IMAGINATION IS THE LIMITATION

AUDITED RESULTS FOR THE YEAR ENDED 31 MAY

2022

BLUE LABEL TELECOMS

Financial highlights and salient features

Revenue of **R17.8 billion***

Headline earnings of **117.34 cents** per share (2021: 86.16 cents per share)

Increase in gross profit of 23% to **R2.93 billion** (2021: R2.38 billion)

Increase in gross profit margin from **12.66% to 16.46%**

Core headline earnings of **121.01 cents** per share** (2021: 89.65 cents per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase in revenue equated to 10% from R66.0 billion to R72.3 billion.

** On exclusion of non-recurring income of R214 million in the current year and R47 million in the prior year, core headline earnings per share from continuing operations increased by 18% to 96.56 cents per share compared to 81.50 cents per share in the prior year.

Commentary

Group results

Core headline earnings for the year ended 31 May 2022 amounted to R1.06 billion, equating to core headline earnings of 121.01 cents per share.

In the comparative year, core headline earnings amounted to R788 million, of which R763 million related to continuing operations and R25 million to discontinued operations. Core headline earnings amounted to 89.65 cents per share.

On exclusion of the non-recurring income of R214 million in the current year and R47 million in the prior year, as illustrated in the underlying tables, core headline earnings from continuing operations increased by R131 million from R716 million to R847 million (18%) and core headline earnings from continuing operations increased by 18% from 81.50 cents per share in the prior year to 96.56 cents per share. This growth was indicative of a robust trading performance by the Group during the year.

The non-recurring income of R214 million emanated from:

- A net once-off recoupment of R123 million as a result of the previously reported fraudulent scheme. This recoupment income of R315 million comprised, the aggregate value of assets either realised by or signed over to the Group. This amount was partially offset by professional fees and other costs incurred, taxation and the minority share thereon, totalling R192 million.
- The accounting effects of the settlement of the contingent consideration relating to the disposal of the VAS operations to DNI 4PL Contracts Proprietary Limited (DNI) in April 2020. Of the sale proceeds of R450 million, R100 million was contingent upon Cell C passing the solvency and liquidity test. Given the prior uncertainty relating to the solvency and liquidity of Cell C, the fair value of the contingent consideration was determined to be R72 million. During May 2022, DNI waived the condition precedent relating to solvency and liquidity and accordingly settled the contingent consideration owing, inclusive of interest, totalling R118 million. This resulted in a gain of R46 million accounted for in other income.
- The accounting implications of the put option obligation for the acquisition of up to 40% of the shares in Airvantage. Congruent with the favourable progress made regarding Cell C's recapitalisation and the impact on its going concern assumption as well as the unlikely event of the Airvantage put option being exercised against Blue Label, management has revised the estimate of the potential exposure from R68 million to R22 million, resulting in a fair value gain of R46 million.

On exclusion of the non-recurring income in the current and prior year, earnings per share and headline earnings per share from continuing operations increased by 20% to 92.68 cents per share and by 19% to 92.89 cents per share respectively.

The financial results of WiConnect in the prior year of R25 million, are disclosed in core headline earnings from discontinued operations and is not included in the continuing operations' revenue, gross profit, earnings before interest, taxation, depreciation and amortisation (EBITDA), and net profit after taxation.

Revenue generated by the continuing operations within the Group declined by 5% to R17.8 billion. As only the gross profit earned on PINless top-ups, prepaid electricity, ticketing and gaming are recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 10% from R66.0 billion to R72.3 billion.

Gross profit increased by R548 million (23%) to R2.93 billion, congruent with an increase in margins from 12.66% to 16.46%.

Commentary continued

Group income statement

	Group May 2022 R'000	Extraneous income* May 2022 R'000	Remaining May 2022 R'000
Revenue	**17 806 262**	—	17 806 262
Gross profit	**2 930 973**	—	2 930 973
Other income	**390 851**	360 955	29 896
EBITDA	**1 698 494**	326 301	1 372 193
Non-controlling interest	**(64 918)**	(43 203)	(21 715)
Net profit from continuing operations	**1 027 079**	214 410	812 669
Core headline earnings	**1 061 080**	214 410	846 670
– From continuing operations	**1 061 080**	214 410	846 670
– From discontinued operations	**—**	—	—
Gross profit margin (%)	**16.46**		16.46
EBITDA margin (%)	**9.54**		7.71
Weighted average shares ('000)	**876 857**		876 857
Share performance from continuing operations			
EPS (cents)	**117.13**		92.68
HEPS (cents)	**117.34**		92.89
Core HEPS (cents)	**121.01**		96.56

* The extraneous contributions to Group earnings in the current year were attributable to once-off income [(1)], including:
- once-off recoupment income, comprising the aggregate value of assets either realised by or signed over to the Group relating to the previously reported fraudulent scheme. This income was partially offset by professional fees and other costs incurred, taxation and the minority share thereon;
- the accounting effects of the settlement of the contingent consideration relating to the disposal of the VAS operations in April 2020; and
- the accounting implications of the put option obligation for the acquisition of up to 40% of the shares in Airvantage.

	Extraneous income* May 2022 R'000	Once-offs[(1)] May 2022 R'000
Other income	**360 955**	360 955
EBITDA	**326 301**	326 301
Non-controlling interest	**(43 203)**	(43 203)
Net profit from continuing operations	**214 410**	214 410
Core headline earnings from continuing operations	**214 410**	214 410

Group May 2021 R'000	Extraneous costs** May 2021 R'000	Remaining May 2021 R'000	Growth remaining R'000	Growth remaining %
18 821 290	—	18 821 290	(1 015 028)	(5)
2 383 254	—	2 383 254	547 719	23
103 684	88 093	15 591	14 305	92
1 360 273	131 777	1 228 496	143 697	12
(47 409)	—	(47 409)	25 694	54
805 286	126 175	679 111	133 558	20
787 580	71 663	715 917	130 753	18
762 599	46 682	715 917	130 753	18
24 981	24 981	—	—	
12.66		12.66		
7.23		6.23		
878 463		878 463		
91.67		77.31	15.37	20
83.32		78.01	14.88	19
86.81		81.50	15.06	18

**The extraneous contributions to Group earnings in the prior year were attributable to:
- realised foreign exchange gains on the USD20 million liquidity support provided to SPV2(2);
- once-off income, including the disposal of the Group's interest in Blue Label Mexico(3); and
- partial recoupment of losses by the Retail division as a result of the closure of the WiConnect stores(4).

	Extraneous income** May 2021 R'000	Fair value movements(2) May 2021 R'000	Once-offs(3) May 2021 R'000	WiConnect(4) May 2021 R'000
Other income	88 093	—	88 093	—
EBITDA	131 777	16 009	115 768	—
Net profit from continuing operations	126 175	16 961	109 214	—
Core headline earnings	71 663	16 961	29 721	24 981
– From continuing operations	46 382	16 961	29 721	—
– From discontinued operations	24 981	—	—	24 981

On exclusion of the R326 million relating to the non-recurring income in the current year and R132 million in the prior year, EBITDA increased by R144 million (12%) from R1.23 billion to R1.37 billion.

The anticipated increase in overheads, included costs of R65 million attributable to new learnership initiatives in the current year and R10 million in the prior year. The benefit thereof is realised by way of income tax savings as a result of the section 12H allowances being claimed for such learnerships. On exclusion thereof in both the current and prior year, EBITDA increased by R199 million (16%).

