1. Results of operations

1.1 Segmental summary

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

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

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

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

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

Segmental summary

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

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

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

1. Results of operations continued

1.1 Segmental summary continued

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

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

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

** Core net profit and core headline earnings*

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

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