

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

## 2. Group composition continued

### 2.1 Investments in and loans to associates and joint ventures

Company	Associate Oxygen Services India Private Limited		Joint venture Blue Label Mexico S.A. de C.V.		Joint venture 2DFine Group <sup>1</sup>	
	Principal activity Airtime and payment solution provider		Distributor of terminals to vend e-tokens of value		Investment holding company	
Country of incorporation	India		Mexico		Mauritius	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
<b>Cost and share of reserves at the beginning of the year</b>	<b>61 543</b>	58 317	<b>267 568</b>	318 508	<b>(23 806)</b>	(13 483)
Acquisition of associates and joint ventures	<b>167 762</b>	—	<b>42 654</b>	50 033	—	—
Share of (losses)/profits from associates and joint ventures	<b>2 307</b>	2 621	<b>(63 293)</b>	(88 508)	<b>(10 245)</b>	(7 574)
Share of results after tax	<b>(27 106)</b>	4 095	<b>(61 219)</b>	(86 389)	<b>(10 245)</b>	(7 574)
Amortisation of intangible assets	<b>(786)</b>	(2 047)	<b>(2 881)</b>	(2 943)	—	—
Deferred tax on intangible assets amortisation	<b>220</b>	573	<b>807</b>	824	—	—
Dilution of associate <sup>2</sup>	<b>29 979</b>	—	—	—	—	—
Foreign currency translation reserve	<b>71 150</b>	1 445	<b>7 926</b>	(12 465)	<b>(8 235)</b>	(2 749)
Equity compensation benefit	<b>750</b>	548	—	—	—	—
Dividends received	—	(1 388)	—	—	—	—
Disposal of associate/joint venture included in other income	—	—	—	—	—	—
<b>Cost and share of reserves at the end of the year</b>	<b>303 512</b>	61 543	<b>254 855</b>	267 568	<b>(42 286)</b>	(23 806)
<b>Loans at the beginning of the year</b>	<b>29 552</b>	25 069	—	1 054	<b>163 634</b>	127 372
Loans granted to associates and joint ventures	—	—	—	48 979	<b>20 454</b>	15 027
Loans repaid by associates and joint ventures	—	—	—	—	—	—
Loan granted to joint venture capitalised	—	—	—	(50 033)	—	—
Unrealised foreign exchange profit on loans to associates and joint ventures	<b>8 807</b>	4 483	—	—	<b>50 804</b>	21 235
<b>Loans at the end of the year</b>	<b>38 359</b>	29 552	—	—	<b>234 892</b>	163 634
<b>Closing net book value</b>	<b>341 871</b>	91 095	<b>254 855</b>	267 568	<b>192 606</b>	139 828

<sup>1</sup> 2DFine Group consists of 2DFine Holdings Mauritius and 2DFine Investments Mauritius.

<sup>2</sup> This dilution relates to the 2DFine Group's shareholding in Oxygen Services India Private Limited decreasing from 37.22% to 34.42%. (The Group's effective share decreased from 18.1% to 17.21%). Refer to page 33.

<sup>3</sup> This represents an equity loan granted to Lornox Proprietary Limited. These loans are repayable from surplus reserves at the discretion of the board.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

Joint venture SupaPesa Africa Limited Content provider		Other associates		Other joint ventures		Total	
Mauritius							
2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
33 908	—	7 709	80 079	564	1 193	347 486	444 614
—	29 951	59 949 <sup>3</sup>	7 086	—	100	270 365	87 170
348	2 658	(3 606)	12 194	2 719	(729)	(71 770)	(79 338)
348	2 658	(3 606)	12 194	2 719	(729)	(99 109)	(75 745)
—	—	—	—	—	—	(3 667)	(4 990)
—	—	—	—	—	—	1 027	1 397
—	—	—	—	—	—	29 979	—
10 208	1 299	495	1 973	—	—	81 544	(10 497)
—	—	—	—	—	—	750	548
—	—	—	—	—	—	—	(1 388)
—	—	—	(93 623)	(4)	—	(4)	(93 623)
44 464	33 908	64 547	7 709	3 279	564	628 371	347 486
—	—	—	—	7 900	—	201 086	153 495
—	—	—	—	1 638	7 900	22 092	71 906
—	—	—	—	(593)	—	(593)	—
—	—	—	—	—	—	—	(50 033)
—	—	—	—	—	—	59 611	25 718
—	—	—	—	8 945	7 900	282 196	201 086
44 464	33 908	64 547	7 709	12 224	8 464	910 567	548 572