Commentary continued

Segmental report
Africa distribution

	May 2022 R'000	Extraneous income[1] May 2022 R'000	Remaining May 2022 R'000	May 2021 R'000	Extraneous costs[2, 4] May 2021 R'000	Remaining May 2021 R'000	Growth remaining R'000	Growth remaining %
Revenue	**17 552 603**	—	17 552 603	18 641 531	—	18 641 531	(1 088 928)	(6)
Gross profit	**2 866 324**	—	2 866 324	2 333 768	—	2 333 768	532 556	23
Other income	**337 153**	315 132	22 021	10 708	—	10 708	11 313	106
EBITDA	**1 700 844**	234 852	1 465 992	1 374 735	16 009	1 358 726	107 266	8
Non-controlling interest	**(59 002)**	(43 203)	(15 799)	(42 004)	—	(42 004)	26 205	62
Net profit from continuing operations	**1 058 951**	122 961	935 990	820 819	16 961	803 858	132 132	16
Core headline earnings	**1 092 828**	122 961	969 867	880 662	41 942	838 720	131 147	16
– From continuing operations	**1 092 828**	122 961	969 867	855 681	16 961	838 720	131 147	16
– From discontinued operations	**—**	—	—	24 981	24 981	—	—	
Gross profit margin (%)	**16.33**		16.33	12.52		12.52		
EBITDA margin (%)	**9.69**		8.35	7.37		7.29		

Refer to page 2 for footnote [1] and page 3 for footnotes [2] and [4].

Revenue generated by the continuing operations within this segment declined by 6% from R18.6 billion to R17.6 billion. As only the gross profit earned on "PINless top-ups", prepaid electricity, ticketing and gaming are recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 9% from R65.8 billion to R72.1 billion.

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 R1.7 billion (9%) from R19.3 billion to R21.0 billion.

Net commissions earned on the distribution of prepaid electricity increased by R18 million (7%) to R298 million. Revenue generated on behalf of the utilities increased by 18% from R26.7 billion to R31.5 billion.

Gross profit increased by R533 million (23%) to R2.87 billion, congruent with an increase in margins from 12.52% to 16.33%.

EBITDA in the current year included the non-recurring recoupment income, net of professional fees and other costs incurred, of R235 million attributable to the fraudulent scheme. Non-recurring income in the prior year of R16 million pertained to foreign exchange gains on the USD20 million liquidity support provided to SPV2.

On exclusion of the non-recurring income in both the current and prior year, and despite an anticipated increase in overheads, EBITDA increased by R107 million (8%) from R1.36 billion to R1.47 billion.

The anticipated increase in overheads, included costs of R53 million attributable to new learnership initiatives in the current year, whereby the benefit thereof is realised by way of income tax savings as a result of the section 12H allowances being claimed for such learnerships. On exclusion thereof, EBITDA increased by R160 million (12%).

Core headline earnings from continuing operations reflected non-recurring income of R123 million in the current year relating to the net recoupment as a result of the fraudulent scheme and R16 million in the prior year pertaining to the foreign exchange gains on the USD20 million SPV2 liquidity support.

On exclusion of the above non-recurring income in the current and prior year, core headline earnings from continuing operations increased by R131 million (16%) from R839 million to R970 million.

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 I Talk Holdings and an effective 37.5% in I Talk Financial Services (joint venture), both of which are outbound call centre operations.

As at 1 June 2021, the Group incorporated the following additional companies, namely, Blue Train, Blue Label Communications, One World Telecoms and I Talk2U.

	May 2022 R'000	May 2021 R'000	Growth remaining R'000	Growth remaining %
Revenue	**253 659**	179 759	73 900	41
Gross profit	**64 649**	49 486	15 163	31
EBITDA	**27 503**	16 746	10 757	64
Share of profits from associates and joint ventures	**6 364**	5 722	642	11
Core headline earnings	**29 487**	21.411	8 076	38
Gross profit margin (%)	**25.49**	27.53		
EBITDA margin (%)	**10.84**	9.32		

Escalating demand for aggregated data and lead generations resulted in an increase in revenue of 41% from R180 million to R254 million.

Gross profit increased by R15 million (31%) from R49 million to R65 million, congruent with the increase in revenue albeit at lower margins from 27.53% to 25.49%.

EBITDA increased by R11 million (64%) from R17 million to R28 million, of which BLDS contributed R26 million, and the call centre operations R2 million. BLDS contributed R16 million, and the call centre operations R1 million in the prior year.

Contribution to Group core headline earnings increased by R8 million (38%) from R21 million to R29 million. Of the latter amount, BLDS accounted for R23 million. I Talk Holdings and I Talk Financial Services generated earnings of R12.1 million, of which the Group's share thereof amounted to R5.1 million. Of the core headline earnings of R21 million in the prior year, BLDS accounted for R16 million. I Talk Holdings and I Talk Financial Services generated earnings of R11.5 million, of which the Group's share thereof amounted to R4.6 million.

Commentary continued

Corporate

	May 2022 R'000	Extraneous income May 2022 R'000	Remaining May 2022 R'000	May 2021 R'000	Extraneous costs May 2021 R'000	Remaining May 2021 R'000	Growth remaining R'000	Growth remaining %
Other income	**51 565**	45 823	5 742	11 436	8 600	2 836	(2 906)	102
EBITDA	**(41 624)**	92 002	(133 623)	(82 033)	43 151	(125 184)	(8 439)	(7)
Net loss from continuing operations	**(70 580)**	92 002	(162 582)	(104 965)	43 151	(148 116)	(14 466)	(10)
Core headline earnings	**(70 884)**	92 002	(162 886)	(103 021)	43 151	(146 172)	(16 714)	(11)

On exclusion of the extraneous income in the current and prior year, the negative contribution to Group core headline earnings increased by R17 million (11%) to R163 million.

The extraneous income of R92 million in the current year related to the accounting effects of the settlement of the contingent consideration relating to the disposal of the VAS operations in April 2020 and the accounting implications of the put option obligation for the acquisition of up to 40% of the shares in Airvantage.

Depreciation and amortisation

Depreciation, amortisation and impairment charges decreased by R15 million to R174 million. Of the latter amount, R65 million (2021: R65 million) pertained to depreciation on capital expenditure, R29 million (2021: R29 million) to depreciation raised in terms of IFRS 16 – *Leases*, R4 million (2021: R6 million) to impairments and R76 million (2021: R88 million) to the amortisation of intangible assets of which R43 million (2021: R43 million) emanated from purchase price allocations on historical acquisitions.

Net finance costs

Finance costs totalled R201 million, of which interest paid on borrowed funds amounted to R187 million and R6 million to the unwinding on the lease liability in terms of IFRS 16. On a comparative basis, finance costs amounted to R132 million, comprising interest paid on borrowed funds of R117 million and R9 million on the unwinding on the lease liability.

Comm Equipment Company Proprietary Limited concluded a working capital financing facility with African Bank of R1.9 billion during the current financial year, of which R1.6 billion was utilised at year end. This resulted in an increase in finance costs of R80 million, offset by a reduction in finance costs attributable to a decline in the Investec Bank facility.

Finance income totalled R81 million, of which R70 million was for interest received on cash resources and R6 million on loans granted. In the prior year, interest received on cash resources amounted to R51 million and interest on loans granted amounted to R4 million.

Statement of financial position

Total assets increased by R1.9 billion to R13.3 billion, of which non-current assets accounted for R0.7 billion and current assets for R1.2 billion.

Non-current assets included increases in intangible assets and goodwill of R614 million, investments in and loans to associates and joint ventures of R36 million, financial assets at fair value through profit or loss of R58 million, deferred tax assets of R8 million, loans receivable of R5 million, capital expenditure net of depreciation of R1 million and financial assets at fair value through other comprehensive income of R2 million. These increases were offset by decreases in advances to customers of R23 million and right-of-use assets of R22 million.

Of the net increase in intangible assets and goodwill of R614 million, additions to intangible assets amounted to R952 million offset by amortisation of R338 million. Of the total additions to intangible assets, R693 million relates to costs borne by the Group in terms of a subscription income sharing arrangement and R212 million to subscriber acquisition costs.

The net increase of R46.4 million in investments and loans to associates and joint ventures comprised the Group's net share of profits totalling R8 million, acquisition of further shares in an associate of R17.7 million, net loan increases of R25.8 million and its share of the movements in the foreign currency translation reserve amounting to R1.3 million, offset by a dilution of its holding in a joint venture of R0.5 million and dividends received of R5.8 million.

The material net increase in current assets included increases in trade and other receivables of R991 million, cash and cash equivalents of R306 million and inventory of R177 million, offset by decreases in advances to customers of R122 million and financial assets at fair value through profit and loss of R130 million.

The stock turn equated to 28 days compared to 22 days for the financial year ended May 2021.

