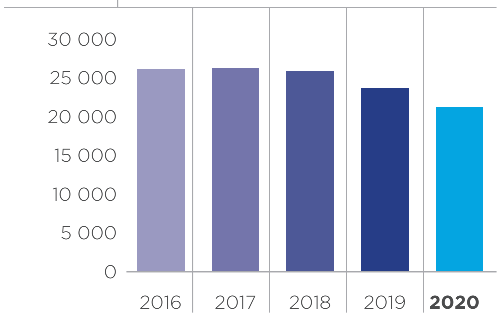
BLUE LABEL TELECOMS

CONNECTING OUR WORLD TO **YOURS**

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING 2020

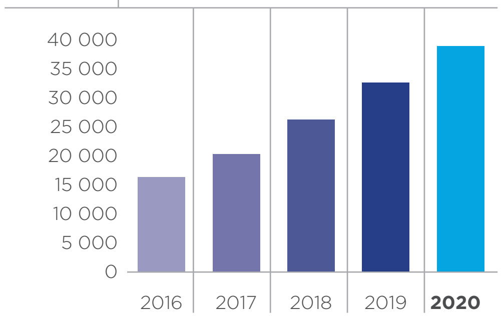
Contents

RevenueΔ
(R'million)



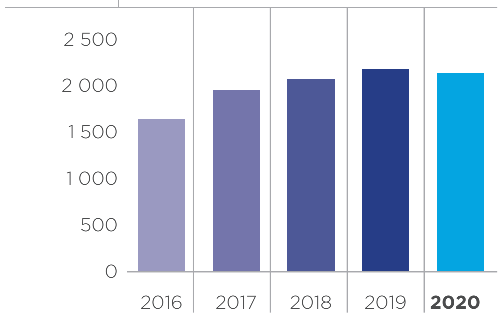
Δ *Includes only continuing operations.*

Gross transactional values#
(R'million)



Includes gross electricity, ticketing, gaming and PINless top-ups.

Gross profitΔ
(R'million)



Message from the Chairman

DEAR STAKEHOLDERS

This booklet provides shareholders with a summarised version of Blue Label Telecoms' annual results and performance for the year ended 31 May 2020.

This summary is in compliance with the South African Companies Act and JSE requirements.

The Board and Senior Management team have, over the past year, focused on three key priorities: our back-to-basics operational plans, asset sales to reduce debt levels and strengthen the balance sheet and the recapitalisation of Cell C.

I am heartened to report significant progress on all three strategic priorities.

I encourage you to read my report and the full integrated annual report which is available for viewing and downloading on our website **www.bluelabeltelecoms.co.za**.

Blue Label's Notice of virtual Annual General Meeting and proxy form relating thereto is also provided herein.

We trust you will find this booklet and our 2020 integrated annual report on our website both informative and of value.

Larry Nestadt
Chairman

23 September 2020

Highlights

A snapshot overview of Blue Label's financial performance for the year ending 31 May 2020.

Headline earnings of **58.16 cents per share****
(2019: 312.49 cents loss pare share)

Core headline earnings of **62.71 cents per share****
(2019: 304.77 cents loss per share)

Revenue of **R21.1 billion***

Successful completion of the disposal of the Blue Label Mobile Group and the Handset division of 3G Mobile

Gross profit of **R2.12 billion**

Interest-bearing borrowings reduced to **R2.3 billion**
(2019: R3.2 billion)

Increase in gross profit margin from **9.21%** to **10.05%**

Net cash generated from operating activities of **R1.3 billion**

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase equated to 7% from R56.0 billion to R59.9 billion.

** On exclusion of negative contributions by the ceased operations of WiConnect and fair value downward adjustments, core headline earnings equated to 86.13 cents per share.

Commentary

COVID-19 PANDEMIC

In spite of certain restrictions caused by the COVID-19 pandemic, Blue Label has continued to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services. The lockdown regulations and the downturn in economic activity have not negatively impacted airtime, data and electricity sales volumes. The Group's digital expertise has enabled uninterrupted access of all its products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa. Cash flow generated by the core businesses within the Group has consequently not been negatively impacted.

The products and services that Blue Label provides fulfil essential needs of the consumer, even more so during the lockdown period due to home confinement. In essence, such demand would only decline if consumer cash resources dwindle as a result of a decline in their income. In a situation of this nature, Blue Label's products and services would remain a priority in consumer spend and retain a level of resilience in comparison to other consumer goods and services.

The Group's retail business, starter pack distribution, gaming vouchers and ticketing were negatively impacted during the initial lockdown period. Starter pack distribution and gaming voucher trading volumes are now back to pre-COVID-19 levels.

The lockdown, however, had a significant negative impact on the retail operations of WiConnect and, given the uncertainty of the duration of the pandemic and the resultant losses attributable thereto impacting its financial feasibility, a decision was made prior to year-end to cease the operations of the WiConnect retail stores. This resulted in a negative impact of R318 million on the Group's basic earnings for the year ended 31 May 2020. The actual cash outflow required for the closure of the stores, which is included in the R318 million expense, will, however, be confined to approximately R30 million, in that the balance of such negative earnings represents all trading losses which have been expended, impairments to property, plant and equipment and goodwill.

Challenging economic conditions, an unfavourable trading environment, margin compression as a result of reduced incentives from the mobile networks and an increase in product costs, exacerbated by COVID-19, necessitated an impairment of goodwill in Blue Label Connect of R157 million, a partial goodwill impairment in Glocell Distribution of R57 million and a fair value downward adjustment of the Glocell loan, net of taxation, of R47 million.

GROUP RESULTS

Core headline earnings for the year ended 31 May 2020 amounted to R562 million, equating to core headline earnings of 62.71 cents per share. Core headline earnings for the year ended 31 May 2019 amounted to a loss of R2.78 billion, equating to a negative 304.77 cents per share.

On exclusion of extraneous costs of R210 million in the current year and R3.66 billion in the comparative year, as illustrated in the tables below, core headline earnings from trading operations declined by R100 million (11%) from R872 million to R772 million, equating to core headline earnings of 86.13 cents per share. Core headline earnings for the current year, after the exclusion of extraneous costs, comprised R632 million from continuing operations and R140 million from discontinued operations.

Earnings per share and headline earnings per share increased from a negative 727.81 and 312.49 cents per share in the prior year to a positive 13.89 and 58.16 cents per share respectively in the current year.

The financial results of Blue Label Mobile, the Handset division of 3G Mobile and WiConnect, totalling R93 million (2019: R122 million), are disclosed in core headline earnings from discontinued operations in both the current and comparative years and are not included in revenue, gross profit, EBITDA and net profit/(loss) after taxation.

Group revenue generated by the continuing operations within the Group declined by 10% to R21.1 billion. 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 thereon, the effective growth in revenue equated to 7% from R56.0 billion to R59.9 billion.

Gross profit declined by 2% from R2.17 billion to R2.12 billion, partially limited due to an increase in margins from 9.21% to 10.05%.

Commentary continued

Group income statement

	Group May 2020 R'000	Extraneous costs* May 2020 R'000	Remaining May 2020 R'000	**Group May 2019 R'000**	Extraneous costs** May 2019 R'000	Remaining May 2019 R'000	Growth remaining R'000	Growth remaining %
Revenue								
Revenue	**21 135 326**	–	21 135 326	**23 602 264**	–	23 602 264	(2 466 938)	(10%)
Gross profit	**2 124 611**	–	2 124 611	**2 173 685**	–	2 173 685	(49 074)	(2%)
EBITDA	**825 364**	(387 754)	1 213 118	**257 300**	(1 066 437)	1 323 737	(110 619)	(8%)
Impairments on associates and joint venture	**–**	–	–	**(2 639 564)**	(2 639 564)	–	–	
Share of profits/(losses) from associates and joint ventures	**16 598**	–	16 598	**(3 693 431)**	(3 696 133)	2 702	13 896	514%
– Cell C	**–**	–	–	**(3 609 496)**	(3 609 496)	–	–	
– Oxigen Services India	**–**	–	–	**(86 637)**	(86 637)	–	–	
– Blue Label Mexico	**(5 806)**	–	(5 806)	**(24 096)**	–	(24 096)	18 290	76%
– Other	**22 404**	–	22 404	**26 798**	–	26 798	(4 394)	(16%)
Net profit/(loss) from continuing operations	**226 786**	(376 824)	603 610	**(6 672 923)**	(7 372 270)	699 347	(95 737)	(14%)
Core headline earnings	**562 132**	(209 979)	772 111	**(2 783 155)**	(3 655 111)	871 956	(99 845)	(11%)
– From continuing operations	**469 113**	(163 240)	632 353	**(2 904 973)**	(3 642 066)	737 093	(104 740)	(14%)
– From discontinued operations	**93 019**	(46 739)	139 758	**121 818**	(13 045)	134 863	4 895	4%
Gross profit margin	**10.05%**		10.05%	**9.21%**		9.21%		
EBITDA margin	**3.91%**		5.74%	**1.09%**		5.61%		
Weighted average shares ('000)	**896 409**		896 409	**913 208**		913 208		
EPS (cents)	**13.89**		82.04	**(727.81)**		88.41	(6.37)	(7%)
HEPS (cents)	**58.16**		81.58	**(312.49)**		88.90	(7.32)	(8%)
Core HEPS (cents)	**62.71**		86.13	**(304.77)**		95.48	(9.35)	(10%)
– From continuing operations	**52.33**		70.54	**(318.11)**		80.71		
– From discontinued operations	**10.38**		15.59	**13.34**		14.77		

Commentary continued

* The predominant negative contributions to Group earnings in the current year were attributable to:
- fair value downward adjustments of the Glocell loan and an unrealised foreign exchange loss on the USD20 million liquidity support provided to SPV2[1];
- impairments of goodwill relating to Blue Label Connect and a partial impairment relating to Glocell Distribution[2];
- extraneous expenditure within the Retail division as a result of the closure of the WiConnect stores[3]; and
- once-off expenditure and income[4].

	Extraneous costs May 2020 R'000	Fair value losses[1] May 2020 R'000	Impairments[2] May 2020 R'000	WiConnect[3] May 2020 R'000	Once-offs[4] May 2020 R'000
EBITDA	**(387 754)**	(115 065)	(213 584)	—	(59 105)
Net profit/(loss) from continuing operations	**(376 824)**	(96 481)	(213 584)	—	(66 759)
Core headline earnings	**(209 979)**	(96 481)	—	(183 773)	70 275
– From continuing operations	**(163 240)**	(96 481)	—	—	(66 759)
– From discontinued operations	**(46 739)**	—	—	(183 773)	137 034

Commentary continued

** The predominant negative contributions to Group earnings in the prior year were attributable to:
- Cell C's trading losses, impairment of its property, plant and equipment, the impact of a derecognition of its deferred tax asset and the consequent impairment of Blue Label's total investment therein(5);
- fair value downward adjustments of the complete exposure relating to SPV1 and SPV2 (the structure of which was detailed in the trading statement published on SENS on 22 February 2019) and the Glocell loan(6);
- partial impairments of goodwill relating to Viamedia and Blue Label Connect and a partial impairment of the investment in the SupaPesa joint venture(7);
- an Impairment of Blue Label's total investment in the Oxigen India Group, including 2DFine Holdings Mauritius, as well as providing for loan impairments and guarantees payable thereon(8);
- expenditure within the Retail division of the WiConnect stores(9); and
- once-off expenditure and income(10).

	Extraneous costs May 2019 R'000	Cell C(5) May 2019 R'000	Fair value losses(6) May 2019 R'000	Impairments(7) May 2019 R'000	OSI adjustments(8) May 2019 R'000	WiConnect(9) May 2019 R'000	Once-offs(10) May 2019 R'000
EBITDA	**(1 066 437)**	—	(873 877)	(50 398)	(193 364)	—	51 202
Impairments on associates and joint venture	**(2 639 564)**	(2 521 152)	—	—	(118 412)	—	—
Share of profits/(losses) from associates and joint ventures	**(3 696 133)**	(3 609 496)	—	—	(86 637)	—	—
– Cell C	**(3 609 496)**	(3 609 496)	—	—	—	—	—
– Oxigen Services India	**(86 637)**	—	—	—	(86 637)	—	—
Net profit/(loss) from continuing operations	**(7 372 270)**	(6 130 647)	(837 831)	(50 398)	(398 412)	—	45 018
Core headline earnings	**(3 655 111)**	(2 616 427)	(837 831)	—	(232 826)	(13 045)	45 018
– From continuing operations	**(3 642 066)**	(2 616 427)	(837 831)	—	(232 826)	—	45 018
– From discontinued operations	**(13 045)**	—	—	—	—	(13 045)	—

The increase in EBITDA of R568 million was attributable to the movement in extraneous costs of R679 million. In the current year, these costs amounted to R388 million, of which R66 million pertained to fair value downward adjustment of the Glocell loan, R49 million to the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support, R157 million to an impairment of goodwill relating to Blue Label Connect, R57 million to a partial goodwill impairment relating to Glocell Distribution and R59 million to once-off expenditure. The comparative year included extraneous costs of R1.1 billion, of which R874 million pertained to fair value losses relating to SPV1, SPV2 and the Glocell loan, and R193 million to guarantees payable and loan impairments recognised on behalf of Oxigen Services India.

On exclusion of the above extraneous costs both in the current and comparative year, EBITDA declined by R111 million to R1.21 billion.

No further fair value losses relating to the SPVs, with the exception of the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support, were recognised in the current year as the exposure thereto was fully accounted for as at 31 May 2019. As the carrying value of Blue Label's investment in Cell C was fully impaired for the year ended 31 May 2019, the financial results of Cell C did not have any impact on Blue Label's earnings for the current year.

The Blue Label Group generated positive cash flows from its trading operations for the year ended 31 May 2020. This, together with the proceeds received from the disposals of the 3G Handset division and the Blue Label Mobile Group, have been applied to reduce interest-bearing debt resulting in the strengthening of the Group's balance sheet.

Commentary continued

Core headline earnings from discontinued operations amounted to R93 million inclusive of extraneous expenditure pertaining to the closure of the WiConnect stores and the accounting implications of the put option for the acquisition of the remaining 40% minority shareholding in Airvantage and AV Technology. The composition thereof is tabled below:

DISCONTINUED OPERATIONS

	Total May 2020 R'000	Africa Distribution May 2020 R'000	International May 2020 R'000	Mobile May 2020 R'000	Extraneous costs May 2020 R'000	Total May 2019 R'000	Africa Distribution May 2019 R'000	International May 2019 R'000	Mobile May 2019 R'000	Extraneous costs May 2019 R'000
Revenue	2 176 836	1 662 483	37 177	194 544	282 632	2 267 169	1 801 459	35 013	233 176	197 521
Gross profit	493 505	240 629	32 052	159 470	61 354	472 436	233 403	33 383	177 677	27 973
EBITDA	156 397	160 201	22 864	65 599	(92 267)	205 379	142 644	33 003	85 256	(55 524)
Share of (losses)/profits from associates and joint ventures	(2 958)	—	—	(2 958)	—	(37 488)	(6 314)	—	(1 662)	(29 512)
Core headline earnings	93 019	90 185	13 826	35 747	(46 739)	121 818	66 146	20 227	48 490	(13 045)

The disposal of 3G Mobile's handset trading operations and the Blue Label Mobile Group has successfully been completed.

Extraneous costs include:
- the financial results of the WiConnect stores;
- the accounting implications of the disposal of the discontinued operations; and
- the accounting effects of the put option for the acquisition of the remaining 40% minority share of Airvantage and AV Technology.

The proceeds of the above disposals were applied to the reduction of interest-bearing borrowings within the Group. The Group's strategic intent is to "go back to basics" and to significantly improve cash generation in order to deliver returns to shareholders.

Commentary continued

SEGMENTAL REPORT

Africa distribution

	May 2020 R'000	Extraneous costs(1, 2, 3) May 2020 R'000	Remaining May 2020 R'000	May 2019 R'000	Extraneous costs(5, 6, 7, 9) May 2019 R'000	Remaining May 2019 R'000	Growth remaining R'000	Growth remaining %
Revenue	**20 946 222**	—	20 946 222	**23 399 026**	—	23 399 026	(2 452 804)	(10%)
Gross profit	**2 066 476**	—	2 066 476	**2 111 800**	—	2 111 800	(45 324)	(2%)
EBITDA	**931 175**	(328 649)	1 259 824	**507 485**	(924 275)	1 431 760	(171 936)	(12%)
Impairments on associates and joint venture	**—**	—	—	**(2 521 152)**	(2 521 152)	—	—	
Share of profits/(losses) from associates and joint ventures	**2 635**	—	2 635	**(3 605 759)**	(3 609 496)	3 737	(1 102)	(29%)
– Cell C	**—**	—	—	**(3 609 496)**	(3 609 496)	—	—	
– Other	**2 635**	—	2 635	**3 737**	—	3 737	(1 102)	(29%)
Net profit/(loss) from continuing operations	**375 952**	(310 065)	686 017	**(6 179 847)**	(7 018 876)	839 029	(153 012)	(18%)
Core headline earnings	**522 976**	(280 254)	803 230	**(2 525 872)**	(3 467 303)	941 431	(138 201)	(15%)
– From continuing operations	**616 564**	(96 481)	713 045	**(2 578 974)**	(3 454 258)	875 284	(162 239)	(19%)
– From discontinued operations	**(93 588)**	(183 773)	90 185	**53 102**	(13 045)	66 147	24 038	36%

Refer to page 3 for footnote (1) – (3) and page 4 for footnote (5) – (9).

The financial results of the Handset division of 3G Mobile, Airvantage and WiConnect have been classified as discontinued operations and are not included in revenue, gross profit, EBITDA and net profit/(loss) after taxation.

Revenue generated by the continuing operations within the segment declined by 10% from R23.4 billion to R20.9 billion. 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 thereon, the effective growth in revenue equated to 7% from R55.8 billion to R59.7 billion.

Distribution in South Africa continues to expand its product and services portfolio, despite the general business and technology freeze experienced by many South African businesses during lockdown. Our continued focus on reducing the cost of and further digitising our distribution has seen our core products continue to migrate to pure digital channels. Our growing bundle of VAS and financial services products, that require face-to-face interaction, has experienced strong growth in formal retail, informal and petroleum channels. Our customer interaction centre has performed well with surveys indicating customer satisfaction with improved turnaround times. We continuously strive to differentiate ourselves from competitors and to ensure that we remain a distinctive magnet for foot traffic.

The Group continues to increase market share and bolster its product and services mix to defend and grow its positions in the market. Gross revenue generated on PINless top-ups increased by R3.4 billion from R11.6 billion to R15.0 billion.

Commentary continued

We continue to drive penetration into our municipal prepaid utilities market. We have enhanced our revenue collection services through the development of a comprehensive revenue assurance product suite which has resulted in enhanced traction and margins in this market.

Net commissions earned on the distribution of prepaid electricity amounted to R288 million. Revenue generated on behalf of the utilities increased by 13% from R20.0 billion to R22.7 billion. We have launched a zero-rated USSD and WhatsApp service allowing indigent customers to access their free basic electricity allocation without needing to incur the cost of travelling.

Gross profit declined by 2% from R2.11 billion to R2.07 billion, limited due to an increase in margins from 9.03% to 9.87%.

The EBITDA in the comparative year included extraneous costs attributable to fair value losses relating to the exposure to SPV1, SPV2 and the Glocell loan of R874 million as well as a goodwill impairment of R49.2 million pertaining to Blue Label Connect. Extraneous costs in the current year comprise the fair value downward adjustment to the Glocell loan of R66 million, the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support of R49 million, impairment of goodwill relating to Blue Label Connect of R156.5 million and a partial goodwill impairment relating to Glocell Distribution of R57 million.

As at 31 May 2019, the carrying value of Blue Label's investment in Cell C was fully impaired. Consequently, its financial results did not have an impact on Blue Label's earnings for the current year.

The comparative year reflected the negative contributions to core headline earnings by Cell C of R2.6 billion, WiConnect of R13 million and the fair value losses of R838 million pertaining to the exposure relating to SPV1, SPV2 and the Glocell loan. The current year reflects the fair value downward adjustment, net of taxation, to the Glocell loan of R47.8 million, the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support of R49 million, and losses in WiConnect of R184 million.

