapitalisation.

The recovery in value is attributable to the following:

a. a significant decrease in interest-bearing borrowings in line with a compromise offer made by Cell C to certain of its secured lenders in line with the recapitalisation transaction;

b. an increase in cash flow generation over the forecast period due to improved trading on the back of less constrained cash flows, however this was more than negated by the effects of the increase in the discount rate;

c. a decrease in the value of capitalised finance lease contracts due to the restructuring thereof; and

d. an increase in the value of the assessed loss tax shield due to earlier utilisation.

An increase/decrease in the following valuation inputs, when calculating the value-in-use of Cell C, would result in the following adjustments to TPC's share of the value-in-use:

	2% increase in discount rate R'000	1% decrease in terminal growth rate R'000	5% decrease in annual EBITDA R'000
Cell C Limited	**(78 912)**	**(21 359)**	**(190 390)**

The sensitivities were stress tested at year-end and no further adjustments were required.

Exposure to Cell C

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

	31 May 2023 R'000	31 May 2022 R'000
Concentration of credit risk:		
Loans receivable	**2 166 240**	—
Loss allowance on Cell C loans receivables	**(55 258)**	—
Trade receivables	**518 031**	2 612 065
Loss allowance on Cell C trade receivables	**(2 403)**	(26 717)
Other receivables	**214 548**	—
Loss allowance on Cell C other receivables	**(53 375)**	—
Payables due to Cell C:		
Trade payables	**(308 823)**	(851 473)

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

INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES CONTINUED

SUMMARY OF INVESTMENTS IN AND LOANS TO CELL C, OTHER ASSOCIATES AND OTHER JOINT VENTURES

The Group holds the following investments in and loans to associates and joint ventures:

	Cost and share of reserves		Loans		Investments and loans	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
Cell C Limited	**—**	—	**2 110 982**	—	**2 110 982**	—
Other associates and joint ventures	**83 185**	76 147	**44 065**	48 603	**127 250**	124 750
	83 185	76 147	**2 155 047**	48 603	**2 238 232**	124 750
Disclosed as:						
– Non-current assets	**83 185**	76 147	**1 913 645**	22 745	**1 996 830**	98 892
– Current assets	**—**	—	**241 402**	25 858	**241 402**	25 858

Loans to associates and joint ventures

	Effective shareholding	Payable	Interest rate	Total loans		Current		Non-current	
				2023 R'000	2022 R'000	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
Cell C Limited[1]	63,19%	*	*	**2 110 982**	—	**221 670**	—	**1 889 312**	—

1 Refer to the investment in and loans to Cell C Limited note for details on the control assessment of Cell C Limited.

* Refer to the investment in and loans to Cell C Limited note for details of the interest rates linked to each loan and the payment terms.

INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES CONTINUED

Loans receivable from Cell C

	Debt Funding[1] R'000	Reinvestment Instrument[1] R'000	Deferral loan[2] R'000	Total R'000
Opening balance as at 1 June 2022	—	—	—	—
Loans advanced/fair value	914 396#	111 112	1 035 500	2 061 008
Fair value	914 396	111 112	1 100 000	2 125 508
Loss on modification of financial asset	—	—	(64 500)	(64 500)
Interest received	208 808	25 863	82 566	317 237
Payments received	—	—	(212 004)	(212 004)
Allowance (loss)/gain	(59 991)	(2 144)	6 876	(55 259)
Closing balance as at 31 May 2023	**1 063 213**	**134 831**	**912 938**	**2 110 982**

	Debt Funding[1]	Reinvestment Instrument[1]	Deferral loan[2]
Initial fair value (R'000)	914 396#	111 112	1 035 500*
Funds advanced (R'000)	1 032 632	111 112	1 100 000
Credit adjusted effective interest rate (%)	31.25	31.80	12.67
Carrying value at 31 May 2023 (R'000)	**1 063 213**	**134 831**	**912 938**

This is after allocating R118 million of the gross amount advanced of R1.032 billion towards the net additional 9.53% shareholding in Cell C.

* This is after recognising a loss on modification of financial asset at initial recognition of R64.5 million.

Refer to page 33 for footnotes (1) and (2).

INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES CONTINUED

[1] Debt funding and reinvestment instruments

Management assessed and concluded that the funding provided (Debt Funding and the Reinvestment Instrument) to Cell C as part of its recapitalisation should be classified as originated credit impaired loans. Cell C was restructured and refinanced 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. Cell C utilised the TPC Debt Funding to settle the claims of secured lenders by paying an amount of 20c to the rand. The face value of the funding provided by TPC is 2.75 times the cash it advanced. This deep discount evidences incurred losses.

Although Cell C's financial plan reflects that these loans will be repaid in full, the terms of the loans are 42 months for the Reinvestment Instrument and 66 months for the Debt Funding, and there is execution risk related to the achievement of the business plan.

Interest on these loans is being recognised using a credit adjusted effective interest rate. The credit adjusted effective interest rate reflects the initial estimate of lifetime expected credit losses. This means that TPC will only recognise the cumulative changes (both favourable and unfavourable) in the initial estimate of lifetime expected credit losses as a loss allowance.

The Debt Funding and Reinvestment Instrument receivables were initially recognised at the amount of the cash advanced plus transaction costs in accordance with the requirements of IFRS 9 for instruments which utilise unobservable inputs to determine their fair value. The fair value of the additional 9.53% shareholding in Cell C that was acquired for nominal consideration has been treated as part of TPC's return for providing the funding to Cell C and has been reflected in the calculation of the effective interest rate on the loans.

[2] Deferred repayment terms of an amount of R1.1 billion owing by Cell C to CEC

CEC accounted for the change in repayment terms as a significant modification, which resulted in the derecognition of the previous trade receivable and the recognition of a new long-term loan, initially at its fair value of R1.035 billion. This resulted in the recognition of a loss of R64.5 million in profit or loss. Management assessed and concluded that this loan should be classified as an originated credit impaired loan as a result of management renegotiating the terms of the amount owing in order to assist Cell C as part of its restructuring and recapitalisation. Cell C was restructured and refinanced 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. Interest on this loan is being recognised using a credit adjusted effective interest rate of 12.67%. The credit adjusted effective interest rate reflects the initial estimate of lifetime expected credit losses. This means that CEC will only recognise the cumulative changes (both favourable and unfavourable) in the initial estimate of lifetime expected credit losses as a loss allowance.

INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES CONTINUED

Investment in Principal activity Country of incorporation	**Associate Cell C Limited Network provider South Africa**		**Other associates and joint ventures***		**Total**	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
Cost and share of reserves at the beginning of the period	**—**	—	**76 147**	55 602	**76 147**	55 602
Acquisition of associates and joint ventures	**—**	—	**6 373**	17 682	**6 373**	17 682
Share of (losses)/profits from associates and joint ventures	**(1 328 767)**	—	**(980)**	8 042	**(1 329 747)**	8 042
Share of results after tax	**(1 328 767)**	—	**(980)**	9 137	**(1 329 747)**	9 137
Amortisation of intangible assets	**—**	—	**—**	(1 521)	**—**	(1 521)
Deferred tax on intangible assets amortisation	**—**	—	**—**	426	**—**	426
Foreign currency translation reserve	**—**	—	**1 645**	1 251	**1 645**	1 251
Dividends received	**—**		**—**	(5 885)	**—**	(5 885)
Diluted	**—**		**—**	(545)	**—**	(545)
Additional investment	**366 236****		**—**	—	**366 236**	—
Reversal of impairment of investment in associate	**962 531**	—	**—**	—	**962 531**	—
Cost and share of reserves at the end of the period	**—**	—	**83 185**	76 147	**83 185**	76 147
Loans to associates and joint ventures		—			**—**	
Loans at the beginning of the period	**—**	—	**48 603**	22 763	**48 603**	22 763
Loans granted to associates and joint ventures	**2 442 744**		**66 000**	26 565	**2 508 744**	26 565
Loans repaid by associates and joint ventures	**(212 004)**	—	**(63 552)**	(1 805)	**(275 556)**	(1 805)
Loans waived	**—**	—	**(4 000)**	—	**(4 000)**	—
Expected credit loss	**(55 258)**	—	**(2 986)**	1 080	**(58 244)**	1 080
Loss on modification of financial instrument	**(64 500)**	—	**—**	—	**(64 500)**	—
Loans at the end of the period	**2 110 982**	—	**44 065**	48 603	**2 155 047**	48 603
Closing net book value	**2 110 982**	—	**127 250**	124 750	**2 238 232**	124 750
Share of (losses)/profits from associates and joint ventures	**(1 328 767)**	—	**(980)**	8 042	**(1 329 747)**	8 042

* The Group also has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method which are aggregated under "Other associates and joint ventures".

INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES CONTINUED

Included in the statement of cash flows is the "Additional investment in and acquisition of shares in associates" amounting to R373 million which is made up above of "Acquisition of associates and joint ventures" of R6.4 million as well as "Additional investments" of R366 million.

	2023 R'000
Additional investment	**366 236****
Acquisition of additional notes in SPV1	**25 000**
Additional shareholding in Cell C of 9.53%	**118 236**
Loan to SPV4	**223 000**

** Refer to 'percentage of Cell C accounted' on page 27.

Acquisition of additional notes in SPV1

The notes acquired in SPV1 fail the criteria to be classified as a financial asset at amortised cost because, by virtue of the fact that the only means SPV1 has to redeem the notes is its shareholding in Cell C, it represents an additional interest (without voting rights) in these shares subject to a limit of the debt plus accrued interest. Since Cell C is accounted for as an associate, TPC's additional interest in Cell C has also been accounted for as part of the investment in associate and equity accounted. Accordingly, the overall percentage interest in Cell C that is equity accounted reflects TPC's economic interest (and not only voting interest) which includes this additional interest of 3.19%.

The assessment of control is concerned with substantive rights as it relates to decisions about the direction of the relevant activities of the investee, and therefore, it is management's view that the additional interest without the additional right to vote, together with the operational barriers which prevent the Group from exercising its rights, will not change its assessment of whether Cell C is an associate, until such rights become substantive.

Additional shareholding in Cell C of 9.53%

The fair value at the date of recapitalisation of the 9.53% additional shares received of R118 million has been recognised as an increase in the equity accounted investment in Cell C and as part of TPC's return on the loans to Cell C which will be recognised over the period of the funding using the effective interest method.