The debtor's collection period increased to 79 days compared to 59 days for the financial year ended May 2021. On exclusion of the trade debtors relating to CEC, the debtor's collection period remained unchanged at 28 days. CEC's trade debtors predominantly related to amounts due from Cell C, which will be settled down to an amount of R1.1 billion on the recapitalisation of Cell C.

Net profit attributable to equity holders amounted to R1.03 billion, contributing to accumulated capital and reserves of R4.2 billion.

Non-current liabilities increased by R546 million, comprising an increase in borrowings of R472 million, deferred taxation liabilities of R105 million offset by a decrease in lease liabilities of R31 million.

Current liabilities increased by R378 million, including increases in trade and other payables of R94 million, deferred revenue of R36 million, and borrowings of R390 million. This increase was offset by a decrease in financial guarantee contracts of R106 million and financial liabilities at fair value through profit and loss of R47 million. Average credit terms from continuing operations equating to 124 days (2021: 116 days).

The decrease in financial guarantee contracts of R106 million was due to the settlement of an amount owing by Glocell Proprietary Limited to Investec Bank Limited that was guaranteed by Glocell Distribution Proprietary Limited, congruent with the buyout of the latter's non-controlling interest in the current year.

Commentary continued

Statement of cash flows

Cash generated from trading operations totalled R935 million. Working capital movements comprised an increase in trade payables of R45 million and a decrease in advances to customers of R145 million, offset by an increase in trade receivables of R847 million and an increase in inventory of R181 million. After incurring net finance costs and taxation, net cash generated from operating activities amounted to R649 million.

Net cash flows utilised in investing activities amounted to R1.0 billion, primarily attributable to the purchase of intangible assets of R1.0 billion, capital expenditure of R78 million, the acquisition of further shares in an associate of R15 million and net loans granted of R38 million, offset by the receipt of R117 million contingent consideration relating to the disposal of the VAS operations in April 2020. Of the R1.0 billion invested in intangible assets, R928 million related to costs borne by the Group in terms of the subscription income sharing arrangement.

Cash flows generated from financing activities amounted to R668 million, of which R756 million related to the net increase in borrowings, offset by R38 million to lease payments, R30 million to dividend payments to non-controlling interests, R11 million to the acquisition of non-controlling interest and R9 million to the purchase of treasury shares.

Cash and cash equivalents accumulated to R2.7 billion at 31 May 2022.

Forfeitable share scheme

Forfeitable shares totalling 8 717 136 (2021: 14 611 406) were issued to qualifying employees. During the year, 5 245 249 (2021: 2 517 085) shares were forfeited and 1 452 062 (2021: 1 174 045) shares vested.

Subsequent events

Cell C

Certain of the Secured Lenders of Cell C, are holders of formerly publicly listed notes issued by Cell C described as USD184 002 000 8.625% First Priority Senior Secured Notes. Shareholders were notified of the convening of a meeting of the holders of the Notes (Noteholders) for Noteholders to approve an extraordinary resolution which, among other things, will give effect to the compromising of the Noteholders' claims (Compromise Offer). In terms of the Compromise Offer Cell C shall, inter alia, restructure its debt owing to certain secured lenders totalling c.R7.3 billion, with such amount being fixed as at November 2019, by compromising the secured lenders' claims by an offer of 20c to the Rand. The Noteholder meeting was held on 5 July 2022 and Noteholders with the requisite majority voted resolutions in favour of, among other things, the compromise offer as set out in Cell C's consent solicitation memorandum.

The binding long-form agreements are expected to be completed in their entirety shortly. It is anticipated that the recapitalisation process, the completion of which has endured for longer than initially anticipated, is expected to close by mid-September 2022.

Banking facilities

In August 2022, The Prepaid Company renegotiated a further extension of its Investec facility to 30 September 2023. The Investec facility available to The Prepaid Company at year end is required to reduce by R120 million to R1.005 billion as at 30 September 2022. At 31 May 2022, the Investec facility is disclosed as current borrowings, as the extension to 30 September 2023, was only granted in August 2022.

Independent audit

These summary consolidated financial statements for the year ended 31 May 2022 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 wishes to express its appreciation to its staff, suppliers, customers and business partners for their continued support and commitment to the Group.

For and on behalf of the Board

LM Nestadt
Chairman

BM Levy
Joint Chief Executive Officer

MS Levy
Joint Chief Executive Officer

DA Suntup* CA(SA)
Financial Director

25 August 2022

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

Independent auditor's report on the summary consolidated financial statements

To the shareholders of Blue Label Telecoms Limited

Opinion

The summary consolidated financial statements of Blue Label Telecoms Limited, contained in the accompanying provisional report, which comprise the summarised group statement of financial position as at 31 May 2022, the summarised group income statement and summarised group statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Blue Label Telecoms Limited for the year ended 31 May 2022.

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 25 August 2022. 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 the restructuring of the operations and capital structure of Cell C still being in progress and the outcome thereof remaining uncertain as at the date of this audit report. This matter only impacts the note disclosure in the audited consolidated financial statements, and has no impact on the summary consolidated financial statements due to the investment in Cell C having been fully impaired in prior periods.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in the Basis of preparation section in the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Pietro Calicchio

Registered Auditor

Johannesburg, South Africa

25 August 2022

Summarised Group income statement

for the year ended 31 May 2022

	2022 R'000	2021 R'000
Continuing operations		
Revenue	**17 395 281**	18 438 662
Finance revenue	**410 981**	382 628
Total revenue	**17 806 262**	18 821 290
Other income	**390 851**	103 684
Direct operating costs*	**(14 858 153)**	(16 378 665)
Finance costs incurred in the generation of revenue	**(17 135)**	(59 371)
Employee compensation and benefit expense	**(780 255)**	(637 387)
Depreciation and amortisation	**(174 045)**	(188 883)
Impairments and fair value movements	**63 246**	7 795
Bad debts and expected credit loss	**(327 761)**	11 900
Other expenses	**(578 561)**	(508 973)
Operating profit	**1 524 449**	1 171 390
Finance costs	**(201 225)**	(131 947)
Finance income	**80 993**	59 717
Share of gains from associates and joint ventures	**8 042**	2 951
Profit before taxation	**1 412 259**	1 102 111
Taxation	**(320 262)**	(249 416)
Profit after taxation from continuing operations	**1 091 997**	852 695
Profit from discontinued operations	**—**	25 321
Profit for the year	**1 091 997**	878 016
Profit for the year from continuing operations attributable to:		
Equity holders of the parent	**1 027 079**	805 286
Non-controlling interest	**64 918**	47 409
Profit for the year from discontinued operations attributable to:		
Equity holders of the parent	**—**	25 321
Non-controlling interest	**—**	—
Earnings per share for profit attributable to:		
Equity holders (cents)		
– Basic	**117.13**	94.55
– Diluted	**114.14**	91.36

* Direct operating expenses are the operating expenses directly attributable to the production of goods and services sold by the Group. These include, but are not limited to, the costs associated with the acquisition of airtime and handsets sold by the Group.

Summarised Group statement of comprehensive income

for the year ended 31 May 2022

	2022 R'000	2021 R'000
Net profit for the year	**1 091 997**	878 016
Other comprehensive income:		
Items reclassified to profit or loss		
Foreign currency translation reserve reclassified to profit or loss*	**—**	(52 538)
Loss arising on changes in fair value of hedging instruments (ineffective portion)**	**—**	(45)
Loss on hedging instruments reclassified to profit or loss (effective portion)**	**(2 680)**	(1 001)
Income tax related to amounts reclassified to profit or loss	**750**	293
Items that may be subsequently reclassified to profit or loss		
Foreign exchange profit/(loss) on translation of associates and joint ventures*	**1 251**	(8 826)
Gain arising on changes in fair value of hedging instruments (effective portion)	**10 262**	7 751
Income tax related to gains recognised in other comprehensive income	**(2 635)**	(2 170)
Other comprehensive income/(loss) for the year, net of tax	**6 948**	(56 536)
Total comprehensive income for the year	**1 098 945**	821 480
Total comprehensive income for the year attributable to:		
Equity holders of the parent	**1 034 027**	774 071
Non-controlling interest	**64 918**	47 409
Total comprehensive income for the year attributable to equity holders of the parent arises from:	**1 034 027**	774 071
Continuing operations	**1 034 027**	748 750
Discontinued operations	**—**	25 321

* These components of other comprehensive income do not attract any tax.
** These items are included in finance costs.