On exclusion of the above negative contributions of R280 million in the current year and R3.5 billion in the comparative year, core headline earnings from trading operations declined by R138 million (15%) from R941 million to R803 million. Of the latter amount, R713 million related to continuing operations and R90 million to discontinued operations.

The decline of R138 million in core headline earnings was partly attributable to starter pack distribution, gaming vouchers and ticketing being negatively impacted during the initial lockdown period as a result of the COVID-19 pandemic. This also resulted in the Group incurring a general increase in allowances raised for expected credit losses. Furthermore, exposure to the Edcon Group amounting to R41 million, net of taxation, has been provided for in full. Of this amount, R21 million relates to the WiConnect retail stores.

Commentary continued

International

	May 2020 R'000	Extraneous costs May 2020 R'000	Remaining May 2020 R'000	May 2019 R'000	Extraneous costs May 2019 R'000	Remaining May 2019 R'000	Growth remaining R'000	Growth remaining %
EBITDA	**19 474**	2 760	16 714	**(53 360)**	(51 260)	(2 100)	18 814	896%
Impairments on associates and joint venture			—	**(118 412)**	(118 412)	—	—	
Share of losses from associates and joint ventures	**(5 806)**	—	(5 806)	**(110 441)**	(86 637)	(23 804)	17 998	76%
– Oxigen Services India	**—**	—	—	**(86 637)**	(86 637)	—	—	
– Blue Label Mexico	**(5 806)**	—	(5 806)	**(24 096)**	—	(24 096)	18 290	76%
– Other	**—**	—	—	**292**	—	292	(292)	(100%)
Net profit/(loss) from continuing operations	**6 071**	2 760	3 311	**(277 445)**	(251 442)	(26 003)	29 314	113%
Core headline earnings	**21 615**	2 760	18 855	**(90 141)**	(85 856)	(4 285)	23 140	540%
– From continuing operations	**7 789**	2 760	5 029	**(110 368)**	(85 856)	(24 512)	29 541	121%
– From discontinued operations	**13 826**	—	13 826	**20 227**	—	20 227	(6 401)	(32%)

The financial results of AV Technology and Airvantage Brazil have been classified as discontinued operations.

As at 31 May 2019, the carrying value of Blue Label's investment in the Oxigen India Group was fully impaired. Consequently, its financial results did not have an impact on Blue Label's earnings for the current year.

Extraneous costs in the current and prior year relate to Oxigen Services India. On exclusion of these costs, EBITDA increased by R19 million.

Losses in Blue Label Mexico declined from R47 million to R9 million, of which the Group's share amounted to R5.8 million after the amortisation of intangible assets. In the comparative year, the Group's share of losses amounted to R24 million.

The positive turnaround in Blue Label Mexico was attributable to various initiatives that were implemented in the last quarter of the previous financial year which perpetuated in the current year.

Although its revenue declined by R451 million (12%) from R3.6 billion to R3.2 billion, gross profit increased by R9 million (6%) underpinned by an increase in gross profit margins from 3.83% to 4.66%.

Operational expenditure declined by 12%, through the implementation of significant cost-saving initiatives. The resultant EBITDA increased by R31 million from a negative R23 million to a positive R8 million.

Depreciation declined by R8 million (27%), primarily attributable to the expiry of the tenure of certain point of sale (POS) terminals.

The resultant contributions by the International segment to Group core headline earnings amounted to R22 million, of which continuing operations accounted for R8 million and discontinued operations for R14 million.

Commentary continued

Solutions

This segment comprises Datacel, Blue Label Data Solutions (BLDS), the data aggregation and lead generation entity in which the Group owns 81%, and a 50% joint venture shareholding owned by BLDS in United Call Centre Solutions, an outbound call centre operation.

	May 2020 R'000	May 2019 R'000	Growth remaining R'000	Growth remaining %
Revenue	**189 104**	203 238	(14 134)	(7%)
Gross profit	**58 135**	61 885	(3 750)	(6%)
EBITDA	**40 330**	37 786	2 544	7%
Share of profits from associates and joint ventures	**19 769**	22 769	(3 000)	(13%)
Net profit from continuing operations	**40 913**	43 563	(2 650)	(6%)
Core headline earnings	**40 910**	43 563	(2 653)	(6%)
– From continuing operations	**40 910**	43 563	(2 653)	(6%)
– From discontinued operations	**—**	—	—	

The decline in revenue of 7% to R189 million was attributable to lower demand for aggregated data and lead generations as a result of COVID-19 restrictions, which impacted the call centre operations during the lockdown period.

Although revenue declined, gross profit margins increased from 30.45% to 30.74%, limiting the decline in gross profit to R4 million (6%). After an overhead decline of 21%, EBITDA increased by R3 million (7%) to R40 million.

Of the core headline earnings of R41 million, BLDS accounted for R24 million. United Call Centre Solutions generated earnings of R39.6 million, of which the Group's share thereof amounted to R16 million.

Commentary continued

Corporate

	May 2020 R'000	Extraneous costs May 2020 R'000	Remaining May 2020 R'000	May 2019 R'000	Extraneous costs May 2019 R'000	Remaining May 2019 R'000	Growth remaining R'000	Growth remaining %
EBITDA	**(165 615)**	(61 865)	(103 750)	**(234 611)**	(90 902)	(143 709)	39 959	28%
Net loss from continuing operations	**(196 150)**	(69 519)	(126 631)	**(259 194)**	(101 952)	(157 242)	30 611	19%
Core headline earnings	**(196 150)**	(69 519)	(126 631)	**(259 194)**	(101 952)	(157 242)	30 611	19%

On exclusion of the extraneous costs pertaining to the loan impairment, the liability relating to financial guarantee contracts and foreign exchange movements in the Oxigen India Group and the accounting implications of the put option for the acquisition of the remaining 40% minority share of Airvantage and AV Technology, the negative contribution to Group core headline earnings declined by R31 million to R127 million.

DEPRECIATION AND AMORTISATION

Depreciation, amortisation and impairment charges on continuing operations increased by R19 million to R189 million. This was due to an increase of R32.2 million on depreciation raised in terms of IFRS 16 – *Leases*. In terms of this statement, leases that were previously recognised as operating leases under IAS 17 are accounted for in line with the requirements of IFRS 16. A right-of-use asset has been raised equivalent to the lease liabilities and amortised over the remaining lease term. This has given rise to a depreciation charge that previously would have been included in other expenses as part of the operating lease rental expense. This increase was offset by a reduction of R12.6 million relating to the amortisation of intangible assets.

NET FINANCE COSTS

Finance costs totalled R230 million comprising interest paid on borrowed funds of R203 million, R12 million on the unwinding on the lease liability now required in terms of IFRS 16 and R8 million on an imputed IFRS interest adjustment. On a comparative basis, interest paid on borrowed funds amounted to R209 million and the imputed IFRS interest adjustment equated to R15 million.

Finance income totalled R78 million, of which R63 million was for interest received on cash resources, R7 million on loans granted, and R3 million for imputed IFRS interest adjustments on credit afforded to customers. In the prior year, interest received on cash resources amounted to R27 million, interest on loans granted amounted to R53 million, and the imputed IFRS interest adjustment to R3 million.

STATEMENT OF FINANCIAL POSITION

Total assets decreased by R1.7 billion to R10.4 billion of which non-current assets accounted for R1.1 billion and current assets for R0.6 billion.

Non-current assets included decreases in investments in and loans to associates and joint ventures of R21 million, advances to customers of R135 million, intangible assets and goodwill of R1 billion, increases in capital expenditure net of depreciation of R39 million, and in other receivables of R9 million. These decreases were offset by increases in right-of-use assets of R88 million and loans receivable of R100 million.

The net decrease of R21 million in investments in and loans to associates and joint ventures comprised the Group's net share of profits totalling R15 million, its share of the movements in the foreign currency translation reserve amounting to R11 million offset by net loan decreases of R21 million, disposals of R21 million and dividends received of R6 million.

Of the net decrease in intangible assets and goodwill of R1 billion, R53 million was attributable to the impairment of goodwill relating to the disposal of the Handset division of 3G Mobile and Blue Label Mobile, R682 million to the disposal of these subsidiaries, R151 million to the amortisation of intangibles, R259 million to the

Commentary continued

impairment of goodwill and R22 million to disposal of intangibles. These decreases were offset by additions to intangible assets of R31 million and foreign currency adjustments of R29 million.

The material net decline in current assets included decreases in inventory of R938 million and trade and other receivables of R328 million, offset by increases in cash and cash equivalents of R629 million and advances to customers of R200 million.

The stock turn from continuing operations equated to 11 days compared to 21 days for the financial year ended 31 May 2019.

The debtor's collection period from continuing operations increased to 57 days compared to 50 days for the financial year ended 31 May 2019.

Net profit attributable to equity holders amounted to R124 million, contributing to accumulated capital and reserves of R2.5 billion.

Net borrowings decreased by R917 million.

Trade and other payables decreased by R760 million, with average credit terms from continuing operations equating to 80 days compared to 78 days for the financial year ended 31 May 2019.

STATEMENT OF CASH FLOWS

Cash generated from trading operations totalled R1.7 billion. Working capital movements comprised an increase in trade receivables of R148 million, an increase in advances to customers of R65 million and a decrease in trade payables of R397 million, offset by a decrease in inventory of R795 million. After incurring net finance costs and taxation, net cash generated from operating activities amounted to R1.3 billion.

Net cash flows from investing activities amounted to R454 million, primarily attributable to the receipt of funds, net of cash disposed, amounting to R698 million from the disposal of the 3G Mobile Handset division and the Blue Label Mobile Group, proceeds on disposal of capital assets of R34 million, dividends received from associates and joint ventures of R6 million, offset by the purchase of intangible assets of R31 million, capital expenditure of R139 million and net loans granted of R127 million.

Cash flows utilised in financing activities amounted to R1.1 billion, of which R902 million related to the net decrease in borrowings, dividend payments of R67 million to non-controlling interests, lease payments of R53 million, settlement of a financial guarantee amounting to R44 million, treasury shares acquired of R46 million, offset by R34 million from the dilution of shares in a subsidiary.

Cash and cash equivalents accumulated to R2 billion at 31 May 2020.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 17 636 695 (2019: 5 947 453) were issued to qualifying employees. During the period, 1 227 578 (2019: 473 121) shares were forfeited and 1 753 874 (2019: 2 020 901) shares vested.

SUBSEQUENT EVENTS

Blue Label Mexico

Blue Label Telecoms is currently in the process of concluding the disposal of its 47.56% interest in Blue Label Mexico, the structure of which is yet to be finalised. Once completed, shareholders will be notified accordingly.

Banking facilities

On 29 November 2019, The Prepaid Company's Investec banking facilities totalling R2.176 billion were successfully renewed, of which R1.5 billion was extended for a period of 12 months to 31 March 2021 and R676 million for nine months to 31 August 2020. Of the latter amount, R542 million has been paid to date.

Commentary continued

As at the date of publication of the 31 May 2020 financial statements, The Prepaid Company renegotiated a further extension of the R1.5 billion facility from 31 March 2021 to 30 September 2021, demonstrating Investec's confidence in Blue Label. The exposure to Investec is required to be no more than R1 billion as at 31 March 2021.

As at 31 May 2020, The Prepaid Company's Investec facilities were disclosed as current borrowings, as the extension to 31 March 2021 was only granted in August 2020.

On 9 September 2016, Comm Equipment Company (CEC) entered into a debt funding agreement with Investec and Rand Merchant Bank. This debt funding was divided into three separate facilities, namely senior facility A of R858 million, senior facility B of R650 million and mezzanine facility of R410 million. In February 2020, the proceeds of R604 million from the sale of the 3G Mobile Handset division were applied against the senior A facility. All three facilities were due to expire on 31 August 2020.

CEC's facilities have been renegotiated to 31 August 2021 comprising R267 million for senior facility A, R200 million for senior facility B and R411 million for the mezzanine facility.

As at 31 May 2020, CEC's debt facilities were disclosed as current borrowings, as the extension to 31 August 2021 was only granted in August 2020.

INDEPENDENT AUDIT

These summary consolidated financial statements for the year ended 31 May 2020 have been audited by PricewaterhouseCoopers Inc., who expressed a modified opinion thereon. The auditor also expressed a modified opinion on the consolidated annual financial statements from which these summary consolidated financial statements were derived.

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

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

APPRECIATION

The Board of Blue Label would once again like to express its appreciation to its suppliers, customers, business partners and staff for their ongoing support and loyalty.

For and on behalf of the Board

LM Nestadt
Chairman

BM Levy and MS Levy
Joint Chief Executive Officers

DA Suntup* CA(SA)
Financial Director

27 August 2020

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

Independent auditor's report on the summary Group 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 2020, the summarised Group income statement, 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 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the *Basis of preparation section* in the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed a qualified audit opinion on the audited consolidated financial statements in our report dated 27 August 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

The basis for the qualified audit opinion was an inability to obtain sufficient appropriate audit evidence to support the use of the going concern assumption in the current and prior years at the Group's equity-accounted associate, Cell C Limited (Cell C), due to uncertainty about the results of Cell C's restructuring process. Had the use of the going concern assumption in the prior year been inappropriate, there could have been a classification misstatement between the impairments on associates and joint venture and the share of gains/(losses) from associates and joint ventures line items in the summarised Group income statement. This matter affects the comparability between the current and prior year relating to these line items and the headline earnings per share (HEPS) and core HEPS earnings measures reported.

Directors' 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.

Independent auditor's report on the summary Group financial statements continued

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Pietro Calicchio
Registered Auditor

Waterfall

27 August 2020

Summarised Group income statement

for the year ended 31 May 2020

	2020 R'000	Restated* 2019 R'000
Continuing operations		
Revenue	**21 135 326**	23 602 264
Revenue from contracts with customers	**20 756 487**	23 174 511
Finance revenue**	**378 839**	427 753
Other income	**105 273**	81 692
Changes in inventories of finished goods	**(18 866 243)**	(21 243 167)
Finance costs incurred in the generation of revenue	**(144 472)**	(185 411)
Employee compensation and benefit expense	**(512 647)**	(482 219)
Depreciation and amortisation	**(189 314)**	(170 455)
Impairments and fair value movements	**(364 233)**	(894 277)
Bad debts and expected credit loss	**(116 332)**	(235 553)
Other expenses	**(411 308)**	(386 029)
Operating profit	**636 050**	86 845
Finance costs	**(229 988)**	(230 306)
Finance income	**78 175**	92 292
Impairments on associates and joint venture	**—**	(2 639 564)
Share of gains/(losses) from associates and joint ventures	**16 598**	(3 693 431)
Profit/(loss) before taxation	**500 835**	(6 384 164)
Taxation	**(219 752)**	(278 449)
Profit/(loss) after taxation from continuing operations	**281 083**	(6 662 613)
(Loss)/profit from discontinued operations	**(61 976)**	40 417
Profit/(loss) for the year	**219 107**	(6 622 196)
Profit/(loss) for the year from continuing operations attributable to:		
Equity holders of the parent	**226 786**	(6 672 923)
Non-controlling interest	**54 297**	10 310
(Loss)/profit for the year from discontinued operations attributable to:		
Equity holders of the parent	**(102 305)**	26 540
Non-controlling interest	**40 329**	13 877
Earnings per share for profit/(loss) attributable to:		
Equity holders (cents)		
– Basic	**13.89**	(727.81)
– Diluted[1]	**13.89**	–

* As a result of the discontinued operations, the Group has restated its comparative financial information. Refer to the note on discontinued operations for details.

** The split of revenue between revenue from contracts with customers and finance revenue is now disclosed on the face of the summarised Group income statement. It was previously disclosed in the notes. The comparatives have been restated.

[1] There were no dilutive instruments in the prior year.

Included on the face of the Group income statement are line items called "Impairments and fair value movements" and "Bad debts and expected credit loss". In the prior year, these were included in one line item called "Impairments and fair value losses". In order to enhance the disclosure, the Group now discloses them on separate line items.

Summarised Group statement of comprehensive income

for the year ended 31 May 2020

	2020 R'000	2019 R'000
Net profit/(loss) for the year	**219 107**	(6 622 196)
Other comprehensive income:		
Items reclassified to profit or loss		
Foreign currency translation reserve reclassified to profit or loss*	**(53 535)**	(144)
Items that may be subsequently reclassified to profit or loss		
Foreign exchange profit on translation of associates and joint ventures*	**19 091**	45 868
Foreign exchange profit on translation of foreign operations*	**36 089**	21 247
Other comprehensive income for the year, net of tax	**1 645**	66 971
Total comprehensive income/(loss) for the year	**220 752**	(6 555 225)
Total comprehensive income/(loss) for the year attributable to:		
Equity holders of the parent	**113 031**	(6 582 478)
Non-controlling interest	**107 721**	27 253
Total comprehensive income/(loss) for the year attributable to equity holders of the parent arises from:	**113 031**	(6 582 478)
Continuing operations	**247 406**	(6 634 096)
Discontinued operations	**(134 375)**	51 618

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

Summarised Group statement of financial position

as at 31 May 2020

	31 May 2020 R'000	31 May 2019* R'000
ASSETS		
Non-current assets	**2 357 620**	3 477 070
Property, plant and equipment	**198 688**	237 657
Right-of-use assets	**87 852**	—
Intangible assets	**533 853**	1 083 328
Goodwill	**681 243**	1 234 995
Investments in and loans to associates and joint ventures	**197 455**	218 842
Loans receivable	**36 516**	41 760
Advances to customers	**449 825**	584 440
Financial assets at fair value through profit or loss	**104 829**	-
Deferred taxation assets	**67 359**	76 048
Current assets	**7 996 086**	8 604 302
Loans to associate	**9 488**	—
Inventories	**576 950**	1 514 649
Loans receivable	**35 604**	105 766
Trade and other receivables	**3 929 743**	4 257 266
Advances to customers	**1 232 250**	1 032 657
Financial asset at fair value through profit and loss	**144 709**	289 742
Current tax assets	**52 425**	18 626
Cash and cash equivalents	**2 014 917**	1 385 596
Total assets	**10 353 706**	12 081 372
EQUITY AND LIABILITIES		
Capital and reserves	**2 485 117**	2 491 562
Issued share capital and premium	**7 573 586**	7 599 016
Other reserves	**(2 689 960)**	(2 824 740)
Retained earnings	**(2 442 993)**	(2 405 031)
Total ordinary shareholders' equity	**2 440 633**	2 369 245
Non-controlling interest	**44 484**	122 317
Non-current liabilities	**208 689**	1 951 920
Deferred taxation liabilities	**124 990**	236 400
Non-current lease liability	**80 921**	—
Borrowings	**2 778**	1 715 520
Current liabilities	**7 659 900**	7 637 890
Trade and other payables	**4 611 643**	5 371 386
Lease liability	**60 202**	—
Financial guarantee contracts	**201 474**	243 492
Provisions	**29 534**	24 947
Financial liabilities at fair value through profit and loss	**435 086**	460 354
Current tax liabilities	**5 386**	9 104
Borrowings	**2 316 383**	1 520 764
Bank overdraft	**192**	7 843
Total equity and liabilities	**10 353 706**	12 081 372

* Surety loans receivable have been reclassified to better align the presentation with the nature of the instrument. Refer to the note on financial instruments at fair value through profit or loss

Summarised Group statement of changes in equity

for the year ended 31 May 2020

	Issued share capital and premium R'000	Retained earnings R'000	Other reserves R'000	Total ordinary share-holders' equity R'000	Non-controlling interest R'000	Total equity R'000
Opening balance as at 1 June 2018	7 844 847	4 241 352	(2 814 202)	9 271 997	155 480	9 427 477
Net loss for the year	—	(6 646 383)	—	(6 646 383)	24 187	(6 622 196)
Other comprehensive income	—	—	63 905	63 905	3 066	66 971
Total comprehensive (loss)/income	—	(6 646 383)	63 905	(6 582 478)	27 253	(6 555 225)
Treasury shares purchased	(42 378)	—	—	(42 378)	—	(42 378)
Shares repurchased	(224 006)	—	—	(224 006)	—	(224 006)
Equity compensation benefit scheme shares vested	20 553	—	(19 915)	638	(638)	—
Equity compensation benefit movement	—	—	7 149	7 149	577	7 726
Transaction with non-controlling interest reserve movement[1]	—	—	(61 677)	(61 677)	—	(61 677)
Non-controlling interest acquired	—	—	—	—	(25 904)	(25 904)
Non-controlling interest disposed of	—	—	—	—	1 099	1 099
Dividends paid	—	—	—	—	(35 550)	(35 550)
Balance as at 31 May 2019	**7 599 016**	**(2 405 031)**	**(2 824 740)**	**2 369 245**	**122 317**	**2 491 562**
Net profit for the year	**—**	**124 481**	**—**	**124 481**	**94 626**	**219 107**
Other comprehensive income/(loss)	**—**	**—**	**(11 450)**	**(11 450)**	**13 095**	**1 645**
Total comprehensive income/(loss)	**—**	**124 481**	**(11 450)**	**113 031**	**107 721**	**220 752**
Treasury shares purchased	**(46 352)**	**—**	**—**	**(46 352)**	**—**	**(46 352)**
Equity compensation benefit scheme shares vested	**20 922**	**—**	**(20 582)**	**340**	**(340)**	**—**
Equity compensation benefit movement	**—**	**(7 093)**	**16 332**	**9 239**	**119**	**9 358**
Transaction with non-controlling interest reserve movement[2]	**—**	**(156 750)**	**156 750**	**—**	**—**	**—**
Non-controlling interest acquired	**—**	**—**	**(18 105)**	**(18 105)**	**17 590**	**(515)**
Blue Label Mobile Restructure[3]	**—**	**—**	**13 235**	**13 235**	**21 200**	**34 435**
Non-controlling interest disposed of	**—**	**—**	**—**	**—**	**(156 654)**	**(156 654)**
Share-based payment reserve recycled to retained earnings	**—**	**1 400**	**(1 400)**	**—**	**—**	**—**
Dividends paid	**—**	**—**	**—**	**—**	**(67 469)**	**(67 469)**
Balance as at 31 May 2020	**7 573 586**	**(2 442 993)**	**(2 689 960)**	**2 440 633**	**44 484**	**2 485 117**

[1] The majority of this amount relates to the put option on the acquisition of AV Technology Limited. Refer to the note on financial instruments at fair value through profit and loss.
[2] The majority of this amount relates to the derecognition of the transaction with non-controlling interest reserve on the effective date of VAS operations disposal. Refer to the note on discontinued operations.
[3] Refer to note on discontinued operations.