Loan to SPV4

The loan to SPV4 does not meet the criteria to be classified as a financial asset at amortised cost because, by virtue of the fact that the only means SPV4 has to repay the loan is the 5.47% shareholding in Cell C, it represents an additional interest (without voting rights) in these shares subject to a limit of the debt plus accrued interest. Since Cell C is accounted for as an associate, this additional interest in Cell C has also been accounted for as part of the investment in associate and equity accounted. Accordingly, the overall percentage interest in Cell C that is equity accounted reflects TPC's economic interest (and not only voting interest) which includes this additional interest (without voting rights) of 5.47%.

The assessment of control is concerned with substantive rights as it relates to decisions about the direction of the relevant activities of the investee, and therefore, it is management's view that the additional interest without the additional right to vote, together with the operational barriers which prevent the Group from exercising its rights, will not change its assessment of whether Cell C is an associate, until such rights become substantive.

INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES CONTINUED

	Associate	
Investment in	Cell C Limited	
Principal activity	Mobile network	
Country of incorporation	South Africa	
Financial year-end*	31 December	
	31 May 2023 R'000	31 May 2022 R'000
Statement of financial position		
Non-current assets	**11 781 135**	12 833 049
Current assets	**3 234 213**	5 305 662
	15 015 348	18 138 711
Capital and reserves	**(4 047 141)**	(8 007 848)
Non-current liabilities	**6 698 254**	5 280 021
Current liabilities	**12 364 235**	20 866 538
	15 015 348	18 138 711
Effective percentage held (%)	**49.53**	45
Effective economic percentage held (%)[1]	**63.19**	45
Total capital and reserves	**(4 047 141)**	(8 007 848)
Cell C capital and reserves	**(11 354 946)**[2]	(15 307 778)
Carrying value of purchase price allocations net of deferred taxation	**7 307 805**	7 299 930
Accumulated impairment (refer to reconciliation below)	**(1 558 621)**	(2 521 152)
Accumulated losses not guaranteed (refer to reconciliation on page 34)	**(2 048 072)**	(4 806 908)

* 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.

1 Refer to the "percentage of Cell C equity accounted" narrative on page 27.

2 The opening capital and reserves of Cell C totalling a negative R15.3 billion necessitated a downward adjustment of R907 million, resulting in a correction to the company's opening net assets to a negative R16.2 billion. The downward adjustment is a result of the completion of historical audits for Cell C in the current year. The required adjustment of R907 million in Cell C's financials does not have an impact on BLT's Statement of Comprehensive Income or Statement of Financial Position for the current or comparative financial year. The impact on BLT is limited to BLT's share of the accumulated losses not guaranteed as disclosed below.

Accumulated impairment

	31 May 2023 R'000
Opening balance at 31 May 2022	**(2 521 152)**
Reversal of previous impairment	**962 531**
Closing balance	**(1 558 621)**

The Group's share of accumulated losses not guaranteed

	31 May 2023 R'000
Opening balance at 31 May 2022	**(4 806 908)**
Correction to opening capital and reserves[2]	**(408 268)**
Share of profit for the year ended 31 May 2023	**1 838 337**
Operational losses	**(1 271 601)**
Effect of recapitalisation	**3 109 938**
Recognition of historical losses previously not recognised	**1 328 767**
Reversal of previous impairment	**962 531**
Additional investment	**366 236**
Closing balance	**(2 048 072)**

INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES CONTINUED

Financial year*	1 June 2022 to 31 May 2023 R'000	1 June 2021 to 31 May 2022 R'000
Statement of comprehensive income for the year ended		
Revenue	**11 853 745**	13 302 733
Net profit/(loss) before taxation	**4 924 453**	(2 448 510)
Taxation	**(293 644)**	—
Net profit/(loss) after taxation	**4 630 809**	(2 448 510)
Other comprehensive (loss)/income	**—**	—
Share of total comprehensive income	**—**	—
Effective economic percentage held (%)	**63.19**	45
Share of profits/(losses)**	**1 838 337**	(1 101 830)

* 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.

BORROWINGS

	2023 R'000	2022 R'000
Interest-bearing borrowings	**4 070 401**	2 567 752
Non-interest-bearing borrowings	**2 719**	719
	4 073 120	2 568 471
Amounts included in non-current portion of borrowings	**1 842 765**	474 471
Amounts included in current portion of borrowings	**2 230 355**	2 094 000
Categories of borrowings:		
Airtime sale and repurchase obligations	**988 245**	—
Class A Preference Shares	**171 453**	—
Facilities	**2 902 722**	2 564 926
Other third-party borrowings	**10 700**	3 545
Total borrowings	**4 073 120**	2 568 471

	Airtime sale and repurchase obligations			Preference Share A*
	From lenders R'000	From other third parties R'000	Total R'000	R'000
Opening balance as at 1 June 2022	—			—
Long-term borrowings raised	1 146 707	217 391	1 364 098	165 966
Interest expense	276 003	31 031	307 034	12 534
Gain on modification of financial liability	—	—	—	(7 047)
Repayments	(565 391)	(117 496)	(682 887)	—
Closing balance as at 31 May 2023	857 319	130 926	988 245	171 453
Amounts included in current portion of borrowings	598 879	130 926	729 805	—
Amounts included in non-current portion of borrowings	258 440	—	258 440	171 453
Funds borrowed (R'000)	1 238 707	217 391		165 966
Transaction costs (R'000)	92 000	—		—
Effective interest rate (%)	40.4	25.75		11

* The preference dividends are indexed to 15% of the 'upside' realised by TPC on the Debt Funding to Cell C (refer to "Loans to Cell C" in the investments in and loans to Cell C Limited note). The liability has been modified for the change in expectations of the future dividends payable based on the updated expectation of the future cash flows related to the Debt Funding.

BORROWINGS CONTINUED

TPC borrowings – from lenders and Preference Share A

The airtime sale and repurchase from lenders represents a financing transaction, with the airtime as security, together with the issue of the Class A, and Class B Preference Shares, which provide the lenders with additional compensation for their risk. As such the amount of borrowings was attributed to these three elements at their respective fair values.

The airtime sale and repurchase loan, and the Class A Preference Shares were recognised initially at their fair values less transaction costs and have been accounted for as financial liabilities at amortised cost. Given that the indexation of the cash flows under the Class B Preference Shares to a 5% shareholding in Cell C results in them containing an embedded derivative which would otherwise need to be stripped out and accounted for separately, the Class B Preference Shares have been designated to be financial liabilities at fair value through profit or loss. Refer to the financial instruments at fair value through profit or loss note for further details on the accounting treatment of the Class B Preference Shares.

TPC borrowings – from other third parties

The airtime sale and repurchase from third-party represents a financing transaction, with the airtime as security.

The airtime sale and repurchase loan was recognised initially at its fair value less transaction costs and has been accounted for as a financial liability at amortised cost.

Credit facilities

	Facility utilised	
Facility	**2023 R'000**	2022 R'000
General banking facility – Investec	**70 722**	—
General banking facility – RMB	**32 000**	—
Revolving Facility A – Investec	**660 000**	941 584
Revolving Facility B – RMB	**240 000**	—
African Bank	**1 900 000**	1 623 342
Total borrowings	**2 902 722**	2 564 926

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

The fair value of the borrowings approximates their carrying amounts.

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 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
Acquisition of subsidiaries interest-bearing borrowings	**12 672**	**—**	**12 672**
Acquisition of subsidiaries non-interest-bearing borrowings	**2 000**	**—**	**2 000**
Movement between current and non-current	**(156 964)**	**156 964**	**—**
Loan forgiveness	**—**	**(2 778)**	**(2 778)**
Loan modification	**—**	**(7 047)**	**(7 047)**
Interest-bearing borrowings raised	**701 479**	**1 207 966**	**1 909 445**
Interest accrued on interest-bearing borrowings*	**630 221**	**13 189**	**643 410**
Interest-bearing borrowings capital repaid	**(422 832)**	**—**	**(422 832)**
Interest-bearing borrowings interest repaid	**(630 221)**	**—**	**(630 221)**
Closing balance as at 31 May 2023	**2 230 355**	**1 842 765**	**4 073 120**

* Of the total interest accrued on interest-bearing borrowings, Rnil (2022: R17 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.

BORROWINGS CONTINUED

Maturity of financial liabilities

The table below analyses the undiscounted cash flows for the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	Payable in More than one year but not exceeding two years R'000	More than two years but not exceeding five years R'000	More than five years R'000
2023					
Airtime repurchase obligations – lenders	**70 192**	**772 109**	**280 544**	**—**	**—**
Airtime repurchase obligations – other third parties	**14 687**	**132 183**	**—**	**—**	**—**
Class A Preference Shares	**—**	**—**	**—**	**292 621**	**—**
Other interest-bearing borrowings	**28 323**	**1 681 578**	**513 448**	**842 722**	**—**
Non-interest-bearing borrowings	**2 719**	**—**	**—**	**—**	**—**
Total	**115 921**	**2 585 870**	**793 992**	**1 135 343**	**—**
2022					
Interest-bearing borrowings	14 130	2 198 187	495 308	—	—
Non-interest-bearing borrowings	719	—	—	—	—
Total	14 849	2 198 187	495 308	—	—

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Changes in the instruments are as follows:

	Surety loan receivable R'000	Loans receivable carried at fair value R'000	SPV5 derivative liability R'000	Class B Preference Shares R'000	Derivative liability R'000	Other R'000	Total R'000
Balance as at 1 June 2021	83 713	126 604			(68 178)	8 258	150 397
Additions	—	49 524	—	—	—	(200)	49 324
Repayments	—	(3 003)	—	—	—	(8 822)	(11 825)
Derecognition on termination recognised in profit or loss	—	—	—	—	68 178	—	68 178
Recognition of new instrument recognised in profit or loss	—	—	—	—	(22 000)	—	(22 000)
Fair value gain recognised in profit or loss	12 859	4 208	—	—	—	564	17 631
Other movements	—	(126 604)	—	—	—	—	(126 604)
Balance as at 31 May 2022	**96 572**	**50 729**	**—**	**—**	**(22 000)**	**(200)**	**125 101**
Additions	**—**	**—**	**—**	**(66 859)**	**—**	**—**	**(66 859)**
Repayments	**—**	**(13 540)**	**—**	**—**	**—**	**—**	**(13 540)**
Derecognition on termination recognised in profit or loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Recognition of new instrument recognised in profit or loss	**—**	**—**	**(13 214)**	**—**	**—**	**—**	**(13 214)**
Fair value gain recognised in profit or loss	**32 743**	**9 412**	**2 164**	**16 085**	**22 000**	**86**	**82 490**
Other movements	**—**	**(1 737)**	**—**	**—**	**—**	**114**	**(1 623)**
Balance as at 31 May 2023	**129 315**	**44 864**	**(11 050)**	**(50 774)**	**—**	**—**	**112 355**
Financial assets at fair value through profit or loss – included in current assets	**16 164**	**44 864**	**—**	**—**	**—**	**—**	**61 028**
Financial assets at fair value through profit or loss – included in non-current assets	**113 151**		**—**	**—**	**—**	**—**	**113 151**
Financial liabilities at fair value through profit or loss – included in non-current liabilities	**—**	**—**	**(11 050)**	**(50 774)**	**—**		**(61 824)**
	129 315	**44 864**	**(11 050)**	**(50 774)**	**—**	**—**	**112 355**
Unrealised gains/(losses)	**32 743**	**9 412**	**(11 050)**	**16 085**	**—**	**—**	**47 190**

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

Surety loans receivable

Surety loans relate to the personal sureties that B Levy and M Levy signed for the US Dollar denominated loan owed by 2DFine Holdings Mauritius to Gold Label Investments Proprietary Limited. Their liability is limited to the difference between the loan owing to Gold Label Investments Proprietary Limited and the value of 16.95% of the shares in Oxigen Services India Private Limited (Oxigen Services) and 17.29% of the shares in Oxigen Online Services India Private Limited (Oxigen Online). In November 2021 the payment terms for the surety loans were renegotiated, with the payments being agreed as instalments payable annually commencing on 30 September 2023 and ending on 30 September 2030.