Summarised Group statement of financial position

as at 31 May 2022

	2022 R'000	2021 R'000
ASSETS		
Non-current assets	**3 499 479**	2 821 283
Property, plant and equipment	**195 313**	194 193
Right-of-use assets	**36 266**	58 746
Intangible assets	**1 665 549**	1 051 627
Goodwill	**681 754**	681 754
Investments in and loans to associates and joint ventures	**98 892**	62 996
Loans receivable	**48 913**	44 232
Advances to customers	**547 711**	570 456
Financial assets at fair value through profit or loss	**133 293**	75 342
Financial assets at fair value through other comprehensive income	**8 536**	6 915
Deferred taxation assets	**83 252**	75 022
Current assets	**9 829 505**	8 629 196
Loans to associate	**25 858**	15 369
Inventories	**1 143 372**	965 946
Loans receivable	**32 801**	25 572
Trade and other receivables	**4 743 338**	3 752 019
Advances to customers	**1 119 827**	1 241 832
Financial assets at fair value through profit or loss	**14 008**	143 797
Financial assets at fair value through other comprehensive income	**11 688**	—
Current tax assets	**15 022**	67 336
Cash and cash equivalents	**2 723 591**	2 417 325
Total assets	**13 328 984**	11 450 479
EQUITY AND LIABILITIES		
Capital and reserves	**4 187 598**	3 233 348
Issued share capital and premium	**7 544 531**	7 543 436
Other reserves	**(2 871 437)**	(2 732 783)
Retained earnings	**(585 307)**	(1 612 386)
Total ordinary shareholders' equity	**4 087 787**	3 198 267
Non-controlling interest	**99 811**	35 081
Non-current liabilities	**783 878**	237 563
Deferred taxation liabilities	**299 909**	194 520
Non-current lease liability	**9 498**	40 265
Borrowings	**474 471**	2 778
Current liabilities	**8 357 508**	7 979 568
Trade and other payables	**6 069 027**	5 975 118
Deferred revenue*	**113 367**	77 731
Lease liability	**37 384**	32 860
Financial guarantee contracts	**—**	105 621
Provisions	**—**	500
Financial liabilities at fair value through profit or loss	**22 200**	68 742
Current tax liabilities	**21 467**	14 504
Borrowings	**2 094 000**	1 704 374
Bank overdraft	**63**	118
Total equity and liabilities	**13 328 984**	11 450 479

* Deferred revenue was previously aggregated into 'Trade and other payables'. This balance has now been presented separately due to its significance.

Summarised Group statement of changes in equity
for the year ended 31 May 2022

	Issued share capital and premium R'000	Retained earnings R'000	Other reserves R'000	Total ordinary shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 1 June 2020	7 573 586	(2 442 993)	(2 689 960)	2 440 633	44 484	2 485 117
Profit for the year	—	830 607	—	830 607	47 409	878 016
Other comprehensive loss	—	—	(56 536)	(56 536)	—	(56 536)
Total comprehensive income/(loss)	—	830 607	(56 536)	774 071	47 409	821 480
Treasury shares purchased	(43 924)	—	—	(43 924)	—	(43 924)
Equity compensation benefit scheme shares vested	13 774	—	(13 471)	303	(303)	—
Equity compensation benefit movement	—	—	27 184	27 184	639	27 823
Dividends paid	—	—	—	—	(57 148)	(57 148)
Balance as at 31 May 2021	7 543 436	(1 612 386)	(2 732 783)	3 198 267	35 081	3 233 348
Profit for the year	**—**	**1 027 079**	**—**	**1 027 079**	**64 918**	**1 091 997**
Other comprehensive income	**—**	**—**	**6 948**	**6 948**	**—**	**6 948**
Total comprehensive income	**—**	**1 027 079**	**6 948**	**1 034 027**	**64 918**	**1 098 945**
Treasury shares purchased	**(9 301)**	**—**	**—**	**(9 301)**	**—**	**(9 301)**
Equity compensation benefit scheme shares vested	**10 396**	**—**	**(9 954)**	**442**	**(442)**	**—**
Equity compensation benefit movement	**—**	**—**	**30 446**	**30 446**	**1 832**	**32 278**
Acquisition of non-controlling interest*	**—**	**—**	**(166 094)**	**(166 094)**	**28 472**	**(137 622)**
Dividends paid	**—**	**—**	**—**	**—**	**(30 050)**	**(30 050)**
Balance as at 31 May 2022	**7 544 531**	**(585 307)**	**(2 871 437)**	**4 087 787**	**99 811**	**4 187 598**

* On the 29 June 2021, The Prepaid Company acquired an additional 52% shareholding in Glocell Distribution for a total purchase consideration of R137 million, of which R126 million was discharged by way of a conversion of debt owing by Glocell Proprietary Limited, the owners of 40% of the Company, to The Prepaid Company. The remaining 12% was acquired by The Prepaid Company for R11 million. Over and above the cost of acquisition of 52% of Glocell Distribution by The Prepaid Company, the latter assumed Glocell Proprietary Limited's obligation of R106 million to Investec Bank Limited. As a result of taking over this obligation, The Prepaid Company's guarantee liability in respect of Glocell Proprietary Limited was extinguished.

Summarised Group statement of cash flows

for the year ended 31 May 2022

	2022 R'000	2021 R'000
Cash flows from operating activities		
Cash received from customers	**16 698 666**	18 988 312
Cash paid to suppliers, financiers and employees	**(15 764 089)**	(17 248 453)
Cash generated by operations	**934 577**	1 739 859
Interest received	**80 993**	59 719
Interest paid	**(201 091)**	(126 780)
Taxation paid	**(165 710)**	(204 756)
Net cash generated from operating activities	**648 769**	1 468 042
Cash flows from investing activities		
Acquisition of intangible assets*	**(1 013 334)**	(36 704)
Proceeds on disposal of intangible assets	**—**	4 301
Acquisition of property, plant and equipment	**(77 813)**	(71 214)
Proceeds on disposal of property, plant and equipment	**9 793**	4 115
Acquisition of subsidiary, net of cash acquired	**—**	83
Acquisition of shares in associate	**(15 340)**	—
Contingent consideration received**	**117 791**	—
Proceeds from disposal of shares in joint ventures	**—**	190 555
Liquidity support granted	**—**	(331 000)
Loans advanced to associates and joint ventures	**(26 565)**	(52 259)
Loans repaid by associates and joint ventures	**1 805**	39 204
Dividend received from associate and joint venture	**5 885**	14 000
Loans granted	**(40 774)**	(74 274)
Loans receivable repaid	**27 943**	67 520
Net cash utilised in investing activities	**(1 010 609)**	(245 673)
Cash flows from financing activities		
Interest-bearing borrowings raised	**1 627 141**	152 007
Interest-bearing borrowings repaid	**(870 502)**	(751 053)
Non-interest-bearing borrowings raised	**—**	270
Non-interest-bearing borrowings repaid	**(270)**	(13 959)
Lease repayments	**(37 857)**	(49 900)
Settlement of financial guarantee	**—**	(53 285)
Settlement of forward exchange contracts	**—**	(2 895)
Acquisition of non-controlling interest	**(11 000)**	—
Acquisition of treasury shares***	**(9 301)**	(43 924)
Dividends paid to non-controlling interest	**(30 050)**	(57 148)
Net cash generated by/(utilised in) financing activities	**668 161**	(819 887)
Net increase in cash and cash equivalents	**306 321**	402 482
Cash and cash equivalents at the beginning of the year	**2 417 207**	2 014 725
Cash and cash equivalents at the end of the year	**2 723 528**	2 417 207

* Acquisitions of intangible assets in the current period include significant cash outflows of R928 million relating to the subscription income sharing arrangement that commenced during the 2021 financial year.
** Settlement of the contingent consideration relating to the disposal of the VAS operations in April 2020.
*** Approximately 1.4 million shares were repurchased over the period from 4 to 5 April 2022 at a weighted average price of R6.45 per share.