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

## 2. Group composition continued

### 2.1 Investments in and loans to associates and joint ventures continued

Company	Associate	
	Oxigen Services India Private Limited	
Principal activity	Airtime and payment solution provider	
Country of incorporation	India	
	2016 R'000	2015 R'000
<b>Statement of financial position</b>		
Non-current assets	339 096	129 691
Current assets	451 256	226 721
Cash and cash equivalents	168 248	119 757
Other current assets	283 008	106 964
	790 352	356 412
Total equity	224 477	75 737
Non-current liabilities	10 864	36 687
Current liabilities	555 011	243 988
Trade and other payables	368 146	180 044
Other current liabilities	186 865	63 944
	790 352	356 412
Effective percentage held	58.18	55.83
Net assets	224 477	75 737
Company net assets	207 571	59 252
Carrying value of purchase price allocations net of deferred taxation	16 906	16 485
Interest in associate and joint ventures	123 664 <sup>2</sup>	36 148 <sup>2</sup>
Goodwill	179 848	25 395
Balance at the end of the year	303 512	61 543
<b>Statement of comprehensive income</b>		
Revenue	6 391 207	4 858 126
Operating profit before depreciation, amortisation and impairment charges	5 061	25 219
Depreciation and amortisation	(34 037)	(16 030)
Finance costs	(22 284)	(10 132)
Finance income	5 491	4 679
Net profit/(loss) before taxation	(45 769)	3 736
Taxation	(2 292)	957
Net profit/(loss) after taxation	(48 061)	4 693
Other comprehensive income/(loss)	25 932	(2 484)
Total comprehensive income/(loss)	(22 129)	2 209
Effective percentage held	58.18	55.83
Share of total comprehensive income	(16 940) <sup>3</sup>	1 233

We have aligned prior year disclosure in line with current year.

<sup>1</sup> 2DFine Group consists of 2DFine Holdings Mauritius and 2DFine Investments Mauritius.

<sup>2</sup> The purchase price allocation arose when the 2DFine Group purchased its holding into OSI in June 2011. The Group therefore only accounts for its effective share of the carrying value of the purchase price allocations. The effective share is 17.21% (2015: 18.61%).

<sup>3</sup> During the year BLT increased its effective holding by 2.35% to 58.18% in OSI.

<sup>4</sup> During the year BLT increased its holding by 0.92% to 47.56% in BLM. In the prior year BLT increased its shareholding by 1.07% to 46.64% in BLM.

<sup>5</sup> Viamedia Proprietary Limited (75% owned by the Group) holds 50% of SupaPesa Africa Proprietary Limited. Therefore the Group equity accounts for 50% of net assets.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