Loans at fair value

As part of the fraud recoupment, the Group received the right to a loan, amounting to R73 million, advanced to a third party. The loan bears interest at prime overdraft rate and is repayable by 30 June 2026. Interest was payable up to 30 June 2022 and thereafter interest and capital are payable. In addition to the interest payments required, the borrower had the right to pay R10 million capital by 1 July 2022 in return for a R4.2 million discount in the capital amount of the loan. It is the Group's view that this right results in the contractual cash flows failing to meet the requirements for amortised cost accounting, causing the loan to be measured at fair value through profit or loss. This right was not exercised. The fair value of the loan reflected a market-related interest rate of prime plus 5% and credit risk-adjusted expected cash flows. Prior to year-end, a settlement agreement was signed, stipulating the final payment due and payable. These terms were incorporated into the year-end valuation of the loan receivable.

SPV5 derivative liability

A debt owing to a lessor by Cell C was transferred into a new special purpose vehicle (SPV5) in exchange for a 10% shareholding in Cell C (being the only asset of the SPV).

When the funds are advanced by TPC to SPV5 they will be treated as an additional 10% investment (without voting rights) in Cell C because the shares in Cell C are the only means that the SPV has with which to repay TPC's loan. As a result, TPC's loan commitment is an in-substance written put option over the economic interest of SPV5's shareholding in Cel C, which meets the definition of a derivative. Accordingly, TPC has accounted for its loan commitment to SPV5 as a derivative at fair value through profit or loss. The derivative is initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss.

	SPV5 Derivative liability R'000
Funds borrowed (R'000)	—
Transaction costs (R'000)	—
Effective interest rate (%)	N/A
Value at 31 May 2023 (R'000)	11 050

Class B Preference Shares

TPC issued Class B Preference Shares to the funders for a nominal issue price.

Given that the indexation of the cash flows under the Class B Preference Shares to a 5% shareholding in Cell C results in them containing an embedded derivative which would otherwise need to be stripped out and accounted for separately, the Class B Preference Shares have been designated to be financial liabilities at fair value through profit or loss. The preference shares are initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss.

	Class B Preference Shares R'000
Funds borrowed (R'000)	66 859
Transaction costs (R'000)	—
Effective interest rate (%)	N/A
Value at 31 May 2023 (R'000)	50 774

Derivative liability

On 15 December 2021, BLT concluded a put option agreement with Digital Ecosystems Proprietary Limited (DE), formerly Blue Label Mobile Proprietary Limited, in terms of which DE acquired the right to put up to 40% of the shares in Airvantage to BLT no earlier than 15 December 2022 for a maximum amount of R110 million. If Cell C Limited, through a Board resolution, passes a solvency and liquidity test prior to 15 December 2022, the put option will be terminated.

On 26 August 2022, in anticipation of the Cell C recapitalisation, the put obligation was terminated by DE.

RELATED PARTIES

Significant related-party transactions and balances:

	Sales to related parties		Purchases from related parties	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Blue Train Proprietary Limited*	**1 845**	—	**67 344**	13 631
Cell C Limited and its related entities*	**5 354 565**	3 975 162	**7 035 401**	6 624 066
I Talk Financial Services Proprietary Limited*	**4 690**	5 924	**5 419**	2 452
I Talk Holdings Proprietary Limited*	**31 483**	28 192	**42 588**	42 542
T3 Telecoms SA Proprietary Limited*	**2 232 922**	3 619 973	**29 897**	20 561
Utilities World Proprietary Limited*	**8 532**	3 803	**8 054**	1 017

	Income received from related parties		Expenses paid to related parties	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Other income received from related parties				
I Talk Holdings Proprietary Limited*	**5 566**	—	**—**	—
I Talk Holdings Proprietary Limited*	**15 628**	—	**—**	—
T3 Telecoms SA Proprietary Limited*	**7 884**	—	**—**	—
Dividends received from related parties				
Utilities World Proprietary Limited*	**61**	5 885	**—**	—
Interest received from related parties				
Cell C Limited and its related entities*	**317 235**	—	**—**	—
Finance revenue from related parties				
Cell C Limited and its related entities*	**36 244**	96 788	**—**	—
Rent paid to related parties[1]				
Ellerine Bros. Proprietary Limited	**—**	—	**10 612**	9 826
Moneyline 311 Proprietary Limited[2]	**—**	—	**4 070**	9 826
Uvongo Falls No 26 Proprietary Limited[2]	**—**	—	**4 780**	10 228
Social economic development				
Trust Blu Foundation	**282**	280	**14 590**	18 973

RELATED PARTIES CONTINUED

	Loans to related parties		Loans from related parties	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Cell C Limited and its related entities*	**2 166 240**	—	**—**	—
Blue Train Proprietary Limited*	**5 149**	4 116	**—**	—
Brett Levy[3]	**64 658**	48 286	**—**	—
Mark Levy[3]	**64 658**	48 286	**—**	—
I Talk Financial Services Proprietary Limited*	**4 000**	8 000	**—**	—
I Talk Holdings Proprietary Limited*	**19 900**	18 900	**—**	—
Mobile Macs Proprietary Limited*	**5 100**	—	**—**	—
T3 Telecoms SA Proprietary Limited*	**6 854**	14 682	**—**	—
Total loss allowance on loans to related parties	**(59 417)**	(1 173)	**—**	—

* These entities are associates/joint ventures.

1 Included in the rental payments is the unwinding of the lease liability.

2 Independent Non-Executive Director, GD Harlow, resigned on 19 October 2022. Related-party disclosure as a result of his common directorships has been disclosed accordingly and in line with his resignation date.

3 Refer to the financial instruments at fair value through profit or loss note for details on the surety loans.

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

	Lease asset due from related parties		Lease liability due to related parties[2]	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Ellerine Bros. Proprietary Limited	**—**	—	**—**	10 059
Moneyline 311 Proprietary Limited	**—**	—	**—**	10 059
Uvongo Falls No 26 Proprietary Limited	**—**	—	**—**	10 257

RELATED PARTIES CONTINUED

	Amounts due from related parties included in trade receivables		Amounts due to related parties included in trade payables	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Cell C Limited and its related entities*	**518 031**	2 612 065	**308 823**	851 473
I Talk Holdings Proprietary Limited*	**10 040**	10 031	**6 149**	3 123
Oxigen Services India Private Limited*#	**5 876**	5 876	**—**	—
T3 Telecoms SA Proprietary Limited*	**11 097**	9 687	**96**	—
Total loss allowance on trade receivables to related parties	**(8 422)**	(32 575)	**—**	—

	Amounts due from related parties included in other receivables		Amounts due to related parties included in other payables	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Cell C Limited and its related entities*	**161 173**	—	**—**	—
TPC trade claim (included in sundry receivables)#	**53 375**	—	**—**	—
Utilities World Proprietary Limited*	**13 750**	21 335	**—**	—
Total loss allowance on other receivables to related parties	**(53 375)**	—	**—**	—

* These entities are associates/joint ventures.

\# These amounts have been fully provided for both in the current and prior year and are included as part of the total loss allowance.

1 Included in the rental payments is the unwinding of the lease liability.

2 Independent Non-Executive Director, GD Harlow, resigned on 19 October 2022. Related-party disclosure as a result of his common directorships has been disclosed accordingly and in line with his resignation date.

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

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 2022.

NON-IFRS INFORMATION

The non-IFRS performance measures are compiled in terms of the JSE Listings Requirements and the Guide on Pro Forma Financial Information, issued by SAICA and are the responsibility of the board of directors and are presented for illustrative purposes. Pro forma information presented on a non-IFRS basis has been extracted from the information underlying the Group's summarised consolidated financial statements, the quality of which the board is satisfied with.

Shareholders are advised that, due to the pro forma nature of the non-IFRS performance measures, they may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The non-IFRS performance measures have been prepared to illustrate the impact of changes in the recapitalisation transaction and core headline earnings.

REASONABLE ASSURANCE REPORT

TO THE DIRECTORS OF BLUE LABEL TELECOMS LIMITED

Report on the Assurance Engagement on the Compilation of Pro Forma Financial Information included in the summary consolidated financial statements

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Blue Label Telecoms Limited and its subsidiaries, associates and joint venture (the "Group") by the directors. The pro forma financial information, as set out in the Financial Highlights announcement and Commentary, consists of certain income, costs and trading profit metrics, excluding the effects of specified commercial transactions in the composition of the Group and excluding the impact of what management term "extraneous contributions" which includes "extraneous costs" and/or "extraneous income" and core headline earnings (non-IFRS performance measure or the "pro-forma financial information") as at 31 May 2023. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described on page 42 of the summarised financial statements.

The pro forma financial information has been compiled by the directors to illustrate the impact of specified transactions, including the recapitalisation of Cell C undertaken and extraneous contributions from the Group's operational performance, earnings and headline earnings. As part of this process, information about the Group's financial position and financial performance has been extracted by the directors from the Group's financial statements for the year ended 31 May 2023, on which an audit report has been published.

Directors' responsibility

The directors of the Group are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Commentary of the summary consolidated financial statements for the year ended 31 May 2023 .

Our Independence and Quality Management

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

The firm applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

REASONABLE ASSURANCE REPORT CONTINUED

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements.