Share performance

for the year ended 31 May 2022

Use of adjusted measures

The measures listed below are presented as management believes it to be relevant to the understanding of the Group's financial performance. These measures are used for internal performance analysis and provide additional, useful information on underlying trends to equity holders. These measures are not defined terms under International Financial Reporting Standards (IFRS) and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

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

	Total			
	Attributable earnings		Cents per share	
	2022 R'000	2021 R'000	**2022**	2021
Headline earnings per share				
Basic	**1 028 911**	756 917	**117.34**	86.16
Diluted	**1 028 911**	756 917	**114.34**	83.26
Core	**1 061 080**	787 580	**121.01**	89.65
Earnings attributable to ordinary equity holders				
Basic	**1 027 079**	830 607	**117.13**	94.55
Diluted	**1 027 079**	830 607	**114.14**	91.36

(b) Weighted average number of shares

Weighted average number of shares

	2022 '000	2021 '000
Weighted average number of ordinary shares	**876 857**	878 463
Adjusted for forfeitable shares	**23 006**	31 334
Weighted average number of ordinary shares for diluted earnings[1]	**899 863**	909 797

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

(c) Analysis of headline earnings

	Total			
	Profit/(loss) before tax and non-controlling interest R'000	**Tax R'000**	**Non-controlling interest R'000**	**Headline earnings R'000**
2022				
Profit attributable to equity holders of the parent	**1 412 259**	**(320 262)**	**(64 918)**	**1 027 079**
Profit on disposal of property, plant and equipment	**(1 383)**	**387**	**27**	**(969)**
Profit on disposal of property, plant and equipment in associate	**(32)**	**—**	**—**	**(32)**
Impairment of property, plant and equipment	**3 580**	**(1 003)**	**—**	**2 577**
Remeasurement of non-current assets held-for-sale	**157**	**(44)**	**(29)**	**84**
Profit on disposal of intangible assets in joint venture	**(270)**	**—**	**—**	**(270)**
Dilution of holding in joint venture	**545**	**—**	**(103)**	**442**
Headline earnings				**1 028 911**

Continuing operations				Discontinued operations			
Attributable earnings		Cents per share		Attributable earnings		Cents per share	
2022 R'000	2021 R'000	**2022**	2021	**2022 R'000**	2021 R'000	**2022**	2021
1 028 911	731 936	**117.34**	83.32	**—**	24 981	**—**	2.84
1 028 911	731 936	**114.34**	80.51	**—**	24 981	**—**	2.75
1 061 080	762 599	**121.01**	86.81	**—**	24 981	**—**	2.84
1 027 079	805 286	**117.13**	91.67	**—**	25 321	**—**	2.88
1 027 079	805 286	**114.14**	88.57	**—**	25 321	**—**	2.79

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**
1 412 259	**(320 262)**	**(64 918)**	**1 027 079**	**—**	**—**	**—**	**—**
(1 383)	**387**	**27**	**(969)**	**—**	**—**	**—**	**—**
(32)	**—**	**—**	**(32)**				
3 580	**(1 003)**	**—**	**2 577**	**—**	**—**	**—**	**—**
157	**(44)**	**(29)**	**84**	**—**	**—**	**—**	**—**
(270)	**—**	**—**	**(270)**	**—**	**—**	**—**	**—**
545	**—**	**(103)**	**442**	**—**	**—**	**—**	**—**
			1 028 911				**—**

Share performance continued

for the year ended 31 May 2022

	Total			
	Profit/(loss) before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
2021				
Profit attributable to equity holders of the parent	1 136 968	(258 952)	(47 409)	830 607
Profit on disposal of property, plant and equipment	(1 016)	284	—	(732)
Impairment of property, plant and equipment	5 559	(1 557)	—	4 002
Impairment of intangible assets	754	(211)	—	543
Profit on disposal of joint venture	(26 955)	—	—	(26 955)
Loss on disposal of joint venture	1 990	—	—	1 990
FCTR recycled on the disposal of investment in joint venture	(52 538)	—	—	(52 538)
Headline earnings				756 917

(d) Analysis of core headline earnings

	Total	
	2022 R'000	2021 R'000
Reconciliation between net profit for the period and core headline earnings for the period:		
Net profit for the period	**1 027 079**	830 607
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**32 169**	30 663
Core net profit for the period	**1 059 248**	861 270
Headline earnings adjustments	**1 832**	(73 690)
Core headline earnings	**1 061 080**	787 580

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
1 102 111	(249 416)	(47 409)	805 286	34 857	(9 536)	—	25 321
(544)	152	—	(392)	(472)	132	—	(340)
5 559	(1 557)	—	4 002	—	—	—	—
754	(211)	—	543	—	—	—	—
(26 955)	—	—	(26 955)	—	—	—	—
1 990	—	—	1 990	—	—	—	—
(52 538)	—	—	(52 538)	—	—	—	—
			731 936				24 981

Continuing operations		**Discontinued operations**	
2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
1 027 079	805 286	**—**	25 321
32 169	30 663	**—**	—
1 059 248	835 949	**—**	25 321
1 832	(73 350)	**—**	(340)
1 061 080	762 599	**—**	24 981

Segmental summary

For the year ended 31 May 2022	**Total R'000**	**Africa Distribution R'000**	**Inter-national R'000**	**Solutions R'000**	**Corporate R'000**
Continuing operations					
Total segment revenue	**24 531 675**	**24 023 222**	**—**	**254 571**	**253 882**
Internal revenue	**(6 725 413)**	**(6 470 619)**	**—**	**(912)**	**(253 882)**
Revenue	**17 806 262**	**17 552 603**	**—**	**253 659**	**—**
Operating profit/(loss) before depreciation and amortisation	**1 698 494**	**1 700 844**	**11 768**	**27 503**	**(41 621)**
Profit/(loss) for the year from continuing operations attributable to equity holders of the parent	**1 027 079**	**1 058 951**	**9 649**	**29 059**	**(70 580)**
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**32 169**	**32 169**	**—**	**—**	**—**
Headline earnings adjustment	**1 832**	**1 708**	**—**	**428**	**(304)**
Core headline earnings for the year	**1 061 080**	**1 092 828**	**9 649**	**29 487**	**(70 884)**

For the year ended 31 May 2021	Total R'000	Africa Distribution R'000	Inter-national R'000	Solutions R'000	Corporate R'000
Continuing operations					
Total segment revenue	26 524 093	26 177 843	—	186 145	160 105
Internal revenue	(7 702 803)	(7 536 312)	—	(6 386)	(160 105)
Revenue	18 821 290	18 641 531	—	179 759	—
Operating profit/(loss) before depreciation and amortisation	1 360 273	1 374 735	50 825	16 746	(82 033)
Profit/(loss) for the year from continuing operations attributable to equity holders of the parent	805 286	820 819	68 021	21 411	(104 965)
Profit from discontinued operations attributable to equity holders of the parent	25 321	25 321	—	—	—
Profit/(loss) for the year attributable to equity holders of the parent	830 607	846 140	68 021	21 411	(104 965)
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	30 663	30 663	—	—	—
Headline earnings adjustment	(73 690)	3 859	(79 493)	—	1 944
Core headline earnings for the year	787 580	880 662	(11 472)	21 411	(103 021)

Discontinued operations

The prior year segmental results account for the discontinued operations within the Africa Distribution segment (WiConnect).

Revenue

	Total		Africa Distribution		Solutions	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
Revenue from contracts with customers	**16 552 919**	18 159 335	**16 299 260**	17 979 576	**253 659**	179 759
Prepaid airtime, data and related revenue	**14 556 809**	16 370 708	**14 556 809**	16 370 708	**—**	—
Postpaid airtime, data and related revenue	**106 285**	103 656	**106 285**	103 656	**—**	—
Prepaid and postpaid SIM cards	**504 111**	532 073	**504 111**	532 073	**—**	—
Services	**394 253**	344 603	**140 594**	164 844	**253 659**	179 759
Electricity commission	**336 197**	350 912	**336 197**	350 912	**—**	—
Handsets, tablets and other devices	**274 447**	199 246	**274 447**	199 246	**—**	—
Other revenue*	**380 817**	258 137	**380 817**	258 137	**—**	—
Subscription income share	**842 362**	279 327	**842 362**	279 327	**—**	—
Revenue	**17 395 281**	18 438 662	**17 141 622**	18 258 903	**253 659**	179 759
Finance revenue	**410 981**	382 628	**410 981**	382 628	**—**	—
Total revenue	**17 806 262**	18 821 290	**17 552 603**	18 641 531	**253 659**	179 759

* Other revenue predominantly includes audit projects on municipalities and commissions earned on the sale of betting vouchers, bus ticketing and the facilitation of bill payments.