Summarised Group statement of cash flows

for the year ended 31 May 2020

	2020 R'000	2019 R'000
Cash flows from operating activities		
Cash received from customers	**23 539 462**	25 995 287
Cash paid to suppliers, financiers and employees	**(21 836 971)**	(25 564 000)
Cash generated by operations	**1 702 491**	431 287
Interest received	**93 053**	88 416
Interest paid	**(214 166)**	(231 131)
Taxation paid	**(324 553)**	(369 086)
Net cash generated from/(utilised in) operating activities	**1 256 825**	(80 514)
Cash flows from investing activities		
Acquisition of intangible assets	**(31 093)**	(75 931)
Proceeds on disposal of intangible assets	**19 038**	51
Acquisition of property, plant and equipment	**(139 430)**	(134 028)
Proceeds on disposal of property, plant and equipment	**15 150**	5 230
Acquisition of subsidiary, net of cash acquired	**206**	(7 162)
Proceeds from disposal of shares in subsidiary, net of cash disposed	**698 335**	–
Liquidity support granted	**–**	(326 388)
Loan repaid by Cell C	**–**	1 135 759
Loan granted to Cell C	**–**	(106 132)
Loans advanced to associates and joint ventures	**(5 369)**	(13 284)
Loans repaid by associates and joint ventures	**17 888**	1 690
Dividend received from associate and joint venture	**6 100**	17 992
Loans granted	**(185 635)**	(29 916)
Loans receivable repaid	**58 430**	96 007
Settlement of contingent consideration	**–**	(2 614)
Net cash generated by investing activities	**453 620**	561 274
Cash flows from financing activities		
Interest-bearing borrowings raised	**31 487**	993 439
Interest-bearing borrowings repaid	**(911 836)**	(769 652)
Non-interest-bearing borrowings raised	**170**	35 876
Non-interest-bearing borrowings repaid	**(22 094)**	(170)
Proceeds from dilution of shares in subsidiary*	**34 435**	–
Principal lease repayments	**(53 210)**	–
Settlement of financial guarantee	**(44 190)**	–
Share buy-back**	**–**	(224 006)
Acquisition of treasury shares	**(46 352)**	(42 378)
Dividends paid to non-controlling interest	**(67 469)**	(35 550)
Net cash utilised in financing activities	**(1 079 059)**	(42 441)
Net increase in cash and cash equivalents	**631 386**	438 319
Cash and cash equivalents at the beginning of the year	**1 377 753**	947 888
Exchange gains/(losses) on cash and cash equivalents	**5 586**	(8 454)
Cash and cash equivalents at the end of the year	**2 014 725**	1 377 753

* This relates to Malik Investment Holdings Proprietary Limited's subscription for a further 4.51% in Blue Label Mobile Holdings Proprietary Limited. Refer to the note on discontinued operations.

** Approximately 32.9 million shares were repurchased in the prior year over the period 22 August 2018 to 21 September 2018 at a weighted average price of R6.78 per share.

Refer to the discontinued operations note for the cash flows included above that relate solely to discontinued operations.

Share performance

for the year ended 31 May 2020

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

	Total				Continuing operations				Discontinued operations			
	Attributable earnings		Cents per share		Attributable earnings		Cents per share		Attributable earnings		Cents per share	
	2020 R'000	2019* R'000	**2020**	2019*	**2020 R'000**	2019* R'000	**2020**	2019*	**2020 R'000**	2019* R'000	**2020**	2019*
Headline earnings per share												
Basic	**521 313**	(2 853 640)	**58.16**	(312.49)	**436 747**	(2 948 883)	**48.73**	(322.92)	**84 566**	95 243	**9.43**	10.43
Diluted[1]	**521 313**	—	**57.44**	—	**436 747**	—	**47.83**	—	**84 566**	—	**9.43**	—
Core	**562 132**	(2 783 155)	**62.71**	(304.77)	**469 113**	(2 904 973)	**52.33**	(318.11)	**93 019**	121 818	**10.38**	13.34
Earnings attributable to ordinary equity holders												
Basic	**124 481**	(6 646 383)	**13.89**	(727.81)	**226 786**	(6 672 923)	**25.30**	(730.72)	**(102 305)**	26 540	**(11.41)**	2.91
Diluted[1]	**124 481**	—	**13.89**	—	**226 786**	—	**24.84**	—	**(102 305)**	—	**(11.41)**	—

[1] There were no dilutive instruments in the prior year. As a result of the anti-dilutive instruments in discontinued operations, the total cents per share will not cast.
* As a result of the discontinued operations, the Group has restated its comparative financial information. Refer to the note on discontinued operations for details.

(b) Weighted average number of shares

Weighted average number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares	**896 409**	913 208
Adjusted for forfeitable shares	**16 683**	—
Weighted average number of ordinary shares for diluted earnings[1]	**913 092**	913 208

[1] There were no dilutive instruments in the prior year.

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

Share performance continued

for the year ended 31 May 2020

(c) Analysis of headline earnings

	Total				Continuing operations				Discontinued operations			
	Profit/(loss) before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000	Profit/(loss) before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000	Profit/(loss) before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
2020												
Profit/(loss) attributable to equity holders of the parent	**518 349**	**(299 242)**	**(94 626)**	**124 481**	**500 835**	**(219 752)**	**(54 297)**	**226 786**	**17 514**	**(79 490)**	**(40 329)**	**(102 305)**
Profit on disposal of property, plant and equipment and intangible assets	**(13 460)**	**3 769**	**280**	**(9 411)**	**(12 589)**	**3 525**	**183**	**(8 881)**	**(871)**	**244**	**97**	**(530)**
Impairment of property, plant and equipment	**65 701**	**(2 044)**	**–**	**63 657**	**7 303**	**(2 044)**	**–**	**5 259**	**58 398**	**–**	**–**	**58 398**
Impairment of leased assets	**30 712**	**–**	**–**	**30 712**	**–**	**–**	**–**	**–**	**30 712**	**–**	**–**	**30 712**
Profit on disposal of subsidiary	**(528)**	**–**	**–**	**(528)**	**–**	**–**	**–**	**–**	**(528)**	**–**	**–**	**(528)**
Impairment of disposal groups	**53 232**	**–**	**–**	**53 232**	**–**	**–**	**–**	**–**	**53 232**	**–**	**–**	**53 232**
Impairment of goodwill	**259 170**	**–**	**–**	**259 170**	**213 583**	**–**	**–**	**213 583**	**45 587**	**–**	**–**	**45 587**
Headline earnings				**521 313**				**436 747**				**84 566**

Share performance continued

for the year ended 31 May 2020

(c) Analysis of headline earnings

	Total				Continuing operations				Discontinued operations			
	Profit/(loss) before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000	Profit/(loss) before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000	Profit/(loss) before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
2019*												
(Loss)/profit attributable to equity holders of the parent	(6 307 074)	(315 122)	(24 187)	(6 646 383)	(6 384 164)	(278 449)	(10 310)	(6 672 923)	77 091	(36 674)	(13 877)	26 540
Profit on disposal of property, plant and equipment	(1 155)	323	74	(758)	(1 159)	324	70	(765)	4	(1)	4	7
Impairment of property, plant and equipment	2 002	(561)	–	1 441	2 002	(561)	–	1 441	–	–	–	–
Impairment of intangible assets	5 111	(1 431)	–	3 680	5 111	(1 431)	–	3 680	–	–	–	–
Foreign currency translation reserve recycled to profit or loss	(144)	–	–	(144)	(144)	–	–	(144)	–	–	–	–
Impairments on investments	2 669 376	–	(7 378)	2 661 998	2 639 864	–	–	2 639 864	29 512	–	(7 378)	22 134
Fair value uplift on conversion from an associate to a subsidiary	(27 741)	–	–	(27 741)	–	–	–	–	(27 741)	–	–	(27 741)
Profit on disposal of property, plant and equipment in associate	(5 524)	–	–	(5 524)	(5 524)	–	–	(5 524)	–	–	–	–
Impairment of goodwill	124 400	–	–	124 400	50 397	–	–	50 397	74 003	–	–	74 003
Impairment of investment within associate equity accounted earnings	47 174	–	–	47 174	46 874	–	–	46 874	300	–	–	300
Impairment of property, plant and equipment in associate	801 049	–	–	801 049	801 049	–	–	801 049	–	–	–	–
Impairment of intangible assets in associate	187 168	–	–	187 168	187 168	–	–	187 168	–	–	–	–
Headline earnings				(2 853 640)				(2 948 883)				95 243

Share performance continued

for the year ended 31 May 2020

(d) Analysis of core headline earnings

	Total		Continuing operations		Discontinued operations	
	2020 R'000	2019* R'000	**2020 R'000**	2019* R'000	**2020 R'000**	2019* R'000
Reconciliation between net profit for the period and core headline earnings for the period:						
Net profit for the period	**124 481**	(6 646 383)	**226 786**	(6 672 923)	**(102 305)**	26 540
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**40 819**	70 485	**32 366**	43 910	**8 453**	26 575
Core net profit for the period	**165 300**	(6 575 898)	**259 152**	(6 629 013)	**(93 852)**	53 115
Headline earnings adjustments	**396 832**	3 792 743	**209 961**	3 724 040	**186 871**	68 703
Core headline earnings	**562 132**	(2 783 155)	**469 113**	(2 904 973)	**93 019**	121 818

* As a result of the discontinued operations, the Group has restated its comparative financial information. Refer to the note on discontinued operations for details.

Segmental summary

	Total 2020 R'000	Africa Distribution 2020 R'000	International 2020 R'000	Mobile 2020 R'000	Solutions 2020 R'000	Corporate 2020 R'000
Continuing operations						
Total segment revenue	30 818 506	30 165 762	—	—	191 830	460 914
Internal revenue	(9 683 180)	(9 219 540)	—	—	(2 726)	(460 914)
Revenue	21 135 326	20 946 222	—	—	189 104	—
Operating profit/(loss) before depreciation and amortisation	825 364	931 175	19 474	—	40 330	(165 615)
Profit/(loss) for the year from continuing operations attributable to equity holders of the parent	226 786	375 952	6 071	—	40 913	(196 150)
(Loss)/profit from discontinued operations attributable to equity holders of the parent	(102 305)	(261 707)	14 617	144 785	—	—
Profit/(loss) for the year attributable to equity holders of the parent	124 481	114 245	20 688	144 785	40 913	(196 150)
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	40 819	36 357	3 835	627	—	—
Headline earnings adjustment	396 832	372 374	(2 908)	27 369	(3)	—
Core headline earnings for the year	562 132	522 976	21 615	172 781	40 910	(196 150)

	Restated* 2019 R'000	Restated* 2019 R'000	Restated* 2019 R'000	Restated* 2019 R'000	2019 R'000	2019 R'000
Continuing operations						
Total segment revenue	33 413 055	33 016 255	—	—	205 106	191 694
Internal revenue	(9 810 791)	(9 617 229)	—	—	(1 868)	(191 694)
Revenue	23 602 264	23 399 026	—	—	203 238	—
Operating profit/(loss) before depreciation and amortisation	257 300	507 485	(53 360)	—	37 786	(234 611)
(Loss)/profit for the year from continuing operations attributable to equity holders of the parent	(6 672 923)	(6 179 847)	(277 445)	—	43 563	(259 194)
Profit/(loss) from discontinued operations attributable to equity holders of the parent	26 540	61 972	14 186	(49 618)	—	—
(Loss)/profit for the year attributable to equity holders of the parent	(6 646 383)	(6 117 875)	(263 259)	(49 618)	43 563	(259 194)
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	70 485	61 151	7 675	1 659	—	—
Headline earnings adjustment	3 792 743	3 530 852	165 443	96 448	—	—
Core headline (loss)/earnings for the year	(2 783 155)	(2 525 872)	(90 141)	48 489	43 563	(259 194)

* As a result of the discontinued operations, the Group has restated its comparative financial information. Refer to the note on discontinued operations for details.

DISCONTINUED OPERATIONS

The current and prior year segmental results have been adjusted to account for the discontinued operations within the Africa Distribution segment (3G Mobile, Airvantage and WiConnect), the Mobile segment (Cellfind, Panacea, Simigenix and Viamedia) and the International segment (AV Technology and Airvantage Brazil). Refer to note on discontinued operations for details. In addition, Blue Label One has been reallocated from the Mobile segment to the Africa Distribution segment.

Revenue

	Total		Africa Distribution		Solutions	
	2020 R'000	Restated* 2019 R'000	**2020 R'000**	Restated* 2019 R'000	**2020 R'000**	2019 R'000
Revenue from contracts with customers	**20 756 487**	23 174 511	**20 567 383**	22 971 273	**189 104**	203 238
Prepaid airtime, data and related revenue	**18 842 481**	20 780 969	**18 842 481**	20 780 969	**–**	–
Postpaid airtime, data and related revenue	**137 922**	141 405	**137 922**	141 405	**–**	–
Prepaid and postpaid SIM cards	**634 809**	964 054	**634 809**	964 054	**–**	–
Services	**319 623**	350 081	**130 519**	146 843	**189 104**	203 238
Electricity commission	**358 728**	347 538	**358 728**	347 538	**–**	–
Handsets, tablets and other devices	**262 926**	432 374	**262 926**	432 374	**–**	–
Other revenue	**199 998**	158 090	**199 998**	158 090	**–**	–
Finance revenue	**378 839**	427 753	**378 839**	427 753	**–**	–
	21 135 326	23 602 264	**20 946 222**	23 399 026	**189 104**	203 238

* Revenue generating entities accounted for as discontinued operations that were previously disclosed within the Africa, Mobile and International segments are not included in current or prior period revenue per the Group statement of comprehensive income. The Group has restated its comparative financial information. The Mobile and International segments have been excluded from the above table as the only revenue generating entities that were accounted for within these segments were part of the VAS operations that have been accounted for as discontinued operations and disposed of. Refer to the note on discontinued operations.

Financial guarantee contracts

Financial guarantee contracts are recognised at fair value on the date that the Group becomes a party to an irrevocable commitment. Financial guarantee contracts are subsequently stated at the higher of the amount determined by the expected credit loss (ECL) model and the amount initially recognised. Any difference between the redemption value guarantee obligation and the amount paid is recognised in the income statement.

A portion of the financial guarantee contract obligation to RBL Bank was called upon in the current period.

	2020 R'000	2019 R'000
Opening balance	**243 492**	—
Adjustment on the initial application of IFRS 9	**—**	19 029
Foreign exchange movement	**10 166**	—
Additional liability raised during the year through profit and loss – continuing operations	**671**	62 132
Additional liability raised during the year through investment in joint venture – continuing operations	**—**	40 631
Acquisition of subsidiaries	**—**	125 000
Used during the year	**(44 190)**	—
Amounts released through profit and loss – continuing operations	**(8 500)**	(3 300)
Amounts released through profit and loss – discontinued operations	**(165)**	—
Closing carrying amount	**201 474**	243 492

Included in the closing balance above is a parent guarantee of USD5 million to the value of R87.6 million (2019: R73.4 million) which has been issued in favour of RBL Bank on behalf of Oxigen Services India Private Limited. Should this guarantee be called upon, the Group will be required to settle the amount within seven days.

During the financial year, a cash-backed guarantee of USD3 million to the value of R44.2 million was called upon by RBL Bank and settled. An amount of R48.2 million was provided for in respect of this guarantee in the prior year.

An amount of R113.2 million (2019: R121.7 million) is owed to Investec Limited by Glocell Proprietary Limited, and has been guaranteed by Glocell Distribution Proprietary Limited should the former not be able to meet its obligations.

The Group has not raised a liability for its guarantee to the consortium of financial institutions in respect of Cell C's funding of R959 million (2019: R1.25 billion) due to the fact that it holds sufficient collateral, which the Group expects to realise should the guarantee be called upon and the residual financial risk not be material.

Financial guarantee contracts continued

FINANCIAL GUARANTEE IN RESPECT OF CELL C'S FACILITY

On 2 August 2018, Cell C procured R1.4 billion of funding from a consortium of financial institutions for a tenure of 12 months, secured by airtime to the value of R1.75 billion. In the event of default, The Prepaid Company could have been required by the consortium to purchase such inventory from the consortium on a piecemeal basis over a specified period that has been agreed upon. These purchases would be made in lieu of purchases that would have been made from Cell C within that period.

An extension was concluded on 31 May 2020 with an agreed quantum of airtime purchases required to be made by The Prepaid Company on a monthly basis. This will result in the Cell C facility reducing to nil by 28 February 2021. As at 31 May 2020, the above funding had declined to R959 million (2019: R1.25 billion) as a result of BLT purchasing from the security airtime.

It is the intention of The Prepaid Company to accelerate payments to the banking consortium in order to distribute the vault stock in full if there is risk/indication that Cell C will not be able to meet its obligations to the banking consortium in terms of the agreement. The fair value of the financial guarantee issued in respect of Cell C's facility was valued to be insignificant taking into account the inventory held as collateral.

Management has performed detailed assessments considering seasonality of trading and has determined that, based on current inventory holdings and anticipated sales cycles, should circumstances dictate the need to purchase the above mentioned inventory from the consortium, acceleration of such payments could result in the debt being expunged within two and a half months through its trading capabilities in the ordinary course of business at normal operating margins.

Critical accounting judgements and assumptions

Financial guarantee

As explained above under "Financial guarantee in respect of Cell C's facility", Cell C procured R1.4 billion of funding in August 2018 and utilised a portion of this funding to repay the R1.029 billion loan that was due to The Prepaid Company as at that date. Since the Group was a party to this new funding agreement, the Group considered whether it met the derecognition requirements of IFRS 9 for the loan receivable from Cell C. Specifically, the Group considered whether the loan receivable was extinguished and replaced with a new financial instrument, or whether this represented the continuation of the Group's loan receivable from Cell C. The Group applied its judgement, and concluded that the R1.4 billion of funding represented a new financial instrument and therefore derecognised the loan receivable from Cell C. The qualitative factors that the Group considered in making this judgement included the fact that the original term of the loan receivable had come to an end and the new funding was for a different period of time compared to the initial term, an increase in the amount of the borrowing, a change in the interest rate from variable to fixed and changes to the repayment schedule from a bullet repayment schedule to an amortising repayment schedule.