Alex Philippou
SizweNtsalubaGobodo Grant Thornton Inc.
Engagement Director
Registered Auditor

29 August 2023

221 Garstfontein Road
Newlands
Pretoria
Gauteng

BOARD OF DIRECTORS

LAURENCE (LARRY) NESTADT
Independent Non-executive Chairman
Age: 72
Joined the Board: October 2007
(Chair of Nomination Committee)

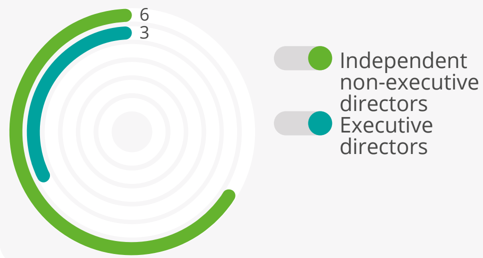
BRETT LEVY
Joint Chief Executive Officer
Age: 48
Joined the Board: February 2007

MARK LEVY
Joint Chief Executive Officer
Age: 52
Joined the Board: February 2007
BCompt (Unisa)

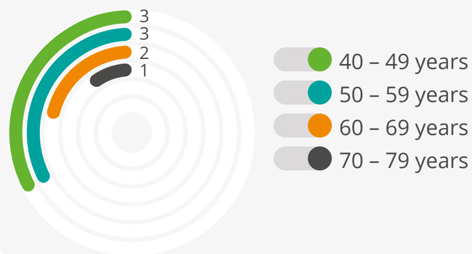
HAPPY MASONDO
Independent Non-executive Director
Age: 55
Joined the Board: August 2023
BA (Wits), LLB (Wits), LLM (Wits), LLM (Duke)

NOMAVUSO MNXASANA
Independent Non-executive Director
Age: 67
Joined the Board: September 2020
BCompt (Hons), CA(SA)

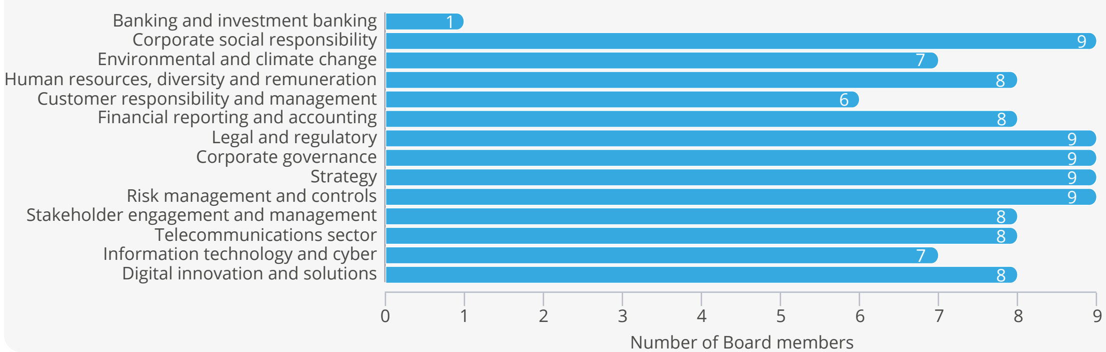
Independence



Age



Board skills and experience



All board statistics are reported as at 29 September 2023.

COMMITTEE KEY

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

BOARD OF DIRECTORS CONTINUED

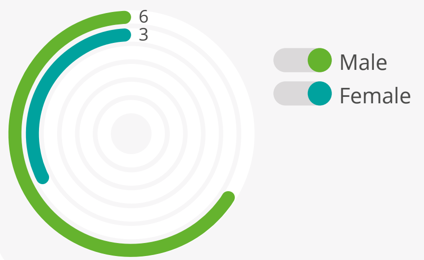
JOE MTHIMUNYE
Independent Non-executive Director
Age: 58
Joined the Board: October 2007
(Chair of Audit, Risk and Compliance Committee)
BCompt (Hons), CTA (Unisa), CA(SA)

LINDIWE MTHIMUNYE
Independent Non-executive Director
Age: 49
Joined the Board: November 2022
Chair of Investment Committee
BCom (UCT), Postgraduate Diploma in Accounting (UCT), Postgraduate Diploma in Tax Law (Wits), MCom (UCT), CA(SA)

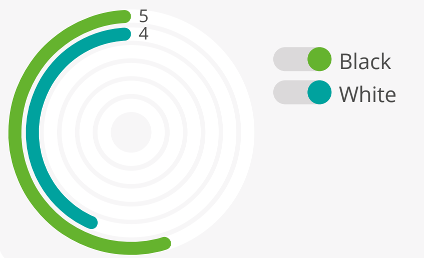
JERRY VILAKAZI
Independent Non-executive Director
Age: 62
Joined the Board: October 2011
(Chair of Remuneration Committee and Social, Ethics and Transformation Committee)
BA (Unisa), MA (Thames Valley), MA (London), MBA (California Coast University)

DEAN SUNTUP
Financial Director
Age: 46
Joined the Board: November 2013
Alternate to Brett Levy on Social, Ethics and Transformation Committee
BCom (Wits), BCom Hons (Unisa), CA(SA)

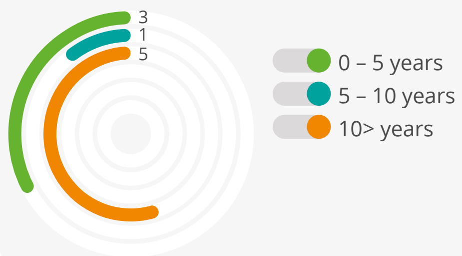
Gender



Race



Tenure



COMMITTEE KEY

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

BOARD OF DIRECTORS CONTINUED

LAURENCE (LARRY) NESTADT (72)
Independent Non-executive Chairman

Larry is a co-founder and former executive director of Investec Bank Limited and 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, Hosken Consolidated Investments 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 and is a former chairman of 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 Limited, Dis-Chem Pharmacies Limited, Universal Partners Limited, National Airways Corporation Proprietary Limited, Morecorp Group and Selldirect Marketing Proprietary Limited. He also serves as non-executive deputy chairman of Cell C Limited. Larry is a life member of the World Presidents' Organisation, Lloyds of London since 1983.

BRETT LEVY (48)
Joint Chief Executive Officer

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.

He currently serves as a director of various Blue Label companies and plays a key role in developing Blue Label'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 (52)
Joint Chief Executive Officer

After years as a successful commodities trader, Mark became an entrepreneur, operating various small businesses across different industries.

Serving as a director of various Blue Label companies, Mark is also 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 Brett, Mark received the Absa Jewish Business Achiever Non-Listed Company Award (2007). He was 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.

COMMITTEE KEY

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

BOARD OF DIRECTORS CONTINUED

HAPPY MASONDO (55)
Independent Non-executive Director

Happy is a qualified senior attorney and director, with specialist skills in renewable energy projects, information technology projects and public-private partnerships. Her expertise includes legal and regulatory project management skills including collation of relevant compliance tender documents, analysis and review of the legal and regulatory requirements.

She is an experienced non-executive director and currently serves on the boards of Dis-Chem Pharmacies, Bright Light Solar VCC and is a trustee of Investec Entrepreneurship Development Trust.

NOMAVUSO MNXASANA (67)
Independent Non-executive Director

Nomavuso is a Chartered Accountant (SA) who completed 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. Following the introduction of the Public Finance Management Act, she identified an opportunity and then started the corporate governance division which housed the internal audit services. She was also involved in staff development and training as a staff partner for five years. She later joined the Imperial Group as the Group Audit and Risk Executive and while there, 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 continued to assist 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.

JOE MTHIMUNYE (58)
Independent Non-executive Director

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, the chairman of Cell C Limited and also serves as a director of various Group companies. He is also chairman of Dis-Chem's audit committee.

COMMITTEE KEY

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

BOARD OF DIRECTORS CONTINUED

LINDIWE MTHIMUNYE (49)
Independent Non-executive Director

Lindiwe is a Chartered Accountant (SA) and has extensive governance, finance and business experience. Having worked in investment banking – property and infrastructure finance – and also as chief financial officer, she is an experienced non-executive director having previously served on the boards of various listed and unlisted companies including Woolworths, Massmart, Group 5, Torre, Sea Harvest, Cell C, PetroSA, Hyundai Automotive South Africa, Liquid Capital, Metrofile Holdings and Sabvest Capital Limited.

JERRY VILAKAZI (62)
Independent Non-executive Director

Jerry has held various executive positions in government and in the business sector, including that of Director for Commerce and Industry at SAICA and Managing Director of the Black Management Forum (BMF), where he also served on the board of the BMF investment company. He was later appointed as 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 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 BBBEE 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 currently executive chairman of Palama, an investment company, and also serves on the boards of Cell C Limited and Sibanye-Stillwater Limited, where he also chairs the social and ethics committee.

DEAN SUNTUP (46)
Financial Director

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 serves as director of various Blue Label companies and contributes significantly to the governance and reporting systems across Blue Label. Dean is a member of SAICA.

COMMITTEE KEY

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

REMUNERATION REPORT

DEAR SHAREHOLDERS

I am pleased to report that the Human Capital team at Blue Label and Blue Label Remuneration Committee continued to place an emphasis on good corporate governance practices, focusing on the principles of "pay for performance"' and "fair and responsible remuneration".

Our Remuneration Policy, which incorporated some minor amendments in 2022 with the aim to create further alignment with best corporate governance practices, together with the Implementation Report, were put to a shareholder vote at the previous AGM on 24 November 2022 and were endorsed with a majority vote of 97.6%, and 98.74% respectively.

It is also vital that our Remuneration Policy achieves our goals of attracting and retaining top talent. Accordingly, the Committee is constantly evaluating how the policy should be adapted and changed to ensure that Blue Label achieves this goal while remaining aligned with market/best practice.

In the current challenging economic environment and considering the substantial risk posed by the South African energy crisis (with reference to the impact of frequent stages of load shedding), the Committee needed to evaluate whether the stretching Long-Term Incentive (LTI) performance targets, tied to awards set to vest in August 2024 and August 2025, remain equitable and reasonable. This evaluation was crucial for appropriately incentivising and retaining key and critical talent, namely, executive and senior management.

Furthermore, for the reporting year, the Committee also had to evaluate the significance of the impact of load shedding and the recapitalisation of Cell C on the measurement of normalised EBITDA and core HEPS.

To enable the Committee to accurately evaluate the impact of both the recapitalisation event and, more specifically, the severity of the impact of load shedding on Blue Label's variable pay performance results, the Committee requested that management conduct a comprehensive "recapitalisation impact analysis". This analysis considered the accounting technical (IFRS) nuances introduced by the successful completion of the Cell C recapitalisation event. Additionally, the Committee asked for a "sales and earnings impact analysis" that accounts for the measurable decline in Blue Label's "sales run rate" when overlaid with the load shedding schedules.