Joint venture Blue Label Mexico S.A. de C.V.		Joint venture 2DFine Group <sup>1</sup>		Joint venture SupaPesa Africa Proprietary Limited	
Distributor of terminals to vend e-tokens of value		Investment holding company		Content provider	
Mexico		Mauritius		Mauritius	
2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
<b>171 701</b>	214 368	<b>154 706</b>	118 463	<b>10 654</b>	8 207
<b>193 490</b>	150 609	<b>59</b>	45	<b>8 645</b>	6 906
<b>88 498</b>	46 320	<b>2</b>	1	<b>4 702</b>	—
<b>104 992</b>	104 289	<b>57</b>	44	<b>3 943</b>	6 906
<b>365 191</b>	364 977	<b>154 765</b>	118 508	<b>19 299</b>	15 113
<b>228 233</b>	261 721	<b>(84 570)</b>	(47 611)	<b>7 889</b>	5 380
<b>7 464</b>	8 483	<b>—</b>	—	<b>9 855</b>	8 207
<b>129 494</b>	94 773	<b>239 335</b>	166 119	<b>1 555</b>	1 526
<b>129 090</b>	93 564	<b>897</b>	191	<b>1 311</b>	1 154
<b>404</b>	1 209	<b>238 438</b>	165 928	<b>244</b>	372
<b>365 191</b>	364 977	<b>154 765</b>	118 508	<b>19 299</b>	15 113
<b>47.56</b>	46.64	<b>50</b>	50	<b>37.5</b>	37.5
<b>228 233</b>	261 721	<b>(84 570)</b>	(47 611)	<b>7 889</b>	5 380
<b>209 039</b>	239 959	<b>(84 570)</b>	(47 611)	<b>7 889</b>	5 380
<b>19 194</b>	21 762	<b>—</b>	—	<b>—</b>	—
<b>108 548</b>	122 067	<b>(42 286)</b>	(23 806)	<b>3 944<sup>5</sup></b>	2 690 <sup>5</sup>
<b>146 307</b>	145 502	<b>—</b>	—	<b>40 520</b>	31 215
<b>254 855</b>	267 569	<b>(42 286)</b>	(23 806)	<b>44 464</b>	33 905
<b>4 016 614</b>	3 526 451	<b>—</b>	—	<b>13 052</b>	8 110
<b>(70 042)</b>	(124 452)	<b>(645)</b>	(907)	<b>1 583</b>	5 900
<b>(67 425)</b>	(68 275)	<b>—</b>	—	<b>—</b>	—
<b>—</b>	—	<b>(19 844)</b>	(14 240)	<b>(865)</b>	(420)
<b>1 927</b>	1 719	<b>—</b>	—	<b>—</b>	—
<b>(135 540)</b>	(191 008)	<b>(20 489)</b>	(15 147)	<b>718</b>	5 480
<b>1 109</b>	(2 671)	<b>—</b>	—	<b>(22)</b>	(164)
<b>(134 431)</b>	(193 679)	<b>(20 489)</b>	(15 147)	<b>696</b>	5 316
<b>16 370</b>	(14 765)	<b>(16 470)</b>	(5 499)	<b>1 811</b>	64
<b>(118 061)</b>	(208 444)	<b>(36 959)</b>	(20 646)	<b>2 507</b>	5 380
<b>47.56</b>	46.64	<b>50</b>	50	<b>37.5<sup>5</sup></b>	37.5 <sup>5</sup>
<b>(55 696)<sup>4</sup></b>	(92 749) <sup>4</sup>	<b>(18 479)</b>	(10 323)	<b>1 254</b>	2 690

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

## 2. Group composition continued

### 2.1 Investments in and loans to associates and joint ventures continued

The Group's interests in its other associates, which are unlisted, are as follows:

	Country of incorporation	Non-current assets R'000	Current assets R'000
<b>2016</b>			
Lornanox Proprietary Limited	South Africa	40 464	111 732
Mpower Softcomm Private Limited	India	20 958	15 819
<b>2015</b>			
Lornanox Proprietary Limited	South Africa	—	6 000
Mpower Softcomm Private Limited	India	17 700	7 288
Forensic Intelligence Data Solutions Proprietary Limited	South Africa	1 328	3 063

The Group's interests in its other joint ventures, which are unlisted, are as follows:

	Country of incorporation	Non-current assets R'000	Current assets R'000
<b>2016</b>			
Supa Pesa South Africa Proprietary Limited	South Africa	148	4 618
Banosign Proprietary Limited	South Africa	118	5 356
Datacision Proprietary Limited	South Africa	—	15 654
<b>2015</b>			
Supa Pesa South Africa Proprietary Limited	South Africa	142	1 186
Datacision Proprietary Limited	South Africa	*	14 513

\* Less than R1 000.