Management is of the view that the purchasing of such inventory will not result in an onerous contract as this inventory is capable of being realised in the ordinary course of business without any negative impact being incurred by The Prepaid Company.

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are classified as level 3 instruments in the fair value hierarchy. Changes in level 3 instruments are as follows:

	Bond notes (SPV1) R'000	Liquidity support (SPV2) R'000	Loans receivable R'000	Put option liability R'000	Derivative liability R'000	Surety loan receivable R'000	Other R'000	Total R'000
Opening balance	–	(301 716)	202 267	(158 638)	–	85 003	2 472	(170 612)
Additions	–	–	–	(7 654)	(77 524)	–	34 500	(50 678)
Repayments	–	–	–	–	–	–	(18 877)	(18 877)
Derecognition of put option liability on disposal of VAS Operations	–	–	–	214 559	–	–	–	214 559
Fair value (loss)/gain recognised in profit or loss	–	(48 694)	(66 371)	(48 267)	–	19 826	(7 142)	(150 648)
Other movements			(9 292)	–	–	–	–	(9 292)
Closing balance	–	(350 410)	126 604	–	(77 524)	104 829	10 953	(185 548)
Financial assets at fair value through profit or loss – included in current assets	–	–	126 604	–	–	–	18 105	144 709
Financial assets at fair value through profit or loss – included in non-current assets	–	–	–	–	–	104 829	–	104 829
Financial liabilities at fair value through profit or loss	–	(350 410)	–	–	(77 524)	–	(7 152)	(435 086)
Closing balance	–	(350 410)	126 604	–	(77 524)	104 829	10 953	(185 548)
Unrealised (losses)/gains		(48 694)	(66 371)	–	(77 524)	19 826	(7 142)	(179 905)

BOND NOTES AND LIQUIDITY SUPPORT

With effect from 2 August 2017, The Prepaid Company purchased bond notes, issued by Cedar Cellular Investments 1 Proprietary Limited (SPV1), from Saudi Oger Limited with a capital redemption value of USD42 million and with a coupon rate of 8.625% per annum for a purchase consideration of USD18 million. 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, resulting in an effective purchase consideration of USD9 million with a capital redemption value of USD21 million.

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 USD36 million of the aforesaid USD80 million thus reducing The Prepaid Company's obligation in this regard to a maximum of USD44 million. As at 31 May 2020, the Group had contributed USD24 million to SPV2 towards the latter amount.

Financial instruments at fair value through profit or loss continued

BOND NOTES AND LIQUIDITY SUPPORT continued

Fair value estimate

SPV1 and SPV2 own 11.8% and 16% of the shares issued by Cell C Limited respectively. No other assets are held by these entities, and, as such, the Group's bond note and liquidity support arrangements will be settled only when the value of the Cell C shares is realised by SPV1 and SPV2. The substance of these arrangements are therefore derivatives exposing the Group to the share price of Cell C.

The derivatives are initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss.

The derivatives are level 3 instruments in the fair value hierarchy.

The derivatives are not traded in an active market and therefore the fair value is determined by the use of a valuation technique. In the prior year, the valuation was performed using a Monte Carlo simulation taking into account the value of Cell C Limited. As no value was attributed to Cell C in the prior year, the recoverable value relating to SPV1 and SPV2 reduced to zero. A liability of USD20 million, in line with the liquidity support obligation to SPV2, remained payable as at 31 May 2019. This amount was included in financial liabilities at "fair value through profit and loss". As at 31 May 2020, a qualified independent third-party specialist once again attributed no value to Cell C Limited. As a result thereof, the value of SPV1 and SPV2 remains at zero and the liquidity support of USD20 million remains payable, with the fair value movement in SPV2 relating to the foreign exchange rate thereon.

LOANS AT FAIR VALUE

The Prepaid Company (TPC) acquired a 48% share in Glocell Distribution Proprietary Limited (Glocell Distribution) on 30 June 2018.

In terms of an agreement entered into between TPC and Glocell Proprietary Limited (Glocell) during the year ended 31 May 2019, Glocell pledged its 40% shareholding in Glocell Distribution to TPC in the event of Glocell defaulting on amounts owing to TPC. The right to enforce this pledge is currently not exercisable. This right only becomes exercisable once Glocell has settled its outstanding debt of R113.2 million (2019: R121.7 million) to Investec Bank Limited.

Glocell's ability to repay TPC the amounts owing to it is dependent on the extent of dividends receivable from Glocell Distribution on a piecemeal basis. The contractual terms of the loan have no fixed repayment dates, and in the event that Glocell defaults on the loan, the only recourse the Group has is to the shares of Glocell Distribution held by Glocell. As such, the financial instrument has been classified and measured at fair value through profit or loss.

A fair value downward adjustment of R75.7 million (2019: R141 million) of the R202 million (2019: R343 million) owing to TPC was required due to unfavourable trading conditions, with specific reference to starter packs, exacerbated by the impact of COVID-19 on Glocell Distribution's financial performance. The prior year downward adjustment was required due to unfavourable wholesale trading conditions.

Fair value estimate

A discounted cash flow valuation of Glocell Distribution has been used to determine the value of Glocell's 40% shareholding in Glocell Distribution. This is used to determine the fair value of the loan. This valuation has been performed by the finance department of the Group using cash flow projections based on forecasts for up to five years, which are based on assumptions of the business, industry and economic growth.

The derivatives are level 3 instruments in the fair value hierarchy.

Financial instruments at fair value through profit or loss continued

LOANS AT FAIR VALUE continued

Key assumption applied to value-in-use calculation

	2020 %	2019 %
Discount rate (pre-tax)	**21.0**	20.7
Terminal growth rate	**4.5**	4.2

Effect on fair value due to change in key assumption	%	2020 R'000 (Decrease)/increase in loan at fair value	2019 R'000
Change in discount rate	1	**(12 147)**	(12 122)
	(1)	**14 414**	13 679
Change in terminal growth rate	2	**21 048**	17 386
	(2)	**(14 994)**	(13 627)

Put option liability

Put option liabilities represent contracts that impose an obligation on the Group to purchase the shares of a subsidiary for cash or another financial asset. Put option liabilities, where the risks and rewards reside with the non-controlling interest, are initially raised from the transaction with non-controlling interest reserve in equity at the present value of the expected redemption amount payable. Subsequent revisions to the expected redemption amount payable as well as the unwinding of the discount related to the measurement of the present value of the put option liability, are recognised in the income statement. Where a put option liability expires unexercised or is cancelled, the carrying value of the financial liability is released to equity profit and loss. The Group recognises the non-controlling interest over which a put option exists at acquisition date. Where a put option liability is substantially modified it is accounted for as an extinguishment of the original financial liability under IFRS 9 and, to the extent applicable, a new financial liability is recognised. The difference arising between the carrying amount of original financial liability and the fair value of the new financial instrument is recognised in profit and loss.

Critical accounting judgements and assumptions

Management assessed on initial recognition of the put option liability that the risks and rewards of ownership remained with the non-controlling interest and therefore no adjustment was required to the non-controlling interest.

Derivative liability

The derivative liability relates to the put option liability for Airvantage. For further information refer to the Discontinued operations note.

Surety loans receivable

Surety loans relate to the personal sureties that B Levy and M Levy signed for the 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) and as such is a level 3 instrument in the fair value hierarchy. In the current year payment terms for the surety loans were renegotiated, with the payments being agreed as instalments payable annually commencing on 30 September 2021 and ending on 30 September 2030. Based on the payment terms, the entire surety loan receivable is recognised as non-current. In the prior year the loan owing to Gold Label Investments Proprietary Limited was impaired due to a decrease in the fair value of Oxigen Services and Oxigen Online resulting in the Group recognising a receivable on the surety claim.

Impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition.

For the year ended 31 May 2020, management performed an impairment assessment over the goodwill and investment balances as follows:

- assessing the recoverable amount as being value-in-use, as entities are held-for-trading and not for sale;
- calculating the value-in-use for each cash-generating unit using a discounted cash flow model; and
- performing a sensitivity analysis over the value-in-use calculations, by varying the assumptions used (growth rates, terminal growth rate and weighted average cost of capital, i.e. discount rate) to assess the impact on the valuations.

	2020 R'000	2019 R'000
Year ended 31 May		
Opening carrying amount	**1 234 995**	1 036 243
Acquisition of subsidiary	**643**	313 664
Disposal of subsidiaries	**(295 225)**	–
Impairment of goodwill	**(259 170)**	(124 400)
Foreign currency translation reserve on goodwill	**–**	9 488
Closing carrying amount	**681 243**	1 234 995
At 31 May		
Cost	**1 076 941**	1 371 523
Accumulated impairments	**(395 698)**	(136 528)
Carrying amount	**681 243**	1 234 995

Impairment of goodwill continued

The key assumptions used for the value-in-use calculations are as follows:

	2020			2019		
	Average EBITDA margin %	**Terminal growth rate %**	**Pre-tax discount rate %**	Average EBITDA margin %	Terminal growth rate %	Pre-tax discount rate %
Blue Label Connect Proprietary Limited	**11.5**	**4.5**	**21.9**	16.2	4.2	22.7
Glocell Distribution Proprietary Limited	**8.4**	**4.5**	**21.0**	3.4	4.2	20.7

The discount rates used are pre-tax and reflect specific risks relating to the relevant associates and companies. 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/cash-generating units operate.

Based on the impairment assessments, as well as management judgement, the following impairments were applied:

Blue Label Connect Proprietary Limited

Blue Label Connect is engaged in the supply of post-paid mobile communications products, with focused marketing to end consumers. The company's performance has been negatively impacted as a result of challenging economic conditions due in part to COVID-19. Furthermore, margin compression resulting from reduced incentives from the networks as well as an increase in product costs, has resulted in the decision to impair its goodwill of R156.5 million in full (2019: R49.2 million). The recoverable amount of Blue Label Connect is calculated to be R291 million.

Glocell Distribution Proprietary Limited

Glocell Distribution's core strategy is the distribution of starter packs for the various mobile network operators through its established channels. In the current year, the company experienced unfavourable trading conditions, with specific reference to starter packs, exacerbated by the impact of COVID-19, which resulted in a goodwill impairment of R57 million. The recoverable amount of Glocell Distribution attributable to The Prepaid Company's 48% shareholding is calculated to be R152 million.

WiConnect Proprietary Limited

WiConnect provided customers with the full suite of cellular and Blu Approved products through its retail stores. Despite the implementation of a turnaround strategy, the severe impact of COVID-19 on WiConnect's performance resulted in the decision to cease operations in their entirety. As such, the recoverable amount of WiConnect equates to its net asset value of Rnil and the goodwill of R45.6 million attributable to the entity was impaired in full. Refer to note on discontinued operations for details.

Related parties

SIGNIFICANT RELATED-PARTY TRANSACTIONS AND BALANCES

	Sales to related parties		Purchases from related parties	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Cell C Limited*	**1 395 521**	2 030 623	**3 305 045**	6 203 272
Prepaid24 Proprietary Limited*	**12 292**	9 136	**–**	–
T3 Telecoms SA Proprietary Limited*	**43 923**	38	**26 492**	31 312
United Call Centre Solutions Proprietary Limited*	**13 938**	13 854	**17 303**	25 647

	Other income received from related parties		Other expenses paid to related parties	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Finance revenue from related parties				
Cell C Limited*	**108 084**	141 841	**–**	–

	Loans to related parties		Loans from related parties	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
2DFine Holdings Mauritius*#	**249 513**	205 240	**–**	–
Oxigen Services India Private Limited*#	**57 248**	47 216	**–**	–
Brett Levy	**52 415**	42 502	**–**	–
Mark Levy	**52 415**	42 502	**–**	–
T3 Telecoms SA Proprietary Limited*	**9 053**	3 685	**–**	–
Total loss allowance on loans to related parties	**(315 985)**	(269 168)	**–**	–

Related parties continued

	Guarantees given to related parties		Guarantees received from related parties	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Oxigen Services India Private Limited*	**87 603**	73 450	**—**	—

	Lease asset due from related parties		Lease liability due to related parties[1]	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Ellerine Bros. Proprietary Limited	**—**	—	**25 297**	—
Moneyline 311 Proprietary Limited	**—**	—	**25 297**	—
Uvongo Falls No 26 Proprietary Limited	**—**	—	**27 168**	—

	Amounts due from related parties included in trade receivables		Amounts due to related parties included in trade payables	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Cell C Limited*	**1 266 899**	1 352 718	**488 917**	1 212 392
Oxigen Services India Private Limited*	**5 876**	5 876	**—**	—
Total loss allowance on trade receivables to related parties	**(10 995)**	(8 521)	**—**	—

* These entities are associates/joint ventures.
\# These loans have been fully provided for both in the current and prior year and are included as part of the total loss allowance.
[1] In terms of IFRS 16, this lease liability is required to be disclosed.

Discontinued operations

3G Mobile and VAS operations disposals

On 3 June 2019, BLT restructured its holdings in Cellfind Proprietary Limited (Cellfind), Viamedia Proprietary Limited (Viamedia), Airvantage Proprietary Limited (Airvantage) and AV Technology Limited (AV Technology). Prior to the restructure, BLT owned 100% of Cellfind, 60% of Airvantage SA, 60% of AV Technology and 75% of Viamedia. Malik Investments Holdings Proprietary Limited (Malik), a non-Group company, owned 25% of Viamedia. In terms of the restructure, BLT exchanged its shares in Cellfind, Viamedia, Airvantage and AV Technology for 89.51% of the shares in a new entity called Blue Label Mobile Group Proprietary Limited (BLM). Malik thereafter exchanged its 25% shareholding in Viamedia for 10.49% in BLM. Following this, Malik subscribed for a further 4.51% in BLM for R34 million, increasing its shareholding in BLM to 15% with BLT owning the remaining 85%.

On 25 September 2019, the Group announced it had entered into an agreement to dispose of its 85% shareholding in BLM as well as its 51% shareholdings in Simigenix Proprietary Limited and Panacea Proprietary Limited (together the VAS operations), to DNI 4PL Contracts Proprietary Limited (DNI), for a purchase consideration of R450 million, inclusive of loan claims, plus the amounts which BLM has disbursed towards the acquisition of 50% of Hyve as at the transaction closing date. Of the purchase consideration of R450 million, R100 million (bearing interest at prime overdraft rates plus 2% per annum compounded on a monthly basis), is contingent upon the solvency and liquidity status of Cell C being proven. There is no set date by which this needs to be proven and the consideration would only have to be proven once. Should the solvency and liquidity of Cell C never be successfully proven, then the R100 million contingent purchase price and the interest accrued thereon will be forfeited by BLT, but in lieu thereof, BLM will transfer 24% of the issued share capital of Airvantage and AV Technologies to BLT for no consideration. Prior to the effective date of the disposal of the VAS operations, Simigenix and Panacea were sold on loan account to BLM. Furthermore, the Group announced that it would dispose of 100% of the shares in 3G Mobile to DNI for a purchase consideration of R544 million (this disposal group will be referred to as 3G Mobile) and would distribute its shares in Comm Equipment Company (CEC) and 3G Mobile's loan account claim against CEC to its shareholder, TPC prior to the effective date of the disposal. The associated assets and liabilities of the VAS operations and 3G Mobile disposal groups were consequently presented as held-for-sale in the reviewed results for the half-year ended 30 November 2019.

The 3G Mobile and VAS operations were sold with effect from 14 February 2020 and 30 April 2020 respectively and are reported in the current period as discontinued operations.

Closure of WiConnect

While management had implemented a turnaround strategy at WiConnect (a fully owned subsidiary of the Group), which incorporated the strengthening of the retail management team, a refocus of product sales as well as negotiating additional rebates from the network operators and original equipment manufacturers, COVID-19 had a significant negative impact on the retail operations of WiConnect. These included increased costs of inventories as a result of a weaker rand, periods of non-trading as a result of the nationwide lockdown and consumers foregoing discretionary purchases. Given the uncertainty of the tenure of the pandemic and the resultant losses attributable thereto impacting its financial feasibility, a decision was made on 11 May 2020 to cease the operations of the WiConnect retail stores.

Significant management judgement was applied in determining whether WiConnect is a discontinued operation by assessing whether it has effectively been ceased to be used or abandoned by year-end and also whether it represents a separate major line of business or geographical area of operations or is part of a single plan to dispose of a separate major line of business or geographical area of operations. For further information regarding management's considerations in concluding that WiConnect is a discontinued operation, please refer to the information under "Critical accounting judgements and assumptions".

Discontinued operations continued

Financial performance of discontinued operations

Financial information relating to the various discontinued operations is set out below:

	VAS operations 1 June 2019 – 30 April 2020 R'000	3G Mobile 1 June 2019 – 14 February 2020 R'000	WiConnect 1 June 2019 – 31 May 2020 R'000	Total 2020 R'000
Revenue and other income	413 421	1 553 611	287 298	2 254 330
Expenses	(257 594)	(1 477 988)	(539 978)	(2 275 560)
Other gains/(losses)*	110 149	(26 346)	(45 587)	38 216
Profit/(loss) before taxation	265 976	49 277	(298 267)	16 986
Taxation	(40 114)	(19 174)	(20 202)	(79 490)
Profit/(loss) after taxation of discontinued operations	**225 862**	**30 103**	**(318 469)**	**(62 504)**
(Loss)/gain on sale of the subsidiary after income tax (see below)	(43 022)	43 550	—	528
Profit/(loss) from discontinued operation	**182 840**	**73 653**	**(318 469)**	**(61 976)**
Exchange differences on translation of discontinued operations	34 558	—	—	34 558
Reclassification of foreign currency translation reserve	(48 508)	(5 027)	—	(53 535)
Other comprehensive income from discontinued operations	**(13 950)**	**(5 027)**	**—**	**(18 977)**
Total comprehensive income/(loss) from discontinued operations	**168 890**	**68 626**	**(318 469)**	**(80 953)**
Profit/(loss) for the period attributable to:	**182 840**	**73 653**	**(318 469)**	**(61 976)**
Equity holders of the parent	142 511	73 653	(318 469)	(102 305)
Non-controlling interest	40 329	—	—	40 329
Total comprehensive income/(loss) for the period attributable to:	**168 890**	**68 626**	**(318 469)**	**(80 953)**
Equity holders of the parent	115 468	68 626	(318 469)	(134 375)
Non-controlling interest	53 422	—	—	53 422

* Reconciliation of other losses is shown on the next page.

Discontinued operations continued

Financial performance of discontinued operations continued

	VAS operations 1 June 2019 – 30 April 2020 R'000	3G Mobile 1 June 2019 – 14 February 2020 R'000	WiConnect 1 June 2019 – 31 May 2020 R'000	Total 2020 R'000
Goodwill impairments of disposal groups and discontinued operation recognised[1]	(26 886)	(26 346)	(45 587)	(98 819)
Derecognition of put option liability on the effective date of VAS operations disposal[2]	214 559	—	—	214 559
Recognition of derivative liability to the extent that the exercise price does not represent the fair value of the underlying shares[2]	(77 524)	—	—	(77 524)
Other gains/(losses)	110 149	(26 346)	(45 587)	38 216

[1] In line with the requirements of IFRS 5, management performed an assessment to measure the disposal groups classified as held-for-sale at the lower of their carrying amount and fair value less cost to sell with the following conclusions being reached:

- VAS operations: Fair value less cost to sell was determined based on the selling price as per the VAS operations sales agreement. The determination of the fair value of the contingent consideration included in the selling price involved significant management judgement. For further information in this regard, refer to the information under "Critical accounting judgements and assumptions". The impairment losses of R26.9 million arising from measuring the VAS operations at the lower of its carrying value and fair value less costs to sell after taking into account loan claims to which the proceeds would first be applied to have been recorded in the "Profit from discontinued operation" line item within the Group statement of comprehensive income.
- 3G Mobile: Fair value less cost to sell was determined based on the selling price of R544 million as per the 3G Mobile sales agreement. The impairment losses of R26.3 million arising from measuring 3G Mobile at the lower of its carrying value and fair value less costs to sell have been recorded in the "Profit from discontinued operation" line item within the Group statement of comprehensive income.
- WiConnect: As the operations have ceased in their entirety, all of the goodwill attributable to the entity was impaired with the impairment losses recorded in the "Profit from discontinued operation" line item within the Group statement of comprehensive income.