Revenue generating entities accounted for as discontinued operations that were previously disclosed within the Africa segment are not included in current or prior period revenue per the Group's statement of comprehensive income.

Fraud recoupment

The Group uncovered a fraudulent scheme, operating since 2015, which was perpetrated by two former senior key executives (the perpetrators) of a subsidiary company (the subsidiary). These fraudulent transactions were performed primarily outside the course and scope of the subsidiary's immediate field of commercial dealings, whereby the perpetrators interposed themselves between intermediary companies and the subsidiary for their own benefit. In addition, certain transactions were identified evidencing theft of funds from the subsidiary and the fraudulent concealment thereof. Settlement agreements were signed with the perpetrators in late October 2021, in terms of which rights to all, but a few, assets of the perpetrators were signed over to the Group. The Group holds Powers of Attorney over these assets. As of 31 October 2021, the aggregate value of assets either realised by or signed over to the Group as a result of the fraudulent scheme, amounted to R315 million, which has been recognised as recoupment income within other income, and comprised the following:

	Amounts collectable at 31 October 2021 R'000	Collected in cash R'000	Other movements R'000	Amounts collectable at 31 May 2022 R'000
Rights to:				
Immovable property	**42 295[1]**	**(11 354)**	**(30 941)**	**—**
Loans made to third parties	**62 772[2]**	**(3 524)**	**(8 292)**	**50 956**
Unlisted shares	**13 100[3]**	**—**	**(13 100)**	**—**
Listed share portfolio	**750[4]**	**(750)**	**—**	**—**
Bank accounts	**191 527[5]**	**(189 825)**	**—**	**1 702**
Inventory	**448**	**—**	**(448)**	**—**
Other	**4 240**	**(140)**	**(4 100)**	**—**
Receivables	**—**	**—**	**60 483**	**60 483**
	315 132	**(205 593)**	**3 602**	**113 141**

1 Rights to immovable property have been accounted for as rights to receive non-current assets and were recognised initially at their fair value using comparable market prices. As it is not the intention of the Group to acquire legal title to the properties or to keep the rights for the long term, the Group is actively marketing these properties and expects to realise them all within the next 12 months. Accordingly, the rights to receive immovable property have been classified as non-current assets held-for-sale and are presented as such under current assets on the statement of financial position. These rights are measured at the lower of the initial amount recognised and fair value less costs to sell. Since the perpetrators are required to bear the costs to sell, these have been assumed to be zero for the Group's measurement purposes. All properties were sold by 31 May 2022, resulting in the derecognition of the related right and the recognition of a receivable for the sale proceeds which are expected to be received within the next 12 months where the transfer of title to the property has not yet taken place.

2 The right to a loan made to a third party with a carrying amount of R49.5 million has been accounted for as a financial asset at fair value through profit or loss. Early prepayment features resulted in the underlying loan failing the requirements for amortised cost accounting. The rights to the remaining loans receivable have been measured at amortised cost.

3 At about the time of the settlement agreement, an agreement was reached for the sale of certain unlisted shares owned by the perpetrators, the proceeds of which are payable to the Group within the next few months. Accordingly, the Group recognised a receivable for such proceeds, measured initially at fair value, which is subject to the Group's accounting policy for expected credit losses.

4 The right to the listed share portfolio has been accounted for as a financial asset at fair value through profit or loss based on quoted share prices.

5 Substantially all funds that were found to be held in bank accounts have been transferred to the Group's bank accounts.

Subsequent to year-end, R20.8 million of the balance remaining to be collected at 31 May 2022 was collected.

Professional fees incurred relating to the fraud recoupment amounted to R67.9 million to the end of May 2022 and have been included in other expenses.

As the fraudulent activities had a direct impact on the Group's operating cash flows, the realisation of the recoupment income is recognised in cash flows from operating activities in the cash flow statement.

Subsequent to the fraud investigation and detailed review of the control environment and business processes within the subsidiary, management has implemented the necessary improvements relating to the existing control environment.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, when the relevant contracts are entered into. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year-end.

	2022 R'000	2021 R'000
Interest-bearing borrowings	**2 567 752**	1 706 163
Non-interest-bearing borrowings	**719**	989
	2 568 471	1 707 152
Amounts included in non-current portion of borrowings	**474 471**	2 778
Amounts included in current portion of borrowings	**2 094 000**	1 704 374

The table below details the facilities drawn upon at 31 May 2022.

	Available facility		**Facility utilised**	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Mezzanine facility	**—**	410 532	**—**	410 532
Facility A	**1 125 000**	1 450 000	**941 584**	1 292 637
African Bank	**1 900 000**	—	**1 623 342**	—
	3 025 000	1 860 532	**2 564 926**	1 703 169

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

Changes in liabilities arising from financing activities

	Borrowings due within one year R'000	**Borrowings due after one year R'000**	**Total R'000**
Opening balance as at 1 June 2020	2 316 383	2 778	2 319 161
Acquisition of subsidiary	726	—	726
Non-interest-bearing borrowings raised	270	—	270
Non-interest-bearing borrowings repaid	(13 959)	—	(13 959)
Interest-bearing borrowings raised	152 007	—	152 007
Interest accrued on interest-bearing borrowings*	152 331	—	152 331
Interest-bearing borrowings capital repaid	(751 053)	—	(751 053)
Interest-bearing borrowings interest repaid	(152 331)	—	(152 331)
Closing balance as at 31 May 2021	1 704 374	2 778	1 707 152
Non-interest-bearing borrowings raised	**—**	**—**	**—**
Non-interest-bearing borrowings repaid	**(270)**	**—**	**(270)**
Interest-bearing borrowings raised through the acquisition of non-controlling interest	**104 950**	**—**	**104 950**
Interest-bearing borrowings raised	**1 155 448**	**471 693**	**1 627 141**
Interest accrued on interest-bearing borrowings*	**183 280**	**—**	**183 280**
Interest-bearing borrowings capital repaid	**(870 502)**	**—**	**(870 502)**
Interest-bearing borrowings interest repaid	**(183 280)**	**—**	**(183 280)**
Closing balance as at 31 May 2022	**2 094 000**	**474 471**	**2 568 471**

* Of the total interest accrued on interest-bearing borrowings, R17 million (2021: R59 million) is accounted for as finance costs incurred in the generation of revenue on the Group income statement. The balance is accounted for in finance costs on the Group income statement.

Cell C Limited

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

As at 31 May 2019, the Group's investment in Cell C was impaired to Rnil. It remains at Rnil as at 31 May 2022.

Critical accounting judgements and assumptions

Going concern of Cell C

For purposes of the Group's annual financial statements for the year ended 31 May 2022, Cell C has been accounted for using the going concern assumption. As the Group's share of Cell C's losses exceed the carrying amount of the investment (Rnil), the Group has ceased recognising its share of further losses. If Cell C subsequently generates profits, the Group will resume recognising its share of profits only after its share of the profits equals the share of losses not recognised.

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. Stakeholders have appointed independent advisers to assist with the recapitalisation and/or debt restructuring process and formal engagements are ongoing.

A roaming agreement with Vodacom was concluded in November 2020 which is aligned to Cell C's revised network strategy, aimed at managing capacity in a more scalable and cost-efficient manner through a roaming model. Contract and broadband customers have been transitioned in stages to roam on the Vodacom network. The strategic vision is to differentiate Cell C by focusing on innovative products and services without being owners of capital-intensive infrastructure. This creates more flexibility and capacity to deliver the right quality of service to our current and future customers.