### Loans to associates and joint ventures

	Interest rate	2016 R'000	2015 R'000
Oxigen Services India Private Limited	LIBOR + 1.50%	38 359	29 552
2DFine Holdings Mauritius*	10%	234 892	163 634
Supa Pesa South Africa Proprietary Limited	11%	7 307	7 900
Banosign Proprietary Limited	0%	1 638	—
		<b>282 196</b>	201 086

\* Refer to note 8 for details on the surety relating to this loan.

The loans are neither past due nor impaired with a low risk of default.

The loans to associates and joint ventures are repayable on demand.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

Non-current liabilities R'000	Current liabilities R'000	Revenues R'000	Net profit/ (loss) R'000	Total comprehensive profit/ (loss) R'000	Effective percentage interest held %	Carrying value of investment R'000
—	97 626	149 044	(11 389)	(11 389)	40	61 394
3 170	11 632	49 160	6 711	6 711	21.6	3 153
—	—	—	—	—	40	6 000
282	12 801	23 262	1 323	2 227	21.6	1 709
—	2 011	2 641	11 908	11 908	20.25	—

Non-current liabilities R'000	Current liabilities R'000	Revenues R'000	Net profit/ (loss) R'000	Total comprehensive profit/ (loss) R'000	Effective percentage interest held %	Carrying value of investment R'000
7 308	404	973	4 530	4 530	37.5	9 750
1 638	4 600	2 414	(764)	(764)	50.1	1 254
37	3 784	10 858	1 520	1 520	40.5	1 220
8 429	378	2 180	*	*	37.5	8 000
2	4 199	22 454	3 174	3 174	40.5	464

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

## 2. Group composition continued

### 2.1 Investments in and loans to associates and joint ventures continued

#### Loans to associates and joint ventures continued

The Group considers its maximum exposure in respect of these loans, without taking into account any collateral and financial guarantees, to be as follows:

	2016 R'000	2015 R'000
Group 1	—	7 900
Group 2	282 196	193 186
Group 3	—	—
	<b>282 196</b>	<b>201 086</b>

The Group has subordinated a portion of its loan to 2DFine Holdings Mauritius Limited in favour of other creditors, to the value of R41 million.

The rating groups for counterparties are categorised as follows:

Group 1 – New customers/related parties (less than six months).

Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.

Group 3 – Existing customers/related parties (more than six months) with some defaults in the past.

#### Impairment of associates and joint ventures

There was no impairment of investment in associates and joint ventures. This was tested by comparing the recoverable amount against the carrying value of the investment in associates and joint ventures.

The recoverable amount is the higher of fair value less cost of disposal and the value-in-use. These value-in-use calculations use 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 key assumptions used for the value-in-use calculations are as follows:

	2016		2015	
	Growth rate %	Discount rate %	Growth rate %	Discount rate %
Oxygen Services India Private Limited	5.0	35.00	5.0	21.00
SupaPesa Africa Limited	4.0	17.74	4.0	17.38
Blue Label Mexico S.A.de C.V.	3.5	16.44	3.5	18.46

The discount rates used are post-tax and reflect specific risks relating to the relevant associates and joint ventures. The growth rate is used to extrapolate cash flows beyond the budget period. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the companies operate.

The inputs used when calculating the value-in-use would need to be increased/(decreased) by the following amounts before any impairment would need to be recognised:

	2016 Growth rate %	Discount rate %
SupaPesa Africa Limited	<b>(3)</b>	<b>2</b>

For Oxygen Services India Private Limited and Blue Label Mexico S.A. de C.V., if one or more of the inputs were changed to a reasonable possible alternative, there would be no impairments that would have to be recognised.