Additionally, as in the previous year, the Committee evaluated the impact on EBITDA as a consequence of Blue Label's learnership programme, which negatively impacts thereon. The benefit thereof is realised through income tax savings resulting from the section 12H allowances claimed for these learnerships.

After careful consideration of the above analysis, the Committee agreed that the measurement of normalised EBITDA and core HEPS in Blue Label's FY23 short-term incentive performance scorecard should be adjusted to consider both the IFRS impact of the Cell C recapitalisation event, the quantifiable impact of load shedding and the learnership programmes.

In addition, the Committee further agreed that based on the severity of the impact of load shedding on the current year's core HEPS results (and the uncertainty of the impact going forward), and the unfavourable economic outlook, the LTI performance targets linked to awards that are scheduled to vest in August 2024 and August 2025 should be downward adjusted, albeit that on-target and stretch performance should still outperform CPI and WACC from a core HEPS and ROCE perspective respectively.

The Committee is comfortable that the above adjusted LTI targets remain market aligned and sustains shareholder value, while ensuring that Blue Label's management remain motivated to drive stretching but achievable performance over the next 12 to 24 months. The performance targets for the 2020 LTI award, which vested in August 2023, remained unchanged as the majority of this award's three-year performance period was not impacted by load shedding.

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. Following engagement with PwC and Remchannel as our remuneration consultants, the most significant change for the year ahead relates to the target setting approach for our short-term incentive (STI) and long-term incentive plans (LTI), with summary details of the proposed changes outlined below:

- STI scorecard

Core HEPS and normalised EBITDA on-target performance will be linked to FY24 business plan with threshold and stretch performance set at 20% under and over performance of the FY24 Business Plan respectively.

REMUNERATION REPORT CONTINUED

– Rationale for the change:
Following the recapitalisation of Cell C and taking cognisance of the current economic challenges brought about by the impact of load shedding, the Committee understands that operational performance over the next 12 to 24 months will have to be linked to the interim business plan with prospective disclosure of targets being regarded as commercially sensitive. However, in the spirit of transparency retrospective disclosure will be included as part of the FY24 Remuneration Implementation Report. Details pertaining to the robustness of the processes followed in developing the FY24 Business Plan have also been provided in section 2 of this Remuneration report (i.e. Remuneration Policy).

- LTI scorecard

Total share return (TSR) has been replaced with a strategy focused balanced scorecard measure which will be linked to the execution of critical strategic milestones.

– Rationale for the change:
Following the recapitalisation of Cell C and the challenges of the current economic climate, the Committee deemed it important to link 20% of Blue Label's LTI performance to strategic performance delivery execution, while the remaining 80% will consist of 60% being allocated to Blue Label's core business performance outcome (equally split between core HEPS and ROCE) and 20% on ESG and individual performance (split 10% ESG and 10% individual performance).

The full policy can be accessed here https://www.bluelabeltelecoms.co.za/sus-governance-framework.php. We also highlight our continued focus areas for FY24.

Finally, section 3, the Remuneration Implementation Report, provides an overview of FY23 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 FY24, 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.

SJ Vilakazi
Chairman

29 September 2023

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 and Remchannel were engaged to assist with a strategic remuneration policy review. The Remuneration Committee confirmed their independence in this mandate as well as their objectivity.

The management team's focus in the past year was centred on the successful recapitalisation of Cell C and employing a stabilisation plan for the impact of the energy crisis (load shedding) on Blue Label's operations. 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 a strong strategic performance and operational delivery in the year under review.

The Remuneration Committee was not required to consider any request to deviate from policy other than a "normalisation" of actual EBITDA and core HEPS assessment, which took into account the impact of the accounting treatment relating to the recapitalisation transaction of Cell C, the quantifiable impact of load shedding, and the expenses incurred on the learnership programmes.

The normalisation resulted in upward FY23 STI scorecard performance adjustments to actual EBITDA and core HEPS of R379 million and R587 million, respectively, in FY23.

In addition, the Committee also adjusted the core HEPS and ROCE on-target and stretch performance targets of the 2021 and 2022 LTI awards, which are scheduled to vest in August 2024 and August 2025 respectively, as follows:

LTI performance measure	On-target	Stretch
Core HEPS (compounded cumulatively over three years)	Historically = CPI + 10% (2021) Historically = CPI + 7.5% (2022) **New target = CPI + 2%**	Historically = CPI + 15% (2021) Historically = 125% of target (2022) **New target = CPI + 4%**
ROCE (compared to WACC over the three-year period not compounded)	Historically = WACC + 2.5% (2021) Historically = WACC + 2.5% (2022) **New target = WACC + 1%**	Historically = WACC + 5% (2021) Historically = WACC + 5% (2022) **New target = WACC + 2%**

The purpose of the adjustment mentioned above was to maintain Blue Label's management motivation to achieve stretching yet attainable performance goals over the next 12 to 24 months. Additionally, to provide further support for senior management and executive retention, it was agreed that the threshold performance for 2021 and 2022 LTI awards would be assessed solely based on the delivery of ESG and individual performance measures.

Achievement of policy objectives

The Remuneration Committee believes that the Blue Label remuneration philosophy and policy remain fit for purpose and achieve 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 FY23:

- 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".
- 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.

REMUNERATION REPORT CONTINUED

- 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 continued to build on our strategy of driving employee centricity through inclusive leadership. Our people are core to our business, and we continue to put our employees at the centre of what we do through leader-led engagement initiatives.

We are acutely focused on the retention of key talent which becomes increasingly challenging in the ever-evolving landscape of employee and employer expectations. Our research from the Gartner International HC trends, which informs our HC strategy, echoes the following key messages:

- **Person-first experience:** 82% of employees say it's essential for their organisation to see them as a person, not just an employee.
- **Shared-purpose:** 53% of employees want their organisations to take action on issues they care about.
- **Flexibility:** 52% of employees say flexible work policies will affect the decision to stay at their organisations.

FY24 pay review

Paying for performance remained at the core of Blue Label's and the Remuneration Committee's philosophy.

For employees, management and executives, an increase in fixed pay of up to 7% was approved, based on an individual performance rating. These decisions were aligned to the reported inflation rate.

Changes to remuneration policy for FY24

The remuneration policy for FY24 remains largely aligned with the current year's remuneration policy with the most significant changes for the year ahead relating to the target setting approach for our short-term incentive and long-term incentive plans and the introduction of a strategy focused balanced scorecard as part of the 2024 LTI award, replacing TSR that was used in prior year allocations. The details of the changes and the supporting rationale has been outlined in the Chairman's note above.

GENERAL REMUNERATION POLICY UPDATES ANTICIPATED

As noted herein above, as at the time of this publication, Blue Label continues to engage its remuneration consultants (i.e. Remchannel) in the review of its remuneration policy and overall variable remuneration practices.

As part of this process and following the successful completion of a band stratification process, a further analysis is being undertaken to evaluate whether employees within the newly stratified 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.

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 FY24. 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.

REMUNERATION REPORT CONTINUED

ESG, sustainability, 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 partnered with Deloitte to perform a gap analysis of our ESG goals and metrics that informed our enhanced ESG-related disclosures which are continuously monitored.

Blue Label's remuneration metrics include ESG targets which ensure that the Board members and senior executives align their objectives and performance to delivery of Blue Label's strategy and management of its impacts on people, the environment, and the economy. The ESG metrics measured and included in performance targets for the long-term incentive plan include:

- Support the job creation project within Trust Blu through the U-Belong initiative, creating 200 new jobs and absorb 1% at the end of the financial year.
- Retain BBBEE scorecard at level 4, leveraging procurement where possible.
- Improve management control.
- Appoint one more Black candidate onto the Blue Label Board in the under-represented category.

Voting at the 2023 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 FY23 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 FY24

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.

2024 focus areas

- 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 Blue Label, with a focus on transformation.
- Best practice reviews on ESG goals, to ensure it is measurable set targets to achieve and verifiable.
- Continued annual engagement with our institutional shareholders for their input and advice.
- 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.
- Market alignment of variable pay quanta and pay-mix following the 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.

REMUNERATION REPORT CONTINUED

This applies to all subsidiaries, associates and joint venture companies in which Blue Label 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 STIP, as well as 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 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 Blue Label. 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 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.
- We continue to balance our gender representation. Women comprise 48% (FY22: 48%) and men 52% (FY22: 52%) of our talent across the business closely aligned to our target of 50:50. We continue to seek a balance of gender representation at senior and top management levels.
- About 65% of our employees are below the age of 40 and they continue to bring fresh perspectives and high energy levels as well as enthusiasm.
- Promotions opportunities were within the junior management level, and our focus was on improving equity representation. Out of all the promotions in FY23, 55% were for females and 83% representing Black talent.

Our goal is to create an inclusive workplace where employees can bring their whole selves to work and live their purpose. Our robust strategic approach focuses on our people's diversity and inclusive leadership, providing an inclusive, fair, and supportive workplace and enabling work environment.

With our focus on equity, we see an improvement in new appointments, with 77.5% of new recruits in the organisation being African and 43% being female. Our key focus has been to improve our employer brand in the market to attract the right talent.

FY24 business plan

The preparation of the FY24 Business Plan is the responsibility of each subsidiary company. The business plans are motivated by the subsidiary executive committees to the Group Executive Committee. These plans undergo a thorough review and approval process by the executive committee of Blue Label. Ultimately, the Board of Directors of Blue Label provide their final approval.

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 programmes 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 Blue Label performance and the interests of our shareholders. The scheme is structured to reward collaborative work across Blue Label to ensure we leverage our capabilities, increase innovation, improve customer and consumer service, reduce inefficiencies and increase revenue and profits.	Special-purpose variable remuneration arrangements to help attract and retain high potential talent who are the holders of scarce skills. Arrangements are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.	Aligning employees to shareholder interests through incentivising performance in line with strategic goals and long-term shareholder value.	Create a differentiated 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, focusing on employee experience.
Eligibility	All.	Specific roles within sales and operations.	All.	• Critical and scarce skills. • High-performing employees with high potential and critical skills.	Executives and management.	All.
FY24 approach	The Remuneration Committee recommended up to 7% increases for FY24 (FY23: 6%). 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: • individual performance; • divisional performance (where applicable); and • Blue Label performance. Gatekeeper conditions are in place. Individual metrics are limited to five KPIs and must be verifiable and challenging. The following financial measures will be applied in determining the STIP for Blue Label head office and Executive Directors: • normalised EBITDA; and • core HEPS. The following financial measure will be applied in determining the STIP at divisional levels: • Divisional NPAT; and • Blue Label normalised EBITDA and core HEPS. 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). The following metrics apply: • core HEPS compounded cumulatively over three years; • strategy focused balanced scorecard measure which is linked to the execution of critical strategic milestones; • return on capital employed; • ESG performance scorecard; and • individual KPIs.	Individualised employee engagement, development and growth.