[2] This relates to the put options for the acquisition of the remaining 40% minority interest in Airvantage and AV Technology. Prior to entering into the VAS operations disposal transaction, Blue Label accounted for the put options held by both the non-controlling shareholders in Airvantage and AV Technology. This was in line with IAS 32 paragraph 23 that requires an entity with an obligation to purchase its own equity instruments (i.e. Airvantage and AV Technology were consolidated by Blue Label, as their shares were Blue Label's own equity instruments from a consolidated Blue Label perspective) for cash or another financial asset, to recognise such obligation as a financial liability.

Following Blue Label's disposal of the VAS Operations, the terms of the put option over the equity instruments in Airvantage and AV Technology have been substantially modified. In accordance with IFRS 9 this is accounted for as an extinguishment of the original put option liability and a new financial liability is recognised (derivative instrument). The resultant movement in profit or loss in included within the "Profit from discontinued operations" line item within the Group statement of comprehensive income.

Discontinued operations continued

Financial performance of discontinued operations continued

Blue Label still has an obligation to acquire the shares should the non-controlling shareholders put the shares to it. As a result thereof, Blue Label recognised a derivative instrument, taking the following into consideration:

- the value of the instrument fluctuates in response to a change in the fair value of Airvantage and AV Technology;
- no initial net investment was required; and
- the put option may be exercised by the 40% minority shareholders during the 90-day period following signature of the 31 May 2020 audited results. The call option may be exercised by Blue Label for a period of 90 days after the put option expires.

The derivative financial instrument is measured at fair value through profit or loss. The amount at which the put and call options may be exercised is contractually determined based on the 31 May 2020 audited results at a six times net profit after tax multiple. Should the exercise price not represent the fair value of the underlying shares, an element of the derivative instrument would have value and as such would be recognised in Blue Label's financial statements. The determination of the extent to which the exercise price does not represent the fair value of the underlying shares involved significant management judgement. For further information in this regard, refer to "Critical accounting judgements and assumptions".

	VAS operations 2019 R'000	3G Mobile 2019 R'000	WiConnect 2019 R'000	Total 2019 R'000
Revenue and other incomes	364 223	1 713 637	235 940	2 313 800
Expenses	(349 174)	(1 653 151)	(234 385)	(2 236 710)
Profit before taxation	15 049	60 486	1 555	77 090
Taxation	(27 483)	(22 329)	13 139	(36 673)
(Loss)/profit after taxation of discontinued operations	(12 434)	38 157	14 694	40 417
Exchange differences on translation of discontinued operations	17 350	10 794	—	28 144
Other comprehensive income from discontinued operations	17 350	10 794	—	28 144
Total comprehensive income from discontinued operations	4 916	48 951	14 694	68 561
(Loss)/profit for the period attributable to:	(12 434)	38 157	14 694	40 417
Equity holders of the parent	(26 311)	38 157	14 694	26 540
Non-controlling interest	13 877	—	—	13 877
Total comprehensive income for the period attributable to:	4 916	48 951	14 694	68 561
Equity holders of the parent	(12 027)	48 951	14 694	51 618
Non-controlling interest	16 943	—	—	16 943

Discontinued operations continued

Financial performance of discontinued operations continued

Cash flow information of discontinued operations

	VAS operations 1 June 2019 – 30 April 2020 R'000	3G Mobile 1 June 2019 – 14 February 2020 R'000	WiConnect 1 June 2019 – 31 May 2020 R'000	Total 2020 R'000
Net cash inflow from ordinary activities	**172 623**	**194 913**	**166 365**	**533 901**
Net cash inflow/(outflow) from investing activities	**183 152**	**(129 525)**	**(61 519)**	**(7 892)**
Net cash (outflow)/inflow from financing activities	**(279 568)**	**2 336**	**(105 230)**	**(382 462)**
Net increase in cash generated/(utilised) by the discontinued operations	**76 207**	**67 724**	**(384)**	**143 547**

	VAS operations 2019 R'000	3G Mobile 2019 R'000	WiConnect 2019 R'000	Total 2019 R'000
Net cash inflow/(outflow) from ordinary activities	56 211	(15 270)	21 149	62 090
Net cash inflow/(outflow) from investing activities	28 138	351	(17 260)	11 229
Net cash (outflow)/inflow from financing activities	(53 289)	2 572	(38 245)	(88 962)
Net increase in cash generated/(utilised) by the discontinued operations	31 060	(12 347)	(34 356)	(15 643)

Discontinued operations continued

Details of the sale of subsidiaries

	VAS operations 2020 R'000	3G Mobile 2020 R'000	Total 2020 R'000
Consideration received or receivable:			
Cash	350 000	544 000	894 000
Loan claims settled from cash	(44 626)	—	(44 626)
Fair value of contingent consideration*	71 967	—	71 967
Total disposal consideration	377 341	544 000	921 341
Carrying amount of net assets attributable to equity holders of the parent sold	468 871	505 477	974 348
(Loss)/gain on sale before income tax and reclassification of foreign currency translation reserve	(91 530)	38 523	(53 007)
Income tax expense on (loss)/gain	—	—	—
Reclassification of foreign currency translation reserve	48 508	5 027	53 535
(Loss)/gain on sale after income tax	(43 022)	43 550	528

* The determination of the fair value of the contingent consideration of R72 million involved significant management judgement. For further information in this regard refer to the information under "Critical accounting judgements and assumptions" .

Discontinued operations continued

Details of the sale of subsidiaries continued

The carrying amounts of assets and liabilities as at the date of sale (30 April 2020 for VAS operations and 14 February 2020 for 3G Mobile) were:

	VAS operations R'000	3G Mobile R'000	Total R'000
Property, plant and equipment	11 076	7 655	18 731
Right-of-use assets	11 892	1 802	13 694
Intangible assets	346 373	80 852	427 225
Goodwill	234 560	25 731	260 291
Investments in and loans to associates and joint ventures	26 101	—	26 101
Loans receivable	15 844	172 494	188 338
Trade and other receivables	207 498	289 390	496 888
Deferred taxation assets	1 342	9 771	11 113
Inventories	78	110 507	110 585
Financial asset at fair value through profit and loss	112	390	502
Current tax assets	694	622	1 316
Cash and cash equivalents	110 361	85 304	195 665
Total assets	965 931	784 518	1 750 449
Deferred taxation liabilities	86 394	22 092	108 486
Lease liabilities	13 602	1 764	15 366
Borrowings	53 815	724	54 539
Trade and other payables	157 030	241 143	398 173
Provisions	—	5 430	5 430
Current tax liabilities	29 565	7 888	37 453
Total liabilities	340 406	279 041	619 447
Net assets attributable to:	625 525	505 477	1 131 002
Equity holders of the parent	468 871	505 477	974 348
Non-controlling interest	156 654	—	156 654

Discontinued operations continued

Critical accounting judgements and assumptions

Fair value of the contingent consideration receivable

As explained under "Financial performance and cash flow information", management performed an exercise in terms of IFRS 5 under which the fair value less cost to sell was estimated for the VAS operations. The fair value of the VAS operations was determined using the fair value of the selling price. Since the ultimate consideration realised for the VAS operations will depend partly on whether Cell C's solvency and liquidity is proven, and if not, it will depend partly on the value of 24% of the shares in Airvantage and AV Technology, the determination of the fair value of the contingent consideration included in the selling price involved significant management judgement and, accordingly, is a level 3 input per the fair value hierarchy. The fair value was determined using a probability weighted basis which reflects the extent to which management believes that Cell C's solvency and liquidity will be proven, as well as management's estimate of the fair value of 24% of Airvantage and AV Technology:

	Solvency and liquidity of Cell C is proven	Solvency and liquidity of Cell C remains unproven
Cash consideration	R450 million	R350 million
Fair value of 24% of the issued share capital of Airvantage and AV Technologies	R0*	R43 million
Total fair value	R450 million	R393 million
Attributed probability percentage	51%**	49%
Weighted average fair value of total consideration receivable	R422 million	
Fair value of the contingent consideration receivable	R72 million	

* Not applicable as the R100 million contingent purchase consideration will be received should the solvency and liquidity of Cell C be proven.
** Refer to "Update on Cell C" for the factors that management considered in determining the 51% probability.

The contingent consideration of the sales price is based on the fair value of the 24% of Airvantage and AV Technology. The fair value of 24% of Airvantage and AV Technology was determined taking into account the adverse impact on Airvantage's operations, should the solvency and liquidity of Cell C remain unproven, since the Airvantage business is largely dependent on Cell C. It has been assumed that Airvantage would not continue to trade and hence no value has been attributed to its 24% share capital. The fair value of 24% of AV Technologies' share capital is estimated to be R43 million which was determined with reference to its contribution to the total profit of the VAS operations applied to the total selling price as per the VAS operations sales agreement, i.e. should the purchase price have been split between the relevant entities 24% of AV Technologies' share capital would have been attributed R43 million. This remained constant from initial recognition to subsequent measurement at year-end as the purchase consideration has remained unchanged and the operations and results of the underlying entities upon which the valuation is based have remained largely unchanged.

Should management have attributed a 100% probability to the solvency and liquidity of Cell C being proven, the contingent consideration's fair value would be R100 million. Conversely, should management have attributed a 0% probability to the solvency and liquidity of Cell C being proven, the contingent consideration's fair value would be R43 million.

Discontinued operations continued

Critical accounting judgements and assumptions continued

WiConnect discontinued operation considerations

Paragraph 13 of IFRS 5 states that, if a disposal group meets the discontinued operation criteria, the cash flows and results of the disposal group should be presented as discontinued operations at the date on which it ceases to be used. In considering whether the operations of WiConnect have "ceased to be used", management considered that as at year-end, and for some time prior, WiConnect's retail stores had ceased trading (even during the periods of the national lockdown where trading was permissible). Furthermore, all inventory had been transferred to a central warehouse, cash collected and swept from stores and affected staff informed of their retrenchment. Additionally, all landlords to the WiConnect retail stores were also informed prior to year-end of the intention to cease all operations. Therefore, while there are still run-off costs to be incurred and assets to be sold and scrapped, these are elements of the closing down of the WiConnect operations. Based on this, together with the fact that inventory has been written down to its net realisable value and sold to one buyer, it is management's contention that the operations are not ongoing and that the inflows and outflows which are still to occur do not comprise an activity. Based on these facts and circumstances, management applied its judgement and has concluded that the operations of WiConnect have "ceased to be used".

Management applied further significant judgement in determining whether the operations of WiConnect met the discontinued operations criteria as at year-end. More specifically, management needed to consider whether WiConnect may be classified as a separate major line of business. Under IFRS 8, reportable segments could comprise more than one business segment. Therefore, the fact that WiConnect does not form its own reportable segment (it is included in the Africa Distribution segment) does not preclude it from being considered a major line of business. Executive management and chief operating decision-makers consider WiConnect to be a separate major line of business as a result of several considerations, namely that it was brick-and-mortar retail (or physical stores owned and operated by the Group) directly interacting with clients in the retail space through our own channels/stores selling hardware and other value-added services directly to consumers. This, coupled with the loss after tax of R318 million (which is considered to be material in the context of the overall Group results for the year ended 31 May 2020), led to management applying its judgement in concluding that WiConnect is a separate major line of business and consequently meets the definition of a discontinued operation.

Derivative liability fair value

As explained under the heading "Financial performance and cash flow information", significant management judgement was applied in determining the extent that the exercise price does not represent the fair value of the underlying shares. The amount at which the put and call options may be exercised is contractually determined based on the 31 May 2020 audited results at a 6 x net profit after tax multiple. This formula has been used in determining the total value of the put option liability. As the VAS Operations disposal group (which included Airvantage and AV Technology) was sold at a similar net profit after tax multiple, the multiple is deemed to be representative of a fair market multiple to be used in calculating the value of the shares. However, management has taken into account the adverse impact on Airvantage's operations should the solvency and liquidity of Cell C remain unproven, since the Airvantage business is largely dependent on Cell C. Therefore the derivative has been measured at the difference between the fair value of Airvantage and the exercise price of the put option. Accordingly, these inputs are level 3 inputs per the fair value hierarchy.

The same facts and circumstances were taken into account in this critical accounting judgement as were taken into account in the update on Cell C note, with management concluding the following:

Total value of Airvantage put option liability on 30 April 2020 (A)	158 213
Attributed probability percentage of the solvency and liquidity of Cell C remaining unproven (B)	49%
Extent that the exercise price does not represent the fair value of the underlying shares (A x B)	77 524

Should management have attributed a 100% probability to the solvency and liquidity of Cell C being proven, the entire put option would have been considered to be at value and, as such, no liability would have been recognised. Conversely, should management have attributed a 0% probability to the solvency and liquidity of Cell C being proven, the entirety of the portion of the put option related to Airvantage would have been considered to not be at value and, as such, a liability of R158 million would have been recognised. The put option over the shares of AV Technology is considered to be at fair value as the operations and results of the entity upon which the valuation is based have remained largely unchanged and six times net profit multiple is consistent with the earnings multiple at which the shares in the entity have been disposed of.

Change in accounting policy

IFRS 16

The Group has adopted IFRS 16 – *Leases* from 1 June 2019 under the modified retrospective approach, and has therefore not restated comparatives for the previous reporting period, as permitted under this specific transitional provision in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 June 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 – *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 June 2019. Lease payments escalate at fixed rates. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 June 2019 was 10.44%.

	R'000
Operating lease commitments disclosed as at 31 May 2019	**182 938**
Lease commitments discounted using the lessee's incremental borrowing rate at 1 June 2019	155 429
Less: Short-term leases recognised on a straight-line basis as expense	(5 799)
Less: Adjustments as a result of a different treatment of extension and termination options	4 729
Lease liability recognised as at 1 June 2019	**154 359**

The associated right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 May 2019.

Operating profit increased by R7.2 million and earnings per share decreased by 0.5 cents for the year ended 31 May 2020 as a result of the adoption of IFRS 16. On the Group statement of financial position a right-of-use asset of R150 million, and a lease liability of R154 million was recognised at 1 June 2019 as a result of the adoption of IFRS 16. There was no effect on opening retained earnings.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous of which the Group had none;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 June 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 – *Determining whether an Arrangement contains a Lease*.

From 1 June 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Change in accounting policy continued

IFRS 16 continued

The Group has adopted IFRS 16 – *Leases* from 1 June 2019.

	Retail space R'000	Office space R'000	Warehouse space R'000	**Total R'000**
Lease liabilities				
Opening balance	—	—	—	**—**
Adoption of IFRS 16	21 163	132 628	568	**154 359**
Increase in liabilities	7 454	22 806	3 077	**33 337**
Interest expense – continuing operations	—	11 498	188	**11 686**
Interest expense – discontinued operations	2 157	523	—	**2 680**
Repayments	(15 726)	(36 341)	(1 142)	**(53 209)**
Lease modifications	13 575	(5 196)	—	**8 379**
Disposal of subsidiaries	—	(15 366)	—	**(15 366)**
Termination of leases	—	—	(743)	**(743)**
Closing balance	28 623	110 552	1 948	**141 123**
Included in current liabilities	(28 623)	(30 318)	(1 261)	**(60 202)**
	—	80 234	687	**80 921**
Lease assets				
Opening balance	—	—	—	**—**
Adoption of IFRS 16	21 163	127 834	568	**149 565**
Additions	7 454	21 430	3 077	**31 961**
Depreciation – continuing operations	—	(31 135)	(1 106)	**(32 241)**
Depreciation – discontinued operations	(10 514)	(1 078)	—	**(11 592)**
Impairments – continuing operations	—	—	—	**—**
Impairments – discontinued operations	(18 103)	(12 609)	—	**(30 712)**
Lease modifications	—	(4 743)	—	**(4 743)**
Disposal of subsidiaries	—	(13 694)	—	**(13 694)**
Termination of leases	—	—	(692)	**(692)**
Closing balance	—	86 005	1 847	**87 852**

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of one to four years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Change in accounting policy continued

IFRS 16 continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine this rate, the Group, where possible, uses recent third-party financing received, adjusted to reflect changes in circumstances and financing conditions since financing was obtained.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases (12 months or less) and leases of low-value assets (less than R50 000) are recognised on a straight-line basis as an expense in profit or loss.

Critical accounting judgements and assumptions

The term of a lease includes periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option. The Group did not take into account renewals in the majority of leases as there is material uncertainty as to whether the option to renew will be exercised. Material uncertainty arises in cases where BLT is not locked into renewals, alternative leasing arrangements are available and there is no firm commitment or formal decision to renew.

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 2019, except for the change in accounting policy stated. The Group has adopted all new and amended accounting pronouncements issued by the IASB that are effective for financial years commencing 1 June 2019. Refer to the change in accounting policy note.

Update on Cell C

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

As at 31 May 2019, the Group's investment in Cell C was impaired to nil. It remains at nil as at 31 May 2020.

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 on 7 August 2019, which became effective on 4 May 2020. This agreement is one of the key pillars in Cell C's transformation plan as well as its long-term network strategy to optimise operating costs and reduce capital outlay as part of the turnaround strategy. This agreement is anticipated to positively impact the cost base and future cash flows on the successful implementation of this transaction.
- The board of Cell C established a liquidity committee to monitor the liquidity position of Cell C and to ensure that the business is not trading recklessly during the negotiations of the recapitalisation and debt restructure. Although the liquidity position of Cell C remains challenging, Cell C has proven that it has managed to continue trading despite the liquidity concerns and management is confident that this committee will manage the liquidity position of Cell C until the conclusion of the recapitalisation process.
- Cell C appointed independent financial restructuring advisers to assist in stringent monitoring of the liquidity of Cell C as well as designing the revised business plans that support the new operating business model.
- Management remains optimistic that the planned recapitalisation of Cell C will be successful. The recapitalisation is important to improve the capital structure of the company and the deferral of repayments that will support the long-term sustainability of Cell C. Stakeholders have appointed independent advisers to assist with the recapitalisation and/or debt restructuring process and formal engagements are ongoing.

Although no certainty exists around the successful implementation of the recapitalisation, management remains optimistic.

Cell C default

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

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

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

Going concern

In spite of certain restrictions caused by the COVID-19 pandemic, Blue Label has continued to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services. The lockdown regulations and the downturn in economic activity have not negatively impacted airtime, data and electricity sales volumes. The Group's digital expertise has enabled uninterrupted access of all its products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa. Cash flow generated by the core businesses within the Group has consequently not been negatively impacted.

The products and services that Blue Label provides fulfil essential needs of the consumer, even more so during the lockdown period due to home confinement. In essence, such demand would only decline if consumer cash resources dwindle as a result of a decline in their income. In a situation of this nature, Blue Label's products and services would remain a priority in consumer spend and retain a level of resilience in comparison to other consumer goods and services.

The Group's retail business, starter pack distribution, gaming vouchers and ticketing were negatively impacted during the initial lockdown period. Starter pack distribution and gaming voucher trading volumes are now back to pre-COVID-19 levels.

The lockdown, however, had a significant negative impact on the retail operations of WiConnect and, given the uncertainty of the duration of the pandemic and the resultant losses attributable thereto impacting its financial feasibility, a decision was made prior to year-end to cease the operations of the WiConnect retail stores. This resulted in a negative impact of R318 million on the Group's basic earnings for the year ended 31 May 2020. The actual cash outflow required for the closure of the stores, which is included in the R318 million expense, will, however, be confined to approximately R30 million, in that the balance of such negative earnings represents all trading losses which have been expended, impairments to property, plant and equipment and goodwill.

Challenging economic conditions, an unfavourable trading environment, margin compression as a result of reduced incentives from the mobile networks and an increase in product costs, exacerbated by COVID-19, necessitated an impairment of goodwill in Blue Label Connect of R157 million, a partial goodwill impairment in Glocell Distribution of R57 million and a fair value downward adjustment of the Glocell loan, net of taxation, of R47 million.