Cell C embarked on a strategy to reconsider its current service offering, whereby Cell C identified the need to either wind down or restructure the service offering being provided to its postpaid mobile telecommunication business (the base). During the 2021 financial year, the Group, through its subsidiary Comm Equipment Company (CEC), entered into an arrangement with Cell C to facilitate Cell C's operation of the base. The agreement commenced on 1 November 2020 for an initial period of five years, with CEC having the right to renew for a further four years. CEC is entitled to receive a share of the subscription income generated by Cell C from a subset of postpaid subscribers that sign up, extend or upgrade their subscriptions with Cell C after 1 November 2020 (New and Upgrade subscribers) plus certain fixed and variable payments. Cell C will remain entitled to the subscription income of existing subscribers at 31 October 2020 for the remainder of the subscribers' contract and a share of the ongoing revenue of New and Upgrade subscribers. The aim of the reorganisation would be for the base to remain intact and grow in the future, and for Cell C to have limited downside risk on the base.

On 4 August 2020, Cell C notified its noteholders that it defaulted on the payment of capital on its USD184 002 000 8.625% First Priority Senior Secured Notes 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.

On 26 August 2021, TPC concluded a term sheet for an Airtime Purchase transaction with Investec Bank Limited, FirstRand Bank Limited (acting through its Rand Merchant Bank division) and other financiers, the proceeds of which are intended to be utilised for the recapitalisation of Cell C. This arrangement is subject to the conclusion of all legal documentation and fulfilment of all conditions precedent under such legal documentation.

On 15 March 2022, Blue Label concluded a non-binding term sheet (Umbrella Restructure Term Sheet) with Cell C and various Cell C's financial stakeholders (including certain shareholders and creditors of Cell C). In terms of the Umbrella Restructure Term Sheet, Cell C will be restructured and refinanced (the Proposed Transaction) with the purpose of deleveraging its balance sheet, providing it with liquidity with which to operate and grow its businesses and to position itself to achieve long-term success for the benefit of its customers, employees, creditors, shareholders and its other stakeholders. The Umbrella Restructure Term Sheet is non-binding, save for stand-still provisions and certain provisions of a general nature which are binding.

The salient terms of the Proposed Transaction are set out below.

Capital and debt restructure:

In order to facilitate the restructuring of Cell C's debt owing to certain secured lenders totalling c.R7.3 billion, with such amount being fixed as at November 2019, TPC shall loan to Cell C an amount required to affect a compromise offer to be made by Cell C to certain of its secured lenders of a maximum amount of up to R1.46 billion (TPC Debt Funding). It is anticipated that TPC's actual funding obligation in respect of the compromise offer will, however, amount to R1.03 billion.

The TPC Debt Funding will be provided by TPC to Cell C in the form of a secured loan. Cell C will utilise the TPC Debt Funding to settle the claims of secured lenders by paying an amount of 20c to the Rand.

Certain secured lenders have indicated that they wish to remain invested in Cell C. These secured lenders will be entitled to loan an amount equal to the 20c received, back to Cell C under a new loan arrangement (Reinvestment Instrument). The Reinvestment Instrument, which will be interest bearing and secured, will have an aggregate capital face value equal to 2.75 times of the amount advanced. In addition, the participating lenders will be entitled to share pro-rata in a fresh issue of ordinary shares in Cell C at a nominal value. All shareholders of Cell C will dilute proportionately to enable the issuance of these ordinary shares to the participating lenders.

Simultaneously but separately with the issuance of the Reinvestment Instrument, Cell C will, pursuant to a rights issue at nominal value, allot and issue shares to TPC. Following such issue and various other issues of shares to be made by Cell C to third parties at nominal value pursuant to the Proposed Transaction, TPC will hold approximately 49.3% of the shares in Cell C, inclusive of those shares which TPC will be entitled to, pursuant to the Reinvestment Instrument.

In addition, CEC (a wholly owned subsidiary of TPC) will defer an amount of R1.1 billion owed by Cell C and some of its subsidiaries to it on the date of implementation of the Proposed Transaction (the Effective Date), which amount will be repaid in equal monthly installments over 60 months reckoned from the Effective Date. The actual Effective Date shall be once all conditions precedent to the Proposed Transaction have been fulfilled or waived.

Liquidity requirements

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

- purchase Cell C pre-paid airtime for a purchase price of R1.2 billion (inclusive of VAT) on the Effective Date; and
- purchase, by way of four further quarterly payments of R300 million (inclusive of VAT), additional pre-paid airtime, with each such quarterly payment payable at the beginning of each calendar quarter. The first such quarterly payment will be made at the beginning of the 13th month following the recapitalisation of Cell C and subsequent payments will be made at the commencement of each quarter thereafter.

Furthermore, in conjunction with other third parties, TPC shall undertake to purchase certain minimum levels of pre-paid airtime from Cell C in accordance with an agreed monthly schedule or otherwise in accordance with market requirements.

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

TPC will raise c.R1.6 billion of the required funds from financial institutions, through an Airtime Purchase transaction, for the purpose of facilitating the Proposed Transaction, and will have an obligation to repurchase such airtime over a 24-month period in equal monthly instalments. The financial institutions have provided the requisite credit approvals in respect of the airtime purchase transaction, which are subject to the conclusion of all legal documentation and fulfilment of all conditions precedent under such legal documentation.

Cell C Limited continued

Other inter-related transactions

In addition to the conclusion of the Umbrella Restructure Term Sheet, the following transactions will be implemented and agreements in respect thereof have been concluded (conditional upon the Proposed Transaction) being unconditional (save for conditions related to such arrangements being unconditional or implemented) whereby TPC will acquire:

- from certain funders to Cell C their right to reinvest in the Reinvestment Instrument available to them for a purchase consideration of R1 from each such funder. Following such acquisition by TPC of such rights, TPC will invest an aggregate amount of R110 million into Cell C via the Reinvestment Instrument;
- debt notes in Cedar Cellular Investment 1 (RF) Proprietary Limited, a shareholder in Cell C, for a purchase consideration of USD500 000 and R16 million;
- a credit claim of USD6 million against Cell C for an amount of USD4 million, and which claim will then be subject to a compromise as between TPC and Cell C;
- certain trade claims against Cell C, which claims shall be acquired for an aggregate amount of R16 million and USD4.5 million and which claims will then be subject to a compromise as between TPC and Cell C.

Subsequent events

Certain of the Secured Lenders of Cell C, are holders of formerly publicly listed notes issued by Cell C described as USD184 002 000 8.625% First Priority Senior Secured Notes. Shareholders were notified of the convening of a meeting of the holders of the Notes (Noteholders) for Noteholders to approve an extraordinary resolution which, among other things, will give effect to the compromising of the Noteholders' claims (Compromise Offer).

In terms of the Compromise Offer, Cell C shall, inter alia, restructure its debt owing to certain secured lenders totalling c.R7.3 billion, with such amount being fixed as at November 2019, by compromising the secured lenders' claims by an offer of 20c to the Rand.

The Noteholder meeting was held on 5 July 2022 and Noteholders with the requisite majority voted resolutions in favour of, among other things, the compromise offer as set out in Cell C's consent solicitation memorandum.

The binding long-form agreements are expected to be completed in their entirety shortly. It is anticipated that the recapitalisation process, the completion of which has endured for longer than initially anticipated, is expected to close by mid-September 2022.

Classification of Cell C Limited as an associate

The Group will be entitled to appoint four of the 11 Directors to the Cell C Board which will represent 36% of the overall votes of the Board. Based on the Group's shareholding and representation on the Board, management has assessed Cell C Limited to be an associate, as the Group will have the power to participate in (but not control) the financial and operating policy decisions of Cell C Limited.

The arrangement between Cell C and CEC as described in the annual financial statements has not altered the decision-making power of the Group over Cell C. Therefore, the Group continues to account for Cell C as an associate.