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 7% increases for FY24. 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 STIPs reward the achievement of critical short-term metrics comprising both financial and non-financial measures. Our STIPs 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 Blue Label 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 FY24:

- Individual goals will account for 20% of the STI. In FY24, for Executive Directors, these will be:
  - Blue Label's overall performance;
  - facility targets with the banks;
  - debt equity ratios;
  - succession planning; and
  - BEE targets.
- Blue Label's performance will account for 80% of the STIP.

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.

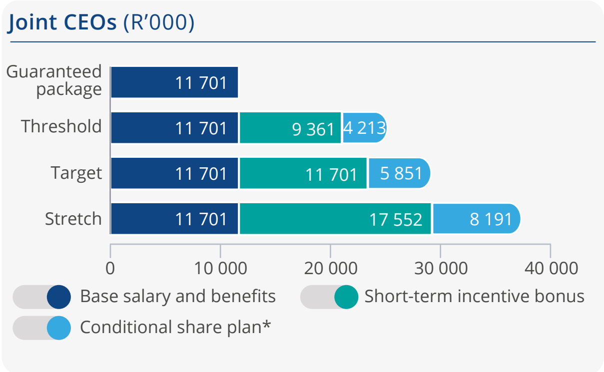
Executive Directors STIP metrics#

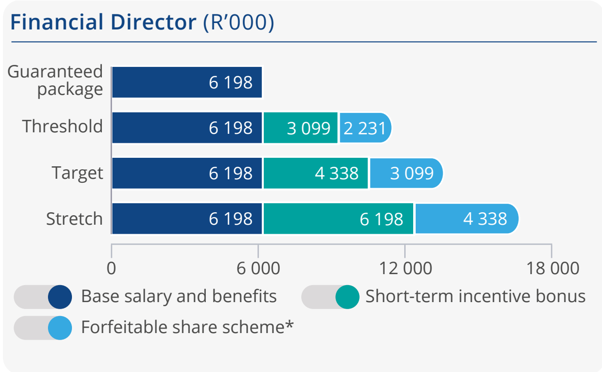
Metrics		Threshold	Target	Stretch*
KPIs (20%)	Individual**	Pro rata of target	Specific	No stretch
	Payout % of FAR	16% – CEOs 10% – FD	20% – CEOs 14% – FD	20% – CEOs 14% – FD
Normalised EBITDA (40%)	Group	20% under performance of FY24 Business Plan	FY24 Business Plan	20% over performance of FY24 Business Plan
	Payout % of FAR	32% – CEOs 20% – FD	40% – CEOs 28% – FD	65% – CEOs 43% – FD
Core HEPS (40%)	Group	20% under performance of FY24 Business Plan	FY24 Business Plan	20% over performance of FY24 Business Plan
	Payout % of FAR	32% – CEOs 20% – FD	40% – CEOs 28% – FD	65% – CEOs 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.
** The stretch component of the individual KPI targets in the STIP 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.

Executive Directors' composition of FY24 total remuneration





* Conditional share plan vesting in August 2026.

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.

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.

REMUNERATION REPORT CONTINUED

ASPECT	DESCRIPTION
Nature	Blue Label's long-term incentive plan is operated as a conditional share plan.
Eligibility	Eligibility based on: • senior leadership; • talent key to driving business strategy; • retention of talent with high potential and/or critical skills; and • transformation objective.
Allocation methodology	Allocation awards for Executive Directors are currently as follows: • 50% of FAR for the CEOs achieving target, with a threshold of 36% of FAR and a maximum of 70% of FAR; and • 50% of FAR for the FD achieving target, with a threshold of 36% of FAR and a maximum of 70% of FAR. Allocation awards for Management are currently as follows: • 25% of FAR for Management achieving target, with a threshold of 18% of FAR and a maximum of 35% of FAR.
Performance conditions	Refer to the table that follows for FY24 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). 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. 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. 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 the FY24 LTIP award:
- 60% of LTI award is measured on financial criteria;
- 20% of LTI award is measured on strategic criteria; and
- 20% of LTI award is measured on non-financial criteria.

Group LTIP metrics*

Metrics		Threshold	Target	Stretch
Core HEPS (30%) (compounded cumulatively over three years)	Group	CPI	CPI + 2%	CPI + 4%
	Vesting %	21.6%	30%	45%
ROCE (30%) (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 + 1% over three years	ROCE greater than or equal to WACC + 2% over three years
	Vesting %	21.6%	30%	45%
Strategy focused balanced scorecard (20%)	Group	Linked to strategic milestones	Linked to strategic milestones	Linked to strategic milestones
	Vesting %	14.4%	20%	30%
ESG (10%) (specific ESG metrics***)	Group	Pro rata of target	Specific	No stretch
	Vesting %	7.2%	10%	10%
Individual KPIs (10%)***	Group	Pro rata of target	Specific	No stretch
	Vesting %	7.2%	10%	10%

* Remco may review metrics and targets post-FY24 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/KPI metrics which will be assessed on a binary basis.

** 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.

*** The stretch component of the Individual and ESG KPIs in the LTIP 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.

REMUNERATION REPORT CONTINUED

As noted in section 1, as at the time of this publication, Blue Label continues to engage Remchannel 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 Blue Label'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 2025 and are subject to renegotiation. Should the Joint CEOs' 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 week's 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. No fixed sums of money or "balloon payments" in recognition of service to Blue Label, without any performance conditions attached, will be paid on termination of employment.

REMUNERATION REPORT CONTINUED

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 FY23, together with Executive Directors and Senior Management, an increase of 6% for NED fees was approved. For FY24, Non-executive Director fee increases have been proposed at 7% 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 2023, 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 CEOs, 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 turnaround strategy and performance of Cell C, Blue Label's overall performance, the facility targets with the banks, debt equity ratios, succession planning and BEE targets.

The recapitalisation of Cell C was implemented at the end of September 2022.

Cell C has implemented a turnaround strategy, focusing on operational efficiencies, reducing operational expenditure, and optimising traffic. This includes a significant reduction in capital expenditure and a conversion of a fixed cost infrastructure-based network to a variable operational expenditure model. This, together with the recapitalisation of the current debt structure, has resulted in an improvement in its liquidity and ensures the long-term sustainability of Cell C.

Cell C's strategic blueprint has been put into action, signalling a transformative phase for Blue Label. A new, dynamic management team has taken charge, bringing fresh vision and vitality to the organisation. This capable team swiftly assumed critical roles and has started integrating their unique expertise into all aspects of Cell C's operations. The strategic execution, combined with the recruitment of top-tier talent, is driving Cell C into an exciting era of innovation and growth.

The core businesses of the Blue Label Group have shown consistent growth in revenue, gross profit, and core headline earnings per share for the year ended 31 May 2023.

All conditions and repayments pertaining to the banking facilities entered into with the banking consortium, post the recapitalisation of Cell C, have been met and no defaults have occurred. Furthermore, the working capital financing facility with African Bank remains intact and is currently being renegotiated.

A succession planning strategy was implemented whereby critical positions within the organisation were identified and action plans were developed to enable key individuals to assume those positions, if required, across all subsidiaries and occupational levels in the last financial year.

Blue Label maintained a BBBEE scorecard compliant level 4.

The financial metrics for the financial year ended 31 May 2023 were normalised EBITDA and core headline earnings per share for Blue Label financial targets and NPAT for divisional financial targets.

EBITDA increased by R91 million (7%) from R1.372 billion to R1.463 billion, excluding the extraneous contributions of R146 million in the current year and non-recurring income of R326 million in the prior year. Excluding the R145 million costs attributable to learnership initiatives in the current year and R65 million in the prior year as well as the negative impact of R88 million relating to load shedding in the current year, EBITDA increased by R259 million (17.98%) from R1.437 billion to R1.696 billion. The benefit thereof is realised through income tax savings resulting from the section 12H allowances claimed for these learnerships.

Core headline earnings for the year ended 31 May 2023 amounted to R402 million, equating to core headline earnings of 45.55 cents per share. In the comparative year, core headline earnings amounted to R1.061 billion, equating to core headline earnings of 121.01 cents per share.

The core businesses of the Blue Label Group have shown consistent growth in revenue, gross profit, and core headline earnings per share for the year ended 31 May 2023. The predominant extraneous contributions to the May 2023 basic, headline, and core headline earnings per share are primarily associated with the recapitalisation transaction of Cell C.

Excluding the extraneous contributions of R523 million and the negative impact of R64 million relating to load shedding in the current year and the non-recurring income of R214 million in the prior year, core headline earnings increased by R142 million (17%) from R847 million to R989 million. Core headline earnings per share increased by 16.08% from 96.56 cents per share in the prior year to 112.09 cents per share.

From a Blue Label financial target perspective, the financial metrics of both normalised EBITDA and core HEPS exceeded prior year by 17.98% and 16.08% respectively. Normalised EBITDA exceeded target with core HEPS falling short of target. A 12-month CPI rolling average equating to 7.08%, for the period 1 June 2022 to 31 May 2023, was applied.

Strong growth in normalised EBITDA and core headline earnings per share, excluding extraneous costs and non-recurring income in both the current and prior years, resulted in Blue Label exceeding the target set for the Executive Directors for the year ended 31 May 2023, as illustrated in the table:

Executive Directors STIP metrics#

Metrics		Threshold	Target	Stretch*	Actual performance and pro rata payout % achieved
KPIs (20%)	Individual	Pro rata of target	Specific	No stretch	√
	Payout % of FAR	16% – CEOs 10% – FD	20% – CEOs 14% – FD	20% – CEOs 14% – FD	20% – CEOs 14% – FD
Normalised EBITDA (40%)	Group	80% of target = 13.66%	CPI + 10% = 17.08%	125% of target* = 21.35%	17.98%
	Payout % of FAR	32% – CEOs 20% – FD	40% – CEOs 28% – FD	65% – CEOs 43% – FD	45% – CEOs 31% – FD
Core HEPS (40%)	Group	80% of target = 13.66%	CPI + 10% = 17.08%	125% of target* = 21.35%	16.08%
	Payout % of FAR	32% – CEOs 20% – FD	40% – CEOs 28% – FD	65% – CEOs 43% – FD	38% – CEOs 26% – FD
Total payout % of FAR		**80% – CEOs 50% – FD**	**100% – CEOs 70% – FD**	**150% – CEOs 100% – FD**	**103% – CEOs 71% – FD**

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

In order to showcase a balanced approach in applying Remco discretion for performance above target, Remco capped the FY23 STI payout at an on-target level of performance, thus not allowing stretch performance to be achieved on a load shedding adjusted basis.