In considering credit risk, management included considerations related to COVID-19 when calculating ECLs. The considerations resulted in increased probability of default percentages in the current year when compared to the prior year and ultimately in an increase of the average ECL/impairment ratio on total trade receivables from 2.46% in the prior year to 3.68% in the current year. The Group did not experience any significant defaults or requests from material clients for easing of payment terms or payment holidays.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group has sufficient liquidity to meet its obligations and will be able to operate within its current funding levels without breaching any of its current covenants into the foreseeable future.

The Directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the financial statements.

Board of directors

(Chair of Nomination Committee)

LAURENCE (LARRY) NESTADT

Independent Non-Executive Chairman

Born: 1950

Larry Nestadt has a long and successful global corporate career.
He is a co-founder and former executive director of Investec Bank Limited. Larry has been instrumental in the creation and strategic development of a number of listed companies including Capital Alliance Holdings Limited (Capital Alliance Life – acquired by Liberty Life; Capital Alliance Bank – now Brait), Super Group Limited, HCI Limited, SIB Holdings Limited, CorpGro Limited and Global Capital Limited. He also served as past chairman on the boards of these companies. Previously, Larry sat on the boards of Softline Limited, JCI Limited and Abacus Technologies Holdings Limited. Further, he has been a former chairman on a number of non-listed company boards both in South Africa and abroad, including Stenham Limited (UK) and Prefsure Life Limited (AUS). Larry is the current executive chairman of Global Capital Proprietary Limited and the current Chairman of Blue Label Telecoms Limited, Dis-Chem Pharmacies Limited, Universal Partners Limited, National Airways Corporation Proprietary Limited, the Morecorp Group, Melrose Motor Investments Proprietary Limited and SellDirect Marketing Proprietary Limited. He also serves as deputy chairman of Cell C Limited. Larry is a life member of the World Presidents' Organisation, Lloyds of London (since 1983).

Larry joined the Board on 5 October 2007. As a respected senior member of the South African business community; his strategic vision, guidance and experience contribute significantly to the Board and its deliberations.

BRETT LEVY

Joint Chief Executive Officer

Born: 1975

Brett has an impressive entrepreneurial record of founding and operating many small businesses across a wide range of industries.
These include the distribution of fast-moving consumer goods and insurance replacements for electronic goods. Brett plays a key role in developing the Group's strategy and commercial negotiations. His achievements have earned him a number of prestigious nominations, accolades and awards. These include the Absa Bank Jewish Entrepreneur of the Year Award (2003) and the Absa Jewish Business Achiever Non-Listed Company Award (2007), which he won jointly with his brother Mark. Brett was nominated as an Ernst & Young World Entrepreneur SA Finalist for 2007. In 2010 he received the Liberty Life Award for a Remarkable Success Story in the David Awards and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared the Top Entrepreneur accolade in the African Access National Business Awards with Mark.

Brett joined the Board on 1 February 2007 and is a director of various Group companies.

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

Board of directors continued

MARK LEVY

Joint Chief Executive Officer

Born: 1971

BCompt (Unisa)

Mark graduated with a BCompt from Unisa in 1993. After some years as a commodities trader, he decided to pursue a goal of becoming an entrepreneur.
At Blue Label, Mark is integral in spearheading the execution of Blue Label's growth strategy, integration of acquisitions and development of the IT architecture. His leadership stature is frequently recognised. Together with his brother Brett, Mark received the Absa Bank Jewish Business Achiever Non-Listed Company Award (2007). He was nominated as an Ernst & Young World Entrepreneur SA finalist for 2007. In 2010 Mark was voted Top IT Personality of the Year by ITWeb and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared the Top Entrepreneur accolade in the African Access National Business Awards with Brett.

Mark joined the Board on 1 February 2007 and is a director of various Group companies.

DEAN SUNTUP

(alternate to Brett Levy)

Financial Director

Born: 1977

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

Dean completed his articles at PwC where he continued working after qualifying as a chartered accountant, participating in the audits of various large corporations and multinational companies.
In 2003 he joined BSC Technologies, a business established by the Levy brothers, and where he later became financial director. In 2005 he transferred to The Prepaid Company in the role of Financial Director. In heading up finance at Blue Label, Dean contributes significantly to the governance and reporting systems across the Group. Dean is a member of SAICA.

Dean joined the Board on his appointment as Financial Director on 14 November 2013 and is a director of various other Group companies.

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

Board of directors continued

(Chair)

(Chair of Remuneration Committee)

GARY HARLOW

Independent Non-Executive Director

Born: 1957

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

Gary graduated from the University of Cape Town in 1979, qualifying as a Chartered Accountant (SA) in 1982, an associate of the Chartered Institute of Management Accountants (UK) in 1983 and as a Fellow Chartered Management Accountant (UK) in 1996. His career was forged in merchant and investment banking.

In the early 1990s he became an adviser to the African National Congress in developing black economic empowerment strategies and in 1992 was instrumental in the creation of Thebe Investment Corporation, South Africa's first broad-based black-owned company. Gary served as joint chief executive officer of Msele Corporate and Merchant Bank, South Africa's first black-controlled merchant bank.

In 1996, Gary was appointed group chief executive officer of Unihold Limited, where he remains executive chairman. He led its transition from an engineering conglomerate to an international IT and telecommunications group, followed by a delisting through a management buyout in 2002. Gary serves on various other private and public boards including Imbalie Beauty Limited and Cell C Limited, where he is the chairman of the Audit and Risk Committee.

Gary joined the Board on 5 October 2007 and is also chairman and/or director of various Group subsidiaries.

KEVIN ELLERINE

Non-Executive Director

Born: 1968

National Diploma in Company Administration

Kevin joined the family business, Ellerine Holdings, in 1991. After serving in various roles, in 1993 he was appointed as property manager of Ellerine Bros. Proprietary Limited, rising to managing director of the property division in 2000, a position he still holds today.

He sits on the boards of the property and private equity companies in which Ellerines is invested. He is also a director of Hyprop Investments Limited and Newpark REIT Limited. Kevin's all-round business skill and acumen contribute to Board and Committee deliberations of the Group.

Kevin joined the Board on 8 December 2009 and is a director of various other companies, including some Group subsidiaries.

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Investment Committee

Remuneration and Nomination Committee

Audit, Risk and Compliance Committee

Social, Ethics and Transformation Committee

Board of Directors continued

(Chair)

JERRY VILAKAZI

Independent Non-Executive Director

Born: 1961
BA (Unisa), MA (Thames Valley), MA (London), MBA (California Coast University)

Jerry is executive chairman of Palama, which he co-founded to facilitate investments in strategic private and listed companies.
He is a past CEO of Business Unity South Africa, during which period he served as business representative at Nedlac and on various international business councils. Prior to this, he held various executive positions in government and in the private sector including that of managing director of the Black Management Forum (BMF) where he also served on the board of the BMF investment company. In 2009, Jerry was appointed to the Presidential Broad-based Black Economic Empowerment Advisory Council and was appointed as a Commissioner of the National Planning Commission in 2010. Jerry was chairman of the Mpumalanga Gambling Board from 2006 to 2015 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, Goliath Gold Limited as well as chairman of Netcare Limited and adviser to Citibank. He currently serves on the boards of Cell C Limited and Sibanye-Stillwater Limited where he also chairs the social and ethics committee.

Jerry joined the Board on 19 October 2011.

(Chair)

JOE MTHIMUNYE

Independent Non-Executive Director

Born: 1965
BCompt (Hons)/CTA (Unisa), CA(SA)

Joe qualified as a chartered accountant in 1993. In 1996, he co-founded Gobodo Incorporated, an accounting practice with eight other partners which later became SNG Grant Thornton.
In 1999, he led a management buy-out of Gobodo Corporate Finance from the accounting firm and rebranded it aloeCap Proprietary Limited, of which he is currently the executive chairman. He serves on the board of directors of various non-listed companies in which aloeCap is invested. Joe is an independent non-executive director of Dis-Chem Pharmacies Limited and the chairman of Cell C Limited. He is also chairman of Dis-Chem audit committee.

Joe joined the Board on 5 October 2007.

NOMAVUSO MNXASANA

Independent Non-Executive Director

Born: 1956
Chartered Accountant (SA), BCompt (Hons); MCom (Tax Law) – pending

Nomavuso is a Chartered Accountant, having obtained her B Compt and Hons from the University of South Africa. She received her training from Deloitte and Touche. After completing her articles, she spent one year at Deloitte before joining SizweNtsaluba vsp (former Nkonki Sizwe Ntsaluba).
During her tenure at SizweNtsaluba she was specialising in consulting, internal auditing and attests function. She started the Corporate Governance division which housed the internal audit services, as she identified this opportunity during the introduction of the Public Finance Management Act (PFMA). She was also involved in staff development and training as a staff partner for five years. She then joined the Imperial Group as the Group Audit and Risk Executive. While at Imperial she introduced Training Outside Public Practice (TOPP). When she left the group, she had 11 TOPP Trainees who are spread across the group and still assist Imperial Group on 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. She sits on a number of boards in both listed and unlisted companies.

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

Remuneration report

DEAR SHAREHOLDERS

This financial year has been a year of implementation and consolidation of our Hay Grading systems and new remuneration policy. The group's remuneration policy, implementation report and Non-Executive Director's fees were put to shareholder vote at the previous AGM and endorsed with a majority (FY19: 87.98%, 87.56%, and 87.95%, respectively).

Our revised remuneration policy brings us closer to best practice of fair and responsible remuneration aligned to shareholder interests and value creation. In choosing which financial metrics to use in STIs and LTIs, we benchmarked against our peers, considered best practice and, more importantly, incorporated the specific business goals of Blue Label. In the implementation of our policy, we have partnered with our business divisions to ensure that the policy and associated metrics are aligned to the operational strategy and the talent requirements of Blue Label. We believe that the output of this work has enabled consistency of application across the Group and a meaningful analysis of performance.

Section 1 provides an overview of how the Remuneration Committee has championed our alignment to King IV's Code on Corporate Governance, how we have implemented the new remuneration policy and our key focus areas for the year. Section 2 summarises our remuneration philosophy and policy, together with an overview of our total rewards strategy. The full policy can be accessed here (hyperlink). Finally, Section 3 provides an overview of FY20 performance and discloses payments made to Executive Directors during the year in terms of performance against targets, as well as the fees paid to Non-Executive Directors.

Looking forward to FY21, we will focus on implementation and anchoring of our reward philosophy and policy across the Group and continue to champion the pay for performance principle and EVP #HappinessisBlu. We trust that our holistic and considered approach will enable us to align our talent to shareholder interests, while differentiating us within the marketplace and enabling us to attract and retain talent. The Committee considered and accepted revised proposals to refine the ESG scorecard.

The Remuneration Committee (Remco) has carefully considered the implementation of the revised remuneration policy during the year and believes it has achieved its stated goals. We invite you to give us your views on our policy and its implementation and remain committed to continued engagement with all shareholders in this regard.

GD Harlow
Chairman of the Remuneration Committee

23 September 2020

Remuneration report continued

SECTION 1

Background statement regarding committee considerations and decisions

The Blue Label Board and Remuneration Committee endeavour to apply the King IV principles regarding responsible and transparent remuneration practices. During the previous year, the Remuneration Committee actively engaged with the Board, Deloitte, KPMG, Korn Ferry and various shareholders, to comprehensively review our remuneration strategy and supporting policy. We are confident that the new remuneration policy adopted in the current financial year will align shareholder and management objectives while also enabling talent attraction and employee retention.

The FY19 review was undertaken to:

- Address institutional shareholders feedback and concerns,
- Enable Blue Label to compete within an increasingly competitive talent market, through bringing us closer to best practice of fair and transparent remuneration practices;
- Enable us to attract and retain key capabilities and talent required to deliver our growth strategy;
- Align employee performance and value-creating behaviours to our strategy and delivering shareholder returns.

In FY20 our focus has been on implementation of the revised policy and engagement with our employees.

Bringing us closer to best practice fair and transparent remuneration practices:

King IV™ guides organisations to apply remuneration practices which are fair, responsible and transparent. The Committee has engaged with shareholders and external advisers to bring us closer to best practice.

In summary our new remuneration policy:

- Creates a new total reward philosophy for Blue Label Telecoms;
- Aims to achieve a more favourable split between fixed and variable pay overtime, taking us closer to a 35% fixed and 65% variable split;
- Positions our fixed pay at market median as opposed to the upper quartile;
- Upweights variable pay and pay for performance;
- Revises our targets for our STIP and LTIP;
- Removes the outperformance bonus from our STIP policy;
- Removes the retention criteria for our LTIP policy;
- Introduces minimum shareholding values for Executive Directors;
- Introduces a new malus and clawback clause; and
- Introduces special short-term incentives to enable us to attract and retain critical skills which are key to our strategy.

Further details can be found in section 2 of the report and the full Remuneration Policy which can be accessed at https://www.bluelabeltelecoms.co.za/sus-remuneration-policy.php.

Attracting and retaining key capabilities and talent required to deliver our growth strategy:

In FY20 we have implemented widespread organisational restructuring to enable our growth agenda. Through this process we aligned functions and the business to our new Hay grading philosophy and aligned remuneration. Through the restructuring process, a significant number of our employees received promotional opportunities. In addition, during the process we addressed remuneration anomalies where pay gaps existed. Outside of these processes all employees' grades were reviewed, updated where jobs had evolved and aligned to the Hay grading philosophy. While most of the remuneration policy was implemented in FY20 across the Group, the leave policy will be implemented in FY21. The changes to our policy were shared across the Group and have been well received by employees.

Furthermore, our growth strategy has required us to invest in and attract new skills and capabilities into our organisation. We have found that in the main, our revised Remuneration philosophy and benchmarking has enabled us to be competitive within the marketplace. On occasion, we were able to use our newly introduced special short-term incentives to attract new skills and high potential talent. We are pleased to see how the leadership teams have worked alongside the Human Capital team to respond holistically, through implementing our Blue Label talent strategy with new talent management practices and standardising our grading and remuneration practices across the Group.

Remuneration report continued

In FY20 we have:

- Updated our Succession Planning Policy;
- Implemented new talent management processes;
- Completed our first round of talent reviews;
- Aligned our two-year Capability Plan and workplace skills plans to support insights from our talent reviews and associated personal development plans;
- Invested in capability building and technology to enable us to apply the Hay Grading philosophy effectively across the Group;
- Engaged Deloitte and KPMG to understand what our strengths are as an organisation and where we could improve our remuneration practices;
- Revised our total reward framework and introduced new benefits and components to our #HappinessisBlu EVP, to create a compelling and competitive EVP and maintain our high-performance Blue Label culture;
- Introduced support mechanisms for employees during the COVID-19 pandemic to ensure that our Blu Family were not negatively impacted by the pandemic and its associated psychological and economic impact on families;
- Systematically aligned the organisation across all entities to Hay grades and the newly defined Blue Label bands;
- Applied our new internal pay scales in our organisational restructuring, when drafting offers for promotions and new appointments;
- Used the new internal pay scales to offer packages targeted at the market median, taking into consideration individual criteria, such as availability of skill within the market, employee experience, qualifications, leadership skills and technical competencies;
- Conducted an equal pay for equal work assessment, with regard to gender and race, to understand our pay practices across the Group and found that no bias exists within our business based on race and gender, where there is equal representation. The bigger issue that needs to be addressed is female and black representation in Senior Management and Top Management occupational bands.

As demonstrated, we have responded in a holistic approach, to compete effectively, through a total reward philosophy that is fair and transparent and that aims to engage the hearts, hands and minds of our talent.

Aligning employee performance and value-creating behaviours to our strategy and delivering shareholder returns:

In our FY19 consultations with our institutional shareholders and taking cognisance of our strategy, we revised our metrics to align employee performance to value-creating behaviours and shareholder returns. The revised metrics were:

- NPAT targets for Senior Management;
- Core HEPS growth targets for Senior Management at Group level and Executive Directors as a key metric;
- EBITDA targets for Senior Management at Group level and Executive Directors;
- Return on capital employed as a new key metric to ensure an appropriate capital allocation policy is implemented and delivered against;
- ESG performance scorecard for our LTIP scheme, further aligning us to King IV and
- TSR (total shareholder return) targets for our LTIP scheme.

In addition, we introduced:

- Minimum holding requirements for Executive Directors; and
- Malus and clawback provisions.

The revised policy and metrics were effective for FY20.

Remuneration report continued

Additional decisions taken in FY20:

- Updated the Remuneration and Nomination Committee Terms of Reference.
- Updated the Succession Planning Policy.
- Set performance conditions for short and long-term incentives for FY20 for Executive Directors.
- Approved no increases and bonuses for Executive Directors, Executives, Senior Management and employees. This was due to COVID-19 and the anticipated negative impact thereof on the Group's financial performance. The Committee agreed that exceptions would be considered on an individual basis to enable retention of critical skills and high performing talent.
- Recommended to the Board for onward recommendation and approval by shareholders a zero percent increase in Non-Executive Directors' fees, in line with the zero percent annual increase proposed for executive staff. The Committee resolved that the same recommendation would be made to the Board in respect of directors' fees for Non-Executive Directors who serve on subsidiary company boards.
- Evaluated the LTIP vesting conditions for the 2016 scheme and approved final vesting ratios.

VOTING AT THE 2020 VIRTUAL ANNUAL GENERAL MEETING

In line with the Companies Act 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 FY20 implementation report.
- 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 to investors@blts.co.za.

Remuneration committee focus areas for FY21:

The Board has mandated the Remuneration Committee to continually assess the executive remuneration market and governance frameworks. Given the current South African economic environment and Blue Label's strategy and operational performance, we anticipate the following focus areas for the year ahead:

- Monitor the implementation of the revised remuneration policy across the organisation to assess the impact of the policy on performance against the goals set.
- Continue to champion the fair and responsible pay of our talent, support the transformation agenda and eliminate any unfair bias or practices.
- Monitor and assess the impact of COVID-19 on our business and evaluate our Remuneration practices in light of this, if required.
- Monitor and assess the remuneration landscape within South Africa, particularly relative to other telcos and similarly sized organisations.
- Refine our ESG Scorecard and associated metrics for our LTIP scheme.
- Review of our peer group applicable to the LTIP.
- Alignment of metrics to value creating behaviour and hence shareholder interests and rewarding performance accordingly.
- Assessing who our prescribed officers should be as an outcome of the finalised organisational re-design.
- Continue 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 of BLT.

Remuneration report continued

SECTION 2

Our remuneration philosophy, policy and framework

Blue Label recognises that our talent is a critical enabler to us achieving our aspirations and strategic goals. Our remuneration policy and practices, together with our EVP of #HappinessisBlu aims to differentiate us from our peers. Through our remuneration policy and employment practices, we aim to:

- create 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 through enabling Blue Label to attract, motivate and retain the very best calibre of directors and employees who have above-average industry ability and expertise;
- create an entrepreneurial, competitive, innovative and high-performance Company through rewarding demanding performance goals that are consistent with our strategy and shareholder growth expectations;
- achieve our employment equity targets; and
- 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.

- The competitive talent landscape, within which Blue Label operates, demands a differentiated reward system that is capable of competitively matching pay for results and which can be executed fairly and without bias.
- To create a progressive and yet pragmatic remuneration policy, we have applied the following design principles:
  - market competitiveness and affordability;
  - transparency, fairness and clarity;
  - performance and alignment; and
  - differentiation and flexibility.

This policy applies to all subsidiaries, associates and joint venture companies in which the Group holds a shareholding in excess of 40%, excluding Cell C who have their own remuneration policy and committee. Furthermore, it applies uniformly in all such jurisdictions, except where it conflicts with either local statutes or regulations, in which case such statutes or regulations will apply. Where an operating jurisdiction has a more onerous regulatory or statutory framework, the local standards of governance in that jurisdiction will apply. The Remuneration Committee may approve by exception, for the policy to apply to seconded Blue Label employees.

At Blue Label we subscribe to a total reward philosophy. Fixed remuneration includes cash and benefits. When combined with incentive payments and awards and other non-quantifiable elements, they make up the Blue Label Total Rewards Plan.

The components of the Blue Label employee remuneration and reward plans are:

- fixed annual remuneration (FAR);
- short-term incentives (STI);
- long-term incentives (LTI);
- commissions for sales staff;
- ad hoc rewards for performance and behaviours linked to our values, leadership programmes and competitions;
- non-financial benefits aligned to our EVP #HappinessisBlu;

Remuneration report continued

Blue Label pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments; and we reimburse all necessary and reasonable business expenses.