In considering the impairment of the Group's investment in Oxygen Services India Private Limited (OSI), the Group has evaluated the company's historical performance and future strategy. OSI currently has 127 000 touch points operational in its offline division, with the Group's share of profits from this division increasing by R21.4 million in the current year. In India there has been a shift in demand for online wallets. Accordingly a strategic decision was made to enter this market. Through the extensive marketing OSI has undertaken, the number of wallet subscribers acquired as well as the volume of transactions performed will continue to increase. This growth is evidenced by the fact that the wallet subscriber base has increased from 5.4 million to 22.6 million in the current financial year. Daily money transfer deposits have grown from USD3.3 million per day as at 31 May 2015 to USD4.0 million per day as at 31 July 2016, increasing exponentially through its connectivity with the National Payment Corporation of India. Accordingly, the Group's share of losses generated by the online division increased by R31.5 million in the current year.

In assessing the Group's investment into the 2DFine Group, the factors relating to OSI above were taken into account as this is 2DFine Group's main investment.

Based on these factors, as well as the impairment testing performed the Group has concluded that no impairment is indicated.

The Group has concluded that no impairment of its investment in Blue Label Mexico S.A. de C.V. (BLM) is required. The losses in BLM are primarily due to BLM becoming a multi-carrier distributor as opposed to historically being confined to one network. This has created a more competitive environment amongst the networks to the benefit of BLM. The introduction of the distribution of starter packs that generate monthly compounded annuity income is expected to gain momentum which will result in further declines in losses going forward.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

## 2. Group composition continued

### 2.1 Investments in and loans to associates and joint ventures continued

#### Shares in associates and joint ventures acquired during the current year

		Date acquired	Effective percentage
Banosign Proprietary Limited	Joint venture	01-Apr-16	50.1
Oxygen Services India Private Limited	Associate	01-Mar-16	2.35
Blue Label Mexico S.A. de C.V.	Joint venture	01-Sep-15	0.92

The Group's effective shareholding in OSI prior to March 2016 was 55.83%. Of this shareholding, 37.22% was held by Gold Label Investments (GLI), a wholly owned subsidiary of the Group and 18.61% indirectly through the Group's 50% shareholding in 2DFine Holdings Mauritius. In March 2016, a rights issue was offered by OSI for USD10.5 million. The Group exercised its rights for the entire amount through GLI congruent with 2DFine Holdings Mauritius waiving its rights. The effect of this is that GLI's shareholding has increased from 37.22% to 40.97% and its indirect shareholding of 18.61% has been diluted to 17.21%. The latter has in turn resulted in a gain of R30 million on dilution, being the Group's share of the increased net asset value emanating from the rights issue. The Group's effective shareholding in OSI therefore increased by 2.35% to 58.18%. The amount paid for this was R159.4 million, the difference of R8.3 million relates to foreign exchange differences.

In September 2015 BLT increased its holding by 0.92% to 47.56% in BLM for an amount of R42.5 million.

#### Shares in associates disposed of during the current year

		Date disposed	Effective percentage
Forensic Intelligence Data Solutions Proprietary Limited	Associate	01-Dec-15	20.25

The Group disposed of Forensic Intelligence Data Solutions Proprietary Limited for a nominal value.

Blue Label Telecoms Limited has guaranteed 45% of the amount owed by BLM to Radiomovil Dipsa S.A. de C.V. (trading as Telcel). At year-end there is no balance due to them by BLM.

There are no other contingent liabilities relating to the Group's interest in joint ventures.

For details on related-party transactions, refer to note 8.

### 2.2 Disposal of subsidiary

Date disposed % disposed	30 October 2015 100 Velociti Proprietary Limited R'000
Carrying/fair value of subsidiary disposed of	17 216
Goodwill	3 169
Carrying/fair value of net assets disposed of	20 385
Loss on disposal of subsidiary	(3 885)
Total proceeds on disposal received in cash	16 500
Less: Cash and cash equivalents in subsidiary	(3 281)
Cash inflow on disposal	13 219

On 30 October 2015, Blue Label Telecoms Limited sold its 100% shareholding in Velociti Proprietary Limited to a third party for an amount of R16.5 million. The loss on disposal of R3.9 million has been recognised in the income statement.