With reference to the above, the total payout percentage of FAR equated to 100% for the Joint CEOs and 70% for the Financial Director, in line with target.

The bonuses awarded to the three Executive Directors, amounted to R25.926 million, of which R10.936 million was payable to each joint CEO and R4.054 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 2023, was 40% for Individual goals and 60% for financial achievement, of which 30% related to growth in normalised EBITDA and 30% to growth in core HEPS. This is illustrated in the table that follows:

REMUNERATION REPORT CONTINUED

Group prescribed officer STIP metrics#

Metrics		Threshold	Target	Stretch*	Actual performance and pro rata payout % achieved
KPI's (40%)	Individual	Pro rata of target	Specific	No stretch	√
	Payout % of FAR	10%	20%	20%	20%
Normalised EBITDA (30%)	Group	80% of target = 13.66%	CPI + 10% = 17.08%	125% of target* = 21.35%	17.98%
	Payout % of FAR	7.50%	15%	27.50%	17.64%
Core HEPS (30%)	Group	80% of target = 13.66%	CPI + 10% = 17.08%	125% of target* = 21.35%	16.08%
	Payout % of FAR	7.50%	15%	27.50%	12.82%
Total payout % of FAR		**25%**	**50%**	**75%**	**50%**

The bonus is calculated per metric. Value awarded was 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 R2.417 million.

The performance metrics for GB Levin, relating to the STIP for the year ended 31 May 2023, were 20% for Individual goals and 80% for financial achievement, of which 60% was linked to divisional financial targets and 20% to Blue Label financial targets. Of the 20% Blue Label financial targets, 10% related to growth in normalised EBITDA and 10% to growth in core HEPS. No bonus was awarded to GB Levin.

Long-term incentive plan

The long-term incentive plan related to the allocation of shares in 2019, which vested on 31 August 2022. The financial measurement was for the period 1 June 2019 to 31 May 2022.

Executive Directors and prescribed officers

Performance metric	Threshold 72%	Target 100%	Stretch 140%	Actual performance	Weighting %	Amount paid to BM Levy R'000	MS Levy R'000	DA Suntup R'000	GB Levin R'000
Long-term incentive plan (2019 forfeitable share scheme vested 31 August 2022)									
Growth in core HEPS (30%)	CPI + 5%	CPI + 10%	CPI + 15%	Above threshold	**24.63**	**3 055**	**3 055**	**1 618**	**510**
Shareholder returns (30%)	JSE capped all share index	JSE capped all share index return + CPI + 5%	JSE capped all share index return + CPI + 15%	Above target	**40.90**	**5 074**	**5 074**	**2 687**	**846**
Return on capital employed (20%)	Greater than or equal to WACC	Greater than or equal to WACC + 2.5%	Greater than or equal to WACC + 5%	Stretch	**28.00**	**3 473**	**3 473**	**1 840**	**580**
Environmental, social and governance (20%)	Specific ESGs	Specific ESGs	Specific ESGs	Target	**20.00**	**2 481**	**2 481**	**1 314**	**414**
Total vesting related to performance conditions included in 2023 total single figure of remuneration					**113.53**	**14 083**	**14 083**	**7 459**	**2 350**

JS Newman, a prescribed officer, was only employed in September 2021 and as such did not participate in the 2019 forfeitable share scheme.

REMUNERATION REPORT CONTINUED

Growth in core headline earnings per share, over the three-year performance period, fell short of target, resulting in a vesting percentage of 24.63%, of the total target vesting percentage of 30%, for the Executive Directors and senior management of the head office and subsidiary companies.

Blue Label's closing share price as at 31 May 2019 and 31 May 2022 was R3.78 and R5.63 respectively, resulting in a TSR of 49% over the three-year performance period, in comparison to a growth of 34% in the JSE Capped All Share Index over the same period. The TSR, over the three-year period, was therefore achieved at a stretch level on a pro rata basis, resulting in a vesting percentage of 40.90%.

The average weighted ROCE over the three-year performance period was 20.27%, which exceeded Blue Label's WACC + 5% over three years of 19.81%. The ROCE metrics, over the three-year period, was achieved at a stretch level, resulting in a maximum vesting percentage of 28.00%.

Management achieved the ESG targets that were set for 2022 financial year.

Tables of single total figure of remuneration for FY23

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. 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 2023	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)		10 936	10 936	5 792	4 970	4 833	37 467
Other benefits		—	—	—	206	—	206
Short-term incentive bonus		10 936	10 936	4 054	—	2 417	28 343
2019 forfeitable share scheme – growth performance component on vesting date (31 August 2022) at fair value		14 083	14 083	7 459	2 350	—	37 975
Single total figure of remuneration		35 955	35 955	17 305	7 526	7 250	103 991
Dividends on vested shares	1	—	—	—	—	—	—
Short-term incentive bonus to be settled post-year-end		(10 936)	(10 936)	(4 054)	—	(2 417)	(28 343)
Short-term incentive bonus of prior year paid in August 2022		10 793	10 793	4 645	3 282	2 280	31 793
Total cash equivalent value remuneration received for the year ended 31 May 2023	2	35 812	35 812	17 896	10 808	7 113	107 441
Reconciliation to note 5.3 of the Group annual financial statements							
Remuneration as disclosed in terms of IFRS		21 872	21 872	9 846	5 176	7 250	66 016
Total cash equivalent value remuneration received for the year ended 31 May 2023		35 812	35 812	17 896	10 808	7 113	107 441
Difference to remuneration as disclosed in note 5.3 of the Group annual financial statements		13 940	13 940	8 050	5 632	(137)	41 425
Reconciling items:							
Remaining short-term incentive bonus accrued in May 2023, to be settled post-year-end		(10 936)	(10 936)	(4 054)	—	(2 417)	(28 343)
Short-term incentive bonus accrued in May 2022, paid in August 2022		10 793	10 793	4 645	3 282	2 280	31 793
2019 forfeitable share scheme that vested in the current year at fair value		14 083	14 083	7 459	2 350	—	37 975
		13 940	13 940	8 050	5 632	(137)	41 425

1 No dividends were applicable to the 2019 forfeitable share scheme.

2 Cash equivalent value remuneration represents the total proceeds paid to the Executive Directors and prescribed officers for the period 1 June 2022 to 31 May 2023, inclusive of the cash element of basic remuneration, STIs, LTIs and dividends.

REMUNERATION REPORT CONTINUED

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 Blue Label 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.

REMUNERATION REPORT CONTINUED

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 to 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 during the year	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 2023* R'000
Forfeitable share scheme										
For the year ended 31 May 2023										
Executive Directors										
BM Levy	18 November 2019	2.55	31 August 2022	1 908 425	258 210	—	(2 166 635)	—	—	—
BM Levy	1 September 2020	3.20	31 August 2023	1 520 776	—	—	—	1 520 776	4 866	5 505
BM Levy	6 April 2022	6.42	31 August 2024	803 501	—	—	—	803 501	5 158	2 909
BM Levy	1 September 2022	6.25	31 August 2025	—	874 878	—	—	874 878	5 468	3 167
				4 232 702	1 133 088	—	(2 166 635)	3 199 155	15 492	11 581
MS Levy	18 November 2019	2.55	31 August 2022	1 908 425	258 210	—	(2 166 635)	—	—	—
MS Levy	1 September 2020	3.20	31 August 2023	1 520 776	—	—	—	1 520 776	4 866	5 505
MS Levy	6 April 2022	6.42	31 August 2024	803 501	—	—	—	803 501	5 158	2 909
MS Levy	1 September 2022	6.25	31 August 2025	—	874 878	—	—	874 878	5 468	3 167
				4 232 702	1 133 088	—	(2 166 635)	3 199 155	15 492	11 581
DA Suntup	18 November 2019	2.55	31 August 2022	1 010 776	136 758	—	(1 147 534)	—	—	—
DA Suntup	1 September 2020	3.20	31 August 2023	805 462	—	—	—	805 462	2 577	2 916
DA Suntup	6 April 2022	6.42	31 August 2024	425 565	—	—	—	425 565	2 732	1 541
DA Suntup	1 September 2022	6.25	31 August 2025	—	463 369	—	—	463 369	2 896	1 677
				2 241 803	600 127	—	(1 147 534)	1 694 396	8 205	6 134
Prescribed officers										
GB Levin	18 November 2019	2.55	31 August 2022	318 400	43 080	—	(361 480)	—	—	—
GB Levin	1 September 2020	3.20	31 August 2023	328 125	—	—	—	328 125	1 050	1 188
GB Levin	6 April 2022	6.42	31 August 2024	615 300	—	—	—	615 300	3 950	2 227
GB Levin	1 September 2022	6.25	31 August 2025	—	198 801	—	—	198 801	1 243	720
				1 261 825	241 881	—	(361 480)	1 142 226	6 243	4 135
JS Newman	6 April 2022	6.42	31 August 2024	177 570		—	—	177 570	1 140	643
JS Newman	1 September 2022	6.25	31 August 2025	—	193 344	—	—	193 344	1 208	700
				177 570	193 344	—	—	370 914	2 348	1 343

* The fair value at 31 May 2023 is based on the closing price of R3.62.

REMUNERATION REPORT CONTINUED

Non-executive remuneration

	2023 R'000	2022 R'000
Non-executive Directors		
LM Nestadt	**2 323**	2 191
KM Ellerine*	**720**	929
GD Harlow**	**722**	2 010
NP Mnxasana	**760**	947
JS Mthimunye	**1 274**	1 447
LE Mthimunye***	**632**	—
SJ Vilakazi	**1 102**	1 229
PL Zim****	**514**	857
	8 047	9 609

* Resigned 5 June 2023
** Resigned 19 October 2022
*** Appointed 1 November 2022
**** Resigned 22 February 2023

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

	Current fee 2023 R	Proposed fee 2024 R
Services as Directors		
– Chairman of the Board (per annum)	**2 146 211**	2 296 446
– Board members (per annum)	**473 429**	506 569
Audit, Risk and Compliance Committee		
– Chairman (per annum)	**429 242**	459 289
– Member (per annum)	**265 120**	283 678
Remuneration and Nomination Committee		
– Chairman Remuneration (per annum)	**252 495**	270 170
– Chairman Nomination (per annum)	**176 747**	189 119
– Member (per annum)	**151 497**	162 102
Investment Committee		
– Chairman (per annum)	**252 495**	270 170
– Member (per annum)	**151 497**	162 102
Transformation, Social and Ethics Committee		
– Chairman (per annum)	**151 497**	162 102
– Member (per annum)	**94 686**	101 314
Ad hoc Committee		
– Chairman (per meeting)	**56 812**	60 789
– Member (per meeting)	**34 086**	36 472

SJ Vilakazi
Chairman

29 September 2023

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 22 September 2023, that the sixteenth 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, 23 November 2023 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, 22 September 2023;
- 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, 17 November 2023; and
- the last date to trade to participate in and vote at the virtual AGM is Tuesday, 14 November 2023.