BLUE LABEL TALENT 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, Group performance and the interests of our shareholders. The scheme is structured to reward collaborative work across the Group to ensure we leverage our capabilities, increase innovation, improve customer and consumer service, reduce inefficiencies and increase revenue and profits.	Special-purpose variable remuneration arrangements to help attract and retain high-potential talent who are the holders of scarce skills. Arrangements are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.	Aligning employees to shareholder interests through incentivising performance in line with strategic goals and long-term shareholder value.	Create a differentiated EVP and work experience to increase the engagement and retention of existing employees and position Blue Label as an employer of choice within an increasingly competitive landscape.
ELIGIBILITY	All.	Specific roles within sales and operations.	All.	▶ Critical and scarce skills. ▶ High-performing employees with high potential and critical skills.	Executives and management.	All.

BLUE LABEL TALENT STRATEGY

Remuneration report continued

	GUARANTEED	VARIABLE				NON-FINANCIAL
	Fixed Annual Remuneration	**Sales commissions**	**Short-term incentive plan**	**Short-term variable remuneration**	**Long-term incentive plan**	**#HappinessisBlu**
FY21 APPROACH	Due to COVID-19 and its likely aftermath, the Remuneration Committee recommended 0% increases for FY21. 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 ▶ Group performance. Gatekeeper conditions are in place. Individual metrics are limited to five key performance indicators (KPI) and must be verifiable and challenging. The following financial measures will be applied in determining the STIP for Group head office and Executive Directors: ▶ core HEPS; and ▶ EBITDA. The following financial measure will be applied in determining the STIP at divisional level: ▶ NPAT. CEO's thresholds are calculated at 80% of FAR, target at 100% of FAR and a maximum pay-out at 150% of FAR. FD threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum pay-out at 100% of FAR. *Further details on targets can be found in the remuneration policy.* In some instances, STI bonuses were due but the Remuneration Committee took a decision due to COVID-19 not to pay any STI bonuses for FY20 (only by exception) in order to preserve financial liquidity in the BLT Group.	Cash-based sign-on awards and retention bonuses are assessed on a case-by-case instance in line with policy.	Schemes available. Eligibility based on: ▶ senior leadership; ▶ talent key to driving business strategy; ▶ retention of talent with high potential and/or critical skills; and ▶ transformation objective. Gatekeeper conditions are in place. Awards are subject to malus and clawback provisions. Minimum holding requirements are in place for Executive Directors. From 1 September 2019 the following metrics will be applied: ▶ core HEPS compounded cumulatively over three years; ▶ total shareholder return versus the all share capped index; ▶ return on capital employed; and ▶ ESG performance scorecard. Allocation awards for Executive Directors looking forward are: ▶ 50% of FAR for the CEOs with a maximum of 70%; and ▶ 50% of FAR for the FD with a maximum of 70%. *Further details on targets can be found in the remuneration policy.*	Individualised employee engagement, development and growth.

Remuneration report continued

Fixed annual remuneration

FAR is a critical enabler in the attraction and retention of human capital, taking into regard skills, experience, high-potential and value contribution. The components of guaranteed fixed remuneration are:

- cash salary;
- medical aid benefits;
- allowances; and
- disability and death benefits.

While we aim to keep changes to benefit contribution levels cost neutral to the Group, in FY2020 a decision was made to offer access to a fully integrated, proactive digitally enabled employee assistance programme.

Consideration is given to local market conditions and FAR, and total annual remuneration is benchmarked against independent market data. We have revised our policy and we aim to pay at the median of the general South African market. We have transitioned to the Hay Grading Methodology across the Group and each graded role reflects the scope and depth of role, experience required and level of responsibility. An acceptable earnings range is allocated to each role. In limited instances, salaries above the market median may exist due to historical factors or where we have aimed to attract or retain high potential human capital, with above-average experience or critical skills.

In line with equal pay for equal work, every effort is made to ensure internal equity (between race, gender and grade) within the Group. The policy is flexible and allows for management discretion to consider consistent high-performance, high potential human capital, above-average experience or critical skills within an increasingly competitive talent marketplace. An assessment of our pay practices found that no real gaps exist based on race or gender. As mentioned previously, our greater challenge is addressing representation and diversity gaps within certain occupational levels. Where any remuneration levels are not market-related or reflect internal inequity as per our grading and recommended pay scales, appropriate adjustments are made. In addition, management may motivate to the CEOs, Group Head of Human Capital and Remco, for Senior Management and executive's remuneration adjustments, within reason, to retain above-average experience, high potential human capital or critical skills.

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 affected in June each year. We aim to differentiate between non-performance, average performance and exceptional performance. A pool of allocated budget linked to inflation is distributed amongst employees. Whilst most divisions performed well, despite COVID-19, the Committee mandated no increases for FY21. We aim to maintain cash liquidity in an uncertain market to enable us to weather the likely COVID-19 aftermath. The Remco further mandated that where appropriate, on exception, increases may be awarded to retain critical skills and capabilities in the organisation and high performing talent.

Short-term Incentive Plan

Within our revised policy we have extended our Blue Label STI plan to additional bands within our grading framework. Looking forward STIs will reward the achievement of strategic, financial, and operational objectives. In line with our entrepreneurial spirit, targets and metrics are challenging and align individuals to divisional and Group performance and the interests of our shareholders. In this way, we encourage the achievement of sustainable results within an agreed risk appetite. Further detail on its components, eligibility and operation can be found within our remuneration policy.

Remuneration report continued

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. These include sign-on awards and deferred short-term incentive (DSTI) arrangements, both of which are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.

The emphasis was on performance beyond target for Executive Directors for FY20. Group performance accounted for 80% of the STI and individual goals accounted for 20% of the STI. In FY20, for Executive Directors, these individual goals related to the recapitalisation of Cell C, implementation of a new turnaround strategy and disposals to reduce debt. By the end of the Financial year, the recapitalisation of Cell C was not concluded. On the other hand, assets have been disposed of and our debt has been significantly reduced and the turnaround strategy within Cell C, is well underway with the new MTN deal having being concluded as well as other initiatives. That said, the Executive Directors together with the Remco, have elected to not be awarded any bonuses in FY20.

The emphasis remains on performance beyond target for Executive Directors for FY21:
- Individual goals will account for 20% of the STI. In FY21, for Executive Directors, these relate to the recapitalisation of Cell C, implementation of a new turnaround strategy and disposals to reduce debt.
- Group performance will account for 80% of the STI.

Organisation targets will be linked to the financial metrics as defined within the annual budget and performance management cycle.

		Individual	Division	Group
Executive Directors				
(Band 8)				
STI scheme	Group	20%		80%

		Executive Directors (Scheme 5) Group STI financial metrics		
		Threshold	Target	Stretch
EBITDA (40%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 40%#	3/3 of 40%#	Remco discretion#
Core HEPS (40%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 40%#	3/3 of 40%#	Remco discretion#

* Remco discretion to be applied for performance above target.
\# The bonus is calculated per objective. Values awarded will be a weighted average of scores attained versus target and pro-rated as the case may be.

CEOs thresholds are calculated at 80% of FAR, target at 100% of FAR and a maximum pay-out at 150% of FAR.

The FD threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum pay out at 100% of FAR.

Remuneration report continued

Executive Directors' service contracts

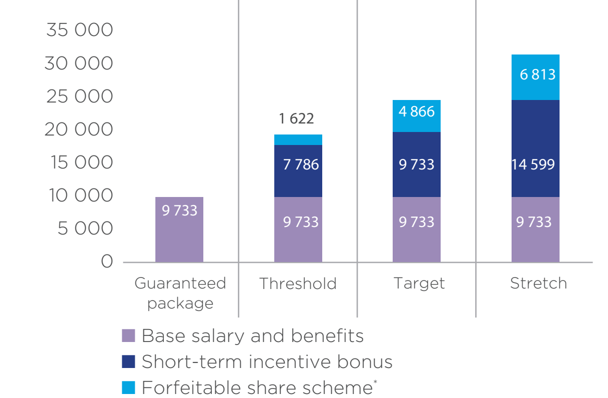
The service contracts of the following Executive Directors which expire on 4 November 2020, were renegotiated and renewed for a further 12 months:

- BM Levy
- MS Levy
- DA Suntup

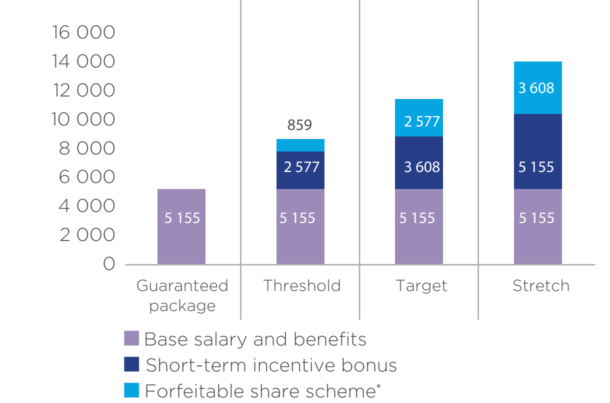
After careful consideration, the Board has agreed to pay BM Levy and MS Levy a restraint of trade payment of R3.3 million each over the next 12 months commencing November 2020 on the proviso that they adhere to the original three-year restraint clause should their employment be terminated for whatever reason. These terms were incorporated in their renewed employment contracts. There are no contractual termination benefits in place for the Executive Directors.

Executive Directors' composition of FY21 total remuneration

Joint CEOs (R'000)



Financial Director (R'000)



* Forfeitable share scheme vesting in August 2023.

In addition to the basic salary of R9.733 million each, the joint CEOs will receive R3.3 million each in line with the restraint of trade agreement that were concluded with them in November 2017.

The tenure of the restraint of trade undertaking is 36 months, which commenced on 1 November 2017 and will expire on 31 October 2020. This restraint has been extended by a further 12 months to 31 October 2021.

In determining the short-term incentives and forfeitable share scheme awards, the above restraint payments do not form part of the base calculation thereof.

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. In addition, they aim to retain human capital with scarce or critical skills. The Remco, through engagement with shareholders, has determined applicable criteria for LTIs, ensuring that the interests of all stakeholders are appropriately considered. These may be reviewed and adjusted in future, upon further engagement with shareholders. Awards are made once a year post our annual performance and pay reviews. All awards are subject to the necessary governance and approval processes. Awards are subject to vesting over a period of three years from the date of the grant.

Minimum levels of financial performance must be met. Employees who do not meet minimum performance requirements or are on a performance improvement plan, are not eligible.

Awards from 2019 onwards are subject to malus and clawback provisions as set out in our policy (further detail can be accessed in the remuneration policy).

To further align management's interests directly with those of shareholders and to encourage long-term commitment to the organisation, Executive Directors will be expected to accumulate a minimum holding of shares from September 2019.

Remuneration report continued

From September 2019, the following metrics will apply for the performance period 1 June to 31 May of each year:

		Group LTI financial metrics*		
		Threshold	Target	Stretch
Core HEPS (30%)[1]	Group	CPI + 5%	CPI + 10%	CPI + 15%
	Payout %	1/3 of 30%	3/3 of 30%	38% of max
TSR (30%)[2]	Group	Greater than or equal to JSE Capped All Share Index	JSE Capped All Share Index Return + CPI + 5%	JSE Capped All Share Index Return + CPI + 15%
	Payout %	1/3 of 30%	3/3 of 30%	38% of max
ROCE** (20%)[1]	Group	ROCE greater than or equal to WACC	ROCE greater than or equal to WACC + 2.5%	ROCE greater than or equal to WACC + 5%
	Payout %	1/3 of 20%	3/3 of 20%	24% of max
ESG*** (20%)	Group	Succession plans for key roles	B-BBEE performance + succession plans for key roles	N/A
	Payout %	1/3 of 20%	3/3 of 20%	N/A

* Remco may review targets post-FY21. The LTI is calculated per objective. Values awarded will be a weighted average of scores attained versus target and pro-rated as the case may be.

** ROCE is calculated using the following formula:
ROCE = Net operating profit (EBIT)/Capital employed. Capital employed = total assets – current liabilities.

*** ESG targets may be replaced for Executive Directors with personal strategic objectives.

1 These measures are compounded over three years.

2 This measure is not compounded over three years.

Remuneration report continued

Malus and clawback provision

Our revised remuneration malus and clawback 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 ending 31 May 2020 and each financial year-end thereafter.

The Board may act on the recommendation of the Remuneration Committee to adjust (malus) or recover (clawback) unvested and vested 'at risk' remuneration where there is reasonable evidence that a Blue Label employee has materially contributed to, or been materially responsible for, the need for the restatement of financial results. The malus and clawback clause does not apply in the case of a restatement of financial results caused by a change in applicable accounting standards or interpretations thereof, provided originally approved by the Company's auditor.

The CEOs or Company Secretary are required to notify the Chairman of the Remco and the Chairman of the Board respectively, of any circumstances that could constitute a 'trigger' under this policy as soon as practical. If either the CEOs or Company Secretary is involved in the trigger event, the Head of Group Risk and Compliance is required to notify the Chairman of the Remco and the Chairman of the Board respectively.

Before the Remco makes a recommendation to the Board to implement malus or clawback provisions under the policy, they shall:

- review the situation to understand the impact of the misstatement;
- assess the involvement of the employee and their level of responsibility regarding the trigger; and
- provide the relevant employee with written notice of the intended actions and the right to respond in writing within 15 working days to raise salient matters.

Having completed an investigation and following due process, the Board, on advice from the Remco, may decide to clawback, cancel or adjust any vested or unvested STI or LTI 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.

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 two weeks' FAR per completed year of service. Contractual notice and accrued leave will also be paid out in the normal course. Treatment of any unpaid bonus or unvested LTPI 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, other than a restraint of trade agreement entered into in 2017 and extended in 2020 for a further 12 months with the joint CEOs. No fixed sums of money or "balloon payments" in recognition of service to the company, without any performance conditions attached, will be paid on termination of employment.

Non-executive director remuneration

The fees of the Group Chairman and the Non-Executive Directors reflect their specific responsibilities relating to their membership of the Board and, where applicable, Board committees. Blue Label's Non-executive directors do not receive any performance-related remuneration or any employee benefits. Changes to fees, were approved at the AGM dated 28 November 2019, and became applicable on 1 June retrospectively. Together with Executive Directors and Senior Management, no annual increases will be awarded in FY21.

Remuneration report continued

SECTION 3
Implementation report

Short-term incentive bonus

For the 2020 financial year, on exclusion of the extraneous costs explained in the Financial Director's report, the Group did not achieve the levels required in terms of its predetermined targets for growth in EBITDA and core HEPS. As a result thereof, as well as the Executive Directors electing to forfeit bonuses for the non-financial targets, no short-term incentive bonuses were paid to them.

Performance metric	Threshold	Target	Stretch	Weighting	Amount paid to Executive Directors R'000	Amount forfeited by Executive Directors R'000
EBITDA (40%)	CPI + 5%	CPI + 10%	CPI + 15% *	40%	–	–
Core HEPS (40%)	CPI + 5%	CPI + 10%	CPI + 15% *	40%	–	–
Individual goals (20%)	Varies per individual	Varies per individual	Varies per individual	20%	–	**
Total					–	–

* Remco discretion to be applied for performance above target.

** For FY20, these individual goals related to the recapitalisation of Cell C, implementation of a new turnaround strategy and disposals to reduce debt. Certain targets were met for the 20% non-financial measures. However, the Executive Directors elected to forfeit this portion of the STI bonus.

Long-term incentive plan

The Long-term Incentive Plan related to the allocation of shares in 2016, which vested on 18 November 2019. The financial measurement was for the period 1 June 2016 to 31 May 2019.

The retention criteria of 33.33% was met.

Growth in core headline earnings per share over the three-year period equated to -295%. Growth in CPI over the three-year period accumulated to 14%, which after inclusion of the maximum growth target of 25%, equated to 39%. As the actual growth amounted to -295%, the resultant allocation of 33.34% was not met.

In respect of growth in shareholder returns, the weighted average price per share at commencement of the allocation in September 2016 was R20.75. The required compounded growth of 10% per annum over the vesting period as at 31 August 2019 equated to a targeted share price of R27.62 inclusive of dividends paid totalling R0.40. The qualifying target equated to R27.22 net of dividends. The market price at vesting date was R2.55, therefore the minimum target requirement was not met. Therefore the 33.33% allocation relating to growth in shareholder returns did not vest.

On 18 November 2019, 33.33% of the 2016 share scheme allocations fell due.

Performance metric	Target	Actual performance	Weighting %	Amount paid to Executive Directors R'000
Long-term incentive plan (2016 forfeitable share scheme vested in November 2019)				
Retention	3 years		33.33	296
Growth in core HEPS	25% + (cumulative CPI over 3 years) = 39%	(295%)	33.34	–
Shareholder returns	R27.22 market price per share	R2.55 market price per share	33.33	–
Total vesting related to performance conditions (excluding retention portion) included in 2020				
Total Single Figure of Remuneration				296

Remuneration report continued

Tables of single total figure of remuneration for FY20

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

Executive Directors remuneration for the year ended 31 May 2020	Explanatory notes	BM Levy R'000	MS Levy R'000	DA Suntup R'000	Total R'000
Fixed remuneration (including salary, allowances and retirement benefits)		9 522	9 538	4 948	24 008
Other benefits		211	195	207	613
STI bonus	1	–	–	–	–
2016 forfeitable share scheme – growth performance component on vesting date (18 November 2019) at fair value	2	–	–	–	–
Single total figure of remuneration		**9 733**	**9 733**	**5 155**	**24 621**
2016 forfeitable share scheme – vesting of retention component in the current year at fair value	3	117	117	62	296
Dividends on vested shares	4	15	15	8	37
STI bonus of prior year paid in August 2019	5	–	–	–	–
Restraint of trade award paid in 12 equal monthly instalments	6	3 338	3 338	–	6 676
Total cash equivalent value remuneration received for the year ended 31 May 2020	7	**13 203**	**13 203**	**5 225**	**31 630**
Reconciliation to note 5.3 of the Group annual financial statements					
Remuneration as disclosed in terms of IFRS		13 071	13 071	5 155	31 297
Total cash equivalent value remuneration received for the year ended 31 May 2020		13 203	13 203	5 225	31 630
Difference to remuneration as disclosed in note 5.3		132	132	70	333
Reconciling items					
STI bonus accrued in May 2019 and settled in August 2020	5	–	–	–	–
Dividends on shares vested in the current year		15	15	8	37
2016 forfeitable share scheme that vested in the current year at fair value		117	117	62	296
2016 forfeitable share scheme – growth performance component on vesting date (18 November 2019) at fair value	2	–	–	–	–
2016 forfeitable share scheme – vesting of retention component in the current year at fair value		117	117	62	296
		132	132	70	333

1. No STI or outperformance bonuses, for the year ended 31 May 2020, were payable.
2. The 33.34% LTI growth in core HEPS of the 2016 forfeitable share scheme that vested 18 November 2019 was not met.
3. The 33.33% LTI retention portion of the 2016 forfeitable share scheme is added to "the total cash equivalent value remuneration received", as vesting took place on 18 November 2019.
4. Dividends are the total of cash receipts during the financial year applicable to the 2016 forfeitable share scheme, as vesting took place on 18 November 2019.
5. No STI bonuses paid in August 2019.
6. These amounts represent the 12 monthly instalments received during the year.
7. Cash equivalent value remuneration represents the total proceeds paid to the Executive Directors for the period 1 June 2019 to the 31 May 2020, inclusive of the cash element of basic remuneration, STIs, LTIs and dividends.

