

Notes to the Group annual financial statements continued

For the year ended 31 May 2017

9. Unrecognised items continued

9.2 Subsequent events

On 2 August 2017, Blue Label, through its wholly owned subsidiary, The Prepaid Company Proprietary Limited (The Prepaid Company), acquired 45% of the issued share capital of Cell C Proprietary Limited (Cell C) for a purchase consideration of R5.5 billion. Of this amount, 183 333 333 ordinary shares were subscribed for by third parties at an issue price of R15.00 per share, equating to R2.75 billion.

On the same date, The Prepaid Company concluded an agreement to purchase 100% of the issued share capital in 3G Mobile Proprietary Limited (3G Mobile) from its shareholders for a purchase consideration of R1.9 billion.

The acquisition has been structured in two stages, whereby 47.37% of the issued share capital was initially acquired for a purchase consideration of R900 million. The remaining 52.63% of the issued share capital will be acquired for a further R1.0 billion, subject to the fulfilment of conditions precedent. Of the initial purchase of 47.37%, 16 666 666 ordinary shares were issued to the vendors at R15.00 per share, equating to R250 million. The balance of R650 million will be payable on 28 February 2018.

As part of the restructure of the debt into Cell C by third party lenders, The Prepaid Company will be required to provide liquidity support to Magnolia Cellular Investment 2 (RF) Proprietary Limited (SPV2), which is 100% held by 3C Telecommunications Proprietary Limited, of up to USD80 million, which liquidity support will be provided over 24 months and will be in the form of subordinated funding to SPV2. Oger Telecoms contributed USD20 million of the aforesaid USD80 million thus reducing The Prepaid Company's obligation in this regard to a maximum of USD60 million. In addition, to the extent that certain assets of Oger Telecoms are realised within the aforesaid 24 month period, a portion of such realisation shall further reduce The Prepaid Company's obligation. In this regard, USD16 million has been realised, thereby reducing its exposure to a maximum of USD44 million.

With effect from 2 August 2017 The Prepaid Company purchased Bond notes, issued by Cedar Cellular Investments 1 Proprietary Limited, from Saudi Oger Limited with a capital redemption value of USD18 million and with a coupon rate of 8.625% per annum for a purchase consideration of USD18 million, of which USD6 million has been paid, USD3 million will be paid imminently and USD9 million will be payable on 30 November 2017. The Prepaid Company was entitled to assign its rights and obligations, in whole or in part, to a nominee. Accordingly, it has assigned such rights and obligations in respect of 50% of the Bond notes, which assignment has been accepted by the assignee.

On 2 August 2017 The Prepaid Company concluded an agreement with Cell C in terms of which it has undertaken to advance R1.34 billion on a piecemeal basis for the purpose of applying such funds towards capital expenditure. This advance, which is interest bearing, will be repayable in full by the end of July 2018.

Subsequent to year-end, dividend number 8 was declared and approved by the Board.