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, 21 November 2023.

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.

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, 21 November 2023. 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, 22 November 2023 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, ARCC and directors' reports for the year ended 31 May 2023, have been distributed as required and will be presented to shareholders at the virtual AGM.

The ARCC's report is set out on pages 99 to 102.

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% (fifty percent) of the voting rights exercised.

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

1. **Ordinary resolution number 1:** Election of Ms H Masondo as a Director of the Company

   Resolved that Ms H Masondo, who was first appointed to the Board on 1 August 2023, be and is hereby elected as a Director of the Company with immediate effect.

   A brief biography of Ms H Masondo is on page 18.

2. **Ordinary resolution number 2:** Election of Ms LE Mthimunye as a Director of the Company

   Resolved that Ms LE Mthimunye, who was first appointed to the Board on 1 November 2022, be and is hereby elected as a Director of the Company with immediate effect.

   A brief biography of Ms LE Mthimunye is on page 19.

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

   Resolved that Mr BM Levy, who was first appointed to the Board on 1 February 2007 and who retires in terms of the MOI, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr BM Levy is on page 17.

4. **Ordinary resolution number 4:** Re-election of Mr JS Mthimunye as a Director of the Company

   Resolved that Mr JS Mthimunye, who was first appointed to the Board on 5 October 2007 and who retires in terms of the MOI, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr JS Mthimunye is on page 18.

5. **Ordinary resolution number 5:** Re-election of Ms NP Mnxasana as a Director of the Company

   Resolved that Ms NP Mnxasana, who was first appointed to the Board on 18 September 2020, 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 Ms NP Mnxasana is on page 18.

6. **Ordinary resolution number 6:** Reappointment of external auditor

   Resolved that on the recommendation of the current Audit, Risk and Compliance Committee of the Company, SizweNtsalubaGobodo Grant Thornton Inc, is reappointed as independent registered auditor of the Company for the ensuing year until the conclusion of the next AGM of the Company.

7. **Ordinary resolution number 7:** Election of Ms NP Mnxasana as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2024

   Resolved that, in terms of section 94(2) of the Act, Ms NP Mnxasana, but subject to her re-election as a Director of the Company in terms of resolution number 5, Ms NP Mnxasana, 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 18.

8. **Ordinary resolution number 8:** Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2024

   Resolved that, in terms of section 94(2) of the Act, , but subject to his re-election as a Director in terms of resolution number 4, Mr JS Mthimunye, an Independent Non-executive Director of the Company, is elected as a member and Chairman of the Audit, Risk and Compliance Committee.

   A brief biography of Mr JS Mthimunye is on page 18.

9. **Ordinary resolution number 9:** Election of Ms LE Mthimunye as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2024

   Resolved that, in terms of section 94(2) of the Act, but subject to her election as a Director in terms of resolution number 2, Ms LE Mthimunye, an Independent Non-executive Director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Ms LE Mthimunye is on page 19.

10. **Ordinary resolution number 10:** Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2024

    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 19.

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

11. **Ordinary resolution number 11:** 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 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 2023 is endorsed.

12. **Ordinary resolution number 12:** Non-binding advisory endorsement of the Group's Remuneration Implementation Report.

    Resolved, by way of a non-binding advisory vote, that the Group's Remuneration Implementation Report set out in the remuneration report in the integrated annual report 2023 is endorsed.

13. **Ordinary resolution number 13:** 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 2023 to 31 May 2024.

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

	Current fee 2023 R	Proposed fee 2024 R
Services as Directors		
– Chairman of the Board (per annum)	**2 146 211**	2 296 446
– Board members (per annum)	**473 429**	506 569
Audit, Risk and Compliance Committee		
– Chairman (per annum)	**429 242**	459 289
– Member (per annum)	**265 120**	283 678
Remuneration and Nomination Committee		
– Chairman Remuneration (per annum)	**252 495**	270 170
– Chairman Nomination (per annum)	**176 747**	189 119
– Member (per annum)	**151 497**	162 102
Investment Committee		
– Chairman (per annum)	**252 495**	270 170
– Member (per annum)	**151 497**	162 102
Transformation, Social and Ethics Committee		
– Chairman (per annum)	**151 497**	162 102
– Member (per annum)	**94 686**	101 314
Ad hoc Committee		
– Chairman (per meeting)	**56 812**	60 789
– Board member (per meeting)	**34 086**	36 472

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

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 Blue Label 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 Blue Label;

   (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 independent third party agent to effect any acquisition(s) on its behalf;

   (f) the price paid per ordinary share may not be greater than 10% above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which an acquisition is made;

   (g) the number of shares acquired by subsidiaries of the Company shall not exceed 10% (ten percent) in the aggregate of the number of issued shares in the Company at the relevant times;

   (h) the acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the Listings Requirements;

   (i) an announcement containing full details of such acquisitions of shares will be published as soon as the Company and/or its subsidiaries have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares in issue at the date of the meeting at which this special resolution is considered and if approved, passed, and for each 3% (three percent) in aggregate of the initial number (the number of that class of shares in issue at the time that the general authority from shareholders is granted) acquired thereafter; and

   (j) an issuer or its subsidiary company may repurchase securities during a prohibited period as defined in paragraph 3.67 if they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and have been submitted to the JSE in writing prior to the commencement of the prohibited period. The issuer must instruct an independent third party, which makes its investment decisions in relation to the issuer's, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.

The Listings Requirements require, in terms of paragraph 11.26, the following disclosures, which appear in the Integrated Annual Report:

- major shareholders – refer to page 119 of the Group annual financial statements;
- material change – there were no material changes;
- share capital of the Company – refer to page 107 of the Group annual financial statements; and
- responsibility statement – refer to page 1 of the Group annual financial statements.

By order of the Board

J van Eden
Group Company Secretary

Sandton

29 September 2023

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

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 number 1: Election of Director

The Company's MOI states that, any person appointed to fill a casual vacancy or as an addition to the Board shall retain office until the following AGM of the Company and shall then retire and be eligible for election. Ms H Masondo retires from the Board in accordance with article 25.5 of the Company's MOI. Ms H Masondo was appointed to the Board on 1 August 2023. The Board recommends to shareholders that they should vote in favour of the election of the Director referred to in ordinary resolution number 1.

Ordinary resolution number 2: Election of Director

The Company's MOI states that, any person appointed to fill a casual vacancy or as an addition to the Board shall retain office until the following AGM of the Company and shall then retire and be eligible for election. Ms LE Mthimunye retires from the Board in accordance with article 25.5 of the Company's MOI. Ms LE Mthimunye was appointed to the Board on 1 November 2022. The Board recommends to shareholders that they should vote in favour of the election of the Director referred to in ordinary resolution number 2.

Ordinary resolution numbers 3 to 5 (inclusive): Re-election of Directors

In accordance with the MOI, one-third of the Directors are required to retire at each AGM and may offer themselves for re-election. Messrs BM Levy, JS Mthimunye and Ms NP Mnxasana 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 17 and 18.

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 3 to 5 (inclusive).

Ordinary resolution number 6: 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.

SizweNtsalubaGobodo Grant Thornton Inc expressed its willingness to continue in office and this resolution proposes the reappointment of SizweNtsalubaGobodo Grant Thornton Inc as the Company's auditor until the next AGM. In addition, Mr Alex Philippou 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, SizweNtsalubaGobodo Grant Thornton Inc and Mr Alex Philippou, 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 SizweNtsalubaGobodo Grant Thornton Inc as independent registered auditor of Blue Label for the 2024 financial year.

Ordinary resolution numbers 7 to 10 (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 are duly qualified, as is evident from the biographies of each member, as contained on pages 18 and 19.

Ordinary resolution number 11: 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 109 to 116.

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

The advisory vote is of a non-binding nature only and therefore failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take cognisance of the outcome of the vote when considering the Company's Remuneration and Reward Policy and the remuneration of Executive Directors. In the event that this non-binding advisory endorsement approving the Company's remuneration 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 12: 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 116 to 121.

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 13: Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 13 is to authorise any Director of the Company to do all things necessary to implement the ordinary and special resolutions passed at the AGM and to sign all such documentation required to give effect and to record the ordinary and special resolutions.

Special resolution number 1: Non-executive Directors' remuneration

Special resolution number 1 is proposed to enable the Company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that remuneration to directors for their services as directors may be paid only in accordance with a special resolution approved by shareholders.

Special resolution number 2: General authority to repurchase shares

Special resolution number 2 seeks to allow Blue Label, 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 Blue Label, together with various other factors, and in compliance with the Act, Listings Requirements and the MOI.

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, 21 November 2023.

(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, 23 November 2023.

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) Telephone: (Home)

Fax: Cell number:

being the holder(s) of ____________ Blue Label shares hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the 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, 23 November 2023, or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Election of Ms H Masondo as a Director of the Company			
Ordinary resolution number 2: Election of Ms LE Mthimunye as a Director of the Company			
Ordinary resolution number 3: Re-election of Mr BM Levy as a Director of the Company			
Ordinary resolution number 4: Re-election of Mr JS Mthimunye as a Director of the Company			
Ordinary resolution number 5: Re-election of Ms NP Mnxasana as a Director of the Company			
Ordinary resolution number 6: Reappointment of external auditor			
Ordinary resolution number 7: Election of Ms NP Mnxasana as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8: Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee			
Ordinary resolution number 9: Election of Ms LE Mthimunye as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 10: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 11: Non-binding advisory endorsement of the remuneration and reward policy			
Ordinary resolution number 12: Non-binding advisory endorsement of the remuneration implementation report			
Ordinary resolution number 13: Directors' authority to implement ordinary and special resolutions			
Special resolution number 1: Non-executive Directors' remuneration			
Special resolution number 2: General authority to repurchase shares			

Signed at

on day of 2023

Signature

Assisted by (if applicable)

Please read the notes on the reverse side hereof.

NOTES TO 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, 21 November 2023. 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, H Masondo*, NP Mnxasana*, JS Mthimunye*, LE Mthimunye*, DA Suntup, SJ Vilakazi*

(* Independent Non-executive)

COMPANY SECRETARY
J van Eden

SPONSOR
Investec Bank Limited

AUDITORS
SizweNtsalubaGobodo Grant Thornton Inc.

BLUE LABEL TELECOMS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)
("Blue Label" or "the Company")

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
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