Remuneration report continued

Executive Directors remuneration for the year ended 31 May 2019	Explanatory notes	BM Levy R'000	MS Levy R'000	DA Suntup R'000	Total R'000
Fixed remuneration (including salary, allowances and retirement benefits)		8 991	9 005	4 686	22 682
Other benefits		191	177	177	545
STI bonus	1	–	–	–	–
2018 forfeitable share scheme – retention component on award date (1 September 2018) at fair value	2	1 071	1 071	567	2 709
2015 forfeitable share scheme – growth performance component on vesting date (31 August 2018) at fair value	3	847	847	449	2 143
Outperformance bonus on award date at fair value	1	–	–	–	–
Single total figure of remuneration		11 100	11 100	5 879	28 079
2018 forfeitable share scheme retention component	5	(1 071)	(1 071)	(567)	(2 709)
2015 forfeitable share scheme – vesting of retention component in the current year at fair value	6	677	677	359	1 713
Dividends on vested shares	7	210	210	111	532
STI bonus of prior year paid in August 2018	8	–	–	–	–
Restraint of trade award monthly instalments paid during the year	9	3 338	3 338	–	6 676
Total cash equivalent value remuneration received for the year ended 31 May 2019	10	14 254	14 254	5 782	34 291
Reconciliation to note 5.3 of the Group annual financial statements					
Remuneration as disclosed in terms of IFRS		12 520	12 520	4 863	29 903
Total cash equivalent value remuneration received for the year ended 31 May 2019		14 254	14 254	5 782	34 291
Difference to remuneration as disclosed in note 5.3		1 734	1 734	919	4 388
Reconciling items					
STI bonus accrued in May 2018 and settled in August 2018		–	–	–	–
Dividends on shares vested in the current year		210	210	111	532
2015 forfeitable share scheme that vested in the current year at fair value		1 524	1 524	808	3 856
2015 forfeitable share scheme – growth performance component on vesting date (31 August 2018) at fair value		847	847	449	2 143
2015 forfeitable share scheme – vesting of retention component in the current year at fair value		677	677	359	1 713
		1 734	1 734	919	4 388

1. No STI or outperformance bonuses, for the year ended 31 May 2019, were payable.
2. The 33.33% LTI retention portion of the 2018 forfeitable share scheme, awarded on 1 September 2018, which will vest in three years from that date provided that the Executive Directors remain employed by Blue Label Telecoms. As there are no further performance conditions, this portion of the award is recognised at fair value in "the single total figure of remuneration" in the year of award.
3. The 60% LTI growth in core HEPS of the 2015 forfeitable share scheme that vested 1 September 2018.
4. The restraint of trade payments of the joint CEOs, although payable in 36 equal instalments, were included in the "2018 single total figure of remuneration" in that there were no conditions pertaining thereto other than retention of employment. This took effect from the 1 November 2017.
5. The 33.33% LTI retention portion of the 2018 forfeitable share scheme is deducted from "the total cash equivalent value remuneration received", as vesting will only take place on 31 August 2021.
6. The 40% LTI retention portion of the 2015 forfeitable share scheme is added to "the total cash equivalent value remuneration received", as vesting took place on 31 August 2018.
7. Dividends are the total of cash receipts during the financial year applicable to the 2015 forfeitable share scheme, as vesting took place on 31 August 2018.
8. These amounts relate to the STI bonuses paid in August 2018, which were derived from performance for the year ended 31 May 2018.
9. These amounts represent the 12 monthly instalments received during the year.
10. Cash equivalent value remuneration represents the total proceeds paid to the Executive Directors for the period 1 June 2018 to the 31 May 2019, inclusive of the cash element of basic remuneration, STIs, LTIs and dividends.

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.

FORFEITABLE SHARE SCHEME – GRANTED AND UNVESTED

Summary of unvested instruments

Forfeitable share scheme

	Issue date	Issue price R	Vesting date	Awards outstanding as at the beginning of the year	Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year	Fair value at grant date R'000	Fair value at 31 May 2020* R'000
Forfeitable share scheme per Director For the year ended 31 May 2020										
BM Levy	18 October 2016	20.75	18 November 2019	137 194	–	(91 467)	(45 727)	–	2 846 776	–
BM Levy	1 September 2017	18.49	31 August 2020	163 970	–	–	–	163 970	3 031 805	414 844
BM Levy	1 September 2018	7.16	31 August 2021	448 843	–	–	–	448 843	3 213 716	1 135 573
BM Levy	18 November 2019	2.55	31 August 2022	–	1 908 425	–	–	1 908 425	4 866 484	4 828 315
				750 007	1 908 425	(91 467)	(45 727)	2 521 238	13 958 780	6 378 732
MS Levy	18 October 2016	20.75	18 November 2019	137 194	–	(91 467)	(45 727)	–	2 846 776	–
MS Levy	1 September 2017	18.49	31 August 2020	163 970	–	–	–	163 970	3 031 805	414 844
MS Levy	1 September 2018	7.16	31 August 2021	448 843	–	–	–	448 843	3 213 716	1 135 573
MS Levy	18 November 2019	2.55	31 August 2022	–	1 908 425	–	–	1 908 425	4 866 484	4 828 315
				750 007	1 908 425	(91 467)	(45 727)	2 521 238	13 958 780	6 378 732
DA Suntup	18 October 2016	20.75	18 November 2019	72 663	–	(48 444)	(24 219)	–	1 507 757	–
DA Suntup	1 September 2017	18.49	31 August 2020	86 845	–	–	–	86 845	1 605 764	219 718
DA Suntup	1 September 2018	7.16	31 August 2021	237 725	–	–	–	237 725	1 702 111	601 444
DA Suntup	18 November 2019	2.55	31 August 2022	–	1 010 776	–	–	1 010 7 76	2 577 479	2 557 263
				397 233	1 010 776	(48 444)	(24 219)	1 335 346	7 393 111	3 378 425

* The fair value is based on the closing price of R2.53 at 31 May 2020 and excludes performance criteria.

Remuneration report continued

Non-executive remuneration

	2020 R'000	2019 R'000
Non-Executive Directors		
LM Nestadt	2 067	1 950
K Ellerine	640	604
G Harlow	1 961	1 638
J Mthimunye	1 388	1 065
JS Vilakazi	792	747
P Mahanyele**	–	374
	6 848	6 378

** P Mahanyele resigned with effect from 23 November 2018.

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

	Current fee 2020 R	Proposed fee 2021 R
Services as Directors		
– Chairman of the Board (per annum)	1 910 120	1 910 120
– Board members (per annum)	421 350	421 350
Audit, Risk and Compliance Committee		
– Chairman (per annum)	382 024	382 024
– Member (per annum)	235 956	235 956
Remuneration and Nomination Committee		
– Chairman Remuneration (per annum)	224 720	224 720
– Chairman Nomination (per annum)	157 304	157 304
– Member (per annum)	134 832	134 832
Investment Committee		
– Chairman (per annum)	224 720	224 720
– Member (per annum)	134 832	134 832
Transformation, Social and Ethics Committee		
– Chairman (per annum)	134 832	134 832
– Member (per annum)	84 270	84 270
Ad hoc Committee		
– Chairman (per meeting)	50 562	50 562
– Member (per meeting)	30 337	30 337

GD Harlow
Remuneration Committee Chairman

23 September 2020

Notice of virtual Annual General Meeting

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 18 September 2020, that the thirteenth 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, 26 November 2020 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.

As a result of the COVID-19 outbreak, and guidance from authorities regarding the need for social distancing, the AGM will be conducted entirely by electronic communication and members would be encouraged to make use of proxies.

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, 18 September 2020;
- 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, 20 November 2020; and
- the last date to trade to participate in and vote at the virtual AGM is Tuesday, 17 November 2020.

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, 24 November 2020.

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.smartagm.co.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, 24 November 2020. 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 10:00 on Wednesday, 25 November 2020 by e-mail of the relevant details through which Participants can participate electronically.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The audited Group annual financial statements, including the external auditor, Audit, Risk and Compliance Committee and Directors' reports for the year ended 31 May 2020, have been distributed as required and will be presented to shareholders at the virtual AGM.

Notice of virtual Annual General Meeting continued

The Audit, Risk and Compliance Committee's report is set out on pages 93 to 97.

ORDINARY RESOLUTIONS

In terms of sections 62(3)(c) and 65(7) of the Act, unless otherwise specified, in order for each of the following ordinary resolutions to be passed, each resolution must be supported by more than 50% of the voting rights exercised.

1. **Ordinary resolution number 1:** 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, be and is hereby elected as a Director of the Company with immediate effect.

   A brief biography of Ms NP Mnxasana is on page 33.

2. **Ordinary resolution number 2:** Re-election of Mr GD Harlow as a Director of the Company

   Resolved that Mr GD Harlow, 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 GD Harlow is on page 32.

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

   Resolved that Mr KM Ellerine, who was first appointed to the Board on 8 December 2009 and who retires in terms of the MOI, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr KM Ellerine is on page 32.

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

   Resolved that Mr DA Suntup, who was first appointed to the Board on 14 November 2013 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 DA Suntup is on page 31.

5. **Ordinary resolution number 5:** Reappointment of external auditor

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

6. **Ordinary resolution number 6:** Election of Ms NP Mnxasana as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2021

   Resolved that, in terms of section 94(2) of the Act, but subject to her election as a Director of the Company in terms of resolution number 1, 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 33.

7. **Ordinary resolution number 7:** Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2021.

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

   A brief biography of Mr JS Mthimunye is on page 33.

8. **Ordinary resolution number 8:** Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2021.

   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 2, Mr GD Harlow, an Independent Non-Executive Director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr GD Harlow is on page 32.

9. **Ordinary resolution number 9:** Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2021.

   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 33.

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

    Resolved, by way of a non-binding advisory vote, that the Blue Label Telecoms Limited Group remuneration and reward policy (excluding the remuneration of Non-Executive Directors and the members of the statutory and Board committees for their services as Directors and members of committees) as set out in the remuneration report in the integrated annual report 2020 is endorsed.

11. **Ordinary resolution number 11:** Non-binding advisory endorsement of the Blue Label Telecoms Limited Group's remuneration implementation report.

    Resolved, by way of a non-binding advisory vote, that the Blue Label Telecoms Limited Group's remuneration implementation report set out in the remuneration report in the integrated annual report 2020 is endorsed.

12. **Ordinary resolution number 12:** Directors' authority to implement ordinary and special resolutions

    Resolved that each and every Director of the Company is authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the ordinary and special resolutions passed at the AGM.

Notice of virtual Annual General Meeting continued

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 2020 to 31 May 2021.

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

	Current fee 2020 R	Proposed fee 2021 R
Services as Directors		
– Chairman of the Board (per annum)	1 910 120	1 910 120
– Board members (per annum)	421 350	421 350
Audit, Risk and Compliance Committee		
– Chairman (per annum)	382 024	382 024
– Member (per annum)	235 956	235 956
Remuneration and Nomination Committee		
– Chairman Remuneration (per annum)	224 720	224 720
– Chairman Nomination (per annum)	157 304	157 304
– Member (per annum)	134 832	134 832
Investment Committee		
– Chairman (per annum)	224 720	224 720
– Member (per annum)	134 832	134 832
Transformation, Social and Ethics Committee		
– Chairman (per annum)	134 832	134 832
– Member (per annum)	84 270	84 270
Ad hoc Committee		
– Chairman (per meeting)	50 562	50 562
– Member (per meeting)	30 337	30 337

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

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

(a) the number of its own ordinary shares acquired by the Company in any one financial year shall not exceed 20% (twenty percent) of the ordinary shares in issue at the date on which this resolution is passed;

(b) this authority shall lapse on the earlier of the date of the next AGM of the Company or the date 15 (fifteen) months after the date on which this resolution is passed;

(c) the Board has resolved to authorise the acquisition and that the Group will satisfy the solvency and liquidity test immediately after the acquisition and that since the test there have been no material changes to the financial position of the Group;

(d) the acquisition must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;

(e) the Company only appoints one agent to effect any acquisition(s) on its behalf;

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

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

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

Notice of virtual Annual General Meeting continued

(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.

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

Resolved that the Board may, subject to the Act and the MOI, authorise the Company to provide direct or indirect financial assistance:

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

The Listings Requirements require, in terms of paragraph 11.26, the following disclosures, which appear in the integrated annual report:

- major shareholders – refer to page 124 of the Group annual financial statements;
- material change – there were no material changes;
- share capital of the Company – refer to page 102 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

23 September 2020

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 NP Mnxasana retires from the Board in accordance with article 25.5 of the Company's MOI. Ms NP Mnxasana was appointed to the Board and Audit, Risk and Compliance Committee on 18 September 2020. 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 numbers 2 to 4 (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 GD Harlow, KM Ellerine and DA Suntup 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 31 and 32.

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 2 to 4 (inclusive).

Notice of virtual Annual General Meeting continued

Ordinary resolution number 5: Reappointment of external auditor

In terms of section 90(1) of the Act, each year at its AGM, the Company must appoint an auditor meeting the requirements of section 90(2) of the Act.

PwC expressed its willingness to continue in office and this resolution proposes the reappointment of PwC as the Company's auditor until the next AGM. In addition, Mr Pietro Calicchio is appointed as the individual registered auditor for the ensuing year as contemplated in section 90(3) of the Act.

The Audit, Risk and Compliance Committee has satisfied itself that the proposed auditor, PwC and Mr Pietro Calicchio, are independent of the Company in accordance with sections 90 and 94 of the Act and the applicable rules of the International Federation of Accountants.

The Audit, Risk and Compliance Committee has recommended the reappointment of PwC as independent registered auditor of Blue Label for the 2021 financial year.

Ordinary resolution numbers 6 to 9 (inclusive): Election of Audit, Risk and Compliance Committee members

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

In terms of Regulation 42 of the Companies Regulations 2011, relating to the Act, at least one-third of the members of the Company's Audit, Risk and Compliance Committee at any particular time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. Each of the proposed members is duly qualified, as is evident from the biographies of each member, as contained on pages 32 and 33.

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

King IV requires a company to table its remuneration and reward policy for a non-binding advisory vote by shareholders at its AGM. This vote enables shareholders to endorse the Remuneration Policy adopted for Executive Directors. The Blue Label Remuneration Policy is contained on pages 104 to 111.

The advisory vote is of a non-binding nature only and therefore failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take cognisance of the outcome of the vote when considering the Company's remuneration and reward policy and the remuneration of Executive Directors. In the event that this non-binding advisory endorsement approving the Company's remuneration and reward policy is voted against by shareholders exercising 25% (twenty-five percent) or more of the voting rights exercised, the Company undertakes to engage with its shareholders in order to ascertain the reasons for objection, and to address appropriately legitimate and reasonable objections and concerns.

Ordinary resolution number 11: Non-binding advisory vote: Endorsement of the remuneration implementation report

King IV requires a company to table its remuneration implementation report for a non-binding advisory vote by shareholders at its AGM. This vote enables shareholders to endorse the remuneration implementation report for Executive Directors. The Blue Label remuneration implementation report is contained on pages 112 to 116.

The advisory vote is of a non-binding nature only and therefore failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take cognisance of the outcome of the vote when considering the Company's remuneration and reward policy and the remuneration of Executive Directors. In the event that this non-binding advisory endorsement approving the Company's remuneration implementation report is voted against by shareholders exercising 25% (twenty-five percent) or more of the voting rights exercised, the Company undertakes to engage with its shareholders in order to ascertain the reasons for objection, and to address appropriately legitimate and reasonable objections and concerns.

Ordinary resolution number 12: Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 12 is to authorise any Director of the Company to do all things necessary to implement the ordinary and special resolutions passed at the AGM and to sign all such documentation required to give effect and to record the ordinary and special resolutions.

Special resolution number 1: Non-Executive Directors' remuneration

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

Notice of virtual Annual General Meeting continued

Special resolution number 2: General authority to repurchase shares

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

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.smartagm.co.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, 24 November 2020.

(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.

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

The existing authority granted by shareholders at the AGM held on 29 November 2018 was valid for a two-year period and will expire at the virtual AGM unless renewed.

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

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

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, 26 November 2020.

If dematerialised shareholders, other than own-name dematerialised shareholders, have not been contacted by their CSDP or broker with regard to how they wish to cast their vote, they should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their vote at the virtual AGM in order for their CSDP or broker to vote in accordance with such instructions. If dematerialised shareholders, other than own-name dematerialised shareholders, have not been contacted by their CSDP or broker it would be advisable for them to contact their CSDP or broker, as the case may be, and furnish them with their instructions. Dematerialised shareholders who are not own-name dematerialised shareholders and who wish to attend the virtual AGM must obtain the necessary letter of representation from their CSDP or broker, as the case may be. This must be done in terms of the agreement entered into between the dematerialised shareholder and their CSDP or broker. If the CSDP or broker, as the case may be, does not obtain instructions from such dematerialised shareholders, it will be obliged to act in terms of the mandate furnished to it, or if the mandate is silent in this regard, to abstain from voting. Such dematerialised shareholders, other than own-name dematerialised shareholders, must not complete this form of proxy and should read note 10 overleaf.

Full name: I/We

of (address)

(BLOCK LETTERS)

Telephone: (Work) (area code)

Telephone: (Home) (area code)

Fax: (area code) Cell number:

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

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the AGM, as my/our proxy to vote for me/us on my/our behalf at the AGM of Blue Label shareholders to be held at 10:00 on Thursday, 26 November 2020 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Election of Ms NP Mnxasana as a Director of the Company			
Ordinary resolution number 2: Re-election of Mr GD Harlow as a Director of the Company			
Ordinary resolution number 3: Re-election of Mr KM Ellerine as a Director of the Company			
Ordinary resolution number 4: Re-election of Mr DA Suntup as a Director of the Company			
Ordinary resolution number 5: Reappointment of external auditor			
Ordinary resolution number 6: Election of Ms NP Mnxasana as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 7: Election of Mr JS Mthimunye as a member and Chairman of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 9: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 10: Non-binding advisory endorsement of the remuneration and reward policy			
Ordinary resolution number 11: Non-binding advisory endorsement of the remuneration implementation report			
Ordinary resolution number 12: Directors' authority to implement ordinary and special resolutions			
Special resolution number 1: Non-Executive Directors' remuneration			
Special resolution number 2: General authority to repurchase shares			
Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Act			

Signed at

on day of 2020

Signature

Assisted by (if applicable)

Please read the notes on the reverse side hereof.

Notes to the Form of proxy

A shareholder entitled to attend and vote at the virtual AGM may appoint one or more persons as his/her/its proxy to attend, speak or vote in his/her/its stead at the virtual AGM. A proxy need not be a shareholder of the Company.

On a show of hands, every shareholder shall have one vote (irrespective of the number of shares held). On a poll, every shareholder shall have, for each share held by him/her/it that proportion of the total votes in the Company which the aggregate amount of the nominal value of that share held by him/her/it bears to the aggregate amount of the nominal value of all the shares issued by the Company.

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the spaces provided with or without deleting "the Chairman of the AGM", but any such deletion must be initialled by the Blue Label shareholder. The person whose name appears first on the form of proxy and who is present at the virtual AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert with an "X" or insert the number of shares in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of Blue Label shares exercisable by you, insert the number of Blue Label shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise and compel the Chairman, if the Chairman is an authorised proxy, to vote in favour of the resolutions, or to authorise any other proxy to vote for or against the resolutions or abstain from voting as he/she/it deems fit, in respect of all the shareholders' votes exercisable thereat. A shareholder or his/her/its proxy is not obliged to use all the votes exercisable by the shareholder or his/her/its proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or his/her/its proxy.
3. For administrative purposes, forms of proxy must be lodged with the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196. (Private Bag X9000, Saxonwold, 2132). Faxed to: +27 11 688 5238 or e-mailed to: proxy@computershare.co.za, to be received by no later than 10:00 on Tuesday, 24 November 2020. 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, K Ellerine**, GD Harlow*, N Mnxasana*#, JS Mthimunye*, DA Suntup, J Vilakazi*

*(*Independent non-executive) (**Non-executive) (#Appointed 18 September 2020)*

Company Secretary
J van Eden

Sponsor
Investec Bank Limited

Auditors
PricewaterhouseCoopers Inc.

Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)

(Registration number 2006/022679/06)

Registered address:	75 Grayston Drive, corner Benmore Road, Morningside Ext 5, Sandton, 2196
Postal address:	PO Box 652261, Benmore, 2010
Contacts:	+27 11 523 3000
E-mail:	info@blts.co.za
Website:	www.bluelabeltelecoms.co.za
LinkedIn:	https://www.linkedin.com/company/blue-label-telecoms
Facebook:	www.facebook.com/BlueLabelTelecoms
Twitter:	@BlueLabelTeleco
Instagram:	bluelabeltelecoms
Youtube:	Blue Label Telecoms

JSE share code
BLU

ISIN
ZAE000109088

("Blue Label" or "BLT" or "the Company" or "the Group")

www.bluelabeltelecoms.co.za