Impairment of Cell C

TPC's share of the value-in-use of Cell C as at 31 May 2022 remained at Rnil value. The key assumptions applied in determining the value-in-use calculations are as follows:

	May 2022			May 2021		
	Average EBITDA margin %	**Terminal growth rate %**	**Discount rate %**	Average EBITDA margin %	Terminal growth rate %	Discount rate %
Cell C Limited	**15.6**	**4.0**	**16.3**	19.9	4.0	18.8

A limited scope desktop valuation was performed in order to determine the value-in-use of Cell C based on cash flow projections incorporated in its five-year business plan. Assumptions relating to the business, the industry and economic growth were applied. Cash flows beyond this point were then extrapolated, applying terminal growth rates. The discount rates used are pre-tax and reflect specific risks related to Cell C. The valuation does not take into account the effects of any planned future restructuring or recapitalisation.

The Prepaid Company's equity share of the value as at 31 May 2022 remained at Rnil, however, there was a decline in value compared to the prior year attributable to the following:

a. an increase in interest-bearing borrowings due to unfavourable exchange rate fluctuations and capitalised interest expense;
b. a decrease in cash flow generation over the forecast period; and
c. a decrease in the assessed loss tax shield value due to delayed utilisation thereof.

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

	2022 R'000	2021 R'000
Concentration of credit risk:		
Trade receivables	**2 612 065**	1 677 193
Loss allowance on trade receivables to Cell C	**(26 717)**	(4 220)
Payables due to Cell C:		
Trade payables	**(851 473)**	(456 902)

The Airtime Purchase transaction and the Umbrella Restructure Term Sheet referred to above are non-binding and do not create any unilateral obligation on the Groups behalf. There are no guarantees issued by the Group relating to any obligation of Cell C.

There is indirect exposure to Cell C as a result of the derivative liability. This results from the potential extinguishment of the derivative liability, linked to the solvency and liquidity of Cell C.

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

Summarised financial information

Principal activity: Mobile network
Country of incorporation: South Africa
Financial year-end: 31 December*

	31 May 2022 R'000	31 May 2021 R'000
Statement of financial position		
Non-current assets	**12 833 049**	13 565 997
Current assets	**5 305 662**	6 228 984
	18 138 711	19 794 981
Total equity	**(8 007 848)**	(5 559 338)
Non-current liabilities	**5 280 021**	5 800 315
Current liabilities	**20 866 538**	19 554 004
	18 138 711	19 794 981
Effective percentage held (%)	**45**	45
Net assets	**(8 007 848)**	(5 559 338)
Company net assets	**(15 307 778)**	(12 859 268)
Carrying value of purchase price allocations net of deferred taxation	**7 299 930**	7 299 930
Interest in associate	**(3 603 532)**	(2 501 702)
Goodwill	**1 317 776**	1 317 776
Accumulated impairment	**(2 521 152)**	(2 521 152)
Accumulated losses not guaranteed	**4 806 908**	3 705 078
Balance at the end of the year	**—**	—

* Where the financial year differs from the Group's year-end of 31 May, special purpose accounts are prepared to coincide with the Group's reporting period. These special purpose accounts are adjusted for the Group's equity-accounted adjustments.

Cell C Limited continued

Statement of comprehensive income for the year ended*

	1 June 2021 to 31 May 2022 R'000	1 June 2020 to 31 May 2021 R'000
Revenue	**13 302 733**	13 954 861
Net (loss)/profit before taxation	**(2 448 510)**	2 363 748
Taxation	**—**	89 619
Net (loss)/profit after taxation	**(2 448 510)**	2 453 367
Other comprehensive income	**—**	—
Losses not guaranteed/(profits not recognised)**	**2 448 510**	(2 453 367)
Total comprehensive income	**—**	—
Effective percentage held	**45**	45
Share of total comprehensive income	**—**	—

* Where the financial year differs from the Group's year-end of 31 May, special purpose accounts are prepared to coincide with the Group's reporting period. These special purpose accounts are adjusted for the Group's equity-accounted adjustments.
** The Group will resume recognising its share of the profits only after its share of the profits equals the share of accumulated losses not recognised.

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, TPC would be required to purchase such inventory from the consortium on a piecemeal basis over a specified period that was 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 TPC on a monthly basis. This would have resulted in the Cell C facility reducing to Rnil by 31 March 2021. However, as at 31 May 2021, the above funding had declined to R182 million, as a result of TPC purchasing from the security airtime. This outstanding balance was paid by way of the TPC purchasing approximately R35 million per month from the security airtime, commencing June 2021. The facility has been settled at year-end.

Related parties

Significant related-party transactions and balances

	Sales to related parties		Purchases from related parties	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Cell C Limited and its related entities*	**3 975 162**	1 729 573	**6 624 066**	4 275 098
Prepaid24 Proprietary Limited*[1]	**—**	8 832	**—**	—
I Talk Financial Services Proprietary Limited*	**5 924**	3 645	**2 452**	651
T3 Telecoms SA Proprietary Limited*	**3 619 533**	3 394 108	**20 561**	14 154
I Talk Holdings Proprietary Limited*	**28 192**	23 756	**42 542**	12 935
	Income received from related parties		**Expenses paid to related parties**	
Dividends received from related parties				
I Talk Holdings Proprietary Limited*	**—**	14 000	**—**	—
Utilities World Proprietary Limited*	**5 885**	—	**—**	—
Finance revenue from related parties				
Cell C Limited and its related entities*	**96 788**	95 951	**—**	—
	Loans to related parties		**Loans from related parties**	
2DFine Holdings Mauritius*^	**—**	196 513	**—**	—
Oxigen Services India Private Limited*^	**—**	45 908	**—**	—
Brett Levy	**48 286**	41 857	**—**	—
Mark Levy	**48 286**	41 857	**—**	—
I Talk Financial Services Proprietary Limited*	**8 000**	8 000	**—**	—
I Talk Holdings Proprietary Limited*	**18 900**	2 000	**—**	270
T3 Telecoms SA Proprietary Limited*	**14 682**	15 016	**—**	—
Total loss allowance on loans to related parties	**(1 173)**	(247 992)	**—**	—
	Lease asset due from related parties		**Lease liability due to related parties**	
Ellerine Bros. Proprietary Limited	**—**	—	**10 059**	18 419
Moneyline 311 Proprietary Limited	**—**	—	**10 059**	18 419
Uvongo Falls No 26 Proprietary Limited	**—**	—	**10 257**	18 859
	Amounts due from related parties included in trade receivables		**Amounts due to related parties included in trade payables**	
Cell C Limited and its related entities*	**2 612 065**	1 677 193	**851 473**	456 902
Oxigen Services India Private Limited*	**5 876**	5 876[2]	**—**	—
I Talk Holdings Proprietary Limited*	**10 031**	4 775	**3 123**	3 706
T3 Telecoms SA Proprietary Limited*	**9 687**	3 879	**—**	—
Total loss allowance on trade receivables to related parties	**(32 650)**	(10 931)	**—**	—
	Amounts due from related parties included in other receivables		**Amounts due to related parties included in other payables**	
Utilities World Proprietary Limited*	**5 885**	—	**—**	—

* These entities are associates/joint ventures.
^ These loans have been written off in the current year. In the prior year, they were fully provided for and included as part of the total loss allowance.
1 Prepaid24 Proprietary Limited was disposed of in the prior year. Transactions are disclosed up until the date of sale.
2 In the prior year, the loan to Oxigen Services India Private Limited was incorrectly disclosed on a net basis. This has been corrected to show the gross amount and expected credit loss separately.

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

Subsequent events

Banking facilities

In August 2022, The Prepaid Company renegotiated a further extension of its Investec facility to 30 September 2023. The Investec facility available to The Prepaid Company at year-end is required to reduce by R120 million to R1.005 billion as at 30 September 2022. At 31 May 2022 the Investec facility is disclosed as current borrowings, as the extension to 30 September 2023, was only granted in August 2022.

Update on Cell C

Refer to Cell C note for details in this regard.

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 2O22.

Administration

Directors
LM Nestadt (Chairman)*, BM Levy, MS Levy, KM Ellerine**, GD Harlow*, NP Mnxasana*, JS Mthimunye*, DA Suntup, SJ Vilakazi*, PL Zim*

(* Independent Non-Executive) (** Non-Executive)

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)

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Instagram:	bluelabeltelecoms
YouTube:	Blue Label Telecoms

JSE share code
BLU

ISIN
ZAE000109088
(Blue Label or BLT or the Company or the Group)

Bastion

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